

# Geo Specialty Chemicals UK Limited Pension Fund (the 'Scheme')

**Annual governance statement by the Chair of Trustees for the year  
ending 30 June 2019**

## **Introduction**

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

Certain governance standards apply to Defined Contribution (DC) pension arrangements. These are designed to help members achieve good outcomes from their pension savings.

The Trustees 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.

We welcome this opportunity to explain what the Trustees 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 Trustees 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.

## **Lifestyle arrangements**

The Scheme currently offers members three lifestyle arrangements:

- Geo Specialty Chemicals Balanced Passive Lifestyle
- Geo Specialty Chemicals Universal Balanced Collection Lifestyle
- Geo Specialty Chemicals External Stockmarket Collection Lifestyle (this lifestyle option was closed to new entrants in 2009).

## **Self-select investment choices**

The Trustees also currently allow members to self-select from the following range of provider funds:

- SE Balanced Passive Pension Fund
- SE Universal Balanced Collection Pension Fund
- SE External Stockmarket Collection Pension Fund\*
- SE BlackRock Aquila Connect UK Equity Pension Fund
- SE Long Gilt Pension Fund
- SE Cash Pension Fund.

\* This fund was closed to new entrants in 2009.

Members may wish to take financial advice before choosing between these funds.

The Trustees have selected and provide 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.

#### **Setting an appropriate investment strategy**

Details of the strategy and objectives of the default investment arrangement are recorded in a document called the Statement of Investment Principles (SIP). The SIP is reviewed regularly (at least triennially) to ensure it remains appropriate. A copy is appended to this statement.

When deciding on the investment strategy, the Trustees recognise that the majority of members do not take active investment decisions and instead invest in the default option. Therefore, the Trustees' primary objective in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account their age and planned retirement date. When choosing the default strategy, it is the Trustees' 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 Trustees also recognise that there are various investment and operational risks, and gives qualitative and quantitative considerations to such risks.

The Trustees have currently chosen the Geo Specialty Chemicals Balanced Passive Lifestyle as the default strategy. The default strategy is 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 default strategy are gradually switched - over 10 years - to less volatile investments, which aim to protect members' potential income in retirement. The approach of the default strategy is based on a member taking 25% cash at retirement and using the rest to buy an annuity.

#### **Reviewing the default investment arrangement**

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

In April 2019 the Trustees reviewed the default investment arrangement, alternative lifestyle arrangements and the self-select investment choices. This included taking advice from the Trustees' investment consultant.

Having assessed members' needs and considered the available options on the existing Aegon platform, our investment consultants recommended the Aegon Growth Tracker (Flexible Target) as the new default investment strategy for members for the following reasons:

- It is intended to deliver a return above inflation in the growth stages of the lifestyle (like the current default).
- It is designed for members who are not sure what they wish to do with their pension fund at retirement or intend to make use of the new Pensions Freedoms.

Our investment consultant also recommended expanding the wider fund range to include:

- Alternative lifestyles that are identical in the growth phase but offer members different outcomes at retirement (e.g. for members who wish to buy an annuity at retirement).
- An alternative ethical lifestyle fund.

- An overseas equity fund option.

The Trustees continue to review the recommendations made by their investment consultant ahead of reaching a decision on whether to make any changes. Once a decision is made, members will be advised of any changes to the default investment arrangement.

### **Charges and transaction costs paid by members**

The Trustees are required to explain the charges and transaction costs which are paid by members rather than the employer. These costs comprise of the following:

- Charges, such as the Annual Management Charge ('AMC' – the annual fee charged by the investment manager for investing in a fund), as well as additional expenses which together comprise the Total Expense Ratio (TER), which is the total cost of investing in the fund.
- The TER information is normally readily available as these charges are explicit and are deducted as a percentage of members' funds.
- Transaction costs are costs which are incurred within the day to day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund.

The Financial Conduct Authority's (FCA) rules on disclosure for transaction costs in a standard format came into effect for investment managers on 3 January 2018. The transaction costs shown below are calculated using the standardised method set by the FCA.

