

M.A.G Defined Contribution Pension Scheme ('the Scheme')

Annual governance statement by the Chair of Trustee for the year ending 31 March 2019

Introduction

Governance standards apply to defined contribution pension arrangements like the M.A.G Defined Contribution Pension Scheme ('the Scheme'). These standards are designed to help members achieve a good outcome from their retirement savings.

As Chair of the Trustee of the Scheme, I have to provide you with a yearly statement which explains what steps the Trustee Directors (with guidance from our professional advisers) have taken to meet these standards. The information included in my statement is set out in law and regulation.

The Trustee Directors are committed to having high governance standards and we meet regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration.

I welcome this opportunity to explain what the Trustee Directors do to help to ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do let us know.

Default investment arrangement

The Trustee Directors have selected and provides a default investment arrangement for members who do not choose an investment option for their contributions, although members can also choose to invest in this default investment arrangement.

The Trustee Directors are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangements. We take professional advice from regulated investment advisers.

Setting an appropriate investment strategy

Details of the strategy and objectives of the default investment arrangements are recorded in a document called the Statement of Investment Principles. A copy of the latest Statement of Investment Principles which was signed on 9 August 2019 is attached to this statement.

When deciding on the default investment strategies, the Trustee Directors recognise that the majority of members do not take active investment decisions and instead invests in the default option. Therefore, the Trustee Directors' primary objective in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account factors such as the size of members' retirement savings within the Scheme, members' current level of income and likely expectations for income post-retirement etc. When choosing the default strategy, it is the Trustee Directors' policy to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustee Directors also recognise that there are various investment and operational risks, and gives qualitative and quantitative considerations to such risks.

The Scheme offers three different lifestyle strategies in order to meet the differing circumstances of members at retirement. These strategies target different retirement outcomes - stable income, lump-sum cash, and long-term drawdown.

There are two default options in place for the Scheme, each applying to different sections of the membership.

For Leadership members and Stansted Section members who benefit from the BAA contribution structure, the default option is the 'Glide path to long-term drawdown' lifestyle strategy.

For all other members (including Colleague members, auto-enrolled members and Stansted members who do not benefit from the BAA contribution structure) the default option is the 'Glide path to lump-sum withdrawal' lifestyle strategy.

The lifestyle strategies are structured to provide the potential for a level of growth over and above inflation in the long term. In addition, as members approach retirement the monies in the lifestyle strategies are gradually switched to less volatile investments which aim to protect members' potential income in retirement.

The lifestyle strategies are structured to invest in the BlackRock Aquila 50/50 Global Equity Index Fund until 6 years from a member's normal/selected retirement date. As members approach retirement the monies in the Lifestyle Strategies are gradually switched to less volatile investments, the BlackRock Aquila Over 15 Years UK Gilt Index Fund and/or the BlackRock Sterling Liquidity Fund. Please see the attached Statement of Investment Principles for full details of the lifestyle strategies and other investment options.

Reviewing the default investment arrangement

The Trustee Directors are expected to review the strategy and objectives of the default investment arrangement regularly, and at least once every three years, and take into account the needs of the Scheme membership when designing it.

The Trustee Directors review the investment objectives and the performance of the default investment arrangement on a yearly basis, taking advice from the Trustee Directors' investment consultant.

The Trustee Directors have not reviewed the default investment arrangements during the period covered by this statement. The last review was carried out in 2016 with the changes following the review implemented on 1 November 2016. The next formal review is scheduled to take place during 2019.

Charges and transaction costs paid by members

The Trustee Directors are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Scheme) that are paid by members rather than the employer. The employer pays the charges for investment management and administration for Stansted (ex-BAA) members. All other members pay the charges for investment management, investment transactions and administration services. The employer meets the cost of governance for all members.

The level of ongoing charges (including all indirect charges and excluding transaction costs), Total Expense Ratio ('TER'), applicable to the Scheme's default investment arrangements during the last scheme year were:

	Stansted (ex-BAA) category*	Colleague, Auto-enrolment and Leadership – Higher TER categories	Low TER category+
BlackRock Aquila 50/50 Global Equity Index Fund	0%	0.43%	0.23%
BlackRock Over 15 Years UK Gilt Index Fund	0%	0.43%	0.23%
BlackRock Sterling Liquidity Fund	0%	0.49%	0.29%

*The employer pays the charges for the investment and administration due to historical arrangements

+This is a closed category of member whose TER is different due to historical arrangements.

In addition to the default investment arrangements, the Trustee Directors allow members to self-select from the range of funds provided in the table below. Members may wish to take financial advice before choosing between these funds.

