

**Chair's Statement for
the Intel Corporation (UK) Limited Staff Benefit Plan (the "Plan")**

1. Background

This statement has been prepared to demonstrate how the Trustee has complied with the Defined Contribution Governance Standards under the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This statement relates to the Plan year from 1 January 2018 to 31 December 2018, referred to throughout as the reporting period.

The Trustee of the Plan is The Law Debenture (Intel Old Plan) Pension Trust Corporation p.l.c. (a professional independent trustee company) represented by Sean Burnard.

The Plan has been closed to new members since 30 April 1996. As reported in last year's statement, during 2018 the Company decided to proceed with investigating the wind-up of the Plan previously agreed in principle. During the year work was undertaken by the Trustee to prepare for wind-up. A bulk annuity agreement was entered into with Aviva on 30 October 2018 to secure benefits on a Defined Benefit (DB) basis for all members with a DB underpin (known as a Final Earnings Guarantee – FEG). At the time of preparing this statement the Trustee is exploring options for securing benefits for members with Defined Contribution (DC) benefits in the Plan in preparation for wind-up. It is expected that wind-up will be triggered during 2019.

Default Investment

1.1 During the reporting period, the Plan offered members one lifestyling strategy for the investment of their retirement funds.

Following finalisation of the investment strategy review undertaken in 2017 (see section 4) changes were made to the funds making up the Plan's lifestyling strategy and during June 2018 members' retirement funds were transitioned to the new funds.

1.2 Prior to June 2018 the lifestyling strategy operated as follows:

- Members under age 55 (or up to 10 years before selected retirement age) - 100% of funds invested in the Legal & General Investment Management (LGIM) UK Equity Index Fund
- Members aged 55 and above (or 10 years from selected retirement age - retirement funds held were switched gradually from 100% in the LGIM UK Equity Index Fund into the LGIM Over 15 Years Gilt Index Fund over a ten year period to age 65.

1.3 Following the investment transition in June 2018 the lifestyling strategy operates as follows:

- Members under age 55 (or up to 10 years before selected retirement age)- 100% of funds invested in the LGIM 30:70 Global Equity (currency hedged) Index Fund; (which replaced the LGIM UK Equity Index Fund)
- Members aged 55 and above (or 10 years from selected retirement age) – retirement funds held are switched gradually from 100% in

the LGIM 30:70 Global Equity (currency hedged) Index Fund to being invested

- o 75% in the LGIM Pre-Retirement Fund; and
 - o 25% in the LGIM Sterling Liquidity Fund by age 65
- These funds replaced the LGIM Over 15 Year Gilts Index Fund
 - The switching phase into LGIM Pre-Retirement Fund starts 10 years before a member's selected retirement age. The switching phase into the LGIM Sterling Liquidity Fund starts 4 years before a member's selected retirement age.
- 1.4 The Plan's sole investment is managed by Legal & General Assurance (Pensions Management) Limited. The Funds are invested in quoted securities. The manager has full discretion to invest in the various assets underlying the Funds. The policy also contains provisions allowing the Trustee to secure members' benefits under the Plan by means of annuities issued by Legal & General.

2. Statement of Investment Principles

A copy of the latest Statement of Investment Principles dated November 2018 is appended to this statement.

3. Review of strategy and arrangement

The review of the investment strategy including the aims and objectives of the default arrangement carried out during 2017 was completed in June 2018. The review led to a revision of the default arrangement and a switch to funds providing increased diversification and a better asset mix aligned with likely retirement choices, whilst still providing value for members.

For the review the Trustee took advice from its investment adviser and considered the current status of the Plan as follows:

Regarding investment choice, the Plan is closed (to the build-up of future benefits), thus it is more challenging to engage with members for investment education to support them to make decisions. It is also less likely that these benefits will be a members' sole retirement provision especially for later joiners who may not have the benefit of the DB underpin (FEG). Therefore, they are likely to have choice in respect of other arrangements. Members also have the option of transferring out to other arrangements to access more choice.