Transaction costs are largely the result of buying and selling investments in a fund. Therefore, actively managed funds will usually have higher transaction costs than passively managed funds that invest in more liquid assets.

As defined by the FCA, explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker to buy and sell investments) and the costs of borrowing or lending securities.

Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as 'negative costs'. This can happen, for example when buying an asset, if the actual price paid ends up being lower than the mid-market price at the time of placing the order, because something has happened in the market that pushes the price of the asset down - such as some negative publicity or a big sell order by someone else. The tables below set out the TERs that were applicable to the funds available for members to invest in over the period from 1 July 2018 to 30 June 2019.

The TER applicable to the Scheme's default investment arrangement during the last scheme year was 0.60%. Where a member's account exceeds £50,000 at the start of any Scheme year the charge is rebated to a net level of 0.35% pa. Importantly, the TER for the default arrangement was below the charge cap set by the Regulations of 0.75% p.a.

The level of charges applicable to the Scheme's current two alternative lifestyle strategies and six current self-select funds during the last scheme year were 0.60% to

0.95%. Where a member's account exceeds £50,000 at the start of any Scheme year the charge is rebated to a net level of 0.35% pa. A full breakdown of the TERs and transaction costs applicable to the investment options available to members over the period are listed in the table below.

Fund name	TER (% as at 30 June 2019)	Transaction costs p.a.	Total charges %
<b>Lifestyle Strategies</b>			
Geo Specialty Chemicals Balanced Passive Lifestyle (default fund)	0.62	0.05	0.67
Geo Specialty Chemicals Universal Balanced Collection Lifestyle	0.62	0.13	0.75
Geo Specialty Chemicals External Stockmarket Collection Lifestyle*	0.95	Not provided	Not provided
<b>Self-Select Funds</b>			
SE Balanced Passive Pension Fund	0.60	0.06	0.66
SE Universal Balanced Collection Pension Fund	0.60	0.13	0.73
SE External Stockmarket Collection Pension Fund*	0.95	Not provided	Not provided
SE BlackRock Aquila Connect UK Equity Pension Fund	0.60	0.09	0.69
SE Long Gilt Pension Fund	0.60	0.10	0.70
SE Cash Pension Fund	0.60	0.00	0.60

Source: Aegon

\* These funds were closed to new entrants in 2009.

#### Completeness of transaction cost information

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.

Please note that Aegon have confirmed that transaction cost data was not available for the Geo Specialty Chemicals External Stockmarket Collection Lifestyle and the SE External Stockmarket Collection Pension Fund. We are reviewing our processes for monitoring transaction costs and will be discussing with Aegon their ability to provide complete information for these funds in future. 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.

### Impact of costs and charges

The Trustees are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on the value of a member's retirement savings (as a 'pounds and pence figure').

**Example of the impact of costs and charges for members making contributions**  
Aegon have produced the following illustrative example for a member making further contributions to demonstrate the effect of the above costs and charges for investment strategies representative of the Scheme's membership.

Years	Balanced Passive		Universal Bal Col		Long Gilt Fund		Cash	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	62,975	62,724	62,259	61,966	61,114	60,848	60,971	60,767
3	79,388	78,517	76,930	75,939	73,111	72,245	72,643	71,981
5	96,447	94,796	91,816	89,977	84,817	83,263	83,976	82,792
10	142,093	137,711	129,995	125,359	112,855	109,238	110,889	108,154
15	192,371	183,993	169,591	161,153	139,226	133,113	135,890	131,301
20	247,748	233,908	210,657	197,364	164,027	155,058	159,115	152,428
25	308,744	287,740	253,248	233,998	187,352	175,228	180,689	171,709
30	375,927	345,797	297,420	271,060	209,289	193,768	200,730	189,307
35	449,925	408,410	343,232	308,553	229,921	210,809	219,346	205,369
40	531,430	478,936	390,744	346,485	249,325	226,472	236,640	220,028
45	621,202	548,762	440,021	384,858	267,574	240,869	252,705	233,408
50	720,082	627,304	491,127	426,680	284,738	254,102	267,629	245,619
51	741,031	643,737	501,573	431,498	288,046	256,617	270,484	247,930