The range of the level of charges applicable to the Scheme's other investment funds during the last scheme year were:

Asset Class	Fund	Investment Style	Management Fee % p.a.*
Equity	BlackRock Aquila 50/50 Global Equity Index	Passive	0.43
	BlackRock Aquila UK Equity Index	Passive	0.42
	Baillie Gifford UK Equity	Active	0.85
	BlackRock Aquila US Equity Index	Passive	0.43
	BlackRock Aquila Japanese Equity Index	Passive	0.43
	BlackRock Aquila Pacific Rim Equity Index	Passive	0.44
	BlackRock Aquila European Equity Index	Passive	0.44
Specialist equity	Schroder Global Emerging Markets Equity	Active	1.54
	Legal & General Ethical Global Equity Index	Passive	0.63
Multi-asset	HSBC Islamic	Passive	0.70
	Newton Real Return	Active	1.16
Property	BlackRock Aquila Consensus	Passive	0.44
	Property	Active	1.01
Fixed Interest	BlackRock Aquila Over 15 Years UK Gilt Index	Passive	0.42
	BlackRock Aquila Index-Linked Over 5 Year Gilt Index	Passive	0.42
Money Market	BlackRock Institutional Sterling Liquidity	Active	0.49

*Figures quoted include both the Total Expense Ratio (including annual management charges and fund expenses) as well as the administration charges. Whilst these charges are not fixed, they are not expected to vary significantly.

Note that for Stansted (ex-BAA) category members, the employer pays the above charges. In addition, for Low TER category members, the above charges are reduced by 0.2% p.a. with the exception of the Property Fund which does not have a deduction applied to its management fees.

Transaction costs are incurred within the funds available and ultimately impact on the performance of each fund. The transaction costs applicable to the default investment arrangements and other investment options were confirmed by Scottish Widows / Zurich as being:

Fund Name	Transaction costs
BlackRock Aquila 50/50 Global Equity Index*	0.01%
BlackRock Aquila Consensus	0.02%
BlackRock Aquila Index-Linked Over 5 Year Gilt Index*	0.00%
BlackRock Aquila European Equity Index*	0.00%
BlackRock Aquila Japanese Equity Index*	0.00%

BlackRock Aquila Over 15 Years Index**	0.00%
BlackRock Aquila Pacific Rim Equity Index	0.03%
BlackRock Aquila UK Equity Index	0.05%
BlackRock Aquila US Equity Index*	0.00%
Baillie Gifford UK Equity*	0.00%
BlackRock Sterling Liquidity*	0.02%
HSBC Islamic (was Amanah)	0.03%
LGIM Ethical Global Equity Index	0.01%
Newton Real Return	0.18%
Property	0.43%
Schroder Global Emerging Markets*	0.00%

*Funds used within the default Lifestyle Fund

+ We have displayed any negative transaction costs as zero

Where information about the member costs and charges is not available, we have to make this clear to you together with an explanation of what steps we are taking to obtain the missing information.

Transaction costs have been averaged over a one year period. We have not been able to average over a longer period as data is only currently available for the previous year. We should be able to average over a longer period in future statements as historic data becomes more available from Scottish Widows / Zurich.

Transaction costs data is also not available for a small proportion of the funds listed below. The Trustee Directors will discuss with Scottish Widows / Zurich to determine what action can be taken to obtain full transaction cost data in the future.

Fund Name	Approximate proportion of the fund where transaction costs data is not available
LGIM Ethical Global Equity Index	1.3%

It should be noted that the transaction costs (and therefore the 'total' charges above) are likely to vary from fund to fund and from year to year.

Costs when assets are sold

The funds used by the Scheme operate on a single-swinging price basis. Members may experience transaction costs whenever assets are sold (as is the case throughout the lifestyling phase). These costs are implicit and will vary between members depending on what switches took place for each member and the date at which these occurred.

The Trustee Directors are not able to track what costs have been incurred in practice for particular members. It should be noted that not all switches will incur these costs, with many taking place at nil cost.

Example of the impact of costs and charges

We are required to provide illustrative example of the cumulative effect over time of the application of the charges and costs on the value of a member's retirement savings.

We have prepared the following illustrative example of the cumulative effect over time of the application of the charges and costs on the value of a member's benefits. We have taken account of the statutory guidance issued by the Department of Work and Pensions in preparing the illustration.

