Annual statement regarding governance of the DC Section of the Allen & Overy Pension Scheme

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the Trustee to prepare an annual statement regarding governance and include this in the Trustee report and accounts. The governance requirements apply to all defined contribution (“DC”) pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustee covers the period from 1 January 2023 to 31 December 2023 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. The default arrangement(s)
2. Net investment returns
3. Member borne charges and transaction costs:
    i. Default arrangement
    ii. Self-select funds
    iii. Additional Voluntary Contributions
    iv. Illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Processing of core financial transactions
6. Trustee knowledge and understanding

The Scheme’s DC funds are made up of the funds held in the DC Section (which include the Additional Voluntary Contributions (“AVCs”) members of the DB Section paid to unit-linked funds), and the AVC policies held with Prudential and Aviva.

1. The default arrangement

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.

The DC Section is used as a Qualifying Scheme for auto-enrolment purposes and has both a primary and secondary default arrangement.

- **Primary default arrangement:** The Multi-Asset Lifecycle Strategy is for members who do not choose an investment option for their contributions. Members can also choose to invest in this strategy on a self-select basis.
- **Secondary default arrangement:** The temporary suspension of trading in the Standard Life Pooled Property Pension Fund, due to the impact of the Covid-19 pandemic, prevented members’ contributions from being paid into the Fund. These contributions were temporarily diverted to the Standard Life Deposit and Treasury Pension Fund. As a result, the Deposit and Treasury Pension Fund was designated a secondary default arrangement in March 2020.

More details regarding the primary and secondary default arrangements can be found in the sections that follow.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the DC Section's default arrangements (the Multi-Asset Lifecycle Strategy and the Deposit and Treasury Pension Fund)..

Details of the objectives and the Trustee's policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The SIP covering the DC Section of the Scheme, which has been prepared in accordance with regulation 2A of the Investment Regulations 2005,
dated 12 May 2022, is attached to this statement and can also be viewed here:
https://www.myallenoverypension.com/Library/AOLibMemComm.asp

The aims of the SIP are also set out here for ease of reference:

- The Trustee is required to designate a default arrangement into which members who are automatically enrolled are invested. The Trustee has designated the Multi-Asset Lifecycle strategy as the primary default arrangement for the Scheme.
- In designing the default strategies for DC Section members, the Trustee has explicitly considered the risk and expected return characteristics of the funds used at different stages of the strategy following an analysis of the membership.
- The aim of the Multi-Asset Lifecycle strategy is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to equity funds and then to gradually diversify their investments in the years approaching retirement to reduce volatility and provide access to a broad base of assets from which members can choose the type of benefits they wish to take.
- Assets in the Multi-Asset Lifecycle strategy are invested in a manner which aims to ensure the security, liquidity and profitability of a member's portfolio as a whole and are invested in regulated products and mainly on regulated markets (any that are not will be kept to prudent levels).

Primary Default Arrangement – The Multi-Asset Lifecyle Strategy

The Multi-Asset Lifecyle Strategy is suitable for members who do not choose to take an active role in managing their investment options. However, members that do take an active role with managing their investment options can select this strategy, should it align with their investment and retirement objectives.

The Multi-Asset Lifecycle Strategy invests in several underlying funds and automatically changes the funds members are invested in as they approach retirement. This approach aims to maximise the growth potential of investments in the early years and reduce investment risk (by investing across a broader range of asset classes) the closer members get to retirement.

The Multi-Asset Lifecyle strategy comprises three phases:

- **Accumulation phase**: this phase is the period leading up to 15 years before retirement. It aims to provide members with the potential for long-term capital growth by investing in higher risk assets, such as equities. It is assumed that in this phase, members have a greater capacity for risk as they have more time to recover from changes in the value of their retirement savings that may be caused by short-term market volatility.
- **Transition phase**: In this phase, the aim is to reduce investment risk in the lead-up to retirement. Between 15 and 10 years prior to retirement, allocations to lower risk assets, such as multi-asset funds, are gradually introduced and this is achieved by reducing the allocation to equities. Between 10 and 5 years prior to retirement, allocations to government and corporate bonds are introduced. This is achieved by reducing the allocations to equities and multi-asset funds.
- **Pre-retirement phase**: Starting at 5 years to retirement, this phase aims to further reduce risk and to ensure the strategy is invested in a mix of assets at retirement broadly appropriate for

members to use an income drawdown approach in retirement (noting that drawdown is not offered through the Scheme so this would involve a member transferring their funds to an external arrangement at retirement).

Secondary default arrangement – Standard Life Deposit and Treasury Pension Fund

The Standard Life Deposit and Treasury Pension Fund became a secondary default arrangement in March 2020. This was as a result of trading in the Standard Life Pooled Property Pension Fund being temporarily suspended due to the fund manager being unable to obtain accurate valuations of the Fund's holdings during the Covid-19 pandemic. Unless members gave alternative instructions, contributions that would have otherwise been invested in the Standard Life Pooled Property Pension Fund were re-directed to the Standard Life Deposit and Treasury Pension Fund ..

The main aim of the Standard Life Deposit & Treasury Pension Fund is to maintain capital and provide returns (before charges) in line with short term money market rates by investing in deposits and short-term money market instruments.

The Trustee believed that the Standard Life Deposit and Treasury Pension Fund was an appropriate investment option in which to temporarily hold contributions intended for the Standard Life Pooled Property Pension Fund as it has historically experienced low levels of volatility and was deemed to be a suitable option to protect the value of members' contributions on a short-term basis.

The Standard Life Pooled Property Fund's suspension was lifted in September 2020. The affected members were notified of this and informed that they could choose to redirect their future contributions and any retirement savings accrued during the period of suspension back to the Standard Life Pooled Property Fund.

Investment strategy review

The Trustee is required by regulations to carry out an Investment Strategy Review, which includes formally reviewing the suitability of the primary and secondary default arrangements, at least every three years or following any significant changes in the demographic profile of the Scheme's DC Section members.

The default arrangement was not formally reviewed during the period covered by this statement.

The last review was completed on the 28 November 2022. The review considered suitability of the default arrangement and other fund options with reference to the membership demographics and how members access their benefits, as well as industry data and wider trends. This assessment was made by considering:

- Analysis of the membership profile of the DC Section, which also considered the suitability of the primary and secondary default arrangements;
- Retirement adequacy analysis, which highlighted the proportion of members that would likely retire with a sufficient pension pot to achieve their desired standard of living throughout retirement as well as how alterations to member contributions and retirement ages would impact the statistics;
- A critical review of the current investment strategy used by the DC Section, with the Trustee's investment consultants providing recommendations that could improve potential returns for members over the long-term based on in-house modelling and assumptions. The Trustee's investment consultants also highlighted a number of limitations associated with the current DC pension provider.

Following the review, the Trustee acknowledged the information and recommendations put forward by its investment consultants. However, any decisions on changes to the investment strategy were deferred by the Trustee, pending the outcome of ongoing discussions with its advisers and the Firm about potential changes to the DC pension structure and provider.

The Trustee has agreed to undertake a formal review of the investment strategy following the conclusion of the DC Provision Project.

Performance Monitoring

The Trustee, with support from its investment consultant, also carries out regular investment monitoring. The performance of all funds is incorporated into quarterly monitoring reports that are produced by the Trustee's investment consultants. These reports are then reviewed by the Trustee at each quarterly meeting.

This performance monitoring includes an assessment of fund performance against stated benchmarks and targets over various periods, as well as a red-amber-green rating system to help identify any concerns.

Over the course of the Scheme year, there were no changes made to the funds as a result of this monitoring.

Specified performance based-fees

Where a fee is calculated by reference to the returns from investments held by the Scheme and is not calculated by reference to the value of the member's rights under the Scheme, the Trustee must state the amount of any such performance-based fees in relation to each default arrangement.

During the Scheme Year this fee has been calculated to be 0%, expressed as a percentage of the average value of the default arrangement assets over the same period. This is because the platform provider does not charge performance-based fees and only charges the Total Expense Ratio ("TER") which is discussed further in section 3.

Default arrangement asset allocation

The Trustee is required to disclose the full asset allocations of investments for the Multi-Asset Lifecycle Strategy and the SL Deposit & Treasury Fund. The table below shows the percentage of assets allocated in each default arrangement to specified asset classes over the year to 31 December 2023.

The specified asset classes are:

Average asset allocation over year to 31 December 2023 (%)				
Multi-Asset Lifecycle Strategy				
Asset class	25 years old	45 years old	55 years old	NRA (65 years old)
Cash	**0.0**	**0.0**	**8.6**	4.6
Bonds	**0.0**	**0.0**	**13.0**	58.0
Listed equities	**100.0**	**100.0**	**71.2**	34.9
Private equity	**0.0**	**0.0**	**0.4**	0.1
Infrastructure	**0.0**	**0.0**	**0.0**	0.0
Property	**0.0**	**0.0**	**0.9**	0.3
Private debt	**0.0**	**0.0**	**0.0**	0.0
Other	**0.0**	**0.0**	**5.9**	2.1
SL Deposit & Treasury Fund				
Asset class	25 years old	45 years old	55 years old	NRA (65 years old)
Cash	**100.0**	**100.0**	**100.0**	100.0
Bonds	**0.0**	**0.0**	**0.0**	65
Listed equities	0.0	0.0	0.0	65
Private equity	**0.0**	**0.0**	**0.0**	65
Infrastructure	**0.0**	**0.0**	**0.0**	65

Property	0.0	0.0	0.0	65
Private debt	0.0	0.0	0.0	65
Other	**0.0**	**0.0**	**0.0**	65

2. Net investment returns

The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which scheme members were invested in during the scheme year. Net investment return refers to the investment returns on funds minus all member-borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance. The guidance states that net investment returns should be shown for a member aged 25, 45 and 55 at the start of the investment reporting period for arrangements where the net returns vary with age.

