

Barratt Group Pension & Life Assurance Scheme

Annual statement regarding governance

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee of the Barratt Group Pension & Life Assurance Scheme (the 'Scheme') is required to prepare a statement (the 'Statement') on governance in the annual report.

This document sets out the Statement covering the period from 1 December 2018 to 30 November 2019 and details:

- the changes to the default investment arrangement following the conclusion of the Trustee review in February 2019;
- how the Trustee has ensured that core financial transactions have been processed promptly and accurately;
- the report on the charges and transaction costs for the investments used in the default and self-select arrangements and the extent to which the charges and costs represent good value for members; and
- how the combined knowledge and understanding of the Trustee and its advisers enables the Trustee to properly run the Scheme.

This Statement will be published on a publically available website and the information with regards to cost disclosures will be signposted in the annual benefits statements.

The Scheme is a qualifying scheme but not currently used for the purposes of automatic enrolment.

The default investment option

A default investment option is the investment fund or funds into which pension contributions are paid where members have not made their own choice (self-select) as to where they want to invest their pension savings.

The current default investment option for the Money Purchase Section of the Scheme is the 'Variable Income Lifestyle'. The Variable Income Lifestyle option targets an allocation at retirement suitable for members who want to leave their savings invested into retirement and draw an income direct from their savings as needed.

The Trustee completed a formal review of the default investment option in February 2019. This review focused on the most appropriate objective for the default investment option for the Scheme membership. As a result of the review, the Trustee took the decision to change the objectives of the default from target annuity to target drawdown at retirement. For a small section of the membership, the Secured Income Lifestyle remains the default strategy. These members are all within three years of their retirement. As part of the transfer, members were also given the option of actively choosing to remain invested in the Secured Income Lifestyle should they wish. The change was implemented in September 2019.

The Trustee recognises that this will not be appropriate for all members and therefore makes available a range of self-select funds, including additional lifestyles, and encourages members to make their own investment decisions.

The Trustee will keep the default investment arrangement and the self-select funds under regular review and will adjust them as appropriate.

In accordance with the Administration Regulations, the Trustee has appended the latest copy of the Statement of Investment Principles (the 'SIP') prepared for the Scheme in compliance with Section 35 of the Pensions Act 1995 (the '1995 Act') and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'). This is attached in Appendix 2.

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustee must secure that core financial transactions are processed promptly and accurately.

This includes:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to, or in respect of, members.

The Trustee has delegated the administration of the Scheme Money Purchase Section member records and investment platform services to Legal & General Investment Management Limited ("LGIM"). The Final Salary Section of the Scheme has Additional Voluntary Contribution ('AVC') policies.

The Trustee will continue to review these arrangements periodically.

The requirements of regulations have been met and core financial transactions have been processed promptly and accurately:

- The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Scheme in accordance with legislative requirements. However, agreed practice provides for payment of contributions in advance of these timescales. The deduction and payment of contributions is reviewed by the Company. Once received, contributions are invested in accordance with the timescales set out in the administration agreement with LGIM, the Scheme Administrators and platform providers.
- The Scheme Auditor, PricewaterhouseCoopers LLP carries out regular spot checks to ensure that contributions are paid in accordance with the Schedule of Contributions. There were no issues to report during the Scheme year.
- The Service Level Agreement (SLA) with LGIM sets out the approach (including timescales) regarding the transfer of members' assets into and out of the Scheme, the transfer of members' assets between different investment options available in the Scheme and payments from the Scheme to, or in respect of, members. The service level standards are reviewed periodically to ensure they remain appropriate and meet legislative requirements.
- The Trustee receives quarterly governance reports produced by LGIM which are reviewed by the Trustee and enables the Trustee to monitor that the requirements for

the processing of financial transactions are being met. During the year, LGIM has satisfactorily met most of their SLA targets for all financial transactions. LGIM undertake to ensure that 95% of all processes are completed within the defined Service Level Agreements.

Particular areas which did not meet satisfactory SLA targets included retirement payment process in Q1; surrender and customer updates and enquiries in Q2; divorce quotes and bulk transfer in processes in Q3; ill health payment and customer updates and enquiries in Q4. In each case where the SLA target was not met this was in relation to a low number of cases and did not warrant significant concern. Where SLA targets were not met these were discussed as part of the quarterly Trustee meetings.

- The Scheme's risk register details all of the key risks to Scheme members and is monitored and reviewed on at least an annual basis. The risk register sets out controls to mitigate the effects of these risks.

Charges and Transaction costs

As required by the regulations, the Trustee is required to report on the charges and transactions costs for the investments used in the default investment option and their assessment on the extent to which the charges and costs represent good value for members.

We note that while transaction costs and charges are an important consideration, they are not the only criteria the Trustee assesses. A number of other qualitative and quantitative factors are also considered in a holistic manner when making strategic decisions in relation to investment strategy with good outcomes for members being the ultimate goal for the Scheme.

The total charges payable under the default investment option will vary depending on the stage that each member has reached in the default investment option's de-risking process and the size of assets invested.

The Annual Management Charge is a tiered charge based on a member's fund value which is 0.17% for fund values below £50,000.00 and 0.12% for fund values above £50,000.00. The Total Expense Ratios ("TERs") shown below for each fund are sourced from LGIM. The following table provides information on the fees for the full fund range, including the default investment option:

Fund	Total Expense Ratio (TER)% p.a.* First £50k / above £50k
UK Equity (5% Capped)	0.27/0.22
UK Equity Index**	0.27/0.22
Global Equity 30:70 75% GBP Hedged	0.31/0.26
Global Equity 50:50**	0.27/0.22
North America Equity	0.29/0.24
Europe (ex-UK) Equity	0.29/0.24
Japan Equity	0.29/0.24
Asia Pacific ex-Japan Equity	0.31/0.26
World Emerging Markets Equity	0.42/0.37
Managed Fund**	0.35/0.30
Diversified Fund	0.45/0.40
Overseas Bond	0.32/0.27
Pre-Retirement	0.29/0.24
Over 5 Year Index-Linked Gilts	0.25/0.20
6A Bonds All Stocks	0.29/0.24
Cash Fund	0.26/0.21