Provides an example illustration for a new joiner to the Scheme

Projected pension savings/pot in today's money								
	Default lifestyle strategy for Colleague and Auto enrolment members		Most popular and highest return fund		Most expensive fund		Lowest return and cheapest fund	
Years	Lifestyle to target cash at retirement		Global Equity 50:50		Property Fund		Index Linked Over 5 Years Gilt	
	Before charges (£)	After all charges + costs deducted (£)	Before charges (£)	After all charges + costs deducted (£)	Before charges (£)	After all charges + costs deducted (£)	Before charges (£)	After all charges + costs deducted (£)
Starting pot	0	0	0	0	0	0	0	0
After year 1	1,595	1,592	1,595	1,592	1,592	1,581	1,564	1,561
3	4,897	4,866	4,897	4,866	4,859	4,761	4,596	4,568
5	8,351	8,264	8,351	8,264	8,242	7,963	7,505	7,428
10	17,705	17,327	17,705	17,327	17,233	16,069	14,273	13,983
15	28,180	27,266	28,180	27,266	27,043	24,319	20,374	19,769
20	39,914	38,166	39,914	38,166	37,744	32,717	25,876	24,874
25	53,055	50,121	53,055	50,121	49,419	41,266	30,837	29,380
30	67,773	63,232	67,773	63,232	62,155	49,967	35,310	33,357
35	84,258	77,611	84,258	77,611	76,049	58,823	39,344	36,866
40	101,947	92,662	102,721	93,380	91,208	67,838	42,981	39,964
After year 45	106,263	95,055	123,400	110,674	107,744	77,015	46,260	42,697

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £0 as would be applicable for a new joiner to the Scheme (we have assumed joining at age 20 which is the age of the youngest member of the Scheme).
3. Future contributions of 8% and a current salary of £20,000 are assumed to be payable.
4. Inflation is assumed to be 2.5% each year.
5. Contributions are assumed to start from age 20 to continue to age 65 and increase in line with assumed earnings inflation of 2.5% each year.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates before charges for each fund are as follows:
 - Default fund: 2.29% above inflation in the growth phase only
 - Global Equity fund: 2.29% above inflation
 - Property Fund: 1.76% above inflation
 - Index Linked Over 5 Years Gilt: -2.05% above inflation

Good value for members

As part of our assessment of the charges and transaction costs, the Trustee Directors are required to consider the extent to which the member-borne costs and charges within the Scheme represent good value for members when this is compared to other options available in the market.

There is no legal definition of 'good value' and so the process of determining good value for members is a subjective one. We note that value for members does not necessarily mean the lowest fee, and the overall quality of the service received has been taken into account in the assessment of value to members.

This section sets out the approach that the Trustee Directors have taken, the conclusions we have reached and an explanation of how and why we have reached those conclusions.

Overall approach and conclusion

Assisted by our advisers and in line with The Pensions Regulator's guidance, we have taken the following approach:

1. We have collated information on services that members receive and the total costs that members pay, including transaction costs (where available);
2. We have assessed the scope and quality of the services that members receive, in line with criteria agreed by the Trustee Directors in advance;
3. We have compared the value members receive from the services against the cost of those services; and
4. We have reflected on our key findings and suggested courses of action to maintain areas of good value and improve areas where value could be better.

Overall, the above approach ensures that we are comparing the level of charges in each fund with the levels of return they have delivered to members, as well as comparing the costs of membership (i.e. the charges) against the benefits of membership (i.e. the services provided by the Scheme). In attempting to compare these against other options available in the market, the Trustee Directors have found that there are limited industry-wide benchmarks for each service area and so the Trustee Directors have relied on the market knowledge of its advisers.

Based on our assessment we concluded that the Scheme offers good value for members over the year to 31 March 2019.

The Trustee Directors believe that the charges are reasonable, that the funds have performed well relative to their benchmarks and that the fund managers and administrators are providing a high level of service in relation to the fees charged.

In undertaking the assessment the Trustee Directors considered:

- The benefits of membership (contribution structure, administration / online services, member support, governance and member communications).
- Investment arrangements (including the performance of the growth phase of the default investment arrangement).
- Charges applied to members
- How these compare to other pension arrangements

The Trustee Directors' focus is on maintaining value and identifying if further developments can be made.

Core financial transactions

The Trustee Directors are required to report to you about the processes and controls in place in relation to 'core financial transactions'. The law specifies that these include the following:

- investing contributions paid into the Scheme;
- transferring assets relating to members into and out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to, or on behalf of, members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme's administrator, Buck.

There is a service level agreement in place between the Trustee Directors and Buck which provides for Buck to ensure accurate and timely processing of the core financial transactions for which it is responsible. Buck is required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustee Directors and in accordance with the Scheme's trust deed and rules. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

This administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances.

In order to monitor this service the Trustee Directors receive quarterly reports confirming the payment and allocation of contributions, together with statistics on the level of service that is provided in comparison to agreed targets and timescales. The Trustee Directors monitor transactions made via the Trustee Directors' bank account on a regular basis.

