

## Annual Statement regarding Governance of the Defined Contribution Section

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Governance requirements apply to defined contribution (“DC”) pension arrangements like the DC Section of the McCain Foods (GB) Limited Pension and Life Assurance Scheme (“the Scheme”) to help members achieve a good outcome from their pension savings. The Trustees are required to produce a yearly statement to describe how these governance requirements have been met in relation to:

- the investment options in which members can invest (this means the “default arrangement” and other funds members can select);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a ‘value for members’ assessment; and
- Trustee knowledge and understanding.

This Statement covers the period from 30 June 2017 to 30 June 2018.

### 1. Default arrangement

The Scheme operates a default investment arrangement for members who join the Scheme and do not choose an investment option. The Trustees are responsible for investment governance, which includes setting and monitoring the investment strategy for the default.

When deciding on the Scheme’s investment strategy, the Trustees recognise that most members do not take active investment decisions and instead invest in the default arrangement. Details of the aims and objectives and the Trustee’s policies regarding the default arrangement can be found in a document called the ‘Statement of Investment Principles’ (“SIP”). The Scheme’s SIP is attached to this Statement.

The Trustees offer a default lifecycle option, which invests in shares and other types of growth assets when a member is younger. It automatically changes the allocation as members approach their selected retirement age. It uses the blended Growth Fund, Annuity Fund and the Cash Fund. The aims and objectives of the strategy are to provide investment growth in the early years and then to reduce the different investment risks as a member approaches retirement.

More than 10 years before retirement:

Fund name	Underlying funds
McCain Growth Fund	25% Pyrford Global Total Return/ 25% Newton Real Return Fund/ 50% L&G Global Equity (50:50) Index

It then switches to the following allocation within 10 years of the target retirement age:

Fund name	Underlying funds
75% McCain Annuity Fund	25% L&G 6A Corporate Bond All-Stocks Index/ 25% L&G Over 15 Year Gilts Index/ 50% L&G Over 5 Year Index-linked Gilts Index
25% Cash Fund	L&G Cash Fund

The default arrangement was not reviewed during the period covered by this Statement. It was last reviewed in February 2016, no strategic changes were made following this review. The Trustees monitor the performance of the underlying funds within the default arrangement and will formally review both this and the strategy at least every three years or immediately following any significant change in investment policy or the Scheme’s member profile.

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2. Requirements for processing core financial transactions

Processing core financial transactions (such as the investment of contributions, processing transfers in and out of the Scheme, and payments to members/beneficiaries) is carried out by the administrators of the Scheme, an in-house administration team at McCain Foods (GB).

The Scheme's administrators have confirmed to the Trustees that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

Service Level Agreements are in place and are monitored on a regular basis at quarterly Trustee meetings.

The Trustees receive quarterly reports about the administrator's performance and response times. The reports use information provided by the administrators, and the Trustees are satisfied that over the period covered by this Statement:

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

The key processes adopted by the in-house administrator to ensure core financial transactions have been processed promptly are:

- Daily check of bank balance.
- Monthly reconciliations of cashbook to bank account.
- 2 administrators have access to raise, but not authorise payments. Payments up to £100,000 authorised by any two Trustees or any one Trustee and a person from the third party signatory list. Payments in excess of £100,000 authorised by any two Trustees. Authorisers do not have access to raise payments.
- Post logged daily and tracked to ensure processing occurs within agreed Service Level Agreement.

3. Member-borne charges and transaction costs

The Trustees are required to set out the on-going charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs); this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges exclude administration costs since these are not met by the members.

The Trustees are also required to disclose the level of any transaction costs. These are incurred when the Scheme's investment managers buy and sell assets within funds but are exclusive of any costs incurred when members invest in and switch between funds.

The charges and transaction costs have been supplied by Old Mutual Wealth, the DC Section's investment-only platform provider. When preparing this section of the Statement the Trustees have taken account of statutory guidance.

3.1. Default arrangement

The default "Lifecycle" arrangement has been designed as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to retirement and in which fund they are invested.

For the period covered by this Statement, annual charges and transaction costs are set out in the table below.

Default arrangement charges and transaction costs

Years to retirement	Annual charge	Transaction costs
10+ years to retirement	0.50%	0.10%
5 years to retirement	0.33%	0.06%
At retirement	0.17%	0.01%

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### 3.2. Do it yourself funds

In addition to the default lifestyle, members also have the option to invest in a range of self-select funds, known as 'Do it yourself funds'.