The net investment returns for the Lifecycle Strategies and the self-select funds across a 1-year and 5-year reporting period as at 31 December 2023, are shown in the tables below.

It is important to note that past performance is not a guide to future performance.

(i) *Multi-Asset Lifecycle Strategy (the primary default arrangement)*

The Trustee, with the support of its investment consultants, implemented a number of changes to the underlying component funds that make up the Multi-Asset Lifecycle Strategy in November 2021. As such, performance shown over the five-year period incorporates these changes to the stated performance.

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Age of member at start of investment reporting period	**1 year**	**5 years**
25	16.9	8.5
45	16.9	8.5
55	9.7	4.7

Source: Standard Life and underlying managers.

Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year. The retirement age assumed is 65, which is line with the retirement age selected by the majority of members.

All members experienced a positive net return over the 1-year and 5-year reporting periods, as financial markets have seen some recovery in 2023 following a difficult year in 2022. Members closer to retirement experienced lower returns than those further from retirement across both reporting periods. This is to be expected, given that a proportion of members' assets transition to "lower risk" assets, primarily fixed income, as retirement approaches. The mix of assets includes multi-asset funds as well as corporate and government bond funds, which are expected to generate lower returns than equities over the long-term given their lower risk profile.

Standard Life Deposit and Treasury Pension Fund (the secondary default arrangement)

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Fund Name	**1 year**	**5 years**
Standard Life Deposit and Treasury Pension Fund	4.6	1.3

Source: Standard Life and underlying managers.
Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year.

The Standard Life Deposit and Treasury Pension Fund generated a positive net investment return across both the one year and five year reporting periods.

The rise in interest rates across most developed nations has been beneficial for the Standard Life Deposit and Treasury Pension Fund over the 1-year period. The lower net investment return achieved over the 5-year reporting period reflects the low returns associated with investing in money-market instruments across a period when interest rates for many developed nations were much lower.

Annuity Lifecycle strategy

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Age of member at start of investment reporting period	**1 year**	**5 years**
25	16.9	8.5
45	16.9	8.5
55	9.7	4.7

Source: Standard Life and underlying managers.
Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year. The retirement age shown in this table is 65, which is line with the retirement age selected by the majority of members.

Cash Lifecycle Strategy

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Age of member at start of investment reporting period	**1 year**	**5 years**
25	16.9	8.5
45	16.9	8.5
55	9.7	4.7

Source: Standard Life and underlying managers.
Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year. The retirement age shown in this table is 65, which is line with the retirement age selected by the majority of members.

As members are invested in the same underlying funds until 5 years from their nominated retirement date, the returns for the Annuity Lifecycle Strategy and the Cash Lifecycle Strategy are the same as the Multi-Asset Lifecycle Strategy across the 3 age ranges. Therefore, please refer to the Multi-Asset Lifecycle Fund commentary above.

(ii) Self-select investment funds

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Fund name	**1 year**	**5 years**
SL Veritas Global Focus Pension Fund	15.4	10.2
SL Vanguard Emerging Markets Stock Index Pension Fund	2.8	3.3
SL Vanguard UK Investment Grade Bond Index Pension Fund	8.9	0.3
SL Vanguard FTSE UK All Share Index Pension Fund	8.2	6.6
SL Liontrust UK Equity Pension Fund	11.1	4.6
Standard Life Index Linked Bond Pension Fund	-0.2	-5.3
Standard Life Deposit and Treasury Pension Fund	4.6	1.3
Standard Life Overseas Tracker Pension Fund	17.4	13.5
Standard Life Global Equity 50:50 Tracker Pension Fund	12.6	10.1
Standard Life Corporate Bond Pension Fund	9.1	0.5
Standard Life Pooled Property Pension Fund	3.5	0.8
Standard Life UK Fixed Interest 60:40 Pension Fund	4.4	-2.2

SL Ninety One Global Multi-Asset Sustainable Growth (CR) Pension Fund	1.0	2.4
SL Schroder Life Intermediated Diversified Growth (CR2) Pension Fund	4.4	Not available[1]
SL abrdn Global Real Estate Institutional Pension Fund	0.2	3.6

Source: Standard Life. Returns quoted net of total expense ratios and transaction costs. Performance figures are annualised for periods in excess of one year.
[1] The investment manager has been unable to provide the 5 year annualised returns as the fund was introduced less than 5 years ago.

(iii) Additional Voluntary Contributions

The unit-linked funds held by DB members who paid AVCs are now invested in the DC Section and are therefore covered in the sections above. Members also have AVCs in the legacy AVC policies, and these are invested in Aviva and Prudential With Profits Funds.

The table below shows the return achieved by the assets of each of the With Profits Funds. This is not the same as the increase in members' policy values over these periods, which are determined by the annual bonus declared by the provider.

We would expect a terminal bonus to be applied when members take benefits from the With Profits Fund to increase returns to levels close to those achieved on the underlying assets over the period held (after all costs of running the fund are taken into account). However, these amounts are unknown and are not guaranteed. Furthermore, a market value reduction which can reduce the return delivered to investors may be applied on exit at any time other than maturity date, or in the event of death before retirement.

Performance to 31 December 2023	**Annualised net returns (% p.a.)**	
Fund name	**1 year**	**5 years**
Prudential With Profits Cash Accumulation Fund	4.3	5.1
Aviva Conventional With Profits Fund	4.9	6.6

Source: Prudential and Aviva.

3. Member Borne Charges and Transaction costs

The Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- ***Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;***
- ***Transaction costs: these are not explicit and are incurred when the Scheme's fund manager buys and sells assets within investment funds but they do not include any costs incurred when members invest in or sell out of funds.***

The Trustee is also required to confirm that the total costs and charges paid by any member in the default arrangement(s) have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the overall costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the reporting period in respect of each investment fund available to members. These comprise the Total Expense Ratio ("TER") and transaction costs.

Where transaction costs have been calculated as a negative cost, these have been set to zero by the Trustee to avoid potentially understating the total level of costs and charges.

DC Section

Over the reporting period, the Multi-Asset Lifecycle Strategy (the primary default arrangement) levied a TER ranging from 0.10% p.a. to 0.42% p.a. of assets under management, depending on term to retirement. This is well below the charge cap of 0.75% p.a.

The TER for the Standard Life Deposit and Treasury Pension Fund (the secondary default arrangement) was 0.16% over the Scheme year, which is also below the 0.75% p.a. charge cap.

In addition to the primary and secondary default arrangements, the Scheme offers a range of 13 self-select funds and 2 other Lifecycle strategies that members can choose to invest in.

The TERs that were levied on these funds and strategies as at 31 December 2023 are set out in the table below. The TERs applicable to different funds are readily available to members and can be found via the Scheme's website. The TER is deducted as a percentage of members' funds by adjusting the unit price.

The tables below also indicate the transaction costs incurred for each of the Lifecycle strategies and self-select funds available to members over the Scheme year to 31 December 2023. The transaction costs shown below are calculated using the standardised method set by the Financial Conduct Authority.

The transaction costs shown were incurred largely as a result of buying and selling investments in a fund. These comprise two categories of transaction costs, which are explained in more detail here:

- As defined by the Financial Conduct Authority, there are costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities.
- There are also costs that are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time of the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another.

Fund costs over the 12 months to 31 December 2023

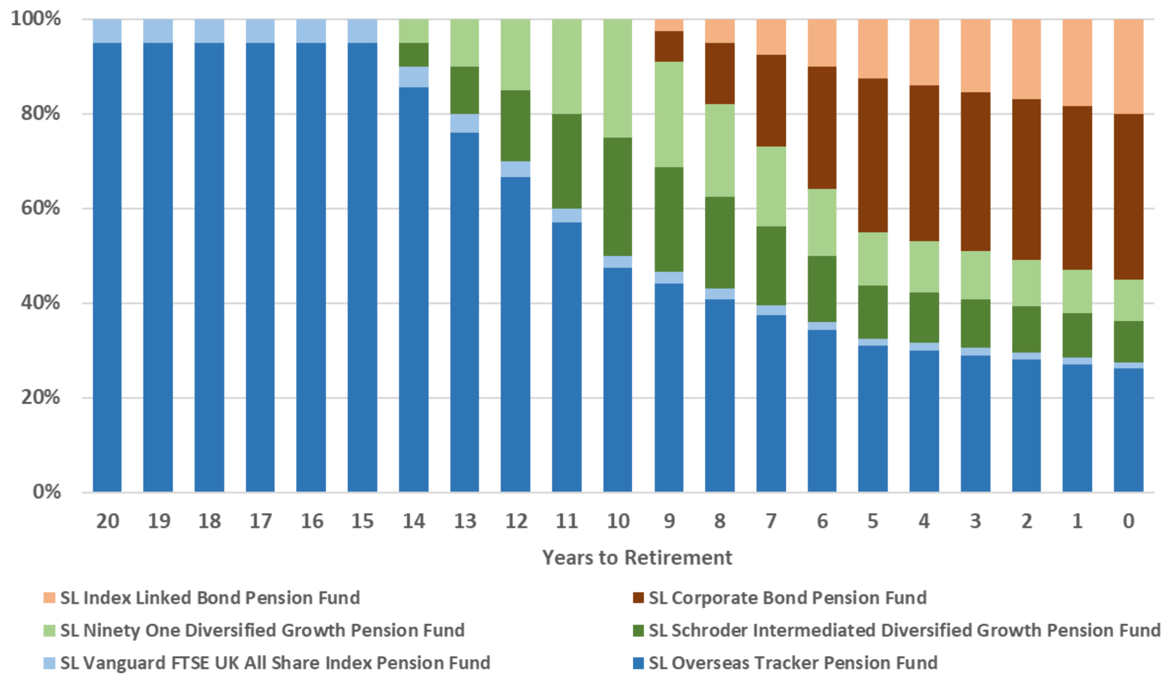
Lifecycle strategies	**Total Expense Ratio (TER) (%)**	**Transaction Costs (%)**	**Total costs (%)**
Multi-Asset Lifecycle Strategy *(primary default arrangement)*	0.10 – 0.42	0.04 – 0.21	0.14 – 0.63
Cash	0.10 – 0.42	0.04 – 0.21	0.14 – 0.63
Annuity	0.10 – 0.42	0.04 – 0.21	0.14 – 0.63
Funds used in the Lifecyle strategies and also available within the Self-Select range			
Standard Life Overseas Tracker Pension Fund	0.10	0.03	0.13
Standard Life Vanguard FTSE UK All Share Index Pension Fund	0.10	0.08	0.18