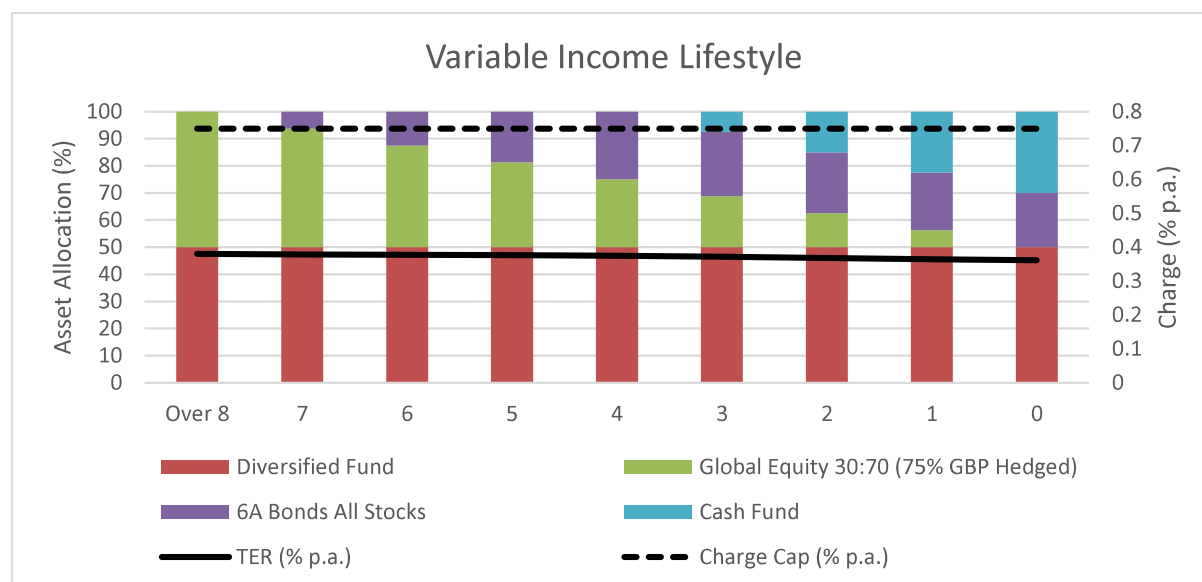
Source: LGIM as at November 2019. *TER is percentage pa on first £50k/above £50k, at a member level. **Legacy funds carried over from old platform. Funds highlighted in bold are used in the default investment option.

The TERs shown above include the Annual Management Charge (AMC) and Fund Management Charges (FMCs) which include additional expenses associated with the running and management of the funds (which will vary slightly from time to time). The charges are stated as at November 2019. The charges on the funds used in the default investment option comply with the charge cap legislation requirements of 0.75% p.a. at each stage of the life-styling process.

The following chart shows how the fees change over a member's working lifetime, based on the first £50k invested, for the Variable Income Lifestyle and takes into account the changes

to the asset allocations over the final 8 years before a member's retirement. The charge cap is shown by the dotted trend line, and the scheme is currently below this. The charge cap is 0.75% p.a. for qualifying auto enrolment schemes.

All fees are as at November 2019 and provided by LGIM.



Charges related to investment management for the Money Purchase Section are deducted from members' funds. The Scheme is part of a bundled arrangement with LGIM and so the cost of administration is borne by the member as part of the AMC deducted from members' funds.

The Trust previously operated four Additional Voluntary Contribution ("AVC") arrangements, with Prudential, Legal and General and two policies with ReAssure, in relation to policies formerly held with Aegon and Guardian Financial Services. These arrangements offer both unit linked and With-Profits (Prudential and ReAssure Policy that was formerly Aegon only) funds. The charges across these policies range from 0.55% p.a. to 1.28% p.a. as shown in the Appendix, and are considered competitive in the AVC market considering the size of assets under management.

During the scheme year, all unit linked funds were transferred to the LGIM range, leaving only the Prudential with profits assets and the ReAssure with profits policy behind due to the guarantees, bonuses, that could be lost, and penalties that could potentially be incurred if these assets are moved. Details of the transaction costs associated with the AVC arrangements, including the previous unit linked funds used with Prudential is found in Appendix 1. Member choices for AVC is now more streamlined with lower charges at LGIM.

Transaction Costs

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

The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with the updated Administration Regulations. The Trustee has received the requested information from LGIM.

However, transaction costs details have not been made available by all the AVC providers as at the time of writing. Where possible, the Trustee has provided data to members including the costs relating to buying and selling units in a fund, which impact individual members when they trade in or out of a fund. These costs are reflected in the price at which a member buys (or sells) units in a given fund.

The Trustee has made this information accessible to members on the site URL:

www.mybarrattpension.co.uk

The next table shows the aggregate transaction cost based upon the information supplied by LGIM. Aggregate transaction costs represent annualised transaction costs incurred by the fund manager within the underlying fund. LGIM have adopted the arrival price methodology outlined by the Financial Conduct Authority. This methodology calculates the implicit transaction costs as the difference between a transaction's executing price and the price when the order to transact was sent to a third party (the arrival price). This reporting will use the existing standardised industry template, as developed by the Investment Association in conjunction with the Local Government Pension Scheme Advisory Board. Transaction costs provided by LGIM have been calculated on an ex-post basis (based on actual returns rather than forecasted), reflecting the 12 month period ending 30 September 2019. New requirements require transaction cost information to represent as average of the previous 5 years (or longest period available). LGIM was only able to provide transaction cost information for the 12 month period ending 30 September 2019 at this point in time.

Fund	Aggregate transaction costs (% p.a.)
UK Equity (5% Capped)	0.01
UK Equity Index**	-0.02
Global Equity 30:70 75% GBP Hedged	0.04
Global Equity 50:50**	0.00
North America Equity	-0.01
Europe (ex-UK) Equity	0.01
Japan Equity	-0.01
Asia Pacific ex-Japan Equity	0.02
World Emerging Markets Equity	0.02
Managed Fund**	0.06
Diversified Fund	-0.04
Overseas Bond	0.00
Pre-Retirement	0.00
Over 5 Year Index-Linked Gilts	0.07
6A Bonds All Stocks	-0.03
Cash Fund	-0.03

Source: LGIM as at 30 September 2019.

The Trustee fully supports transparency of costs for members. However, it is recognised that the key consideration for members is the performance produced net of fees and a cheaper fund does not necessarily deliver the best value for members.

Illustrations of the impact of member savings

Using the charges and transaction cost data provided by LGIM and in accordance with regulation 23(1)(ca) of the administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

The below illustration has taken into account the following elements:

- Saving pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To illustrate the impact of charges on a typical member's pension pot, we have provided an example below. This includes all member costs, including the Total Expense Ratio, transaction costs (where available) and inflation.

For Active members a typical member is 45 years old and, on average, has a starting pot size of £55,130. For deferred members a typical member is 46 years old, and has a starting pot size of £45,650. No additional contributions are made for deferred members, whilst active member contributions are assumed to be 15% p.a.