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this Statement are set out in the following table.

#### Do it yourself fund charges and transaction costs

Manager – Fund name	Annual charge	Transaction costs
McCain Corporate Bond Fund	0.18%	0.02%
McCain Fixed Interest Government Bond Fund	0.15%	-0.01%
McCain Index-Linked Government Bond Fund	0.15%	0.02%
McCain Cash Fund	0.18%	0.00%
McCain World Shares Fund	0.18%	0.02%
McCain UK Shares Fund	0.15%	-0.03%
McCain Emerging Market Shares Fund	0.45%	0.02%
McCain Sharia World Shares Fund	0.40%	0.03%
McCain Growth Fund	0.50%	0.10%
McCain Annuity Fund	0.16%	0.01%
McCain Diversified Growth Fund	0.83%	0.17%

The method used to calculate transaction costs over the period can result in negative values. Negative transaction costs are shown where an overall beneficial pricing environment has occurred at the point of trading underlying assets over the period, which has more than offset the costs of the trades. As this is not expected to be the case over the longer term, for the illustration shown below, as well as the transaction costs in the lifestyles, a nil cost has been used where a negative transaction cost has been reported.

### 3.3. Illustration of charges and disclosure costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs.
  - The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
  - The transaction cost figures used in the illustration are those provided by the managers over the past year, subject to a floor of zero (ie the illustration does not assume a negative cost over the long term).
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- The illustration is shown for the default strategy for DC members since this is the arrangement with the most members invested in it. Shown also are four funds from the Scheme's Do it yourself fund range. The four Do it yourself funds shown in the illustration are:
  - the fund with the highest before costs expected return – this is the McCain Emerging Markets Shares Fund;
  - the fund with the lowest before costs expected return – this is the McCain Cash Fund;
  - the fund with highest annual member borne costs – this is the McCain Diversified Growth fund; and
  - the fund with lowest annual member borne costs – this is the McCain Fixed Interest Government Bond Fund.
- Please note that these projections make no allowances for the investment risks, and hence do not provide an indication of the range of outcomes associated with, a particular investment. For example, the range of potential fund values when investing in the McCain Emerging Markets Shares Fund is much greater than the McCain Cash Fund.

**Projected pension pot in today's money**

Years invested	Default option		Emerging Markets Shares Fund		Cash Fund		Diversified Growth Fund		Fixed Interest Government Bond Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£6,500	£6,400	£6,600	£6,600	£6,200	£6,200	£6,400	£6,400	£6,200	£6,200
3	£9,500	£9,400	£10,000	£9,900	£8,600	£8,500	£9,300	£9,100	£8,600	£8,600
5	£12,700	£12,400	£13,600	£13,400	£10,800	£10,800	£12,300	£11,800	£10,900	£10,900
10	£21,300	£20,500	£24,200	£23,500	£16,000	£15,800	£20,000	£18,700	£16,300	£16,200
15	£30,900	£29,200	£37,300	£35,600	£20,600	£20,300	£28,200	£25,700	£21,200	£20,900
20	£41,600	£38,600	£53,300	£50,200	£24,700	£24,200	£36,800	£32,800	£25,500	£25,100
25	£53,500	£48,900	£72,900	£67,700	£28,400	£27,700	£46,100	£39,900	£29,500	£28,900
30	£66,700	£59,900	£97,100	£88,700	£31,600	£30,800	£55,800	£47,000	£33,100	£32,400
35	£77,100	£68,400	£126,800	£114,000	£34,500	£33,500	£66,200	£54,300	£36,300	£35,400
40	£79,800	£70,700	£163,200	£144,300	£37,100	£35,900	£77,300	£61,600	£39,300	£38,200

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% each year.
- The starting pot size used is £5,000, as this is broadly representative of a young member in the scheme.
- The starting salary is assumed to be £27,000. This was chosen as it is the UK average salary.
- Contributions are assumed to be 5.0% per year. This figure was chosen as it is the current minimum rate of contributions required under auto enrolment.
- Values shown are estimates and are not guaranteed.
- The projected annual returns used, after the impact of fees, are as follows:
  - Default options for DC members: 1.6% pa above inflation for the initial years, gradually reducing to a return of 2.0% pa below inflation at the ending point of the lifestyle;
  - McCain Emerging Market Shares Fund: 3.7% pa above inflation;
  - McCain Cash Fund: 2.5% pa below inflation;
  - McCain Diversified Growth Fund: 0.2% pa above inflation; and
  - McCain Fixed Interest Government Bond Fund: 2.2% below inflation.
- No allowance for active management has been made.