Source: Aegon

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

1. Values are not guaranteed.
2. The starting pot size in the first year is assumed to be £55,004.
3. The starting age is 16 and the retirement age is 67.
4. Contributions will increase by 2.5% each year.
5. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
6. Inflation is assumed to be 2.5% each year.
7. Each illustration has been produced on the basis this is the only fund invested in and that all transaction costs and scheme charges are deducted from the fund.
8. The projected growth rate for each fund is set out below. These are for illustrative purposes only and not guaranteed. The investment growth achieved may be more or less than this and may vary depending on the type of fund.  
Balanced Passive - 4.50%  
Universal Balanced Collection - 3.25%  
Long Gilt Fund - 1.25%  
Cash - 1.00%.

If the growth rate used is:

- the same as the rate of inflation, this reduces the growth rate, after making an allowance for inflation, to 0%

- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

**Example of the impact of costs and charges for members no longer making contributions**

Aegon have produced the following illustrative example for a member not making any further contributions to demonstrate the effect of the above costs and charges for investment strategies representative of the Scheme's membership.

Years	Balanced Passive		Universal Bal Col		Long Gilt Fund		Cash	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	23,820	23,660	23,535	23,360	23,079	22,916	23,022	22,883
3	24,758	24,265	23,880	23,351	22,519	22,045	22,353	21,952
5	25,734	24,884	24,231	23,343	21,973	21,208	21,704	21,059
10	28,344	26,504	25,131	23,322	20,666	19,251	20,161	18,981
15	31,220	28,229	26,064	23,301	19,436	17,475	18,729	17,109
20	34,387	30,066	27,031	23,280	18,280	15,863	17,398	15,421
25	37,875	32,392	28,035	23,259	17,192	14,399	16,161	13,900
30	41,717	34,934	29,076	23,238	16,169	13,071	15,013	12,529
35	45,949	37,676	30,155	23,445	15,207	11,865	13,946	11,293
40	50,610	40,632	31,274	23,719	14,302	10,770	12,955	10,179
45	55,744	43,821	32,436	23,996	13,451	9,777	12,035	9,175
47	57,941	45,166	32,912	24,107	13,125	9,405	11,685	8,801

Source: Aegon

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

1. Values are not guaranteed.
2. The starting pot size in the first year is assumed to be £23,363.75.
3. The starting age is 20 and the retirement age is 67.
4. No future contributions are made.
5. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
6. Inflation is assumed to be 2.5% each year.
7. Each illustration has been produced on the basis this is the only fund invested in and that all transaction costs and scheme charges are deducted from the fund.
8. The projected growth rate for each fund is set out below. These are for illustrative purposes only and not guaranteed. The investment growth achieved may be more or less than this and may vary depending on the type of fund.  
Balanced Passive - 4.50%  
Universal Balanced Collection - 3.25%  
Long Gilt Fund - 1.25%  
Cash - 1.00%.

If the growth rate used is:

- the same as the rate of inflation, this reduces the growth rate, after making an allowance for inflation, to 0%
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transaction costs over the years for which data is available. Currently, less than 5 years' transaction cost information is available from providers, which may result in greater volatility in these costs in the short term. It is anticipated that once information is available over longer periods, the assumptions made in respect of these costs will demonstrate less volatility.

The transaction costs and certain charges which apply to selected funds above together with illustrative examples of the cumulative effect of these costs and charges incurred by members are set out below.

	Balanced Passive	Universal Bal Col	Long Gift Fund	Cash
AMC	0.60%	0.60%	0.60%	0.60%
Additional expenses	0.02%	0.02%	0.00%	0.00%
Transaction costs	0.05%	0.13%	0.10%	0.00%

### Good value for members

As part of our assessment of the charges and transaction costs, the Trustees are required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for money 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 money is a subjective one. We have received advice on how to assess good value from our advisers and considered the statutory guidance.