Active members

Projected Pot sizes in Today's Money											
		Default Arrangement: Variable Income Lifestyle		Most Expensive Fund: Diversified Fund		Cheapest Fund: Over 5 Year Index-Linked Gilts		Highest Expected Investment Return Fund: World Emerging Markets		Lowest Expected Return Fund: Cash Fund	
Year End	Year End Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
0	45	£ 55,130	£ 55,130	£ 55,130	£ 55,130	£ 55,130	£ 55,130	£ 55,130	£ 55,130	£ 55,130	£ 55,130
1	46	£ 64,258	£ 64,046	£ 63,939	£ 63,709	£ 62,354	£ 62,186	£ 64,858	£ 64,605	£ 62,296	£ 62,184
2	47	£ 73,730	£ 73,272	£ 73,040	£ 72,545	£ 69,657	£ 69,304	£ 75,040	£ 74,490	£ 69,535	£ 69,300
3	48	£ 83,557	£ 82,818	£ 82,440	£ 81,646	£ 77,044	£ 76,490	£ 85,693	£ 84,796	£ 76,852	£ 76,483
4	49	£ 93,749	£ 92,692	£ 92,148	£ 91,017	£ 84,517	£ 83,746	£ 96,833	£ 95,539	£ 84,249	£ 83,736
5	50	£ 104,317	£ 102,904	£ 102,172	£ 100,666	£ 92,081	£ 91,078	£ 108,478	£ 106,734	£ 91,731	£ 91,063
6	51	£ 115,274	£ 113,463	£ 112,521	£ 110,601	£ 99,740	£ 98,487	£ 120,647	£ 118,395	£ 99,302	£ 98,468
7	52	£ 126,629	£ 124,380	£ 123,203	£ 120,828	£ 107,498	£ 105,980	£ 133,358	£ 130,539	£ 106,965	£ 105,956
8	53	£ 138,150	£ 135,431	£ 134,228	£ 131,355	£ 115,359	£ 113,560	£ 146,631	£ 143,181	£ 114,725	£ 113,530
9	54	£ 149,806	£ 146,587	£ 145,605	£ 142,190	£ 123,326	£ 121,230	£ 160,487	£ 156,338	£ 122,586	£ 121,194
10	55	£ 161,562	£ 157,816	£ 157,343	£ 153,341	£ 131,405	£ 128,996	£ 174,946	£ 170,027	£ 130,553	£ 128,953
11	56	£ 173,375	£ 169,080	£ 169,452	£ 164,817	£ 139,599	£ 136,861	£ 190,030	£ 184,266	£ 138,629	£ 136,812
12	57	£ 185,094	£ 180,235	£ 181,943	£ 176,624	£ 147,913	£ 144,831	£ 205,761	£ 199,072	£ 146,818	£ 144,773
13	58	£ 196,659	£ 191,229	£ 194,824	£ 188,773	£ 156,351	£ 152,909	£ 222,162	£ 214,465	£ 155,126	£ 152,843
14	59	£ 208,023	£ 202,017	£ 208,108	£ 201,271	£ 164,918	£ 161,100	£ 239,257	£ 230,463	£ 163,557	£ 161,025
15	60	£ 219,128	£ 212,548	£ 221,805	£ 214,128	£ 173,619	£ 169,408	£ 257,070	£ 247,088	£ 172,116	£ 169,325

Deferred Members

Projected Pot sizes in Today's Money											
		Default Arrangement: Variable Income Lifestyle		Most Expensive Fund: Diversified Fund		Cheapest Fund: Over 5 Year Index-Linked Gilts		Highest Expected Investment Return Fund: World Emerging Markets Equity		Lowest Expected Return Fund: Cash Fund	
Year End	Year End Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
0	45	£ 46,650	£ 46,650	£ 46,650	£ 46,650	£ 46,650	£ 46,650	£ 46,650	£ 46,650	£ 46,650	£ 46,650
1	46	£ 46,335	£ 46,182	£ 46,088	£ 45,922	£ 44,860	£ 44,739	£ 46,801	£ 46,618	£ 44,815	£ 44,734
2	47	£ 47,030	£ 46,720	£ 46,530	£ 46,196	£ 44,083	£ 43,845	£ 47,980	£ 47,607	£ 43,995	£ 43,837
3	48	£ 47,736	£ 47,264	£ 46,977	£ 46,471	£ 43,320	£ 42,970	£ 49,190	£ 48,616	£ 43,190	£ 42,957
4	49	£ 48,452	£ 47,815	£ 47,428	£ 46,748	£ 42,570	£ 42,112	£ 50,429	£ 49,647	£ 42,400	£ 42,095
5	50	£ 49,179	£ 48,372	£ 47,883	£ 47,027	£ 41,833	£ 41,272	£ 51,700	£ 50,700	£ 41,624	£ 41,251
6	51	£ 49,916	£ 48,936	£ 48,342	£ 47,307	£ 41,109	£ 40,448	£ 53,004	£ 51,776	£ 40,863	£ 40,423
7	52	£ 50,665	£ 49,506	£ 48,806	£ 47,589	£ 40,397	£ 39,640	£ 54,340	£ 52,874	£ 40,115	£ 39,612
8	53	£ 51,330	£ 49,994	£ 49,275	£ 47,873	£ 39,698	£ 38,849	£ 55,709	£ 53,995	£ 39,381	£ 38,818
9	54	£ 51,910	£ 50,397	£ 49,747	£ 48,158	£ 39,010	£ 38,073	£ 57,113	£ 55,140	£ 38,661	£ 38,039
10	55	£ 52,400	£ 50,714	£ 50,225	£ 48,445	£ 38,335	£ 37,313	£ 58,553	£ 56,309	£ 37,954	£ 37,276
11	56	£ 52,797	£ 50,941	£ 50,707	£ 48,734	£ 37,671	£ 36,568	£ 60,029	£ 57,504	£ 37,259	£ 36,528
12	57	£ 53,064	£ 51,045	£ 51,193	£ 49,024	£ 37,019	£ 35,838	£ 61,542	£ 58,723	£ 36,578	£ 35,795
13	58	£ 53,198	£ 51,024	£ 51,685	£ 49,316	£ 36,378	£ 35,123	£ 63,093	£ 59,968	£ 35,908	£ 35,077
14	59	£ 53,198	£ 50,879	£ 52,181	£ 49,610	£ 35,749	£ 34,421	£ 64,683	£ 61,240	£ 35,252	£ 34,373
15	60	£ 53,062	£ 50,609	£ 52,681	£ 49,906	£ 35,130	£ 33,734	£ 66,313	£ 62,539	£ 34,607	£ 33,684

Notes:

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. The starting pot size is assumed to be £55,130 for actives and £45,650 for deferred. This has been calculated using renewal data as at 31 December 2018.
4. Inflation and salary increases are assumed to be 2.5% per annum.
5. Starting salary is assumed to be £55,130 for active members.
6. Contributions are assumed to be 15% for actives. No contributions are assumed for deferred.
7. The projected gross growth rates for each fund are in real terms (accounting for the effect of inflation). As such, the expected real return can be negative should the growth rate be less than the assumed inflation of 2.5% p.a. Aggregate gross expected real returns are as follows:

Default Arrangement - Variable
Income Lifestyle:

1.5% p.a. aggregate gross expected real
return for members further than or at 8
years from retirement

-0.25% p.a. aggregate gross expected
real return for members at or beyond
retirement

Most Expensive Fund - Diversified
Fund:

0.96% p.a. aggregate gross expected real
return

Cheapest Fund - Over 5 Year Index-
Linked Gilts:

-1.73% p.a. aggregate gross expected
real return

Highest Expected Investment Return -
World Emerging Markets Equity:

2.52% p.a. aggregate gross expected real
return

Lowest Expected Investment Return -
Cash Fund:

-1.83% p.a. aggregate gross expected
real return

Value for Money

The Trustee is required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for members.

The Trustee is committed to ensuring that members receive value for money from the Money Purchase Section (i.e. the costs and charges deducted from members' pots and contributions paid provide good value in relation to the benefits and services provided by or on behalf of the Money Purchase Section) compared to plans of a similar size and structure.

"Value" is not a straightforward concept to quantify and can be open to broad interpretation. Our value for money assessment examined the current investment management charges relative to the fees for equivalent size mandates, manager research ratings and historical performance.

Where funds offered to members are highly rated, are being offered at a competitive fee rate, and are performing satisfactorily over the longer term, we believe that they can be considered to be offering good value for money for members.

The Trustee has, via external consultants, reviewed the costs borne by members to determine if these represent Value for Money. They have concluded that our scheme provided good value for the Scheme year ending 30 November 2019, with the assessment covering the period 31 December 2018 to 31 December 2019. The reasons underpinning this conclusion include:

- Charges for the Scheme's default investment option are below the charge cap of 0.75% p.a.;
- Charges on the majority of funds have been assessed by our advisors as being competitive, comparing favorably with those of peer funds;
- The majority of funds used by the Scheme are highly rated by our investment advisors and have mainly performed in line with expectations;
- Transaction cost information (there is not as yet any "industry standard" or universe to compare these to);
- The administration processes are efficient and consistently meet the service level agreements standards to a satisfactory level;
- The level and quality of the Scheme's governance is provided at no cost to the members;
- A robust fund range is offered to members, with funds across the risk/return spectrum to cater for a range of member needs.

Additionally, the Company pays for the advisory costs associated with operating the Scheme and pays the costs associated with the ongoing governance oversight provided by the Trustee for both the Money Purchase Section of the Scheme and the AVC policies.

This is an annual requirement and the next formal Value for Money assessment is to be undertaken for the year ending 30 November 2020.

Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

Trustee training is of high importance to the good running of the Scheme. The Trustee acknowledges how vital it is that they maintain their knowledge of pension law, trust law, investment principles and are conversant with the Scheme documentation including the Trust Deed and Rules, SIP and Scheme Policies.

Training

In order to maintain this high level of knowledge, the Trustee has procedures and policies in place to ensure that the Trustee take personal responsibility for keeping up to date with relevant developments:

- Trustee undertakes training to ensure that they keep up to date with changes in legislation, current issues and the latest developments relating to DC schemes;
- All training activities are recorded in a training log;
- New members of the Trustee board will have completed the Pensions Regulator's toolkit recently;
- Training is provided from time to time; and
- Trustee training is considered as part of the Trustee business plan at the quarterly Trustee meetings to determine any specific training and development needs, training sessions are then planned accordingly.

Over the course of last year, the Trustee have demonstrated their continuous commitment to learning by undertaking the following training:

- ESG Investments training – 7th March 2019;
- Current DC issues – the Investment Consultant provides an update on these issues periodically at Trustee meeting; and
- The Trustee is expected to receive training on Statement of Investment Principles and Implementation Statements in the second half of 2020.

Examples Demonstrating TKU

The Trustee undertook a number of activities over the past year which demonstrates how they have a working knowledge of pension and trust law and funding and investment principles. These activities include:

- A follow up review of the default strategy. This review focused on member projections and target outcomes for the default. This demonstrates the Trustee's knowledge of investment principles and member needs;
- The SIP is reviewed from time to time and updated when investment strategy changes are made and as required by regulation (including the ESG updates required for 1 October 2019 and the upcoming changes for 1 October 2020). This demonstrates their knowledge of the Scheme documentation;

- The SIP has been made publicly available in line with requirements; and
- The Risk Register is reviewed and updated quarterly. This demonstrates that the Trustee has the required knowledge of the Pensions Regulator's DC Code and hold relevant knowledge on DC specific internal controls and the regulatory requirements.

Utilising Advisors

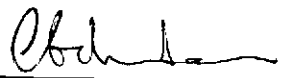
The Trustee believes that the best run schemes utilise the combined skill and knowledge of both the Trustee and their professional advisors. The relevant skills and experience of those advisors are key criteria when evaluating advisor performance and selecting new advisors. Additionally, the following measures have applied during the period:

- The Trustee's professional advisors attend their formal meetings quarterly;
- The Trustee receives briefings from their advisors on all legislative and regulatory developments at each meeting.

Assessing Effectiveness

The Trustee understands that having knowledge on the Board and professional advice available needs to be used effectively in order for the Trustee to act properly. The Trustee will review and assess, from time to time, whether the systems, processes and controls across key governance fits are consistent with those set out in the Pensions Regulator's Code of Practice 13.

I confirm that the above statement has been produced by the Trustee to the best of its knowledge.

Signature: 
 Name: Catherine Edmondson
 Date: 10/06/2022

Appendix 1

Transaction Cost Information – Additional Voluntary Contributions

The table below shows the aggregate transaction cost based upon the information supplied by the AVC providers, where available.

Prudential Transaction costs for period 01/07/2018 to 30/06/2019		
Fund Name	TER (%)	Total Transaction Cost (%)
Prudential Cash S3	0.55	0.00
Prudential Discretionary S3	0.78	-0.03
Prudential Fixed Interest S3	0.76	0.09
Prudential Global Equity S3	0.76	-0.02
Prudential Index-Linked S3	0.76	0.06
Prudential UK Equity S3	0.76	-0.07
Prudential UK Property S3	1.28	0.40

Source: Prudential. Transaction costs are as at 30 June 2019. TERs are as at April 2020.