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### 4. Value for members assessment

The Trustees are required to assess the extent to which the investment options and the benefits offered by the Scheme represent good value for members, compared to other options available in the market. There is no legal definition of 'good value' which means that determining this is subjective.

The Trustees note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. In considering value for members, the Trustees have commented on the following criteria as suggested by the Pensions Regulator:

- **Charges borne by members** – members only pay for investment arrangements. The Trustees' investment advisers have confirmed that the fund charges are competitive for the types of fund available to members, given the size of the DC Section of the Scheme.
- **Administration services** – whilst members do not pay for administration services, the Trustees are comfortable with the quality and efficiency of the administration processes.
- **Communications** – whilst members do not pay for communications, reasonable steps are taken to engage with members. Over the period the McCain Foods (GB) Pensions Department ran a number of seminars and one-to-one meetings covering pre-retirement options and pensions inductions.
- **Governance** – the Trustees spend a proportionate amount of time discussing the DC given the size of the DC Section of the Scheme. However, the DC Section of the Scheme is growing and governance requirements are increasing. The Trustees and Company are reviewing the DC provision in the context of the wider market.
- **Investment arrangements** – the Scheme offers a range of investment options covering a range of markets and risk exposures. The funds options are all clearly labelled for members. The Trustees previously reviewed the investment arrangements but have not yet implemented any strategic changes.

Overall, as members only pay for the investment charges, the Trustees believe that members of the DC Section of the Scheme are receiving reasonable value for money. The Trustees and McCain Foods (GB) are reviewing the DC provision in the context of the wider market.

### 5. Trustee knowledge and understanding

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding.

The Trustees have measures in place to secure compliance with the legal and regulatory requirements regarding its knowledge and understanding including investment matters, pension and trust law. This, together with the advice available, enables the Trustees to exercise its functions and run the Scheme properly and effectively.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

Over the period, an introduction to Trusteeship training session was run for new Trustees.

The Trustees also received training on the different types of DC schemes (ie bundled Trusts, Master Trusts and Group Personal Pensions schemes) to understand the options for the future of the DC provision. The Trustees discussed at length the pros and cons of each arrangement from the perspective of members, Trustees and McCain Foods (GB).

During the period covered by this Statement, the Trustees have ensured their knowledge and understanding is up to date by receiving data on:

- General Data Protection Regulations
- Life expectancy assumptions for actuarial valuations
- Pensions Regulator's annual statement on defined benefit scheme funding 2018/Government white paper 'Protecting defined benefit schemes'

The Trustees review the Trust Deed and Rules, SIP and all other documents setting out the Trustees' current policies as appropriate to ensure they have a good working knowledge of these documents.

The Trustee board is made up of 9 Trustees who between them have a wide range of experience and knowledge including individuals with a finance background.

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The Trustees take regular formal and informal training both inside and outside Trustee meetings.

Taking into account the knowledge and experience of the Trustees with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (eg investment consultants, legal advisors), the Trustees believe they are well placed to exercise their functions as Trustees of the Scheme properly.

### 6. Ensuring our pension arrangements are fit for the future

The world of pensions never stands still as the pensions landscape continues to evolve. In view of continual developments and ever changing demands, the Plan Sponsor (McCain Foods (GB) Limited) has recently informed the Trustees that it would like to work with us to review the Defined Contribution pension arrangements in order to ensure that they remain fit for purpose and continue to provide excellent value for our members.

The Trustees welcome this approach from the Sponsor and are keen to work in partnership with the sponsor to ensure that our Defined Contribution pension arrangements remain fit for the future.

These discussions are expected to take place over many months but we will contact you to update you on developments later in 2019.



Date: 28 January 2019

Signed by the Chair of Trustees of the McCain Foods (GB) Limited Pension and Life Assurance Scheme

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STATEMENT OF INVESTMENT PRINCIPLES FOR THE  
McCain Foods (GB) Limited Pension & Life Assurance Scheme  
January 2019

## Introduction

This Statement of Investment Principles (“SIP”) has been drawn up by the Trustees of the McCain Foods (GB) Limited Pension & Life Assurance Scheme (“the Scheme”) to comply with section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

In preparing this SIP the Trustees consulted with McCain Foods (GB) Limited (“the Sponsor”) and considered written investment advice from Lane Clark & Peacock LLP (“LCP”) and Willis Towers Watson (in respect of the DB Section only). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustees.