As administrator, Buck prepares an annual report (AAF 01/06) setting out its internal controls in respect of pensions administration which is independently audited. The report details the review processes adopted by the administrators to support the accuracy of processing core financial transactions.

The Scheme Auditor tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

I am pleased to report that in the last year there were no material administration service issues discussed in the Scheme which need to be reported here by the Trustee Directors and as a result I am confident that all core financial transactions have been processed accurately within a reasonable time.

However, the Trustee Directors are liaising with the employer to ensure there is a robust process in place for providing timely and accurate information to the administrators to allow contributions to be invested promptly.

Overall, we are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

Trustee knowledge and understanding

The law requires the Trustee Directors to be conversant with the Scheme's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relevant to funding and investment to be able to run the Scheme effectively.

The Trustee Directors meet all the knowledge and understanding requirements and understands the Scheme and its documents. The Trustee Directors are aware that they must have a working knowledge of the trust deed and rules of the Scheme, the Statement of Investment Principles and the documents setting out the Trustee Directors current policies. They are also aware that they must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles

relating to the funding and investment of occupational pension schemes. The Trustee Directors do this by regularly reviewing the relevant Scheme documents via the Scheme's online portal.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board.

During the Scheme year the following training and development activities have taken place:

- The training log is reviewed at each Trustee meeting to identify any gaps in the knowledge and understanding across the Trustee Board as a whole.
- All of the Trustee Directors have completed the Pensions Regulator's on-line trustee toolkit. New trustee directors are required to complete the toolkit within 6 months of becoming a member of the Trustee Board. Trustee Directors must review the toolkit on an on-going basis to ensure their knowledge remains up to date.
- The Trustee Directors receive "on-the-job" training. This means that as new topics arise their professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests, as well as training during the meeting so that the Trustee Directors may engage on such topics in an informed manner. The training carried out during the Scheme year included:
 - Appointment of the Chair of the Trustee Board
 - Breaches of the law
 - 21st Century Trusteeship
 - Costs and charges disclosure requirements
 - Statement of Investment Principles requirements which apply by 1 October 2019
- The Trustee Directors have assessed the Scheme against the standards set out in the code of practice for trustees of pension schemes providing money purchase benefits (the DC code) and related guides and have established an action plan to ensure we can demonstrate that we are offering a quality scheme.
- An Independent Trustee Director has been appointed who is an experienced pensions lawyer.

Relevant advisers are in attendance at meetings and in frequent contact with the Trustee Board to provide information on topics under discussion, either specific to the Scheme or in respect of pension or trust law.

As a result of the training activities which have been completed by the Trustee Board individually and collectively, and taking into account the professional advice available to the Trustee Directors, I am confident that the combined knowledge and understanding of the Trustee Directors enables us to properly exercise our functions as Trustee Directors.

The Trustees of the M.A.G Defined Contribution Pension Scheme

Implemented by the Trustees on 12 August 2019

M.A.G Defined Contribution Pension Scheme

Statement of Investment Principles

August 2019

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1 Introduction

Scheme background

- This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for the M.A.G. Defined Contribution Pension Scheme (the “Scheme”).
- The Scheme:
 - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries,
 - provides benefits calculated on a defined contribution (DC) basis,
 - is open to new members.
- The Scheme has multiple membership categories with different contribution rate structures, namely Leadership members, Stansted members Colleague members and auto-enrolled members.
- Buck¹ is the appointed investment consultant to the Trustee.

Regulatory requirements and considerations

- This statement covers the requirements of, and the Scheme’s compliance with, the provisions of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 as well as additional non-statutory information recommended to be included following the Myners review of “Institutional Investing in the UK”, the results of which were first published in 2001 (referred to as the “Myners Principles”).
- The Myners Principles require Trustee Boards to act in a transparent and responsible manner. The information set out in this document helps ensure that the Trustee is complying with this requirement.
- The Trustee has taken into account the requirements and recommendations within the Pension Regulator’s DC code and regulatory guidance. Information on the Trustee’s approach to investment matters within the Scheme, and in particular in setting the default arrangement, is included within this document.

¹ Buck is a trading name in the UK for Buck Consultants Limited (registered number 1615055), Buck Consultants (Administration & Investment) Limited (registered number 1034719), and Buck Consultants (Healthcare) Limited (registered number 172919), which are private limited liability companies registered in England and Wales. All have their registered office at 160 Queen Victoria Street, London EC4V 4AN. Buck Consultants (Administration & Investment) Limited and Buck Consultants (Healthcare) Limited are authorised and regulated by the Financial Conduct Authority.