ReAssure Transaction costs		
Fund Name	TER (%)	Total Transaction Cost (%)
Guardian Assurance With Profit Fund	n/a	n/a

Source: ReAssure.

Barratt Group Pension & Life Assurance Scheme

Statement of Investment Principles

April 2020

1. Introduction

- 1.1 This Statement has been prepared by the Trustee of the Barratt Group Pension & Life Assurance Scheme (the “Scheme”) and replaces the Statement dated January 2020. It sets out the principles that govern decisions about the investment of the Scheme’s assets. The Trustee refers to this Statement when making investment decisions, to ensure that they are consistent with these principles.
- 1.2 The Scheme consists of two parts, a Defined Benefit (“DB”) Section and a Defined Contribution (“DC”) Section. The DB Section is no longer available to new members joining the Scheme. The DC Section was launched in December 2001. Sections 1 to 6 relate to both Sections of the Scheme. Sections 7 onwards relate to the DB and DC Sections individually.
- 1.3 This Statement is designed to meet the requirements of the Pensions Act 1995 (as amended), the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation and associated requirements.
- 1.4 The Scheme’s investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document (“IPID”). This Statement and the IPID are available to Scheme members on request.
- 1.5 In preparing this Statement, the Trustee has obtained written advice from the Scheme’s Investment Consultant and the Trustee believes the Investment Consultant meets the requirements of Section 35(5) of the Pensions Act 1995 (as amended). Where matters described in this Statement may affect the Scheme’s funding policy, input has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever this Statement is reviewed.
- 1.6 The Trustee’s investment powers are set out within the Scheme’s governing documentation and relevant legislation. If necessary, the Trustee will take legal advice regarding the interpretation of these. The Trustee notes that, according to the law, it has ultimate power and responsibility for the Scheme’s investment arrangements.
- 1.7 The Trustee seeks to maintain a good working relationship with the Employer, Barratt Developments PLC, and will discuss any proposed changes to this Statement with the Employer. However, its fiduciary obligations to Scheme members will take precedence over the Employer’s wishes, should these ever conflict.
- 1.8 The Trustee does not expect to revise this Statement frequently because it covers broad principles. However the Trustee will review this Statement without delay in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Employer that it judges to have a bearing on the Statement. This review will occur no less frequently than triennially. Any such review will again be based on written expert advice and will be in consultation with the Employer.

2. Scheme Governance

- 2.1 The Trustee is accountable for the investment of the Scheme's assets. It has appointed a firm of professional consultants (the "Investment Consultant") to provide relevant advice. In particular, when considering appropriate investments for the Scheme the Trustee has obtained and considered the written advice of the Investment Consultant. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). The Trustee also takes advice as appropriate from the Scheme Actuary and other professional advisers.
- 2.2 The Trustee retains direct responsibility for setting investment objectives, establishing risk and return targets and setting the Scheme's strategic benchmark and investment manager structure. These decisions are made after considering recommendations from the Scheme's advisers.
- 2.3 The Investment Consultant's role is to:
- Provide recommendations on and propose a process for implementing the Scheme's investment strategy.
 - Monitor the incumbent Investment Managers and recommend changes as appropriate.
 - Assist in the selection of new Investment Managers.
 - Co-ordinate the implementation of investment management arrangements.
 - Advise as to the implications of significant legislative, financial and economic changes.
 - Review the Statement and recommend changes as required.
 - Provide such advice as requested by the Trustee.
- 2.4 In relation to the DB section of the Scheme, the Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme.
- 2.5 This Statement is designed to fulfil the key objectives of the Myners' Code of Best Practice (applicable to DB and DC Schemes), first published in 2001 and revised in 2008, and the DC Code of Practice (applicable to DC Schemes only).

3. Investment Managers

- 3.1 Day-to-day management of the assets is delegated to professional Investment Managers who are all regulated by the Financial Conduct Authority (the "FCA") and the Prudential Regulation Authority ("PRA"). The current investment managers are listed in the IPID.
- 3.2 The Investment Managers have full discretion to buy, sell and retain individual investments on behalf of the Scheme, subject to agreed guidelines. They have been

selected for their expertise in different specialisations and each manages investments for the Scheme to a specific mandate, which includes performance objectives, risk parameters and timescales over which their performance will be measured. The IPID gives details of each Investment Manager's mandate.

- 3.3 The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled funds. Nevertheless, notwithstanding how the assets are managed it has taken appropriate legal and investment advice regarding the suitability of the investment management agreements and relevant investment vehicles.
- 3.4 The Trustee assesses the continuing suitability of the Scheme's Investment Managers and meets each Investment Manager in an agreed cycle to discuss their performance, activity and wider issues. The Investment Consultant provides help in monitoring the Investment Managers, both in the form of written reports and attendance at meetings.
- 3.5 As part of this monitoring process, the Trustee examines the risks being run by each of the Investment Managers. In particular, the variation in returns between each Investment Manager's portfolio and its benchmark is monitored. These figures are checked for consistency with the Investment Managers' agreed targets.
- 3.6 The Trustee will monitor the Investment Managers' compliance with this Statement annually. The Trustee will periodically check that the investment managers have given effect to the investment principles in this Statement and IPID where relevant, so far as reasonably practicable, and that in exercising any discretion the investment managers have done so in accordance with Section 4 of the Occupational Pension Schemes (Investment) Regulations 2005.

4. **Portfolio Construction**

- 4.1 The Trustee has adopted the following principles:
 - In relation to the DB assets of the Scheme, investments should **reduce asset portfolio risk** relative to liabilities calculated on a low risk basis. Any investments in credit should also be **diversified** to ensure there is not a concentration of exposure by sector or issuer, to the extent that this is not protected (e.g. by collateral). This restriction does not apply to investment in UK Government debt.
 - In relation to the DC assets of the Scheme, a **range of investment options** to meet member's differing needs and attitudes to risk should be available, while avoiding over complexity.
 - There is a role for both active and passive management. **Passive management** involves employing investment managers to track the return of a chosen benchmark appropriate to the asset class held. **Active management** involves employing investment managers who aim to outperform a benchmark but with the risk that they will underperform. By employing both the Trustee aims to take advantage of active management where it believes it is likely to lead to outperformance net of fees, while using passive management in other areas or alongside active management to control overall manager risk and to manage overall fee levels.