The Trustees review this SIP every three years, or earlier if there is a significant change in investment policy.

The Scheme has defined benefit and defined contribution sections.

## DEFINED BENEFIT SECTION

### Investment objectives

The Trustees’ objectives for the DB section are that:

- the Scheme should be able to meet benefit payments as they fall due;
- the Scheme’s funding position (i.e. the value of its assets relative to the assessed value of its liabilities) aims to be fully-funded on a self-sufficiency basis (liabilities gilts basis) by 2028; and
- the Scheme should continue to benefit from the long-term support of the Sponsor.

### Investment strategy

The Trustees have received advice to determine an appropriate investment strategy for the Scheme. The Trustees have agreed to target a strategy that generates a return of gilts+2.6% per annum (net of fees). This, together with contributions from the Sponsor, is expected to achieve full-funding on a self-sufficiency basis by 2028 (the “Journey Plan”).

The Trustees have appointed a Fiduciary Manager to manage the Scheme’s assets on a discretionary basis and to provide advisory services to the Trustees (Willis Towers Watson, the “Fiduciary Manager”), with the objectives of maximising the probability of achieving the Journey Plan set by the Trustees. The Fiduciary Manager’s discretion is subject to guidelines set by the Trustees.

### Risk

Given the ongoing commitment of the Sponsor to the Scheme, the Trustees believe that a degree of investment risk can be taken with the objective of higher returns. The Trustees have a desire to diversify risk exposures and to manage its investments effectively, with close consideration of the

Scheme's liabilities. In setting the appropriate level of investment risk the Trustees considered a number of risks involved in the investment of the Scheme's assets:

- Funding level and solvency risk
  - is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
  - is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- Manager risk:
  - is measured by the expected deviation of the return relative to the benchmark set.
  - is managed by limiting exposure to any one investment manager, consideration of the appropriate amount of the Scheme to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.
- Liquidity risk:
  - is measured by the level of cashflow required by the Scheme over a specified period.
  - is managed by the Scheme's pensions administration team and Fiduciary Manager assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.
- Currency risk:
  - is measured by the level of exposure to non-Sterling denominated assets.
  - is managed by the implementation of a currency hedging programme (with currency hedging being carried out by some of the Scheme's investment managers) which reduces the impact of exchange rate movements on the Scheme's asset value.
- Interest rate and inflation risks:
  - are measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates.
  - are managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Scheme's assets to better-match movements in the value of the liabilities due to inflation and interest rates.
- Political risk:
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.

- is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.
- Sponsor risk:
  - is measured by receiving regular annual updates from the Sponsor and undertaking a detailed triennial covenant assessment.
  - is managed through an agreed contribution and funding schedule.
- Derivatives risk
  - Counterparty risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the investment manager’s use of robust ISDA, GMRA or other relevant derivatives documentation.
  - Basis risk – the returns from backing assets used to meet the payable leg of a derivative contract may not match exactly. This risk is addressed through the investment policy adopted for the backing assets and the investment managers’ asset management capabilities.
  - Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics). This risk is mitigated by updating the liability hedging benchmark at appropriate regular intervals.

#### Asset allocation

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including shares, fixed interest and index-linked bonds, cash and property, either directly or through pooled funds. It may also invest through pooled funds in alternative assets including commodities, infrastructure, hedge funds and private equity. It may also use derivatives and contracts for difference (either directly or through pooled funds) for the purpose of efficient portfolio management or to hedge specific risks.

The initial portfolio allocation (which delivered an expected return of gilts+2.6% pa based on 31 March 2018 asset return assumptions) together with the maximum allocation limit from the Fiduciary Manager’s guidelines is set out below. The Fiduciary Manager will manage the portfolio on an ongoing basis, within the objectives and restrictions set out in the agreed investment guidelines.