Standard Life Schroder Intermediated Diversified Growth Pension Fund	0.68	0.41	1.09
Standard Life Ninety One Global Multi-Asset Sustainable Growth Pension Fund1	0.80	0.34	1.14
Standard Life Corporate Bond Fund	0.31	0.07	0.38
Standard Life Index Linked Bond Pension Fund	0.31	0.03	0.34
Standard Life Deposit and Treasury Pension Fund	0.16	0.08	0.24
Self-Select Funds			
Standard Life Global Equity 50:50 Tracker Pension Fund	0.11	0.05	0.16
Standard Life Veritas Global Focus Pension Fund	0.94	0.09	1.03
Standard Life Liontrust (formerly Majedie) UK Equity Fund[5]	0.80	0.46	1.26
Standard Life Vanguard Emerging Markets Stock Index Pension Fund	0.25	0.12	0.37
Standard Life Vanguard UK Investment Grade Bond Index Pension Fund	0.10	0.14	0.24
Standard Life UK Fixed Interest 60:40 Pension Fund	0.31	0.00	0.31
Standard Life ASI Global Real Estate Institutional Pension Fund[2]	0.88	0.40	1.28
Standard Life Pooled Property Pension Fund[2]	0.53	0.24	0.77

Multi-Asset Lifecycle Strategy (Primary Default arrangement)

During the Scheme year, the costs and charges applicable to each member that was invested in the Multi-Asset Lifecycle Strategy were dependant on the number of years the member had remaining until their selected retirement age, as the allocation to each underlying component fund automatically adjusts as a member approaches retirement.

The chart below displays the allocation of underlying component funds that make up the Multi-Asset Lifecycle Strategy.



The tables below provide a breakdown of the TERs and transaction costs applicable to a member each year up to retirement. Please note that that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.

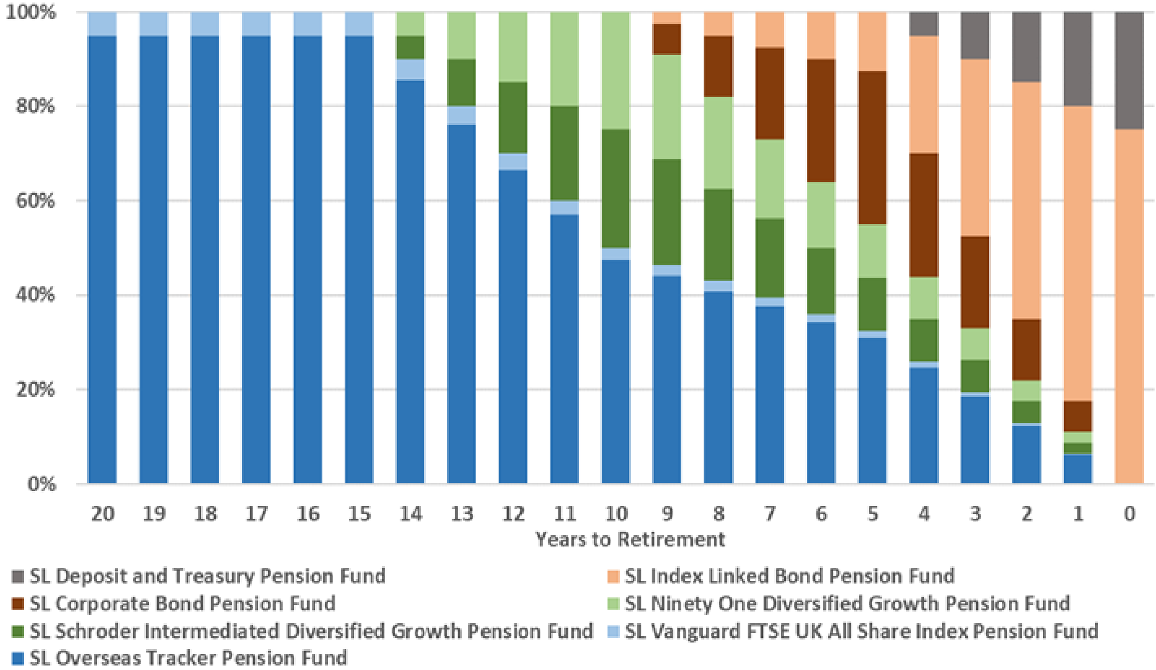
Years to retirement	**15+**	**14**	**13**	**12**	**11**	**10**	**9**	**8**
TER % p.a.	0.10	0.16	0.23	0.29	0.36	0.42	0.40	0.39
Transaction Costs %	0.04	0.07	0.10	0.14	0.17	0.21	0.19	0.17
Total Cost %*	0.14	0.23	0.33	0.43	0.53	0.63	0.59	0.56

Years to retirement	**7**	**6**	**5**	**4**	**3**	**2**	**1**	0
TER % p.a.	0.37	0.35	0.34	0.34	0.33	0.33	0.33	0.33
Transaction Costs %	0.16	0.14	0.12	0.12	0.12	0.11	0.11	0.11
Total Cost %*	0.53	0.49	0.46	0.46	0.45	0.45	0.44	0.43

Annuity Lifecycle strategy

During the Scheme year, the costs and charges applicable to each member that was invested in the Annuity Lifecycle Strategy were dependant on the number of years the member had remaining until their selected retirement age, as the allocation to each underlying component fund automatically adjusts as a member approaches retirement.

The chart below displays the allocation of underlying component funds that make up the Annuity Lifecycle Strategy.



The tables provide a breakdown of the TERs and transaction costs applicable to a member each year up to retirement. Please note that that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.

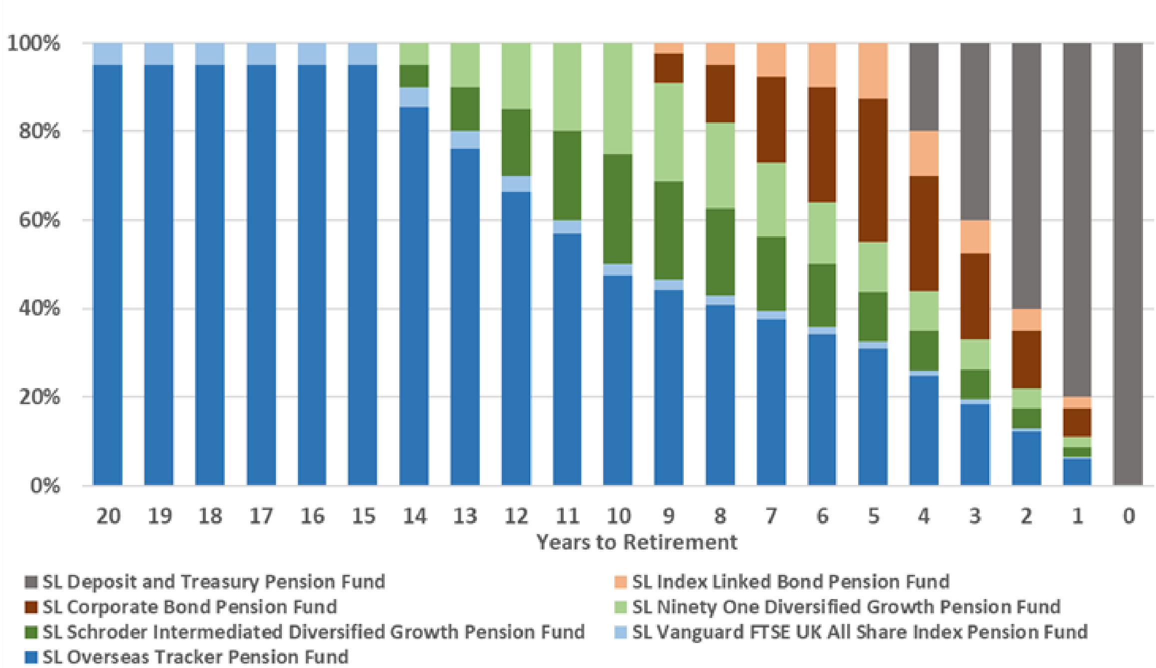
Years to retirement	**15+**	**14**	**13**	**12**	**11**	**10**	**9**	**8**
TER % p.a.	0.10	0.16	0.23	0.29	0.36	0.42	0.40	0.39
Transaction Costs %	0.04	0.07	0.10	0.14	0.17	0.21	0.19	0.17
Total Cost %	0.14	0.23	0.33	0.43	0.53	0.63	0.59	0.56

Years to retirement	**7**	**6**	**5**	**4**	**3**	**2**	**1**	0
TER % p.a.	0.37	0.35	0.34	0.33	0.31	0.30	0.29	0.27
Transaction Costs %	0.16	0.14	0.12	0.11	0.09	0.07	0.06	0.04
Total Cost %	0.53	0.49	0.46	0.43	0.40	0.37	0.34	0.31

Cash Lifecycle strategy

During the Scheme year, the costs and charges applicable to each member that was invested in the Annuity Lifecycle Strategy were dependant on the number of years the member had remaining until their selected retirement age, as the allocation to each underlying component fund automatically adjusts as a member approaches retirement.