The Trustee recognises that active management gives rise to active risk, examples of which are:

- Active management within an asset category, defined as holding a combination of securities that differs from the asset class benchmark.
 - Active management across asset categories, which arises when the combination of asset categories held differs from that of the benchmark.
 - Skill-based investment strategies, e.g. market-neutral and arbitrage strategies, which are usually largely made up of active risk.
 - Manager selection risk arises due to the potential for selecting an active manager that underperforms its benchmark on a net of management and transaction fees basis.
-
- Decisions on **segregated vs pooled** investments will be taken based on the particular circumstances, including the need for diversification, available vehicle, investment restrictions contained in pooled funds, the need for and availability of an independent custodian, ease of administration and portability of underlying investments. However, the Trustee anticipates investing on a pooled basis. All DC investment options are via pooled funds.
 - **Specialist managers** are preferred over generalists because of the potential to access a higher level of expertise.
 - The amount invested in highly **concentrated portfolios** will take into account the level of risk this represents.
 - The Trustee recognises that there is **liquidity risk** in holding assets that are not readily marketable and realisable. At the date at which this Statement is signed, the Trustee believes that all investments are realisable at short notice in the majority of prevailing market conditions. All DC assets are held within pooled funds that provide daily liquidity.
 - Investment in **derivatives** is permitted directly or within pooled funds for risk reduction purposes or to facilitate efficient portfolio management.
 - Investment may be made in securities that are not traded on **regulated markets**. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing risk or to facilitate efficient portfolio management. In any event the Trustee will ensure that the assets of the Scheme are predominantly invested on regulated markets.
 - The Trustee will not invest directly in the **Employer** or associated companies, but acknowledge that indirect investment is possible as a result of the investment policies of the Scheme's pooled investment managers. The Trustee will invest in such a way that indirect exposure will not exceed 5% of total assets.
 - The Trustee will not **borrow** except to cover short term liquidity requirements.

- The safe **custody** of the Scheme's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).
- Across all of the Scheme's investments, the Trustee is aware of the potential for regulatory and political risks. **Regulatory risk** arises from investing in a market environment where the regulatory regime may change. This may be compounded by **political risk** in those environments subject to unstable regimes.

5. ESG, Stewardship and Climate Change

- 5.1 The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may apply over the Scheme's investment time horizon and increasingly may require explicit consideration. The strategic benchmark for the DB Section has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors. The same economic and financial assumptions (reflecting market conditions at the point of review) have also been considered when forming the investment strategy of the DC Section of the Scheme.
- 5.2 The Scheme's assets are invested in pooled vehicles and the day-to-day management of the assets has been delegated to Investment Manager(s), including the selection, retention and realisation of investments within their mandates. In doing so, the Trustee has given the Investment Manager(s) (where relevant to their mandate) full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
- 5.3 Notwithstanding the above, the Trustee recognises that in passive mandates the choice of benchmark dictates the assets held by the investment manager and that the manager has limited freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the primary role of the passive manager is to deliver returns in line with the market and believes this approach is in line with the basis on which the current strategy has been set for the DB and DC Sections of the Scheme.
- 5.4 Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis.
- 5.5 The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers, monitoring existing investment managers and retaining or withdrawing from investment managers. The relative importance of these factors compared to other factors will depend on the asset class being considered. Monitoring of the existing Investment Managers is undertaken on a regular basis and this makes use of the Investment Consultant's ESG ratings. This is documented at least annually and the Trustee is informed of any changes to ESG ratings usually on a quarterly basis.

- 5.6 The Trustee does not engage directly but believes it appropriate for its Investment Managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks.
- 5.7 The Trustee aims to monitor its Investment Managers' engagement activity on an annual basis in conjunction with its Investment Consultant. Where the Trustee deems it appropriate, any issues of concern will be raised with the Investment Managers for further explanation. The Trustee and its Investment Consultant may also challenge the Investment Managers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the assets.
- 5.8 The Trustee has not set any investment restrictions on the appointed investment manager(s) in relation to particular products or activities, but may consider this in future.
- 5.9 Unless considered as a result of work undertaken by the Trustee on the DC Section of the Scheme, the Trustee will not consider the ESG policies of Additional Voluntary Contributions providers and associated investment funds as these are a small proportion of total assets.
- 6. Non-Financial Matters**
- 6.1 "Non-financial matters" (where "non-financial matters" includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments. The Trustee would review this policy in response to significant member demand.

Defined Benefit Section

7. Process For Choosing Investments

- 7.1 The Trustee has considered its investment and funding objectives together and in light of the strength of the Employer covenant to ensure that the two are compatible and supportable. The Trustee has then constructed a portfolio of investments consistent with these objectives and which it hopes will deliver the maximum level of return (net of all costs) for the level of risk taken on (taking into account limitations on the overall complexity of arrangements appropriate to the size of assets under management).
- 7.2 The Trustee takes into account what it believes to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme. Specific considerations are detailed throughout this Statement.

8. Investment Objectives

- 8.1 The objectives set out here, and the risks and other factors referenced in this Section, are those that the Trustee determines to be financially material considerations in relation to the Scheme.

- 8.2 The Trustee has agreed a number of objectives to help guide the strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee's primary objectives are as follows:
- *To make sure that the Trustee can meet the obligations to the beneficiaries of the Scheme.*
 - *To operate funding and investment strategies in a coordinated approach. Variation in the funding position (in particular improvements) may be reflected in the level of risk in the investment strategy.*
 - *To pay due regard to the Employer's interests on the size and incidence of employer contribution payments.*
- 8.3 Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term. However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.
9. **Risk Measurement, Management and Expected Returns**
- 9.1 There are various risks to which any pension scheme is exposed, which the Trustee believes may be financially material to the Scheme. The Trustee's policy on risk management over the Scheme's anticipated lifetime is set out below.
- 9.2 The Trustee operates a very low risk investment strategy but recognises that any corporate bond exposure introduces a modest level of investment risk relative to gilt-based liabilities, but also results in a higher long-term expected return compared to investing solely in gilt and gilt-like instruments.
- 9.3 Before deciding to take any investment risk relative to the liabilities, the Trustee received advice from the Investment Consultant and Scheme Actuary, and held discussions with the Employer.
- 9.4 Key strategic investment risks that impact on Scheme funding are as follows:
- Interest Rate Risk - the risk that changes in the value of the assets do not move in line with changes in the value placed on the Scheme's liabilities in response to changes in interest rates;
 - Inflation Risk – similar to interest rate risk but concerning inflation;
 - Credit Risk - the risk that one party to a financial instrument will cause a financial loss to the Scheme by failing to discharge an obligation.
 - Liquidity Risk – the risk that the Scheme doesn't have sufficient liquid assets to meet payments.
- 9.5 Considerations specific to Environmental, Social and Governance issues are addressed in Section 5.
- 9.6 The Trustee has established an investment policy designed to address these risks.

- 9.7 The Trustee has developed a Liability Driven Investment (“LDI”) portfolio which seeks to reduce the mismatch between the sensitivity of the assets and the liabilities to changes in interest rates and inflation.