2 Statement of Investment Principles

Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.
- In accordance with section 35 of the Pensions Act 1995, the Trustee Directors have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.
- The Trustee Directors will review this Statement, in consultation with the investment consultant and the Sponsoring Employer, at least once every three years, or more frequently if there are any significant changes in the Scheme's circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

Key investment principles

Kind of investments to be held

- The Trustee has full regard to its investment powers under the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.
- The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, property, private equity and other pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustee has considered the attributes of the various asset classes (including derivative instruments), these attributes being:
 - security (or quality) of the investment,
 - yield (expected long-term return),
 - spread (or volatility) of returns,
 - term (or duration) of the investment,
 - exchange rate risk,
 - marketability/liquidity (i.e., the tradability on regulated markets),
 - taxation.
- The Trustee considers all of the stated classes of investment to be suitable to the circumstances of the Scheme.

- Investment Decisions All investment decisions are discussed by the whole Trustee body with assistance from the Scheme investment consultant before decisions are taken. The Trustee Directors will examine regularly whether additional investment training is desirable for any individual Trustee Director.
- Investment decisions relating to the Scheme are under the Trustee's control without constraint by the Sponsoring Employer. The Trustee is obliged to consult with the Sponsoring Employer when changing this Statement.
- Day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. An insurance contract has been exchanged with the platform provider and is reviewed from time-to-time. In addition, the underlying managers accessed via the platform provider are reviewed regularly to ensure that the manner in which they make investments on the Trustee's behalf is suitable for the Scheme, and appropriately diversified.

Investment Objectives and Suitability of Investments

- The Trustee believes that fund selection is an important decision for all members since it is likely to have an important influence on the risk taken and return achieved on members' pension savings. The Trustee regularly communicates with members to enable them to understand the importance of this subject and to provide them with education to help them to make informed choices about their selection of funds.
- However, the Trustee also recognises that in practice many members do not actively make an investment choice and are instead invested in the default option. The Trustee therefore recognises the importance of designing appropriate default options for the Scheme's membership. Due to the heterogeneous nature of the Scheme's membership, two different default options have been designed, each applying to a different segment of the Scheme's membership.
- Whilst the Trustee believes the chosen default options are a reasonable choice for a lot of the membership, ultimately each member should take into account their own personal circumstances when determining whether either the default option they have been allocated or an alternative strategy would best meet their needs.
- The default options have been designed having taken due regard of the membership profile of the Scheme, including consideration of:
 - the size of members' retirement savings within the Scheme,
 - members' current level of income and hence their likely expectations for income levels post retirement,
 - the fact that members may have other retirement savings invested outside the Scheme, and
 - the ways members may choose to use their savings to fund their retirement.

These factors have also been considered when setting the range of alternative investment options from which members can choose.

- The objective of the default options is to provide a balanced investment strategy for members who do not make an active investment choice. The strategies aim to maximise the level of return (net of fees) that a member could expect to

receive from the Scheme over the course of their working lifetime, while reducing the risk of them having income provision in retirement significantly below what may reasonably be expected.

- The objective of the alternative investment options available is to allow members to tailor their investments based on their individual investment requirements, while avoiding complexity. The range is intended to assist members in achieving the following:
 - maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement,
 - protecting the value of benefits in the years approaching retirement against equity market falls and (should they plan to purchase an annuity) fluctuations in annuity costs, and
 - tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.
- The Trustee recognises that members using the default option are likely to be less financially aware than those using self-select options and have taken this into account in the strategy design.
- The Trustee's investment consultant provides advice regarding the suitability of both the default options and the self-select options available.
- Details of the default and self-select options chosen (including the investment objectives of the individual funds), are shown in the appendices.
- Members are advised to take independent financial advice before choosing between these funds.
- The Trustee is satisfied that the funds offered to members and the appointed investment managers are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Risk

- The Trustee has considered risk from a number of perspectives. These are the risk that:
 - the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
 - investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,
 - investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit,
 - the default option used is not suitable for members who invest in it, and
 - fees and transaction costs reduce the return achieved by members by an inappropriate extent.
- The investment strategy for the default options has been chosen with the aim of reducing these risks. The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.

- To help address these risks, the Trustee also reviews the default option used and the fund range offered at least every three years, taking into account changes to the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

Expected Return on investments

- The default option is expected to provide an appropriate return on members' investments, based on the Trustee's understanding of the Scheme's membership and having taken into account the risk considerations set out above. The Trustee has also considered the return expectations of each of the alternative fund options offered.

Balance between different types of investments

- The investment managers will maintain a diversified portfolio of stocks or bonds within each of the funds offered under the Scheme (both within the default and self-select options).

In addition, the design of the default options provides further diversification through the use of multiple funds throughout a member's working lifetime.