The chart below displays the allocation of underlying component funds that make up the Cash Lifecycle Strategy.



The tables provide a breakdown of the TERs and transaction costs applicable to a member each year up to retirement. Please note that that due to rounding it is possible that the total cost value displayed below may not be equal to the sum of the TER and transaction cost.

Years to retirement	15+	14	13	12	11	10	9	8
TER % p.a.	0.10	0.16	0.23	0.29	0.36	0.42	0.40	0.39
Transaction Costs %	0.04	0.07	0.10	0.14	0.17	0.21	0.19	0.17
Total Cost %*	0.14	0.23	0.33	0.43	0.53	0.63	0.59	0.56

Years to retirement	7	6	5	4	3	2	1	0
TER % p.a.	0.37	0.35	0.34	0.30	0.27	0.23	0.20	0.16
Transaction Costs %	0.16	0.14	0.12	0.11	0.10	0.09	0.09	0.08
Total Cost %*	0.53	0.49	0.46	0.42	0.37	0.33	0.28	0.24

*Totals may not sum due to rounding

Legacy AVC Arrangements

As discussed in section 2, members' AVCs that are invested in the DC Section are reported on above.

The Trustee has requested charges and transaction cost information from the legacy AVC providers, Prudential and Aviva. Where available, this information is set out in the table below.

There are no explicit charges on either With Profits Fund, charges are inherent within the annual bonus declarations, which is a standard market practice for such funds.

Prudential estimates the annual management charge for the With Profits Cash Accumulation Fund is 0.8% p.a. assuming investment returns are 5% p.a. plus additional expenses of 0.31% per annum. Prudential does calculate the transaction costs for the With Profits Cash Accumulation Fund, but the latest available costs are for the 12-month period to 30 June 2023, and these are reported in the table below.

Fund Name	TER (%)	Transaction Costs (%)	Total Cost (%)
Prudential With Profits Cash Accumulation Fund	1.11(implicit)	0.17	1.28
Aviva Conventional With Profits Fund	0.54	0.04	0.58

Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced requirements relating to the disclosure and publication of the level of costs by the trustee and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided three illustrations of their cumulative effect on the value of typical DC Section members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out in the appendix.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the DC Section, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

Each illustration is shown for a different type of member (the youngest active member, a typical active member, and a typical deferred member) invested in the Multi-Asset Lifecycle strategy (the primary default arrangement), the SL Deposit and Treasury Fund (the secondary default).

Illustrations for each default arrangement are shown as a chart and a table as follows:

- Each chart shows a projection of the member's retirement savings at retirement age, with and without costs and charges applied.

- In accordance with the guidance, we also show projected retirement savings if the typical members were invested in the fund which attracts the lowest charges – Standard Life Overseas Tracker Pension Fund and the fund which attracts the highest charges - Standard Life ASI Global Real Estate Institutional Pension Fund.

All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

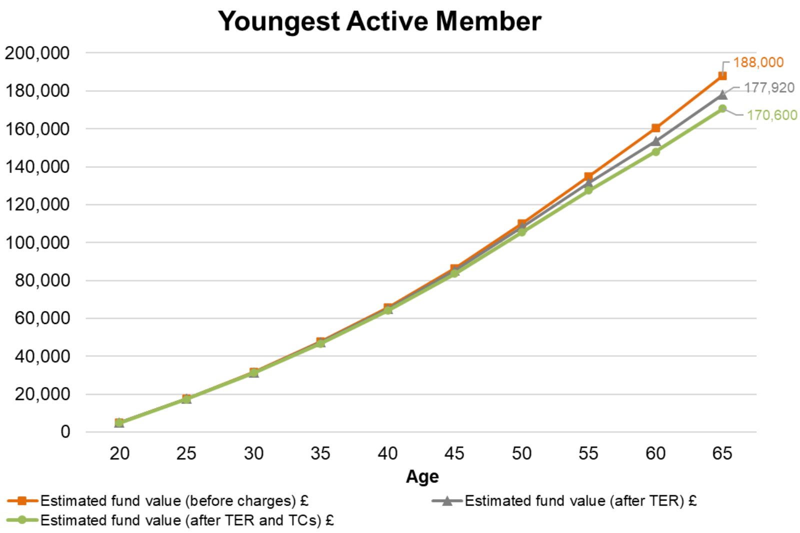
Please note that not all investment options available are shown in the illustrations. Members are also offered a range of self-select funds which, as the tables above show, which have different TERs and transaction costs, as well as different expected growth rates.

Youngest Active Member

For the youngest active member invested in the Multi-Asset Lifecycle (the primary default arrangement) the estimated impact of charges on accumulated fund values is shown in the chart below.

The table below the chart shows the estimated impact of charges on accumulated fund values for the Multi-Asset Lifecycle (the primary default arrangement), the SL Deposit and Treasury Fund (the secondary default) and the funds with the highest and lowest charges.

The amounts shown relate to a member aged 18, current fund value of £400, salary of £25,000 ongoing contributions of 9% of salary and a Normal Retirement Age of 65.



Age	Multi-Asset Lifecycle Strategy (Primary Default Arrangement)			Standard Life ASI Global Real Estate Institutional Pension Fund (highest charges)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
18	400	400	0	400	400	0
20	4,980	4,970	10	4,870	4,810	60
25	17,480	17,330	150	16,240	15,550	690
30	31,650	31,180	470	27,890	25,910	1,980
35	47,710	46,700	1,010	39,820	35,900	3,920
40	65,910	64,080	1,830	52,050	45,530	6,520
45	86,550	83,560	2,990	64,580	54,830	9,750
50	109,930	105,370	4,560	77,420	63,790	13,630
55	135,050	127,500	7,550	90,570	72,430	18,140
60	160,360	147,980	12,380	104,050	80,770	23,280
65	188,000	170,600	17,400	117,860	88,800	29,060

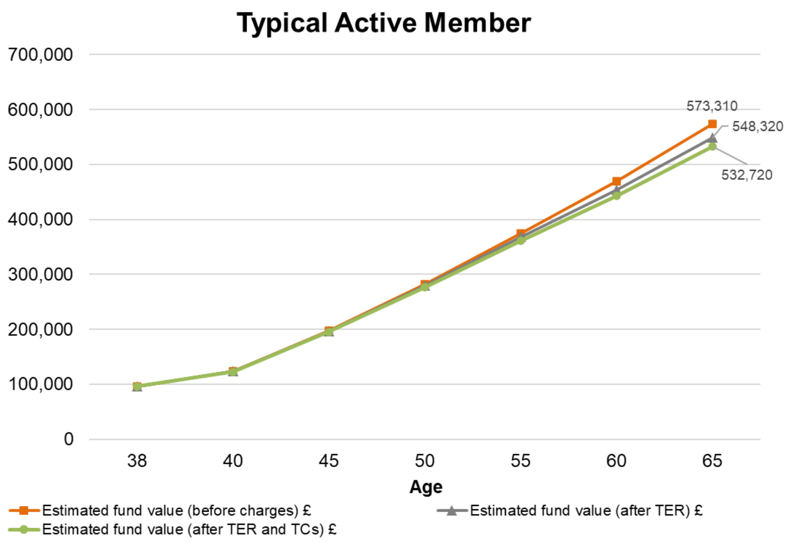
Age	Standard Life Overseas Tracker Pension Fund (lowest charges)			Standard Life Deposit and Treasury Fund (Secondary Default Arrangement)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
18	400	400	0	400	400	0
20	4,970	4,960	10	4,770	4,760	10
25	17,420	17,270	150	15,140	15,020	120
30	31,460	30,990	470	24,780	24,450	330
35	47,300	46,290	1,010	33,730	33,120	610
40	65,160	63,350	1,810	42,040	41,070	970
45	85,310	82,380	2,930	49,770	48,380	1,390
50	108,050	103,580	4,470	56,940	55,100	1,840
55	133,690	127,230	6,460	63,610	61,270	2,340
60	162,620	153,590	9,030	69,800	66,930	2,870
65	195,250	182,980	12,270	75,550	72,140	3,410

Typical Active Member

For a typical active member invested in the Multi-Asset Lifecycle strategy (the primary default arrangement) the estimated impact of charges on accumulated fund values is shown in the chart below.

The table below the chart shows the estimated impact of charges on accumulated fund values for the Multi-Asset Lifecycle (the primary default arrangement), the SL Deposit and Treasury Fund (the secondary default) and the funds with the highest and lowest charges.

The amounts shown relate to a member aged 38, current fund value of £96,000, salary of £92,000, ongoing contributions of 12% of salary and a Normal Retirement Age of 65, which reflects a typical active member based on the Scheme's current membership. Note that the contribution level of 12% is a key driver of the higher total fund value at retirement, compared to projections for the youngest active member which assumes contributions of 9% of salary.