The portfolio targets a hedge ratio of 100% of liabilities on a low risk basis. The Trustee recognises that the target LDI portfolio will not produce a perfect match for the liability values due to complexities and uncertainties over actual liability payments.

- 9.8 The Scheme’s LDI portfolio is invested on a pooled fund basis. However, the underlying investments include derivative exposures that introduce other specific risks that are additional to the risks presented from investing in the equivalent physical asset. These include:
- basis risk (the risk that the derivative invested in does not perfectly match the physical asset that the derivative has replaced);
 - roll risk (the risk that the terms available when the derivative is taken out are not available when the contract expires and is replaced);
 - recapitalisation risk (the risk that adverse price movements require payment of capital in order to maintain the position);
 - collateral and counterparty risk (the risk that the party with whom the LDI manager has contracted defaults and that any collateral is insufficient to make good any resulting loss);
- 9.9 These risks are mitigated through the specific arrangements that are implemented so that the likelihood of the risks is low and/or the impact of them is low.
- 9.10 Credit risk is managed via the asset allocation. To the extent that corporate bonds are held the Trustee will invest the Scheme’s assets in pooled fund(s) with diversified holdings of bonds that are predominantly of investment grade quality.
- 9.11 Regarding liquidity risk, as noted in Section 4 the Trustee believes that all of the Scheme’s investments are realisable at short notice in the majority of prevailing market conditions.
- 9.12 The Trustee’s willingness to take investment risk is dependent on the continuing financial strength of the Employer and its willingness to contribute appropriately to the Scheme. The financial strength of the Employer and its perceived commitment to the Scheme is monitored and the Trustee will reduce investment risk relative to the liabilities should either of these deteriorate.
- 9.13 The degree of investment risk the Trustee is willing to take also depends on the financial health of the Scheme, the Scheme’s liability profile and investment time horizon. It will monitor these with a view to altering the investment objectives, risk tolerance and/or return target should there be a significant change in these factors.
- 9.14 The Trustee’s main concern is reducing asset portfolio risk relative to the liabilities of the Scheme. Risk reduction achieved by the asset portfolio and associated risks cannot be determined with certainty due to complexities and uncertainties over actual liability payments. Investment performance relative to gilts will depend principally on the performance of individual asset classes and the proportions held in them.

9.15 Corporate bonds are expected to generate a return of c1% p.a. in excess of gilts based on current market levels¹. Over the short term, the performance of any corporate bonds held may deviate significantly from the long term expectations. The Trustee will assess performance periodically.

9.16 Having regard to the above factors, and after taking advice from the Investment Consultant and Scheme Actuary, the Trustee has adopted investment arrangements that it believes offer an acceptable trade-off between risk and return.

10. Investment Strategy

10.1 The Trustee has agreed, based on expert advice, an investment strategy that is consistent with the Trustee's funding and investment objectives. The investment strategy comprises 100% bonds/LDI. (Bonds/LDI may include UK Corporate Bonds, fully or partially funded gilts and index-linked gilts and cash.)

10.2 The Scheme's IPID outlines more detailed information on the Scheme's current investment strategy, manager benchmarks and control ranges.

11. Selection, Retention and Realisation of Investments

11.1 The Trustee has implemented a policy to manage the Scheme's net cash in/out flow, details are contained in the IPID document. The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Scheme's overall strategic allocation and consistent with the overall principles set out in this Statement.

11.2 Individual investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments subject to the relevant appointment documentation and pooled fund prospectuses.

11.3 In addition, the Trustee monitors the allocation between the appointed managers and between asset classes and will rebalance (or delegate this to individual investment managers) as set out in the IPID document.

12. Additional Voluntary Contribution Assets ("AVCs")

12.1 Members are able to improve their benefits by investing in defined contribution arrangements known as Additional Voluntary Contributions. These investments are invested separately from the other assets of the Scheme.

12.2 Assets in respect of members' AVCs are invested in a range of investment options. With the assistance of the Scheme's consultants, the AVC arrangements will be reviewed periodically to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustee and the needs of the members. More information on the AVC providers is detailed in the IPID to this Statement.

¹ Returns quoted are based in arithmetic mean returns over the medium term,

Defined Contribution Section

13. Process For Choosing Investments

- 13.1 The Trustee has considered the characteristics of a range of members and their associated investment needs when choosing which types of investment to make available. The range of funds offered include those which offer the prospect of growth which exceeds the rate of inflation in the long term (“growth funds”), as well as funds that provide greater protection against changes in the cost of securing retirement benefits or volatile nominal market values (“defensive funds”).
- 13.2 The Trustee takes into account what it believes to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance (“ESG”) issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme. Specific considerations are detailed throughout this Statement.

Investment Objectives

- 13.3 The Trustee recognises that members of the Scheme have differing investment needs, that these may change during the course of their working lives and that they may have differing attitudes to risk. The Trustee believes that members should generally make their own investment decisions based on their individual circumstances. The Trustee regards its primary objective as making available a range of investment funds which enable members to tailor the strategy for their assets to their own needs. The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such, the Trustee makes available a default investment option.
- 13.4 These objectives translate to the following principles:
- Offering members a ‘Lifestyle’ investment strategy for the default investment option and ensuring that the other lifestyle investment strategies allow members to plan for their specific retirement objectives;
 - Making available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerances of Scheme members;
 - Providing general guidance as to the purpose of each investment option;
 - Encouraging members to seek impartial financial advice from an appropriate party in determining the most suitable option for their individual circumstances;
 - In determining an appropriate balance between providing flexibility and choice, as well as simplicity and cost control, the Trustee aims to make available a range of options which satisfy the needs of the majority of members.

The Trustee periodically reviews the suitability of the options provided and from time to time will change or introduce additional investment funds as appropriate.

14. Risk Measurement and Management

14.1 The Trustee has considered the risk from a number of perspectives over the Scheme's anticipated lifetime. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on each member's age and when each member expects to take his or her benefits from the Scheme.

14.2 In considering the range of funds to offer to members, the Trustee acknowledges that the investment time horizon of each individual member is different and will be dependent on their current age and when they expect to retire.

14.3 In designing the Scheme's lifestyle strategies, the Trustee has taken the proximity to target retirement date into account, and the associated financially material risks over the time horizon of these strategies.

14.4 The Trustee recognises the following risks in relation to the DC Section and takes the following steps to manage them:

- **Market risk** – the risk that the markets in which the funds are invested perform poorly such that the investment objectives are not met. This risk includes inflation, currency, credit and other price risks.