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. The Trustees believe that the charges are reasonable and that the funds have performed well relative to their benchmarks.

In undertaking the assessment the Trustees considered the following criteria:

- 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 although the assessment excluded transaction costs, and these will be considered in future years.
- How these compare to other pension arrangements.

The Trustees have therefore assessed the above criteria, each of which contains several components. The Trustees have taken independent advice from Buck regarding their assessment of good value to provide input on the method and the Trustees' analysis. Buck also provided an assessment against other similar pension schemes. Based on our assessment we have concluded that the options within the Scheme have represented good value for money for members because:

- Buck have carried out a half yearly investment performance review and are comfortable the investments have performed well net of charges over most time

periods relative to their respective benchmarks. A core fund range has been offered to members along with alternative lifestyle strategies;

- the Scheme offers timely and accurate administration. Aegon has Service Level Agreements (SLAs) in place for money handling and other processes as shown below. Half yearly administration reports are provided to the Trustees by Aegon and feedback on improvements has been actioned. The Trustees continue to monitor SLAs.

### Core financial transactions

The Trustees 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 administrator. Our Scheme administration is delivered by Aegon.

There is a service level agreement in place between the Trustees and their administrators to ensure accurate and timely processing of the core financial transactions for which they are responsible. The administrators are 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 Trustees and in accordance with the Scheme's trust deed and rules.

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 Trustees receive half yearly 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 Trustees monitor transactions made via the Trustees' bank account on a regular basis.

Examples of the service level standards agreed with the administrator, Aegon, are set out below:

Process	Service Standard (Working Days)
New entrant	5 days
Regular premium application	Overnight once funds clear <i>Web – 5 days</i>
Single premium / Transfer in	5 days
Fund switching	3 days
Scheme leaver	5 days
Annual review	15 days
Issue statement / Policy valuation request	5 days / Available online



<b>Process</b>	<b>Service Standard (Working Days)</b>
General policy/ scheme query	10 days
Policy details alteration	5 days
Transfer out quote	5 days
Transfer out settlement	3 days
Retirement quote	5 days
Retirement settlement	3 days
Death quote	5 days
Death settlement	5 days
Pension sharing order valuation	5 days
Pension sharing order settlement	5 days

Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

We are pleased that, in the last Scheme year, there have been no material administration service issues which need to be reported here by the Trustees and all core financial transactions have been processed within an agreed time.

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 Trustees 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 Trustees meet the knowledge and understanding requirements and understand the Scheme and its documents. The Trustees 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 Trustees' 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 Trustees do this by regularly reviewing the relevant Scheme documents.

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 regularly to identify any gaps in the knowledge and understanding across the Trustee Board as a whole. The training carried out during the year included:

- 21<sup>st</sup> Century Trusteeship training undertaken by Buck
- Responsible Investment training and new requirements for the Statement of Investment Principles undertaken by Buck.

- All the Trustees have either completed the Pensions Regulator’s online trustee toolkit or expect to do so shortly. New Trustees are required to complete the toolkit within six months of becoming a member of the Trustee Board. Trustees must review the toolkit on an on-going basis to ensure their knowledge remains up to date.
- The Trustees receive “on-the-job” training. This means that as new topics arise their professional advisers attending the Trustee meetings will provide wider briefing notes, as well as training during the meeting so that the Trustees may engage on such topics in an informed manner.
- The Trustees 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.
- 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.
- The Trustees are also provided with Buck’s Topical Digest which is discussed at every meeting. This covers recent and ongoing developments including legal and regulatory matters relevant to the trustees of defined contribution pension schemes.

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 Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees.

Signed for and on behalf of the Trustees of the Geo Specialty Chemicals UK Limited Pension Fund by Reza Sotoudeh, Chair of Trustees

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Date ..29/1/2020.....