Investment Manager Monitoring

- The Trustee will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.
- All investment decisions, and the overall performance of the investment managers, are monitored by the Trustee with the assistance of the investment consultant.
- The platform provider will provide the Trustee with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to the portfolios. The investment managers will also report verbally on request to the Trustee.
- The platform provider will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.
- The Trustee will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.
- Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

Performance Monitoring

- Each of the funds in which the Scheme invests has a stated performance objective against which the performance is measured.
- The Trustee will review the performance of the investment managers from time to time, based on the results of their performance and investment process.
- The platform provider is expected to provide written reports on a quarterly basis.

Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustee requires the investment managers to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue time to liquidate. This applies both to the default options and to the alternative fund options offered.

The Trustee's policy in relation to financially material considerations

- The Trustee expects its investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.
- The Trustee has reviewed the investment manager's policies in respect of financially material considerations and is satisfied that it is consistent with the above approach.
- This applies both to the default option and to the alternative fund options offered.

The Trustee's policy in relation to the extent to which non-financial matters are taken into account

- The Trustee's objective is that the financial interests of the Scheme members are their first priority when choosing investments. The Trustee will take members' preferences into account if they consider it appropriate to do so.
- This applies both to the default option and to the alternative fund options offered.
- The Trustee offers both an ethical and a Shariah-compliant fund options for those members who wish to adopt an ethical approach to their investing.

Stewardship in relation to the Scheme's assets

- The Trustee has a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. Trustee can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through their investment managers
- This applies both to the default option and to the alternative fund options offered.

The Trustee's policy in relation to engagement and monitoring

- The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.
- This applies both to the default option and to the alternative fund options offered.

Voting Rights attaching to Investments

- The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and

to encourage the managers to exercise those rights. The Trustee will take corporate governance policies into account when appointing and reviewing such investment managers.

Additional Voluntary Contribution Arrangements

- Some members supplement their account within the Scheme by paying Additional Voluntary Contributions (AVCs) to the Scheme. These are held in the same fund range as members' main Scheme investments. From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

3 Appointments & Responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

Trustee

The Trustee's primary responsibilities include:

- preparation of this Statement, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment managers,
- appointing an investment consultant, a platform provider and investment managers as necessary for the good stewardship of the Scheme's assets,
- reviewing the investment strategy on a regular basis, taking advice from the investment consultant,
- assessing the processes (and therefore the performance) of the investment managers by means of regular, and not less than annual, reviews of information obtained (including investment performance),
- monitoring compliance of the investment arrangements with this Statement on a regular basis, and
- monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustee in respect of the Scheme's equity holdings.

Investment Consultant

The main responsibilities of the investment consultant include:

- assisting the Trustee in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer,
- undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustee,
- advising the Trustee on the selection and review of the investment managers and platform provider,
- providing training or education on any investment related matter as and when the Trustee sees fit.

Investment Managers

The investment managers' main responsibilities include:

- investing assets in a manner that is consistent with the objectives set,
- ensuring that investment of the Scheme's assets is compliant with prevailing legislation and the constraints detailed in this Statement,
- attending meetings with the Trustee as and when required,
- informing the Trustee (or platform provider) of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur, and
- exercising voting rights on shareholdings in accordance with their general policy.

Platform provider

The platform provider's main responsibilities include:

- ensuring that investment of the Fund's assets is compliant with prevailing legislation and the constraints detailed in this Statement,
- providing the Trustee with quarterly reports including any changes to their investment process and a review of the investment performance,
- attending meetings with the Trustee as and when required, and
- informing the Trustee of any significant changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Fund as and when they occur.

Custodian

The custodians are responsible for the safe-keeping of the Scheme's assets.

- The custodianship arrangements are those operated by the investment managers for all clients investing in their pooled funds.

Administrators

- The administrator's primary responsibilities are the day to day administration of the Scheme and the submission of specified statutory documentation, as delegated by the Trustee.
- The Scheme's administrator is Buck.

The Trustee of the M.A.G Defined Contribution Pension Scheme

Implemented by the Trustee on 9 August 2019

Appendix 1– Fund Range and Objectives

Fund options

The Trustee has appointed Zurich Life to manage the Scheme's assets. The funds available to members are included in the below table.