Age	Multi-Asset Lifecycle Strategy (Primary Default Arrangement)			Standard Life ASI Global Real Estate Institutional Pension Fund (highest charges)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
38	96,000	96,000	0	96,000	96,000	0
40	123,300	122,770	530	118,850	116,270	2,580
45	197,830	195,270	2,560	176,970	165,680	11,290
50	282,310	276,500	5,810	236,520	213,330	23,190
55	374,290	361,080	13,210	297,540	259,280	38,260
60	469,330	442,930	26,400	360,060	303,600	56,460
65	573,310	532,720	40,590	424,120	346,340	77,780

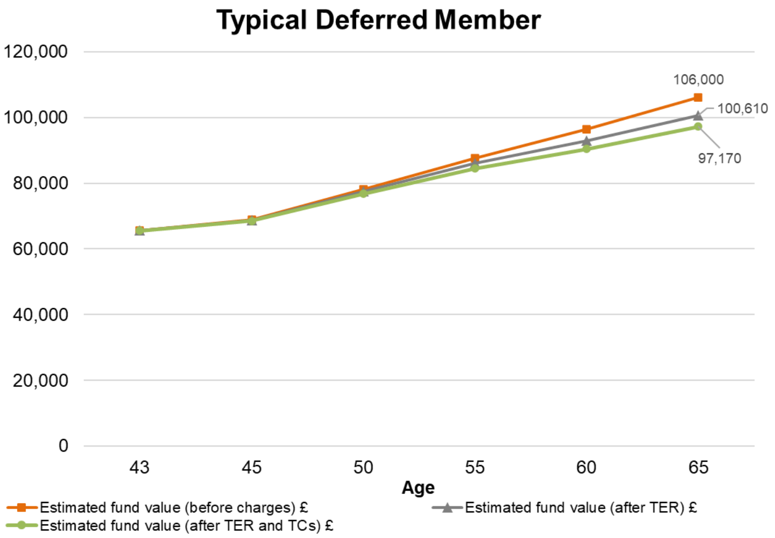
Age	Standard Life Overseas Tracker Pension Fund (lowest charges)			Standard Life Deposit and Treasury Fund (Secondary Default Arrangement)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
38	96,000	96,000	0	96,000	96,000	0
40	123,080	122,560	520	114,700	114,240	460
45	196,780	194,250	2,530	159,110	157,210	1,900
50	279,920	274,170	5,750	200,370	196,690	3,680
55	373,710	363,280	10,430	238,690	232,950	5,740
60	479,500	462,640	16,860	274,290	266,260	8,030
65	598,850	573,410	25,440	307,360	296,860	10,500

Typical Deferred Member

For a deferred member invested in the Multi-Asset Lifecycle strategy (the primary default arrangement) the estimated impact of charges on accumulated fund values is shown in the chart below.

The table below the chart shows the estimated impact of charges on accumulated fund values for the Multi-Asset Lifecycle (the primary default arrangement), the SL Deposit and Treasury Fund (the secondary default) and the funds with the highest and lowest charges.

The amounts shown relate to a member aged 43, current fund value of £65,500, no ongoing contributions and a Normal Retirement Age of 65, which reflects a typical deferred member based on the Scheme's current membership.



Age	Multi-Asset Lifecycle Strategy (Primary Default Arrangement)			Standard Life ASI Global Real Estate Institutional Pension Fund (highest charges)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
43	65,500	65,500	0	65,500	65,500	0
45	68,870	68,540	330	66,140	64,560	1,580
50	78,050	76,790	1,260	67,770	62,260	5,510
55	87,550	84,450	3,100	69,440	60,040	9,400
60	96,390	90,400	5,990	71,150	57,910	13,240
65	106,000	97,170	8,830	72,900	55,840	17,060

Age	Standard Life Overseas Tracker Pension Fund (lowest charges)			Standard Life Deposit and Treasury Fund (Secondary Default Arrangement)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
43	65,500	65,500	0	65,500	65,500	0
45	68,730	68,410	320	63,600	63,310	290
50	77,540	76,280	1,260	59,080	58,160	920
55	87,460	85,040	2,420	54,880	53,430	1,450
60	98,660	94,820	3,840	50,980	49,080	1,900
65	111,300	105,720	5,580	47,360	45,080	2,280

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) in making investment decisions.

Assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

- *Annual salary growth and inflation is assumed to be 2.5% per annum*

- *The starting fund values and future contributions used in the projections is representative of the average for the DC Section*
- *The growth assumptions used are consistent with those used in members' annual benefit statements, these are now based upon each funds' historic volatility not on expectations of future investment returns.*
- *The projected annual returns on assets are:*

Fund Name	***Growth assumption* (%)***	***TER (%)***	***Average transaction costs (%)***	***Total cost (%)***
Standard Life Overseas Tracker Pension Fund	5.0	0.10	0.15	0.25
Standard Life Vanguard FTSE UK All Share Index Pension Fund	7.0	0.10	0.15	0.25
Standard Life Schroder Intermediated Diversified Growth Pension Fund	3.0	0.68	0.26	0.94
Standard Life Ninety One Global Multi-Asset Sustainable Growth Pension Fund1	5.0	0.80	0.41	1.21
Standard Life Corporate Bond Fund	3.0	0.31	0.05	0.36
Standard Life Index Linked Bond Pension Fund	7.0	0.31	0.06	0.37
Standard Life Deposit and Treasury Pension Fund	1.0	0.16	0.07	0.25
Standard Life ASI Global Real Estate Institutional Pension Fund	*3.0*	0.88	0.36	1.24

*The assumed growth rates are calculated gross of charges and are shown per annum.

- *For the Multi-Asset Lifecycle the projection takes into account the changing proportion invested I the different underlying funds. All funds shown above are underlying funds.*
- *The transaction costs have been averaged over a 5 year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.*
- *Data used is as at 31 December 2023.*

4. Value for Members assessment

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with its advisers, Aon, the Trustee has developed its cost-benefit analysis framework in order to assess whether members receive good value from the Scheme relative to the costs and charges they pay.

The costs have been identified as the sum of the TER and transaction costs and are set out in section 3 of this statement. The Trustee has considered the benefits of membership under the following five categories: Scheme governance, investments, administration, member communications and engagement and retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

The Trustee's beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of this years' assessment.

Scheme governance

- The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members' interests are protected, increasing the likelihood of good outcomes for members.
- The Trustee Directors have engaged with their professional advisers regularly throughout the period to ensure that they exercise their functions properly and take professional advice where needed. In exercising their functions this has required knowledge of key Scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts and Statement of Investment Principles. All Scheme documents are accessible to Trustee Directors.
- The Trustee has suitable governance monitoring in place. Core financial transactions and other key governance metrics are monitored quarterly, and DC-related risks are captured in, and monitored though, the Scheme's risk register. Investment performance of DC funds is reported on and reviewed quarterly and the legacy AVC arrangements are reviewed every three years. Regular meetings are held with the administrator to discuss and progress administration matters that require input from the Trustee.

Investments

- The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.
- The DC Section of the Scheme offers a variety of lifestyle strategies and self-select funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind.
- The Trustee regularly monitors the DC Section's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. The Trustee is supported in this monitoring activity by its investment consultants.
- The Trustee receives quarterly reports and verbal updates from the investment consultants on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the investment managers over 3-year periods.
- The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its investment managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

Administration

- The Trustee believes that good administration and record keeping play a crucial role in ensuring that Scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.
- The Trustee has a Service Level Agreement ("SLA") in place with Capita. This covers contributions, website maintenance, investment switches, benefit statements, general enquiries and member events (such as retirements and transfers).
- The Trustee receives quarterly stewardship reports from Capita on key aspects of the administration which includes special projects, member statistics, contribution monitoring, a schedule of transactions and performance against the service levels agreed. This report is presented and discussed at each Board meeting to ensure the Trustee can monitor Capita's compliance with the service levels agreed and that core financial transactions are processed accurately and in a timely manner.
- Capita has confirmed that there are processes in place for each type of core financial transaction, to ensure that all transactions are processed accurately and in a timely manner. All work processes are documented and subject to a peer review process, with work being calculated and independently checked by another member of the team. Capita also have their own internal quality control processes to ensure the accuracy of transactions and monthly unit reconciliations are carried out. There is day-to-day contact with Capita to ensure any issues can be flagged as they arise and dealt with on a timely basis.
- In addition, the administration team at Capita is subject to internal audits as well as an annual external audit. The administration team are subject to “on the job" and ad hoc training and development, and are actively encouraged to obtain formal qualifications in relevant areas.
- The Trustee does not have an SLA in place with the AVC providers, but this is in line with market practice for older policies. All AVC transactions come through Capita therefore any significant issues with AVC provider administration should be identified through Capita’s regular reporting.

Member communications

- The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.
- The Scheme provides members with clear, regular communications regarding any changes to the DC Section's investments, as well as a quarterly summary of fund performance available to members via the website, benefit statements and 'at retirement' communications. Online tools to support retirement planning and other materials are available on the member website: www.myallenoverypension.com.
- Members have the ability to ask the Trustee any questions in relation to the Scheme’s underlying investment strategies. Throughout the Scheme year, the Trustee, with support of its investment consultants, have addressed a number of member queries. This includes questions about the performance of the funds and lifecycle strategies available to members.

Retirement support

- Members are signposted to the member site where tools such as the pension calculator can be located easily. Communications also typically sign-post Pension Wise, and MoneyHelper.
- Members receive wake up packs which outline their options at retirement. Members can purchase an annuity at retirement or they can take their funds as cash (uncrystallised fund pension lump sums (“UFPLS”) for DC funds and pension commencement lump sum (“PCLS”) for AVCs). However, members do not have access to drawdown and are required to transfer their benefits from the Scheme to access full pensions freedom.

- Members have access to the Capita Administration Team for further support as they approach retirement, as well as a whole of market annuity broking service from LV.

Overall conclusion of the Value for Members assessment

The Trustee's overall assessment described above concluded that based on the charges and transaction costs members pay on the funds available (to the extent that information about these is available), the DC Section and the AVC arrangements offer good value for members. The other factors assessed as part of the Trustee’s wider value assessment of the DC Section enhance the overall quality of the DC Section further.

An AVC review was conducted in May 2022 and the Trustee concluded that there were no major concerns about the longer term suitability of the With Profits Fund providers. Furthermore, the DB AVC members are expected to receive additional value from smoothed investment returns and any guarantees that may apply to the With Profit Funds.

5. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.