With regards to the lifestyle design, an assumption was made that members generally take annuities and cash, thus the Pre-Retirement and Sterling Liquidity funds are a better match at retirement for likely retirement choices. A Global Equity fund increases diversification within the growth phase whilst keeping member costs very low. The ageing profile of members means that they are less willing or able to tolerate volatile pension savings, but the majority would benefit from the underpin and therefore a 100% equities fund up to age 55 would not be unreasonable as part of the lifestyle design. The Trustee considered a Diversified Growth Fund but this was likely to have considerably higher charges. The Trustee also considered whether a shorter switching period (in combination with a Diversified Growth Fund) may be more appropriate, but given the average age of the members they are likely to be in the lifestyle phasing period already.

Therefore the Trustee maintained the switching period to reduce transition impact on members.

The changes agreed to the funds within the lifestyling strategy are set out in section 1.3 of this statement.

A revised Statement of Investment Principles was prepared to reflect the changes agreed to the funds used in the lifestyling strategy (dated May 2018) which was signed on 30 April 2018. The Statement of Investment Principles was further updated (dated November 2018) to document the bulk annuity policy entered into with Aviva on 30 October 2018. The latest statement dated November 2018 is appended to this document.

3.1 Investment Monitoring

During the reporting period, on a quarterly basis, the Trustee reviewed the performance of the funds underlying the investment strategy.

4. Processing of core financial transactions

The Trustee is required to ensure that certain transactions relating to the Plan (known as "core financial transactions") are processed promptly and accurately.

For these purposes, "core financial transactions" are (broadly):

- transfers out of the Plan of assets relating to members;
- switches of members' investments between different funds within the Plan; and
- payments from the Plan to or in respect of members (e.g. payment of death benefits and payments to secure retirement benefits).

Of the 186 cases processed during the reporting period nine were core financial transactions which included one transfer-out, implementation of one pension sharing order and seven retirement set-ups. No errors were identified and reported to the Trustee.

Of the core financial transactions processed during the reporting period two retirement set-ups were completed outside of the key performance indicators (KPI's) in the Service Level Agreement (SLA). The Plan administrator, Towers Watson Limited, Willis Towers Watson (WTW) has confirmed to the Trustee that these transactions exceeded SLA by one day and three days respectively.

The following arrangements are in place to assist the Trustee in monitoring the processing of core financial transactions:

- A SLA is in place with WTW which includes relevant KPI's regarding the timescales for processing core financial transactions;
 - for core financial transactions, SLAs by task are 2 days (for deaths), 5 days (for retirements) and 10 days (for transfers-out).
- An annual administration report is prepared by WTW and is reviewed by the Trustee (covering the Plan year) which reports performance against SLA including processing of core financial transactions
- The administration report also reports any errors identified by WTW in relation to the processing of core financial transactions and in the overall

administration of the Plan, together with the steps taken to rectify those errors and any changes to the administrators' processes which have been implemented to ensure that there is no repetition of such errors.

Regular meetings were held during the reporting period where WTW were present, at these meetings business as usual items were covered including day to day administration activities and no complaints or errors were reported.

Based on its dealings with WTW and the performance statistics reported relating to the reporting period the Trustee considers that Core Financial Transactions were processed satisfactorily during the reporting period.

5. Charges, transaction costs and illustrations

The Trustee has collated and summarised information on investment management fees and transaction costs relating to the Plan.

Total Expense Ratios

The Total Expense Ratios (TERs) shown below include the Annual Management Charge (AMC) and additional expenses associated with the running and management of the funds (which will vary slightly from time to time). The charges are stated as at 31 December 2018. The charges on the funds used in the Default are all below 0.75% (and therefore comply with the charge cap legislation requirements). Following the implementation of the changes to the funds making up the lifestyle strategy during June 2018 no members were invested in the LGIM UK Equity Index Fund or the LGIM Over 15 Year Gilts Index Fund as at 31 December 2018.

Fund Name	Total Expense Ratio (TER) p.a. (%)
<i>LGIM Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged</i>	0.20
<i>LGIM Pre-Retirement Fund</i>	0.15
<i>LGIM Sterling Liquidity Fund</i>	0.25
<i>LGIM UK Equity Index Fund</i>	0.10
<i>LGIM Over 15 Year Gilts Index Fund</i>	0.10

Source: LGIM

Charges related to investment management are deducted from members' retirement funds. All other costs related to running the Plan including administration, advisory and member communication costs are paid by the Company.

Investment transition costs

The transition of funds to the new lifestyling strategy took place on 6 June 2018. There were no explicit trading costs incurred by members.