## **Appendix – Statement of Investment Principles**

# Geo Specialty Chemicals UK Limited Pension Fund

## Statement of Investment Principles

January 2019

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# 1 Introduction

## Scheme background

- This Statement of Investment Principles (the "Statement") details the principles governing investment decisions for the Geo Specialty Chemicals UK Limited Pension Fund (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.
- Buck is investment consultant to the Trustees.

## 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 Trustees are complying with this requirement.
- The Trustees have taken into account the requirements and recommendations within the Pension Regulator's DC code and regulatory guidance. Information on the Trustees' approach to investment matters within the scheme, and in particular in setting the default arrangement, are included within this document.

## 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 Trustees have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.
- The Trustees 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 Trustees.

### Key investment principles

#### Kind of investments to be held

- The Trustees have full regard to their investment powers under the Trust Deed and Rules as set out in Rule 21.1 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, hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustees have 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 Trustees consider all of the stated classes of investment to be suitable to the circumstances of the scheme.

### Investment Decisions

- Investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.
- Investment decisions relating to the scheme are under the Trustees' control without constraint by the Sponsoring Employer. The Trustees are 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 Trustees' behalf is suitable for the scheme, and appropriately diversified.

### Investment Objectives and Suitability of Investments

- The Trustees believe 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 Trustees regularly communicate with members to enable them to understand the importance of this area and to provide them with education to help them to make informed choices about their selection of funds.
- However, the Trustees also recognise that in practice many members do not actively make an investment choice and are instead invested in the default option. The Trustees therefore recognise the importance of designing an appropriate default option for the scheme's membership.
- Whilst the Trustees believe the chosen default option is a reasonable choice for a lot of the membership, ultimately each member should take into account their own personal circumstances when determining whether the default option or an alternative strategy would best meet their needs.
- The default option has been designed having taken due regard to 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 of 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 option is to provide a balanced investment strategy for members who do not make an active investment choice. The strategy aims 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 should 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 decide 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 Trustees recognise 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 Trustees' investment consultant provides advice regarding the suitability of both the default option 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 Trustees are satisfied that the funds offered to members and the appointed investment manager(s) is/are consistent with the objectives of the scheme, particularly in relation to diversification, risk, expected return and liquidity.

#### Risk

- The Trustees have 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 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 option 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 Trustees also review 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 Trustees' understanding of the scheme's membership and having taken into account the risk considerations set out above. The Trustees have also considered the return expectations of each of the alternative fund options offered.

#### **Balance between different types of investments**

- The investment manager(s) 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 option provides further diversification through the use of multiple funds throughout a member's working lifetime.

#### **Investment Manager Monitoring**

- The Trustees will assess the performance, processes and cost effectiveness of the investment manager(s) 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 manager(s), are monitored by the Trustees with the assistance of the investment consultant.
- The platform provider will provide the Trustees with annual statements of the assets held along with an annual 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 platform provider will also report verbally on request to the Trustees.
- The platform provider will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the scheme as and when they occur.
- The Trustees 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 Trustees 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 an annual basis.
- The Trustees receive an independent investment performance monitoring report from their investment consultant on an annual basis.

#### **Realisation of investments**

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment manager(s) 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 option and to the alternative fund options offered.

#### **Social, Environmental and Ethical Issues**

- The Trustees' objective is to ensure that the investment managers have the financial interests of the scheme members as their first priority when choosing investments. They may take social, environmental or ethical considerations into account only when these factors do not contradict the primary objective or where these considerations are specified within the mandate of the funds used
- The Trustees have reviewed the investment managers' policies in respect of Socially Responsible Investment and are satisfied that it is consistent with the above approach.
- This approach applies to both the default option and to the alternative fund options offered.

#### **Voting Rights attaching to Investments**

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager(s) and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing such investment managers.

## 3 Appointments & Responsibilities

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

### Trustees

The Trustees' 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 investment consultants, 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, but 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 Trustees in respect of the Scheme's equity holdings.