The Trustee manages this risk principally through offering members sufficient choice of investment vehicles, across the risk and return spectrum, to manage their own risks. The Trustee carries out periodic reviews of the overall range of funds with the assistance of their investment consultant and conducts regular assessment of the performance and performance prospects of each fund relative to its performance target.

- **Manager risk** – the risk that the individual fund managers perform poorly relative to the markets in which they invest, or their performance prospects deteriorate leading to the need to select a new fund manager.

The Trustee manages this risk in certain instances through offering passive investment management. This approach is expected to produce a return that is very close to the relevant market, whereas active management is expected to perform better than the relevant benchmark but may perform worse. For all funds, the Trustee assesses the performance and performance prospects of their fund managers, relative to relevant market benchmarks and / or each fund's objectives, on a regular basis both in terms of performance and performance volatility, with the assistance of their investment consultant.

- **Liquidity risk** – the risk that members will be unable to sell investments in a timely manner.

To mitigate this risk, the Scheme invests in daily dealt and daily priced pooled funds.

- **Environmental, Social and Corporate Governance (ESG) risk** – the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.

The management of ESG related risks is delegated to investment managers, with oversight from the Trustee. See Section 5 for the Trustee's policies in this regard.

- **Default mismatch risk** - the risk that the investment profile of the default investment option is unsuitable for the requirements of some members. Further details regarding this risk and its management are provided in Section 17.

15. **Investment Strategy**

- 15.1 To meet the Investment Objectives and taking into account the risks identified above a range of lifestyle options and individual self-select funds which invest in equities, bonds and cash are available for member investment. More information on the funds is detailed in the IPID to this Statement.

16. **Default Investment Option**

A proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, the vast majority of DC scheme members typically do not make an active investment decision and are invested in the default investment option.

17.1 **The aims of the default investment option**

- The default investment option is a strategy that manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.
- In designing the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns.
- If members wish to, they can opt to choose their own investment strategy or an alternative lifestyle strategy on joining but also at any other future date.
- Assets in the default investment option are invested in the best interests of members and beneficiaries as a whole, taking into account the profile of members.
- Assets in the default investment option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.
- Assets are invested mainly on regulated markets (those that are not must be kept to prudent levels).

17.2 **Policies in relation to the default investment option**

In addition to the Trustee's approach to portfolio construction, covered in Section 4, the Trustee believes that:

- The default investment option's growth phase structure, that invests in equities and other growth-seeking assets, will provide growth with some downside protection and some protection against inflation erosion.

- As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that the default strategy that seeks to reduce investment risk (and expected return) as the member approaches retirement by investing in lower risk assets such as bonds and cash is appropriate.
- Based on the Trustee's understanding of the Scheme's membership and the new pension flexibilities which were introduced by the Government in April 2015, an investment strategy that targets flexible access to members' benefits through income drawdown is likely to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement – it merely determines the investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other formats have the option of switching to an alternative lifestyle strategy prior to retirement or even choosing their own investment strategy.
- For a small section of the membership, the default targeting annuity has been deemed to remain appropriate following a review of investment strategy in February 2019. These members are all within three years of their retirement and the Trustee felt it appropriate to maintain them in the current strategy, unless they chose otherwise.
- In view of the above, the Trustee has considered the risk of the default investment option and the other available fund options within the DC Section of the Scheme as outlined in Section 17.3..
- The Trustee has given the Investment Managers full discretion when evaluating voting rights, environmental, social, and ethical considerations in the selection, retention and realisation of investments within the default investment option (and other available fund options within the Defined Contribution Section of the Scheme), subject to adhering to the investment restrictions and objectives of each fund. However, the Trustee has in place a policy regarding such issues, which is outlined in Section 5 of this Statement. Currently no additional policies in this regard have been applied to the default arrangement and the core policy in Section 5 applies. The IPID outlines further information on the investments that are contained within the default investment option.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the current default strategy, a lifestyle targeting income drawdown at retirement (noting the small number of members whose default has been maintained as targeting annuity), is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

17.3 Risk in relation to the default investment option

In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative

perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

In arriving at the current default option and the other available fund options within the DC Section of the Scheme, the Trustee has considered the following risks:

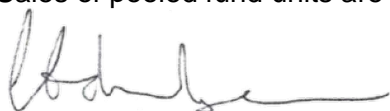
Type of Risk	Risk	Description	How is this risk monitored and managed?
Market risks	Inflation risk	The risk that returns over the members' working lives does not keep pace with inflation.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their risk tolerances. Within active funds, management of many of these market risks is delegated to the investment manager.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	The Trustee offers a mix of gilt funds and corporate bond funds that consist of highly rated credit issues.
	Equity, property and other price risk	The risk that market movements lead to a substantial reduction in the value of a member's savings.	Assets in the default options are well diversified and members have options across a range of asset classes to diversify their own selections.
Liquidity Risk		The risk that the Scheme's assets cannot be realised at short notice in line with member demand, including the possibility of suspension of trading.	The Scheme is invested in daily dealt and daily priced pooled funds. The risk cannot be fully mitigated where the manager reserves the right to suspend trading

Investment Manager risk		The risk that the appointed investment manager(s) underperform the benchmark return, fail to carry out operational tasks, do not ensure safe-keeping of assets, breach agreed guidelines or doesn't have the relevant skill or knowledge to manage the fund.	The Trustee regularly reviews the appropriateness of the investments and ongoing monitoring of the performance of the investment managers
Benefit conversion risk		The risks that members are invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	<p>The Trustee makes available three lifestyle strategies which reflect the retirement options available.</p> <p>Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their savings as they approach retirement age.</p> <p>Members can select a lifestyle strategy in accordance with their personal preferences and retirement objectives.</p>
Environmental, Social and Corporate Governance ("ESG") risk		The risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	<p>The management of ESG related risks is delegated to investment managers.</p> <p>Refer to Section 5 of the Statement of Investment Principles for the Trustee's policies around responsible investment and corporate governance.</p>
Counterparty Risk		The risk that a counterparty involved in a transaction may default on its contractual obligation.	The Trustee has contracts in place with all third party providers which will include appropriate liability clauses.

The items listed above are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

17. Selection, Retention and Realisation of Investments

- 17.1 The selection, retention and realisation of assets is carried out in a way consistent with the Scheme's investment strategy and with the overall principles set out in this Statement.
- 17.2 In general, the Scheme's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments within each fund (including funds used within the Scheme's default investment option).
- 17.3 Sales of pooled fund units are made in response to member requests.

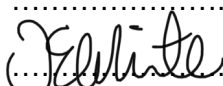


C Edmondson

On behalf of the Trustee of the Barratt Group Pension & Life Assurance Scheme

5/4/2020

Date



On behalf of Barratt Developments PLC

4/5/2020

Date