Asset Class	Fund	Benchmark Index
Equity	BlackRock Aquila 50/50 Global Equity Index	50% FTSE All-Share Index / 50% Overseas Equities Composite Index ¹
	BlackRock Aquila UK Equity Index	FTSE All-Share Index
	Baillie Gifford UK Equity	FTSE All-Share Index
	BlackRock Aquila US Equity Index	FTSE All-World USA Index
	BlackRock Aquila Japanese Equity Index	FTSE All-World Japan Index
	BlackRock Aquila Pacific Rim Equity Index	FTSE All-World Developed Asia Pacific Ex-Japan Index
	BlackRock Aquila European Equity Index	FTSE All-World Developed Europe Ex-UK Index
	Schroder Global Emerging Markets Equity	MCSI Emerging Markets Index
Specialist equity	Legal & General Ethical Global Equity Index	FTSE4Good Global Equity Index
	HSBC Islamic	Dow Jones Islamic Titans 100 Index
Multi-asset	Newton Real Return	Libor GBP 1m + 4.0% p.a.
	BlackRock Aquila Consensus	Composite Index ²
Property	Property	ABI UK Direct Property GBP
Fixed Interest	BlackRock Aquila Over 15 Years UK Gilt Index	FTSE British Government Over 15 Years index
	BlackRock Aquila Index-Linked Over 5 Year Gilt Index	FTSE British Government Index-Linked Over 5 Years index
Money Market	BlackRock Institutional Sterling Liquidity	7-Day LIBID

Notes:

¹ 16.50% FTSE All-World Developed Europe ex UK / 16.50% FTSE All-World USA Index / 8.50% FTSE Japan Index / 8.50% FTSE All-World Developed Asia Pacific Ex-Japan Index

² 35.6% CAPS Pooled Fund Survey Balanced Fund asset weights (excluding property and emerging markets) multiplied by the relevant asset class returns / 21.3% FTSE All-Share FTSE All-World Developed Europe ex UK / 19% FTSE All-World USA / 9.1% FTSE Developed Asia Pacific ex Japan / 5.8% FTSE All-World Japan / 3.5% JPM GBI Global ex-UK / 2.7% FTSE Actuaries UK Conventional Gilts All Stocks / 2.5% IBOXX UK Sterling Non-Gilts All Maturities / 0.5% FTSE Actuaries UK Index-Linked All Stocks

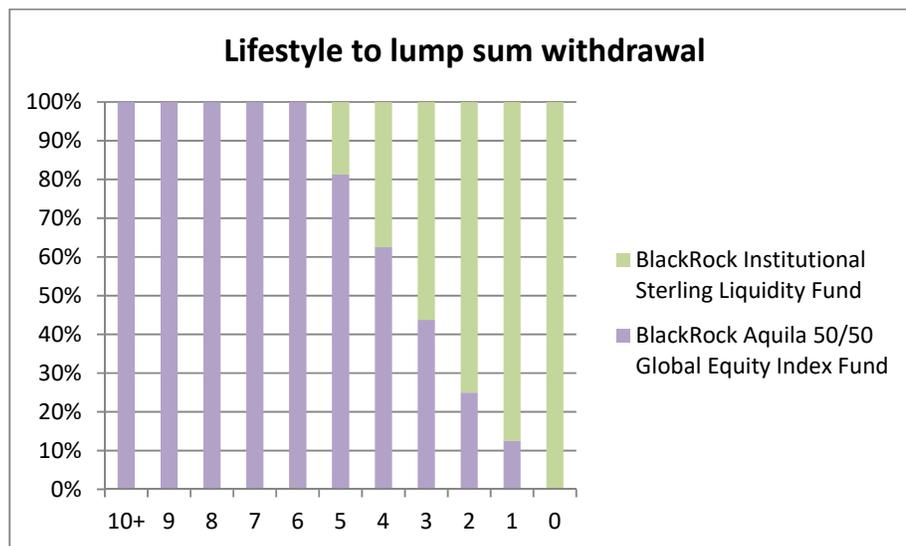
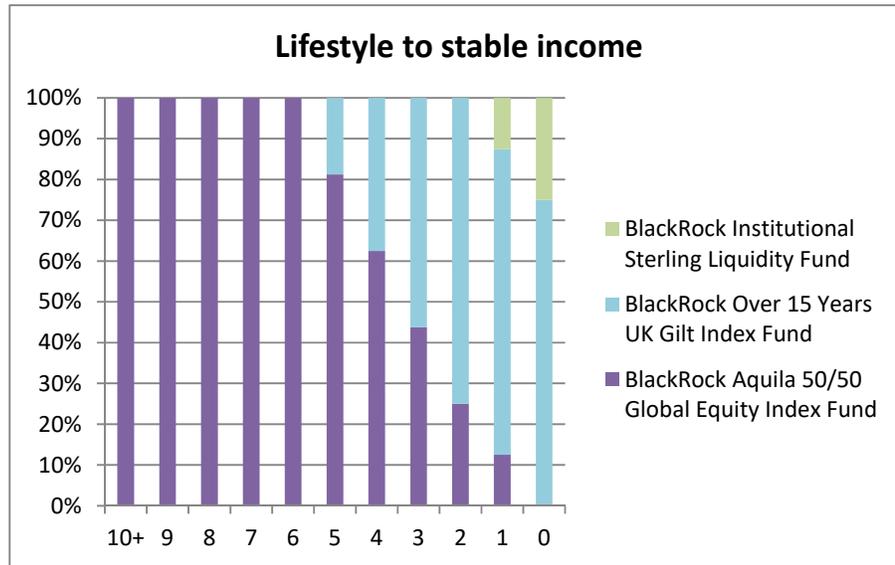
Lifestyle strategies