Capita provide administration services for the DC Section. Members of the Defined Benefit Section of the Scheme who have AVCs also have access to the DC fund range through Standard Life, with Capita also providing administration services for the members who have AVCs invested in the DC Section.

To enable the Trustee to monitor the processing of core financial transactions, the Board receives quarterly stewardship reports from Capita on key aspects of the administration which includes special projects, member statistics, contribution monitoring, a schedule of transactions and performance against the service levels agreed. This report is presented and discussed at each Board meeting to ensure the Trustee can monitor Capita's compliance with the service levels agreed and that core financial transactions are processed accurately and in a timely manner.

The Trustee has a SLA in place with Capita. This covers contributions, website maintenance, investment switches, benefit statements, general enquiries and member events (such as retirements and transfers). Under the current SLA, Capita aims to accurately complete all tasks (including administration tasks and pension payroll processing) within a maximum of 15 working days. The SLA success rates reported by Capita over the 12 months to 31 December 2023 for the DC Section were acceptable, with an overall success rate of above 89.9%.

Capita has confirmed that there are processes in place for each type of core financial transaction, to ensure that all transactions are processed accurately and in a timely manner. All work processes are documented and subject to a peer review process, with work being calculated and independently checked by another member of the team. Capita also have their own internal quality control processes to ensure the accuracy of transactions and monthly unit reconciliations are carried out. There is day-to-day contact with Capita to ensure any issues can be flagged as they arise and dealt with on a timely basis.

In addition, the administration team at Capita is subject to internal audits as well as an annual external audit. The administration team are subject to “on the job" and ad hoc training and development, they are also actively encouraged to obtain formal qualifications in relevant areas.

The Trustee has up-to-date copies of Capita's AAF report which outlines the administration controls within Capita and these controls are reviewed on a regular basis as part of a risk register framework. The most recent AAF report did not highlight any areas of concern with regard to the core financial transactions.

Allen & Overy LLP are responsible for ensuring that contributions are paid over to the Scheme promptly, and the Scheme secretary also checks that the contributions are received on time. Capita carries out monthly unit reconciliations.

There were no issues raised regarding Capita’s administration of the DC and AVC Sections or processing of core financial transactions over the year and the Trustee is currently comfortable that appropriate measures are in place to ensure that core financial transactions in the DC and AVC Sections are processed promptly and accurately.

AVCs with Prudential and Aviva

As highlighted in the earlier sections, there are a limited number of legacy AVC policies still in place with Aviva and Prudential relating to members of the Defined Benefit section of the Scheme. During the Scheme year, members that held investments within either the Aviva With Profits Fund or the Prudential With Profits Cash Accumulation Fund.

During the Scheme year to 31 December 2023, no contributions were paid into the Aviva arrangement. The Prudential arrangement received contributions during the year.

Aviva has reported the proportion of member transactions which have been completed accurately and within its target service level at platform level, it has not reported any Scheme-level information.

At platform level i.e. across all policies on the platform, Aviva completed 80% of tasks within its target service level over the 12 months to 31 December 2023.

Also, Aviva has confirmed they have robust processes in place to ensure that any communications they produce are:

- clear, fair and not misleading
- compliant with regulations
- issued within regulatory timeframes

At the time of producing this Chair's Statement, Prudential have not provided the governance report to cover the Scheme year to 31 December 2023 to the Trustee therefore it is not possible to comment on Prudential's service levels in this statement.

The Trustee is satisfied that over the period:

- The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- There have been no material administration errors in relation to processing core financial transactions; and
- The vast majority of core financial transactions have been processed promptly and accurately during the Scheme year (on the basis that the legacy AVC arrangements make up a very small proportion of the transactions).

6. Trustees' Knowledge and Understanding (TKU)

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as a Trustee properly.

There were no changes made to the Trustee Board over the 12 months to 31 December 2023.

As at 31 December 2023, there were three Employer Appointed Trustee Directors and three Member-Nominated Trustee Directors, as well as a Trustee Secretary.

Jeremy Parr (Chair) was reappointed for a further term as Chair on 6 November 2023, as agreed by the Trustee Board.

Following the end of the Scheme year, Jeremy Parr, the Chair, resigned from the position and was replaced as Chair by Neil Bowden.

The Trustee board incorporates a range of skills and experience and a diverse mix of backgrounds, including representatives from finance and pensions management. Given the professional nature and composition of the Trustee, DC-specific training sessions are primarily provided by the Scheme's investment consultant during Board meetings, when necessary.

Training logs are maintained for all Trustee Directors by the Scheme secretary, evidencing both the nature and amount of training completed by each Trustee Director. The training logs are also used to identify training needs as they arise.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up to date with relevant developments. The Trustees regularly carry out individual assessment of training needs to assess gaps, and required training is typically delivered at Trustee meetings or at specific training sessions.

Trustee Directors are encouraged to supplement their knowledge using the Pensions Regulator's Trustee Toolkit within 6 months of appointment, unless they can demonstrate that they have completed alternative training covering substantially the same material. The Trustee Toolkit is an online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes. It includes a series of online learning modules developed to help trustees achieve the required level of knowledge and understanding to perform their trustee functions. All Trustee Directors are strongly encouraged to complete the module in the Trustee Toolkit on hybrid schemes (i.e., pension schemes with a DB section and DC section, like the Scheme).

Copies of scheme documents are provided as part of the onboarding of new Trustee Directors and are reviewed by the Trustee Board on a regular basis, as well as being available to the Trustee Directors electronically.

In addition to the knowledge and understanding of the Trustee Board, the Trustee Directors have engaged with their appointed professional advisers regularly throughout the year to ensure that they run the DC Section and AVC arrangements and exercise their functions properly.

The Trustee considers that during the Scheme year, its compliance with the TKU requirements has been secured by taking the following measures:

- Completing e-learning modules by the Pensions Regulator
- Legislative and regulatory updates provided by their professional advisers at Trustee meetings.
- Regular updates from the Trustee's investment consultant in relation to investment market activity, particularly given the market volatility experienced during 2023.

The following activities were undertaken by the Trustee during the Scheme year:

- Reviewed quarterly administration reports from Capita to monitor service delivery against agreed service levels;

- Reviewed quarterly reporting of each individual investment fund against its benchmark with advice from its investment consultants (Aon), to monitor performance of the Scheme's funds against targeted benchmarks and objectives as set out in the SIP;
- Completion of a comprehensive DC Provision review project to assess the current Scheme administrator and platform provider against the wider market.
- Held four regular Trustee meetings and additional ad-hoc meetings and conference calls as required. The meetings were attended by professional advisers who provided reporting, training and specialist advice as required, in order to enable the Trustee Directors to properly exercise their governance functions over the Scheme;
- Maintained a regime for proper governance (based on the Pension Regulator's DC Code of Practice) and using this as the basis for governance of the DC Section. This was achieved through an annual assessment of the Scheme against the DC Code of Practice and a Value for Members assessment that directly feeds into the content of this statement; and,
- Completed and submitted a Competition and Markets Authority (CMA) compliance Statement.
- Completed an Implementation statement covering the previous Scheme year.

Overall and for the reasons set out above, the Trustee believes it continued to meet the TKU requirements (as set out in the Pensions Act 2004 and the relevant Code of Practice) during 2023, and that the Trustee's combined knowledge and understanding, together with advice available to it, enables the Trustee to properly exercise its function.

Signed on behalf of the Trustee of the Allen & Overy Pension Scheme

Name	Neil Bowden
Signature	
Date	

Statement of Investment Principles

The Allen and Overy Pension Scheme -
Defined Contribution Section

Date: May 2022

Statement of Investment Principles

Allen & Overy Pension Scheme – Defined Contribution Section

1 Introduction

The Allen & Overy Pension Scheme Details

1.1 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries and is both defined contribution and defined benefits in nature. This statement relates only to the defined contribution section of the Scheme.

1.2 The Scheme is registered for the purposes of Chapter 2 of Part 4 of the Finance Act 2004.

1.3 Administration of the Scheme is the responsibility of the Trustee, who are also responsible for the investment of the Scheme's assets in accordance with the choices made by members.

Pensions Act

1.4 Under Section 35 of the Pensions Act 1995 (as amended by Section 244 of the Pensions Act 2004), Trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment policy pursued by the Trustee of the Allen & Overy Pension Scheme ('the Scheme').

1.5 The Trustee shall consult with the employer, Allen & Overy, on changes to the investment policy set out in this document. However, the ultimate power of responsibility for deciding investment policy lies with the Trustee.

1.6 Before preparing this document, the Trustee has obtained and considered written advice from the Scheme's investment consultants (Aon). This written advice considers the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

1.7 The Trustee will review this document, in consultation with the Scheme's investment consultants, at least every three years and without delay after any significant change in investment policy.

1.8 Before preparing this document, the Trustee has had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments and the Trustee will consider those requirements on any review of this document or any change in their investment policy.

Financial Services and Markets Act 2000

1.9 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to the Scheme's appointed investment managers, which may include an insurance company or companies. The Scheme's investment managers shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

2 Division of Responsibilities

2.1 The Trustee has ultimate responsibility for decision making on investment matters. To ensure that such decisions are taken efficiently, the Trustee uses other bodies either through direct delegation or in an advisory capacity. The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively.

The Trustee also recognises that where it takes investment decisions (for example, when making changes to the lifestyle strategies or the self-select fund options) it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes. The roles of each group are shown below:

Trustee

2.2 The Scheme Trustee responsibilities include:

a. Reviewing periodically the content of this Statement and modifying it if deemed appropriate, in consultation with the Scheme's investment consultants.

b. Reviewing the suitability of funds made available to members.

c. Assessing the past performance of the available funds, by means of regular reviews, along with the forward-looking prospects in consultation with the Scheme’s investment consultants.

d. Considering the member borne charges and (where available) transaction costs applying on the funds and assessing whether these represent good value for members.

e. Reviewing periodically the appointment of the platform provider (Standard Life).

f. Appointing and monitoring the administrator and advisers of the Scheme.

g. Consulting with the employer before amending this Statement.

h. Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.