Asset class	Initial allocation %	Maximum allocation %
Global shares	24	40
Real assets	15	17
- Global REITS	5	
- Listed infrastructure	4	
- Secure income assets	6	
Diversifying strategies	21	25
Alternative credit	3	8
- High yield	1	

- Loans	2	
Investment grade credit	6	40
- Global corporate credit	2	
- Sovereign	4	
Liability matching and cash*	31	80
Total	100	

Note: numbers may not sum due to rounding. \*Expected to provide a liability hedge ratio of 96% (as a % of assets) and 64% (as a % of liabilities).

The maximum total allocation to diversifying strategies, alternative credit and secure income assets is 35% of the portfolio. The Trustees have instructed the Fiduciary Manager not to invest in sub-investment grade bonds other than high yield debt and leveraged loans. They have also instructed the manager not to invest in assets other than the classes listed above.

The Fiduciary Manager will maintain exposure to sterling at between 50% and 100% of the value of the total portfolio. The Fiduciary Manager may use currency derivatives to do this.

In monitoring the performance of the Fiduciary Manager, the Trustees consider performance relative to liabilities and also against a secondary benchmark of delivering a return equivalent to 60% globally diversified equities (measured against the FTSE All World (local) index and 40% sterling denominated investment grade bonds (with a duration consistent with the UK market) (measured against the iBoxx GBP non-gilts index).

The Trustees hold all of the Scheme's assets in collective investment schemes or cash accounts. Investments in collective investment schemes are made by the Fiduciary Manager on behalf of the Trustees under power of attorney. The Fiduciary Manager has full discretion over the choice of managers and is expected to maintain diversified portfolios, subject to guidelines agreed with the Trustees. The Trustees are satisfied that these arrangements are consistent with the Scheme's objectives and risk management, particularly in terms of diversification, expected return and liquidity.

#### Investment manager arrangements

The Trustees have delegated decisions for individual manager appointments to the Fiduciary Manager. As at January 2019, the Scheme's assets were split between investment managers as follows:

Asset class	Current fund/ manager %	Type of holding
Global shares	Towers Watson Global Equity Focus Fund	Actively managed listed equity
Real assets		
- Global REITS	Legal & General Investment Management Heitman Global Prime Property Securities	Actively managed listed property company equities

- Listed infrastructure	Legal & General Investment Management Infrastructure Equity MFG Fund	Passively managed listed infrastructure companies
- Secure income assets	Towers Watson Secure Income Fund	Various approaches – actively managed
Diversifying strategies	Towers Watson Diversifying Strategies Fund	Various approaches – actively managed and smart beta
Alternative credit		
- High yield	Legal & General Investment Management Global High Yield Fund	Sub-investment grade corporate bonds – actively managed
- Loans	Bain Capital Credit Senior Loan Fund	Private debt – actively managed
Investment grade credit		
- Global corporate credit	Robeco Global Multi-factor Credits Ffund	Investment grade bonds –smart beta
- Sovereign credit	State Street Multi-factor Premia Emerging Markets Bond Fund	Listed sovereign bonds – smart beta
Liability matching and cash	Insight Investments pooled leveraged liability driven investment funds, Insight ILF GBP liquidity Fund, State Street GBP liquidity Fund	Government bonds, derivatives and cash

The Fiduciary Manager receives a flat annual fee, which is fixed until October 2019 (increasing with inflation annually), covering the cost of its discretionary management and advisory services provided to the Trustees. The Fiduciary Manager invests in ‘zero-fee’ share classes for any In-House Funds used within the portfolio (eg global equities, diversifying strategies and secure income assets). The Scheme pays fees to the other underlying managers, including those within any In-House Funds, calculated as a percentage of assets under management, and to the global custodian (State Street).

#### Liquidity of holdings

Given the long-term nature of the Scheme’s liabilities, the Trustees believe that they can to a certain extent take advantage of the premium which may be available for holding illiquid assets. However they will also need to draw down assets to pay pensions and other benefits and increasingly to invest in liability matching assets. Therefore they have agreed with the Fiduciary Manager that the following liquidity provisions will apply:

Time frame	% of total assets
Assets with at least 4 dealing dates per month*	Minimum 50
Realisable within 50 days	Minimum 65
Lock up greater than 3 years	Maximum 17

\*including those with only 3 dealing dates in certain months.