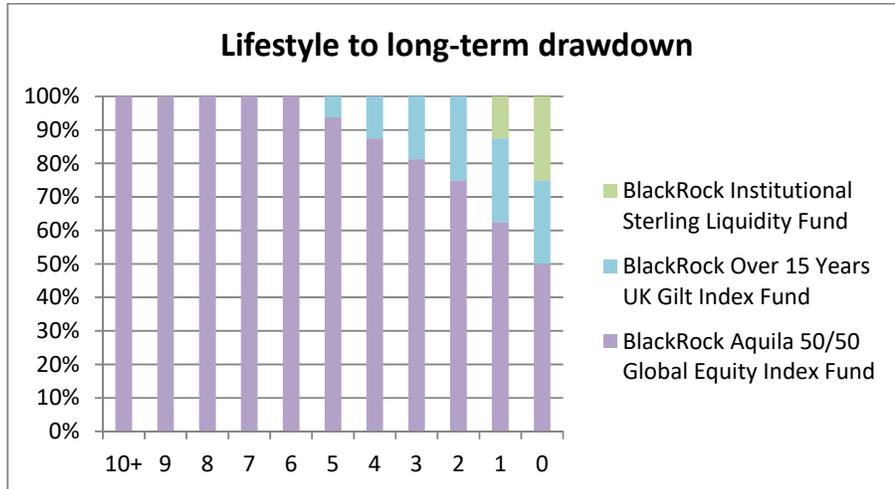
The lifestyle strategies entail members' assets being switched between funds as they approach their target retirement date.

The Scheme offers three different lifestyle strategies in order to meet the differing circumstances of members:

- Lifestyle to Stable Income
- Lifestyle to Lump Sum Cash Withdrawal
- Lifestyle to Long-Term Drawdown

The three Lifestyle switching profiles are shown below:





Default option

There are two default options in place, each applying to different sections of the membership.

For Leadership members & Stansted Section members who benefit from the BAA contribution structure, the default option is the 'Glide path to long-term drawdown' lifestyle strategy.

For all other members (including Colleague members, auto-enrolled members and Stansted members who do not benefit from the preferential BAA contribution structure) the default option is the 'Glide path to lump-sum withdrawal' lifestyle strategy.

Members who had a deferred status at the time these changes were introduced were defaulted into the second membership category. However, in the future members' investments will not automatically be changed if they leave employment.

Appendix 2 – Fees

Asset Class	Fund	Investment Style	Charges % p.a.*
Equity	BlackRock Aquila 50/50 Global Equity Index	Passive	0.43
	BlackRock Aquila UK Equity Index	Passive	0.42
	Baillie Gifford UK Equity	Active	0.85
	BlackRock Aquila US Equity Index	Passive	0.43
	BlackRock Aquila Japanese Equity Index	Passive	0.43
	BlackRock Aquila Pacific Rim Equity Index	Passive	0.44
	BlackRock Aquila European Equity Index	Passive	0.44
	Schroder Global Emerging Markets Equity	Active	1.54
Specialist equity	Legal & General Ethical Global Equity Index	Passive	0.63
	HSBC Islamic	Passive	0.70
Multi-asset	Newton Real Return	Active	1.16
	BlackRock Aquila Consensus	Passive	0.44
Property	Property	Active	1.01
Fixed Interest	BlackRock Aquila Over 15 Years UK Gilt Index	Passive	0.42
	BlackRock Aquila Index-Linked Over 5 Year Gilt Index	Passive	0.42
Money Market	BlackRock Institutional Sterling Liquidity	Active	0.49

* Figures quoted include both the Total Expense Ratio (including annual management charges and fund expenses) as well as the administration charges. Whilst these charges are not fixed, they are not expected to vary significantly.

The Trustee has confirmed that the default option offered has total fees payable by members of less than The Pension Regulator's charge cap of 0.75% p.a. and will monitor compliance with this on an ongoing basis.

Investment consultancy fees

The investment consultant provides services on an ad hoc basis, on request. These are subject to agreement in advance and are undertaken on either a fixed fee basis or a time cost basis, as agreed from time to time. The basis of remuneration is kept under review.