Platform Provider

2.3 The Scheme's platform provider’s responsibilities include:

a. Providing the Trustee with quarterly statements of the assets and factsheets on the underlying funds.

b. Ensuring that the underlying funds are priced correctly.

Member

2.4 Each member of the Scheme has responsibility for selecting his/her investments from the funds made available by the Trustee and for monitoring their continued suitability to the member's personal circumstances.

Investment Consultant

2.5 The Scheme's investment consultant's responsibilities include:

a. Advising the Trustee, on:

- how any changes in the Scheme's investment managers' organisations or any other issues related to the investment managers could affect the interests of the Scheme.
- the continued suitability of the investment funds.
- the continued suitability of the platform provider.
- how any changes in the investment environment could either present opportunities or issues for the Scheme.

b. Undertaking project work as requested including:

- advising on the selection of new funds for the Scheme.
- providing information and data on member borne charges, including assessing the charges on the default arrangement against the charge cap, and (where available) transaction costs applying to the funds, to include in the annual Chairman's statement in the Trustee Report & Accounts.
- providing information and advice on the level of security afforded to the Scheme's assets, including the level of coverage from the Financial Services Compensation Scheme
- providing information, as relevant, on other investment issues pertinent to the Trustee.

c. Participating with the Trustee in periodic reviews of this Statement.

3 Objectives and Long-Term Policy

Objectives

3.1 The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth which, together with new contributions from members and the employer, will provide a fund with which to access benefits at retirement.

3.2 Members' investment needs change as they progress towards retirement age. Younger members, e.g. those with more than 10 years to retirement, have a greater need for real growth to attempt to ensure their investment accounts keep pace with inflation and, if possible, salary escalation. Younger members will also, all other things being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement in which markets may come back from any temporary low. Older members, e.g. those with 10 or less years to retirement, will in general require an increasing degree of stability in the level of benefit which may be accessed with their account at retirement.

3.3 Members also have different levels of risk tolerance, regardless of age, and differing levels and types of personal investments. Therefore, members should have the facility to reflect their own preferences in this regard, whilst maintaining a suitable spread of investments.

Risk

3.4 The Trustee have considered risk from a number of perspectives, including:

- The risk that the investment return over members' working lives does not keep pace with inflation – "inflation risk".
- The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured – "conversion risk".
- The risk that members end up with insufficient funds at retirement with which to secure a reasonable income – "shortfall" or "opportunity cost" risk.
- The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed – "manager risk".
- The risk of a fall in the value of the members' fund – "capital risk".

3.5 The funds offered through the Scheme have been chosen, in part, to help members mitigate these risks.

Policy

3.6 The Trustee policy is to seek to achieve the objectives through providing a suitable range of funds.

3.7 For those members who are willing to accept a greater level of volatility in pursuit of potentially achieving a higher value of their investment account, a range of passive and active equity funds, diversified growth funds and a property fund are available.

3.8 For those members who are less comfortable with higher volatility, there are a range of other asset classes available for investment including bonds, and money market funds.

3.9 All of the investment funds available trade daily and as such are readily realisable.

3.10 The investment managers or the Trustee will not borrow money or act as a guarantor for the purpose of providing liquidity (unless it is temporary).

3.11 In addition to this, the Trustee has put in place three open ‘lifecycle’ arrangements, designed for members targeting different forms of benefit at retirement. These are described in section 5.

4 Responsible Investment

Financially Material Considerations

4.1 In setting the Scheme’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance ("ESG") factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment consultants when setting the Scheme's investment strategy (including the default arrangement), when selecting managers and when monitoring their performance.

4.2 The Trustee further acknowledges that an understanding of financially material considerations, including ESG factors (such as climate change) and risks related to these factors, is necessary to allow them to discharge their fiduciary duties in a prudent manner.

The Trustee is taking the following steps to monitor and assess ESG-related risks and opportunities:

- The Trustee communicates the expectation to their investment managers that they should take into account ESG considerations in the selection, retention and realisation of investments.
- The Trustee will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme’s investment strategy.
- As part of ongoing monitoring of the Scheme’s investment managers, the Trustee will use ESG ratings information provided by their investment consultants, where relevant and available, to monitor the level of the Scheme’s investment managers' integration of ESG in their management of the funds available for investment through the Scheme.
- In fund selection exercises, ESG integration and stewardship quality will be a topic of explicit discussion between the Trustee, the advisers and prospective investment managers.
- The Trustee will include ESG-related risks, including climate change, on the Scheme’s risk register as part of ongoing risk assessment and monitoring.

Stewardship – Voting and Engagement

4.3 The Trustee invests in pooled funds through a platform provider, and as such have delegated responsibility for the selection, retention and realisation of investments to the Scheme's investment managers in whose funds they invest.

4.4 The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

4.5 As part of their delegated responsibilities, the Trustee expects the Scheme’s investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme’s assets.

The Trustee communicates these expectations to their investment managers.

4.6 The Trustee regularly reviews the suitability of the Scheme’s appointed investment managers and takes advice from its investment consultants with regards to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in their policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

4.7 The Trustee reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme’s investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

4.8 The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

4.9 The Trustee expects the Scheme’s appointed investment managers to comply with the United Nations Global Compact and, additionally, the Trustee will identify key areas of concern (including, but not limited to, climate change risks) and will level scrutiny on its investment managers accordingly. It is the expectation of the Trustee that the Scheme’s investment managers will prioritise and actively monitor for these risks within the investment, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate.

The transparency for voting should include voting actions and rationale with relevance to the Scheme.

The Trustee recognises that its collaborative behaviours can further work to mitigate the risks identified above, for the Scheme.

4.10 From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

4.11 In setting and implementing the Scheme's investment strategy, the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

The underlying funds that make up the default arrangement and other self-select funds should not apply personal ethical or moral judgements as the basis for an investment decision.

The Trustee recognises the importance of offering a suitable range of investment options for members, and where applicable will seek to discuss any member feedback received, to inform decisions in relation to the default arrangement and range of funds.

5 Investment Manager Arrangements

Manager Structure

5.1 The Scheme has appointed a Platform Provider (Standard Life) through which they will access a number of pooled funds, managed by investment managers, all of whom are remunerated on an ad valorem basis.

5.2 The Trustee policy is to obtain advice on whether the range of pooled funds are satisfactory, as required by the Pensions Act at least every three years.

5.3 The investment managers are responsible for having regard to the need for the diversification of investments so far as is appropriate and also to the suitability of investments.

5.4 The investment managers, at their discretion, but within guidelines set out in the respective funds' prospectus, are responsible for implementing changes in the asset mix and selecting securities within each asset class.

Arrangements with Investment Managers

5.5 Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

5.6 The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

5.7 There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically, and at least every three years.

5.8 The Trustee believes they have a duty as institutional investors to invest in a responsible manner and where appropriate will query managers on the rationale for holding positions in companies who contribute significant negative externalities to society, regardless of whether the action may be financially material.

Performance Objectives

5.9 Whilst the Trustee is not involved in the pooled funds' day to day method of operation and therefore cannot directly influence the performance target, they will assess performance and review the managers included on the Platform on a periodic basis. The benchmarks and objectives of each fund are provided in the table below:

Fund	Benchmark	Objective
SL LF LionTrust UK Equity Fund	FTSE All-Share Index	The Fund aims to produce a total return in excess of the FTSE All-Share Index over the long-term through investment in a diversified portfolio, with at least 80% of the Fund invested in UK equities.
SL Vanguard FTSE UK All Share Index Pension Fund	FTSE All-Share Index	To track its benchmark within reasonable tolerance ranges.
SL Veritas Global Focus Pension Fund	MSCI World Index	To achieve returns of OECD G7 inflation plus 6% p.a.
Standard Life Global Equity 50:50 Tracker Pension Fund	50% FTSE All-Share Index; 50% MSCI World ex UK Index	To track its benchmark within reasonable tolerance ranges.
Standard Life Overseas Tracker Pension Fund	MSCI World ex UK Index	To track its benchmark within reasonable tolerance ranges.
SL Vanguard Emerging Markets Stock Index Pension Fund	MSCI Emerging Markets Index	To track its benchmark within reasonable tolerance ranges.
SL Schroder Intermediated Diversified Growth Pension Fund	CPI + 5% p.a.	To achieve CPI + 5% p.a. over full market cycles, typically considered as rolling five to seven-year periods (net of fees)
SL Ninety One Global Multi-Asset Sustainable Growth Pension Fund	CPI +4% p.a.	To achieve CPI + 4% p.a. over full market cycles, typically considered as rolling five year periods

Fund	Benchmark	Objective
Standard Life Pooled Property Pension Fund (closed to new investments)	IPD UK PPFI All Balanced Funds Median	To outperform its benchmark by 1.0% p.a.
SL ASI Global Real Estate Institutional Pension Fund	N/A	To achieve a return of 5% p.a. over rolling three year periods.
Standard Life Index Linked Bond Pension Fund	FTSE British Government Index-Linked Over 5 Years Index	To outperform its benchmark by 0.3% p.a.
Standard Life UK Fixed Interest 60:40 Pension Fund	60% Merrill Lynch Sterling UK Non-Gilt All Stocks Index; 40% FTSE British Government Over 15 Years Index	To outperform its benchmark by 0.5% p.a.
SL Vanguard UK Investment Grade Bond Index Pension Fund	Barclays Global Aggregate UK Non-Government Float Adjusted Bond Index	To track its benchmark within reasonable tolerance ranges.
Standard Life Corporate Bond Pension Fund	ABI (Pension) Sterling Corporate Bond Sector	To outperform its benchmark by 0.80% over a 3-year period
Standard Life Deposit and Treasury Pension Fund	Sterling Overnight Interbank Average Index (SONIA)	To provide returns in line with short-term money market rates.