In addition, Mercer Limited, the Trustee's investment advisers, worked with WTW and LGIM in planning and co-ordinating the transition with a view to ensuring

that the transition was efficiently implemented and so that there was no out of market exposure to members when the assets were sold and subsequently bought. Mercer Limited provided the Trustee with a post-transition report, which estimated total implicit costs for the transition to be under £4,500 (c0.09% of total assets transitioned). Mercer Limited confirmed to the Trustee that in their view the implicit costs incurred were reasonable for this type of transaction, given the asset classes involved and their daily liquidity.

Transaction costs

In addition to ongoing charges, members may also incur transaction costs when their investments are switched between the investment funds that make up the lifestyle strategy.

In addition to Investment managers' expenses included in the TER, investment funds are subject to other implicit costs, such as the investment manager's expenses associated with trading a fund's underlying securities, including commissions and stamp duty. These expenses are not explicitly deducted from the fund but are captured by a reduction in investment returns.

The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with regulation 23(1)(ca) of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations"), as inserted by The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 ("the 2018 Regulations"). The Trustee has received the requested information from LGIM as at 31 December 2018. The Trustee has made this information accessible to members on the site URL below:

<https://www.intel.com/content/www/us/en/employee/intel-uk-old-plan-disclosure-of-information.html>

The table below shows the aggregate transaction costs based upon the information supplied by LGIM. Aggregate transaction costs represent annualised transaction costs incurred by the fund manager within the underlying fund. The figures are for the year to 31 December 2018.

Fund	Aggregate Transaction Cost (% p.a.)
<i>LGIM Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged</i>	0.051
<i>LGIM Pre-Retirement Fund</i>	0.015
<i>LGIM Sterling Liquidity Fund</i>	0.000
<i>LGIM UK Equity Index Fund</i>	0.000
<i>LGIM Over 15 Year Gilts Index Fund</i>	0.000

Reporting of Costs and Charges and illustrations

Using the charges and transaction cost data provided by LGIM and in accordance with the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared illustrations detailing the impact of the costs and charges paid by a typical member of the Plan and the youngest member of the Plan on

their retirement funds. The statutory guidance provided has been considered when providing these examples.

The illustrations below have taken into account the following elements using membership data where appropriate:

- The initial pension pot size.
- Investment return with the impact of inflation stripped out, and gross of costs and charges.
- Adjustment for the effect of costs and charges.
- Annual impact is compounded over time.

Illustration 1- impact of charges on a typical member of the Plan

This includes all member costs, including the TER, transaction costs and inflation. As at 31 December 2018, a typical member was 55 years old and the average pot size in the Plan was £8,000. There are no active members of the Plan.

Years of Future Membership	Default Projected pension pot TER, 0.17 - 0.20% p.a. Transaction Cost , 0.00 – 0.05% p.a.	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
0	£8,000.00	£8,000.00
5	£10,151.84	£10,033.72
10	£11,919.70	£11,665.31

Notes:

- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £8,000
- Contributions of 0% are assumed from age 55 to 65 as Plan is closed
- Values are estimates and are not guaranteed
The projected growth rates for the funds that make up the default are:
LGIM Global Equity (30:70): 5.5% p.a. gross expected real return
LGIM Pre-Retirement Fund: 2.4% p.a. gross expected real return
LGIM Sterling Liquidity Fund: 1.5% p.a. gross expected real return
- The transaction costs relate to the actual transaction costs incurred in the reporting period

Due to the diverse Plan demographics, the Trustee has presented a further illustration for the youngest member of the Plan below

Illustration 2 – impact of charges on the youngest member of the Plan

This includes all member costs, including the TER, transaction costs and inflation. As at 31 December 2018, the youngest member was 45 years old and had a starting pot size of c.£1,000.