The initial portfolio has the following liquidity:

Dealing frequency	% of total assets	Asset classes
Daily	63	Liability matching and cash, global equity, global corporate credit, high yield, sovereign credit
Weekly	9	Global REITS, Listed infrastructure
Monthly	23	Loans, diversifying strategies
Annual (initial 5 year lock)	6	Secure income assets

Note: numbers may not sum due to rounding

#### Social, environmental and ethical factors

The Trustees consider that it is necessary in all circumstances to act in the best financial interests of the beneficiaries and, where this primary consideration is not prejudiced, the Trustees expect the investment managers to take social and other issues into account. The Trustees cannot directly influence the investment managers' policies on social and other issues where the Trustees hold assets in pooled funds.

#### Exercise of voting rights

The Trustees have considered the UK Stewardship Code issued by the Financial Reporting Council. They cannot usually directly influence the investment managers' policies where the Trustees hold assets in pooled funds.

#### **Additional Voluntary Contributions ("AVCs")**

The Trustees have selected Prudential Assurance Company Limited as the Scheme's AVC provider.

## DEFINED CONTRIBUTION SECTION

### Risk

The Trustees believe that there are a number of investment risks for DC section members, including risk of inadequate long-term returns, risk of deterioration in investment conditions near retirement, annuity conversion risk, risk of lack of diversification, risk of unsuitable investments and risk from excessive charges.

The Trustees believe that the range of investment arrangements they offer and the fees they have negotiated on the members' behalf mitigate much of these risks.

### Investment objectives

The Trustees offer members a choice of two methods for investing their contributions to help manage risk. They recognise that members may have differing investment needs and that these needs may change during a members' working life. They also recognise that members may have differing attitudes to risk.

### Lifecycle

The Trustees offer a default lifecycle option, which invests in shares and other types of growth assets when a member is younger. It automatically changes the allocation as members approach their selected retirement age in order to reduce the different investment risks. It uses the blended Growth Fund, Annuity Fund and the Cash Fund (as described below).

### Do it yourself funds

The Trustees also realise that no single option will be sufficient to manage the various risks and that some members may wish to choose their investments to fit in with their own personal financial plans and tolerance to risk. These members can choose to invest in up to nine different funds.

### Investment manager arrangements

The Trustees offer the following funds to DC section members:

#### Lifecycle fund

More than 10 years before retirement

Fund name	Underlying funds
McCain Growth Fund	25% Baring Multi-asset/ 25% Newton Real Return Fund/ 50% L&G Global Equity (50:50) Index

Within 10 years of retirement

The Trustees arrange for the members' accounts to switch gradually every 6 months so that after 10 years members' accounts are invested as follows:

Fund name	Underlying funds
75% McCain Annuity Fund and	25% L&G 6A Corporate Bond All-Stocks Index/ 25% L&G Over 15 Year Gilts Index/ 50% L&G Over 5 Year Index-linked Gilts Index
25% Cash Fund	L&G Cash Fund

### Do it yourself funds

Fund name	Underlying funds	Benchmark index/ target
World Shares Fund	L&G Global Equity (50:50) Index	50% FTSE All Share/ 50% overseas shares (as measured by sub-divisions of the FTSE World Index, divided 35% in Europe (excluding UK), 35% in North America, 17.5% in Japan and 12. 5% in Asia Pacific (excluding Japan)
Sharia World Shares Fund	HSBC Amanah	Dow Jones Islamic Titans 100 Index
UK Shares Fund	L&G UK Equity Index	FTSE All Share Index
Emerging Markets Shares Fund	L&G World Emerging Markets Equity Index	Standard & Poor's/ IFC Investable Composite Global Emerging Markets Index
McCain Diversified Growth Fund	50% Pyrford Global Total Return Fund/ 50% Newton Real Return Fund	RPI +5% p.a. (Pyrford)/ 1 month LIBOR + 4% p.a. (Newton) (both before fees)
Corporate Bond Fund	L&G 6A Corporate bond All- Stocks Index	iBoxx £ Non-Gilts (ex-BBB) Index
Fixed-interest Government Bond Fund	L&G Over 15 Year Gilts Index	FTSE-A Government (Over 15 Year) Index
Index-linked Government Bond Fund	L&G Over 5 Year Index-linked Gilts Index	FTSE A Index-linked (Over 5 Year) Index
Cash Fund	L&G Cash Fund	7 day London Inter-bank rate

All managers receive fees calculated as a percentage of assets under management.

The Legal & General and HSBC funds are all invested on an index-tracking basis. The Pyrford and Newton funds are actively managed. They both seek to achieve capital returns above UK price inflation over the long term.