5.10 The investment managers should achieve the principal objective in the majority of three-year periods under consideration, with the exception of the SL Veritas Global Focus Pension Fund which aims to achieve its performance objective over a three to five year period as well as the SL Schroder Intermediated Diversified Growth Pension Fund and SL Ninety One Global Multi-Asset Sustainable Growth Pension Fund which both aim to achieve their performance objectives over rolling five year periods.

It is not necessarily expected that active managers will achieve the targets in every three-year period. However, they should demonstrate that the skills exercised on the funds are consistent with these targets, and that the level of risk is appropriate. The investment managers will exercise their powers of discretion in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

5.11 While the investment managers may use derivative instruments within their pooled funds, the Trustee will not invest in derivative instruments except to contribute to a reduction of risks or facilitate efficient portfolio management.

Lifecycle strategies

5.12 In addition to the individual funds listed above, the Scheme makes available three lifecycle strategies: a Multi-Asset Lifecycle, an Annuity Lifecycle and a Cash Lifecycle. The default lifecycle strategy is the Multi Asset Lifecycle and is designed to be suitable for those not wishing to take investment decisions themselves whilst providing maximum flexibility at retirement for members to take benefits as they choose.

5.13 Each strategy consists of an accumulation phase, a transition phase (beginning 15 years from a member's planned retirement age) and a pre-retirement phase (beginning five years from a member's planned retirement age).

5.14 The accumulation phase is identical in each lifecycle strategy and is exclusively invested in equity funds, namely: 95% in the SL Overseas Tracker Pension Fund and 5% in the SL Vanguard FTSE UK All Share Index Pension Fund.

5.15 The transition phase is also identical in each strategy. The transition phase is designed to move from high growth to lower but more stable growth in the run-up to retirement. A portion of funds is gradually switched to bond and Diversified Growth Fund investments such that, when a member is five years away from their planned retirement age, their investments will be split broadly as follows:

- 31% in the Standard Life Overseas Tracker Pension Fund
- 2% in the SL Vanguard FTSE UK All Share Index Pension Fund
- 11% in the SL Schroder Intermediated Diversified Growth Pension Fund
- 11% in the SL Ninety One Global Multi-Asset Sustainable Growth Pension Fund
- 33% in the Standard Life Corporate Bond Pension Fund
- 13% in the Standard Life Index Linked Bond Pension Fund

5.16 The pre-retirement phase for the Multi-Asset Lifecycle strategy continues to invest in the same funds as the transition phase, but with a further gradual reduction in risk level. By the time a member reaches their planned retirement age their investments will be split broadly as follows:

- 26% in the Standard Life Overseas Tracker Pension Fund

- 1% in the SL Vanguard FTSE UK All Share Index Pension Fund
- 9% in the SL Schroder Intermediated Diversified Growth Pension Fund
- 9% in the SL Ninety One Global Multi-Asset Sustainable Growth Pension Fund
- 35% in the Standard Life Corporate Bond Pension Fund
- 20% in the Standard Life Index Linked Bond Pension Fund

The Multi-Asset Lifecycle strategy has been designed for members who wish to retain flexibility in the form in which they take their benefits at retirement, for example by transferring to a flexible income drawdown product.

5.17 The pre-retirement phase for the Annuity Lifecycle strategy gradually switches out of the funds used in the accumulation and transition phases, and into mixed bonds and money market funds. By the time a member reaches their planned retirement age the investments will be split 75% in the Standard Life Index Linked Bond Pension Fund and 25% in the Standard Life Deposit and Treasury Pension Fund.

The Annuity Lifecycle strategy has been designed to be suitable for members who take the maximum 25% tax-free cash at retirement and purchase an annuity with the remainder of their account.

5.18 The pre-retirement phase for the Cash Lifecycle strategy gradually switches out of the funds used in the accumulation and transition phases, and into money market funds. By the time a member reaches their planned retirement age the investments will be 100% invested in the Standard Life Deposit and Treasury Fund.

The Cash Lifecycle strategy has been designed to be suitable for members who wish to take the whole of their account as a cash lump sum at retirement.

5.19 Switching takes place linearly on a monthly basis.

6 Monitoring and Implementation

Monitoring

6.1 The appointment of the platform provider will be reviewed by the Trustee from time to time. In addition, the Trustee will review the performance of each of the funds by means of a quarterly report produced by the Scheme's platform provider and quarterly investment monitoring reports provided by the Scheme's investment consultants.

6.2 Funds may be replaced, for example, if:

a. They fail to meet the performance objectives set out in Section 5; and/or

b. The Trustee believes that the manager is not capable of achieving the performance objectives in the future. In this respect, they will look for advice from the Scheme's investment consultants.

6.3 Under the Scheme's rules, the Trustee may replace a fund, including transferring existing investments, without prior agreement or consultation with members if they believe this is appropriate.

6.4 The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

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

The Trustee is supported in this monitoring activity by its investment consultants.

6.5 The Trustee receives quarterly reports and verbal updates from the investment consultants on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the investment managers over 3-year periods.

6.6 The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their investment managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

6.7 The Trustee shares the policies, as set out in this SIP, with the Scheme's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

Cost Transparency

6.8 The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of members' funds. It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate its investment managers.

6.9 The Trustee therefore believes it is important to understand all the different costs and charges, which are paid by members (through a deduction from the unit price). These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund. The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

6.10 Other costs of providing DC benefits (e.g. administration, communication, and adviser costs) are not charged to members.

6.11 The Trustee collects information on these member-borne costs and charges on an annual basis and sets these out in the Scheme's annual Chair's Statement which is made available to members in a publicly accessible location.

6.12 The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends.

6.13 No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its investment consultants to highlight if these costs and charges appear unreasonable when they are collected as part of the annual Chair's Statement exercise and investigate as required.

6.14 The Trustee assesses value for money received by members from the Scheme, including its investment managers, on a regular basis as part of the annual Chair's Statement exercise.

7 Risk Management

7.1 In addition to the investment risks outlined in section 3.4, the Trustee recognises a number of other risks involved in the investment of the assets of the Scheme:

- Mismatching risk – addressed through the provision of a range of funds with differing risk characteristics.
- Inappropriate investments – addressed through obtaining advice on the suitability of the funds used.
- Security of assets risk – addressed through obtaining advice on the level of security of the Scheme's assets, in relation to both the platform provider and the underlying funds. This advice includes an assessment of the circumstances when the Trustee may be eligible to make a claim under the Financial Services Compensation Scheme. Similar advice is provided whenever new funds are selected.

7.2 The Trustee continues to monitor these risks. The Trustee also maintains a Risk Register to consider a broad spectrum of possible risks and suitable mitigation strategies.

8 Default Arrangements

Primary Default Option

8.1 The Trustee is required to designate a default arrangement into which members who are automatically enrolled are invested. The Trustee has designated the Multi-Asset Lifecycle strategy (outlined in the section 5) as the default arrangement for the Scheme.

8.2 The Multi-Asset Lifecycle strategy has been constructed following analysis of the membership of the Scheme. This analysis took into account factors such as age, salary, contribution level, accumulated fund values and term to retirement to identify different types of member in order to test alternative investment strategies. The design of the Multi-Asset Lifecycle strategy reflects this analysis, having carried out multiple simulations of future economic and investment scenarios, and also taking into account the various options that members will have regarding the way in which they draw their benefits in retirement.

8.3 The aim of the Multi-Asset Lifecycle strategy is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to equity funds and then to gradually diversify their investments in the years approaching retirement to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take.

8.4 The asset allocation throughout the Multi-Asset Lifecycle strategy and the phasing of the gradual switching of investments takes into account members' greater capacity for risk early on and reduced capacity for risk in later years.

8.5 The outcomes of the Multi-Asset Lifecycle strategy will be reviewed periodically with reference to the manner in which members take their benefits from the Scheme. This periodic review will also take into account any significant changes in the demographic profile of the relevant members.

Secondary Default Option

8.6 A second default arrangement was created in April 2020 when trading in the Standard Life Pension Property Fund was suspended and it ceased accepting new contributions, as a result of the Covid-19 pandemic. This fund is only available to members as a self-select option.

Rather than leaving future contributions intended for the Property Fund uninvested, the Trustee decided to redirect these contributions into the Standard Life Deposit and Treasury Fund, until the suspension of the Property Fund was lifted.

As a result of such action, the Standard Life Deposit and Treasury Fund is classified as a default investment option for regulatory reporting and monitoring purposes.

8.7 The Trustee would have preferred to map the affected contributions to the Multi-Asset Lifecycle strategy (the primary default option), as this would allow members who had selected the Property Fund to retain similar growth potential for their affected contributions. However, members can only choose to be invested in a Lifecycle strategy **or** in a selection of self-select options, not a combination of both and therefore, the Trustee chose the Standard Life Deposit and Treasury Fund for affected contributions. At that time, the Trustee considered the Standard Life Deposit and Treasury Fund to be the most appropriate investment option in which to temporarily redirect the contributions intended for the Property Fund.

The Standard Life Deposit and Treasury Fund has historically experienced low levels of volatility and the Trustee understands it is most likely best placed to protect the value of these contributions from the funds available, on a short-term basis. The Trustee believes this course of action to be in the best interests of members.

It was also recognised that the Standard Life Deposit and Treasury Fund offers a relatively low member charge of 0.16% p.a. at the time of writing.

8.8 The Trustee's policies in relation to the default arrangements in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out in the previous sections.

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Chair of Trustee

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Date

On behalf of the Trustee of the Allen & Overy Pension Scheme