Years of Future Membership	Default Projected pension pot TER, 0.17 - 0.20% p.a. Transaction Cost , 0.00 – 0.05% p.a.	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
0	£1,000.00	£1,000.00
5	£1,306.96	£1,290.64
10	£1,708.14	£1,665.75
15	£2,167.60	£2,089.21
20	£2,545.07	£2,428.94

Notes:

- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £1,000
- Contributions of 0% are assumed from age 45 to 65 as Plan is closed
- Values are estimates and are not guaranteed
The projected growth rates for the funds that make up the default are:
LGIM Global Equity (30:70): 5.5% p.a. gross expected real return
LGIM Pre-Retirement Fund: 2.4% p.a. gross expected real return
LGIM Sterling Liquidity Fund: 1.5% p.a. gross expected real return
- The transaction costs relate to the actual transaction costs incurred in the reporting period

6. "Good value" assessment of charges and transaction costs

The Trustee has considered the extent to which the charges and transaction costs borne by members represent good value to members over the reporting period. There is no definition of "good value" and so the process of assessment is a subjective one. The Trustee has considered the regulatory guidance and has made its assessment taking account of the following:

- Members of the Plan only pay for investment related charges and costs and (shown in section 6), and do not pay for administration, communication or governance costs, which are met by the Employer.
- the Trustee considers that charges may be viewed as representing "good value" for members where an optimum combination of cost and quality is achieved for the membership as a whole, relative to other options available in the market. The Trustee believes that members have access to institutional-priced investment fund management at charges which are competitive (for example, the total charges are well below the charge cap of 0.75% pa which

apply to the default funds in new workplace pension plans used for compliance with Auto Enrolment regulations).

- Communications are provided to members in the form of annual Statutory Money Purchase Illustrations (SMPIs)
- The Trustee's investment advisers carried out a review of the investment funds used in the Plan's lifestyle strategy for the Trustee where value for members was a consideration. Changes were recommended and implemented in June 2018 with no explicit costs incurred by members

Based on the recommendations and all the above considerations, the Trustee has determined that the Plan provides value for members.

7. Trustees' knowledge and understanding (TKU)

The Trustee is required to have appropriate knowledge of the law and practice relating to pensions and trusts, as well as an understanding of the matters relating to funding and investment of assets of occupational pension schemes and other matters to run the Plan effectively.

The Trustee is also required to be conversant with and have a working knowledge of the Plan's governing documents including the Plan's trust deed and rules; the Statement of Investment Principles; and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Plan generally.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling proper execution of functions relating to their trusteeship of the Plan.

These requirements have been met, during the reporting period, by virtue of:

- Plan specific training attended by Sean Burnard covering Master Trusts, DC investment and buy-ins
- The revisions made to the SIP during the reporting period were overseen by Sean Burnard in conjunction with advice received from the Plan's investment adviser
- The Law Debenture pensions team held regular management meetings and bi-annual away days where business strategy, regulatory matters and client case studies were discussed, including DC-specific sessions.
- The Law Debenture Pension Trust Corporation plc (a Director and officer of the Trustee) ("Law Debenture") is a trust corporation and an established provider of Independent Pension Trustees in the UK. It provides professional high quality trustee services to over 200 trust-based pension schemes. Its Trustee Directors are senior professionals from a range of backgrounds that are based and work together in a single office location. This means they can collaborate on the whole range of technical and client specific matters, ensuring that each scheme benefits from its collective knowledge and understanding of the law relating to pensions and trusts and experience of applying it across a range of schemes and scenarios to ensure pragmatic, timely and cost effective input.

- All the Trustee Directors at Law Debenture have completed the Pension Regulators Trustee Toolkit online training and are members of the Association of Professional Pension Trustees. Membership of the APPT was renewed during the Plan year (which required individual submission of appropriate continuous professional development records).
- Since the end of the reporting period many of the Trustee Directors at Law Debenture (including Sean Burnard) obtained the Pension Management Institute's Award in Pension Trusteeship (APT) as demonstration of their further ongoing commitment to continuous improvement in standards for professional trustees
- The Law Debenture pensions team held regular management meetings and bi-annual away days where business strategy, regulatory matters and client case studies were discussed, including DC-specific sessions.

All the Trustee Directors undertake continuous professional development (CPD) activity. This includes:

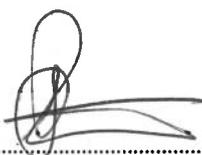
- A programme of external meetings with external advisers, fund managers, investment banks and other industry participants to discuss developments in their respective areas.
- Bespoke Law Debenture training sessions on particular areas of interest.
- Investment and pensions seminars and conferences including moderating sessions and speaking.
- Schemes' own training sessions.
- Participation within a range of trade associations and professional bodies including the Pensions Management Institute, Institute and Faculty of Actuaries, Pensions and Lifetime Savings Association, Association of Professional Pension Trustees, Society of Pension Professionals and the Pension Fund Investment Forum
- On-going interaction between its multi-disciplinary pension directors and Pension Executive Team.
- In addition to this CPD activity, Law Debenture have a comprehensive management and reporting structure centred on ongoing staff development, peer input and review.
- Law Debenture's sole trustee governance model combined with its TKU framework is designed to ensure that schemes are run to high standards. A quarterly internal peer review process is operated and documented approval of two Trustee Directors is required for key decision and signing of scheme documents. Peer reviews follow a set format, which incorporates a review of scheme activity, regulatory requirements and performance against objectives. Plan documents and correspondence are maintained in an accessible folder structure. This framework ensures a working knowledge of the Plan documents and up-to-date knowledge of the Plan.
- In addition, Law Debenture obtains annually an independent report under the Audit and Assurance Faculty ("AAF") the Institute of Chartered Accountants in England & Wales ("ICAEW"). This is subject to external audit and demonstrates that the Trustee operates sound internal procedures and

controls and is committed to high standards of governance, thereby minimising the plan's exposure to risk.

The Trustee has obtained legal and other professional advice as and when required during the reporting period.

Based on the actions taken by the Trustee during the reporting period, and the professional advice available to it, the Trustee considers itself able to properly and effectively run the Plan and exercise its functions as Trustee.

The Law Debenture (Intel Old Plan) Pension Trust Corporation plc. is registered in England at Fifth Floor, 100 Wood Street, London, EC2V 7EX; company number 03324547.

Signed.....

Sean Burnard, Director, On behalf of The Law Debenture (Intel Old Plan) Pension Trust Corporation p.l.c. as Trustee of the Intel Corporation (UK) Limited Staff Benefit Plan

Date: 24 July 2019

APPENDIX – STATEMENT OF INVESTMENT PRINCIPLES

Statement of Investment Principles

Intel Corporation (UK) Limited Staff Benefit Plan – November 2018

1. Introduction

This Statement sets out the principles governing decisions about investments adopted by the Trustee of the Intel Corporation (UK) Limited Staff Benefit Plan (“the Plan”) to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Plans (Investment) Regulations 2005 as amended by the Occupational Pension Plans (Charges and Governance) Regulations 2015.

The Plan is a defined contribution pension plan, however, some beneficiaries have a final salary underpin guarantee. In preparing the Statement, the Trustee has consulted the participating employer and obtained and considered written professional advice from Mercer.

The Statement sets out the principles that govern decisions about the investment of the Plan’s assets. The Trustee will refer to this Statement when making investment decisions, to ensure that they are consistent with these principles.

The Statement will be reviewed at least annually to ensure that it remains accurate. It will, however, be amended more frequently should any changes be made to the Plan’s investment arrangements or in response to material changes in the Plan’s membership. It will also be reviewed in the case of significant regulatory changes.

The Trustee’s investment powers are set out within the Plan’s governing documentation and relevant legislation. The Trustee has ultimate power and responsibility for the Plan’s investment arrangements.

The Trustee recognises that it has fiduciary obligations to Plan members and will seek to maintain a good working relationship with the participating employer. In addition to this, the Trustee will discuss any proposed changes to this Statement with the participating employer. However, any fiduciary obligations to Plan members will take precedence over their wishes, should these ever conflict.

2. Background

The Plan is closed to new entrants and new contributions. The membership is comprised entirely of deferred members. A section of the membership is supported by a DB underpin for the provision of benefits at retirement. Their individual account will be topped up to the level of the underpin if the annuity that can be purchased to secure the benefit is less valuable than the benefit from the underpin. The remaining members have DC assets only.

Although the Plan may at times have some pensioners, it is the Trustee’s current practice to secure, by means of an annuity in the individual beneficiary’s name, each pension when it comes into payment.

Under the rules of the Plan (the “Rules”):

- The Trustee has a wide range of investment powers, but is subject to certain restrictions on them, as specified in the Rules;
- The Trustee must establish in respect of each Member (as defined in the Rules) a series of notional accounts and must maintain a record of all income and losses and other outgoings to the Fund (as defined in the Rules) attributable to each account, the total of all such accounts in relation to a Member being called in the Rules the “Member’s Individual Account”;
- The Trustee is under no obligation to offer to a member a choice of vehicles for investment of his or her Member’s Individual Account;
- For investment purposes, no distinction is made between a Member’s additional voluntary contributions and other contributions to the Member’s Individual Account.
- Objectives are set by taking into account the two distinct groups of membership.