### Investment Consultant

The main responsibilities of the investment consultant include:

- assisting the Trustees 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 Trustees,
- advising the Trustees on the selection and review of the investment manager(s) and platform provider,
- providing training or education on any investment related matter as and when the Trustees see 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,
- providing the Trustees with annual reports including any changes to their investment process and a review of the investment performance,
- attending meetings with the Trustees as and when required,
- informing the Trustees (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 scheme's assets is compliant with prevailing legislation and the constraints detailed in this Statement,
- providing the Trustee with annual 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 changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the scheme as and when they occur.

### **Custodian**


The custodians used 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 Trustees.
- The Scheme's administrator is AEGON.

Signed on behalf of the Trustees of the scheme:

TOBY WHEATLEY   
Name Signature

17<sup>th</sup> JANUARY 2019  
Date

REZA SIOUBGH   
Name Signature

17/1/2019  
Date

RICHARD BARTLAM   
Name Signature

17<sup>th</sup> JAN 2019  
Date

# Appendix 1– Fund Range and Objectives

## Fund options

The funds available to members are included in the below table.

Manager	Fund	Benchmark Index	Objective
AEGON	AEGON Balanced Passive (without lifestyle)	ABI Mixed Investment 40%-85% Shares	To achieve long-term capital growth by investing mainly in UK and overseas equities
	AEGON Universal Balanced Collection Fund (without lifestyle)	ABI Mixed Investment 40%-85% Shares	To achieve long term capital growth by investing in internationally diversified portfolio
	AEGON External Stock Collection Fund (without lifestyle)	ABI Flexible Investment	To achieve long-term capital growth by investing in UK and overseas equities
	AEGON Long Gilt Fund	ABI Sterling Long Bond	To invest in UK long-dated government bonds (gilts) with maturity dates of 15 years and longer
	AEGON BlackRock Aquila UK Equity Index Fund	FTSE All Share	To invest in the shares of UK companies and aims to achieve a return consistent with that of the FTSE All-Share Index
	AEGON Cash Fund	ABI Deposit and Treasury	To provide a return in line with money market rates, before charges, by investing in short-term, sterling denominated money market instruments

## Default option

The default option for members who do not make an investment choice is for their funds to be invested in the Geo Specialty Chemicals Balanced Passive lifestyle fund.

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

The lifestyle switching profile used for the Geo Specialty Chemicals Balanced Passive lifestyle fund is shown on the following page:

Years to retirement	10+	9	8	7	6	5	4	3	2	1	0
AEGON Balanced Passive	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
AEGON Long Gilt	0%	7.5%	15%	22.5%	30%	37.5%	45%	52.5%	60%	67.5%	75%
AEGON Cash	0%	2.5%	5%	7.5%	10%	12.5%	15%	17.5%	20%	22.5%	25%

Members using this strategy are contacted prior to the commencement of the phasing period and given the option to switch to a more appropriate investment strategy should the lifestyle strategy outlined above no longer fit with their retirement plans.



## Appendix 2 – Fees

### Investment manager fees

Manager	Fund	Investment Style	Management Fee % p.a.
AEGON	Geo Speciality Chemicals Balanced Passive Lifestyle	Passive	0.60
	Geo Speciality Chemicals Universal Balanced Collection Fund Lifestyle	Active/Passive	0.60
	Geo Speciality External Stock Collection Lifestyle*	Active	0.95
	AEGON Balanced Passive (without lifestyle)	Passive	0.60
	AEGON Universal Balanced Collection Fund (without lifestyle)	Passive	0.60
	AEGON External Stock Collection Fund (without lifestyle)	Active	0.95
	AEGON Long Gilt Fund	Active	0.60
	AEGON BlackRock Aquila UK Equity Index Fund	Passive	0.60
	AEGON Cash Fund	Active	0.60

\* Since 2009, the AEGON External Stock Collection Fund, or the lifestyle vehicle associated with that fund, was no longer available to new entrants or anyone not already investing in that fund

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

### Investment consultancy fees

The investment consultant provides agreed services on a time-cost fee basis, with additional projects provided on a time cost basis subject to agreement in advance.

The basis of remuneration is kept under review.