3. Investment Objectives and Risk

The Trustee has chosen an insurance policy for the Plan’s investments - the value of which is linked to performance of underlying unit trusts each having a stated investment strategy.

The Trustee regularly monitors fund performance against the benchmark set for each underlying unit trust.

The remuneration of the managers of each underlying unit trust is calculated as a percentage of the value of the fund under management. That remuneration includes custody, administration and transaction-related costs.

3.1 Investment Objectives

To meet its obligations to the members of the Plan, the Trustee has set the following objectives:

- a. For members with DC assets, to offer members a ‘Lifestyle’ option and ensure that the investment fund option provides some match for the annuity that is expected to be bought to secure a member’s pension on retirement allow members to plan for retirement.
- b. To monitor the funds to ensure they remain appropriate for the members and the funds are performing in line with expectations.
- c. For members who are subject to an underpin, the Trustee has sought to secure these benefits in a separate policy consisting of bulk annuities.

3.2 Risk

The Trustee has considered investment risk from a number of perspectives. These are:

- a. The risk that the investment returns, when combined with sufficient contribution rates over members’ working lives, will not keep pace with inflation and do not secure adequate retirement benefits.

The Trustee has provided the investment option, which, during the ‘growth phase’, has an explicit allocation to assets that are expected to outperform inflation over the long term;

- b. The risk that investment market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of retirement benefits.

Investment risk is measured as the volatility of expected returns. The Trustee offers the investment option which automatically and gradually reduces the level of investment risk that members are exposed to as they approach retirement. The Trustee has incorporated a strategy at retirement that is in line with expectations about how members will take their benefits.

- c. The risk that the investment vehicles in which monies are invested under-perform the expectation of the Trustee.

This risk is measured by considering fund returns relative to their benchmarks and compared to the investment manager's stated outperformance target/expected tracking error. The Trustee monitors the performance of the investment vehicles on a regular basis to ensure funds are meeting expectations. To minimise this risk, at the time of writing, assets are invested in index tracking funds.

- d. The risk that funding members underpin benefits increases due to poor market returns.

- e. The risk associated with funding the annuity policies for those members with underpins has been delegated to Aviva, who is responsible for maintaining the security of those benefits.

3.3 Range of Funds

The Trustee is under no obligation to offer a choice of vehicles for investment of his or her Member's Individual Account.

The Trustee believes that the funds outlined in the chart in 3.5, plus the bulk annuity policy, are appropriate for meeting the risks outlined in 3.2. More details on the objectives of these funds is included in the appendix and in the investment guide. The funds are provided by Legal & General Investment Management ("LGIM") with the bulk annuities being provided by Aviva.

3.4 The Investment Option

In selecting the investment option, the Trustee has been mindful of the nature of this membership and reflects the objectives specifically for members with benefits without any underpins.

The investment option aims to generate positive investment returns and has been designed for members who are expected to use their savings to buy an annuity when they retire as well as taking a tax free cash lump sum, expected to be 25% of their Individual Account.

The objectives of the investment option, and the ways in which the Trustee seeks to achieve these objectives, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.

If the member is more than ten years away from their expected retirement date, contributions will be invested in the LGIM 30/70 Currency Hedged Global Equity Index Fund which invests primarily in UK and overseas developed equities with the objective of producing a return in line with its benchmark and is expected to exceed inflation over the long term. Approximately 75% of the exposure to overseas currency is hedged back to Sterling.

- To provide a strategy that reduces investment risk, relative to their expected retirement objectives, for members as they approach retirement.

As a member's Individual Account grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a strategy that seeks to reduce investment risk relative to the expected retirement benefit choice as the member approaches retirement is appropriate. The Trustee has included an allocation to a specific "pre-retirement" fund 10 years to retirement to reduce this risk and enable members to purchase an annuity with a portion of their savings at retirement.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual also planning to use part of their savings in the Plan to take a cash lump sum at retirement.

At four years from their expected retirement, a proportion of members' accumulated savings in the investment option will be automatically and gradually moved to the LGIM Sterling Liquidity Fund, targeting a final allocation of 25% upon retirement. The LGIM Sterling Liquidity Fund aims to provide capital stability, liquidity and diversification while providing a competitive level of return.

The investment option targets the following allocation at retirement:

- 75% LGIM Pre Retirement Fund
- 25% LGIM Sterling Liquidity

For those members that have underpins, the Trustee has secured these benefits by transferring the assets to be invested in a bulk annuity policy, provided by Aviva. The relevant assets will be invested outside of the investment option described above.

The Trustee's policies in relation to the investment option are detailed below:

- The investment option manages investment risks through a diversified strategic asset allocation consisting of traditional assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the investment option, the Trustee has explicitly considered the trade-off between risk and expected returns. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the investment option.
- Assets in the investment option are invested in the interests of members and beneficiaries, taking into account the Trustee's understanding of the profile of members. Based on this understanding of the membership, an investment option that targets the purchase of an annuity at retirement is considered appropriate.
- Assets in the investment option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. Assets are also invested mainly on regulated markets (those that are not are kept to prudent levels).
- Members do not have to take their retirement benefits in line with those targeted by the investment option; the target benefits are merely used to determine the investment strategy held pre-retirement and at the point of retirement.

- Assets in the investment option are invested funds where the underlying fund is a long-term insurance contract. Members do not hold any assets directly. The insurance contracts have assets underlying them which generate the returns that are passed on to members who are invested in the funds.
- The selection, retention and realisation of assets within the pooled funds are delegated to the respective underlying fund managers in line with the mandates of the funds.
- Assets invested with Aviva will be managed in a way to secure the benefit commitments to those members and the maintenance of this security will be the responsibility of Aviva. The Trustee has undertaken due diligence prior to the selection of Aviva as the provider and Aviva will be responsible for monitoring this section of assets.

Taking into account the Trustee's understanding of the demographics of the Plan's membership, the Trustee believes that the current investment option is appropriate for those members without underpins and will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic if sooner.

In addition to the investment option, the Trustee has taken advice and has selected the LGIM Over 15 Year Gilts Index fund for any unallocated assets in the Plan.

Aviva will be responsible for the continued suitability of the investments for those members where bulk annuities have been secured.

3.5 Investment Strategy – The Investment Option

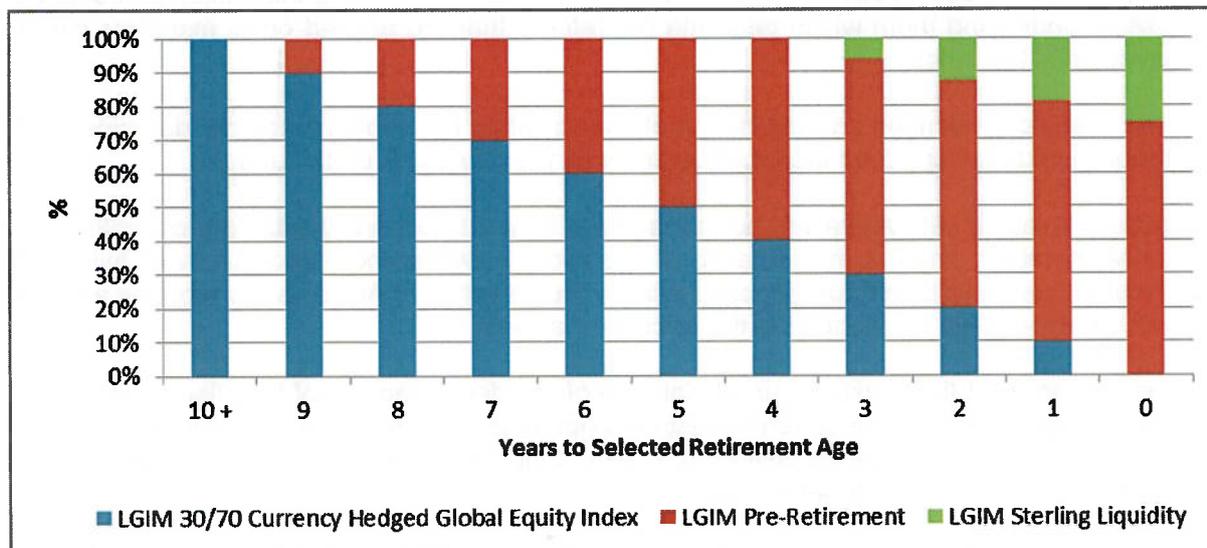
The Trustee makes a single lifestyle strategy available for its members, which targets a final allocation that enables members to take 25% of their savings as cash and use the remaining balance to purchase a level (fixed) annuity.

In the growth phase, the investment option wholly invests in the LGIM Global Equity Market Weights (30:70) Index Fund - 75% GBP Currency Hedged.

Once a member is ten full calendar years from their target retirement age, their assets will gradually be moved to the LGIM Pre-Retirement fund.

Once a member is four full calendar years from their target retirement age, part of their assets will gradually be moved to the LGIM Sterling Liquidity fund.

10 Year Lifestyle Option



Aviva will be responsible for the continued suitability of the investments for those members where bulk annuities have been secured. It is expected that the policy will be invested in a range of bond/bond type assets.

4. Day to Day Management of the Assets

4.1 Assets

The Trustee has contracted with LGIM and Aviva to provide access to the investment fund options. LGIM and Aviva are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

4.2 Spread and Suitability of Investments

The Trustee is satisfied that the spread of assets by type and LGIM's policies on investing in individual securities within each type provide adequate diversification of investments.

As the assets of the Plan are invested in pooled fund vehicles, the investment restrictions applying to these funds are controlled by LGIM.

4.3 Socially Responsible Investment and Corporate Governance

The Trustee recognises that social, environmental and ethical considerations are among the factors which LGIM should take into account, where relevant, when selecting investments for purchase, retention or sale. LGIM has been delegated through the contract to act accordingly, and the Trustee accepts that the assets are subject to the policies of the managers of the underlying funds on social, environmental and ethical investment.

Appendix

Fund Options and Objectives

Passively Managed Funds

Underlying Fund name	Fund aim	TER (% p.a.)
Global Equity Market Weights (30:70) Index Fund - 75% GBP Currency Hedged	To provide diversified exposure to UK and overseas equity markets while reducing foreign currency exposure of 75% of the overseas assets. A 30/70 distribution between UK and overseas assets is maintained with the overseas allocation mirroring that of the FTSE All World (ex-UK) Index.	0.200
LGIM Pre-Retirement	To provide diversified exposure to assets that reflect the investments underlying a typical traditional level annuity product.	0.150
LGIM Sterling Liquidity	The Liquidity Fund invests predominantly in the Sterling Liquidity Fund (SLF) whose objective is to provide capital stability, liquidity and diversification while providing a competitive level of return.	0.125
LGIM Over 15 Year Gilts Index	To track the performance of the FTSE A Government (Over 15 Year) Index to within +/-0.25% p.a. for two years out of three.	0.100

*The total charges include the Annual Management Charge (AMC) and other expenses associated with the running and management of the fund (which will vary slightly from time to time). The charges are stated as at February 2018

Expected Return Assumptions

This table shows proposed return assumptions Mercer recommend using in Statutory Money Purchase Illustrations. This is based on Technical Memorandum 1 (TM1) guidance from the Financial Reporting Council and is subject to annual review. These are only to be used as a guide with no guarantees.

Fund Type	Investment Return Assumption before expense deductions at 6 April 2017 (% p.a.)
Gilts and cash	1.5%
Equity	5.5%

4.4 Buying and Selling Investments

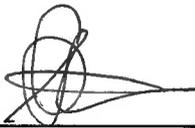
LGIM has responsibility for buying and selling the underlying assets. The day to day activities reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

4.5 Exercise of Voting Rights

The Trustee, through their contract with LGIM, has delegated the exercise of voting rights to the managers of the underlying funds on the basis that they will exercise them so as to preserve and enhance long term shareholder value. LGIM has written guidelines of their process and practice in this regard.

5. Compliance with this Statement

- The Trustee will review this Statement every Plan Year and will record compliance with it at the relevant Trustee's meeting. The Trustee will monitor the arrangement to ensure that the service continues to meet the Plan's needs and objectives.
- The Provider will provide full information in respect of transactions in units in the underlying funds and valuations of the units held by the Plan from time to time as required by the Trustee.
- Mercer will provide the advice needed to allow the Trustee to review and update this Statement annually (or more frequently if required).





For and on behalf of the Trustee of the Plan