University of Reading

University of Reading Pension Scheme

The Annual Governance Statement by the Chair of Trustees

Scheme Year ending 31 July 2020

Introduction

As Chair of the University of Reading Pension Scheme (the 'Scheme'), I am pleased to provide you with this Statement for the information of scheme members and to comply with the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

The Statement sets out what we, the Trustees, achieved during the period from 1 August 2019 to 31 July 2020 and how we have met the required governance standards. It also details how third parties have assisted us in fulfilling our duties. You do not need to take any action but if you have any questions, please contact the University's Pensions Team at pensions@reading.ac.uk. A paper copy of this statement can be provided on request.

As Trustees we are committed to making sure we achieve high standards of governance. We ensure the Scheme is run in accordance with the Scheme Rules and that it meets regulatory and legislative requirements.

In this statement we are giving you information on four key areas:

1. The default investment strategy and funds;
2. The processing of core financial transactions;
3. Member borne charges and Value for Members considerations;

4. The Trustees' compliance with the statutory knowledge and understanding (TKU) requirements.

In the update on member borne charges we provide you with illustrations of the effect of the cumulative charges on the value of a member's savings over time.

During the year we have all been affected by the Covid-19 pandemic. This has affected financial markets generally and we have worked with our consultants and advisers to help mitigate the effect on members' pension savings. It is likely that financial markets will continue to be affected for some time. In this report we describe our investment strategy and the actions we have taken to reduce the effect of market movements (volatility) on members' pension savings in the run up to retirement.

Dashboard

This dashboard provides a summary of how well we think the Scheme is performing in relation to the four key areas.

1.	The default arrangement investment strategy and funds:	Is the default investment strategy appropriate and has it been reviewed? Are funds performing as expected?	Yes
2.	The processing of core financial transactions:	Have core financial transactions been processed promptly and accurately?	Yes
3.	Member borne costs and Value for Money considerations:	Does the Scheme provide good value for members?	Yes
4.	The Trustees' compliance with the statutory knowledge and understanding (TKU) requirements	Do the Trustees, together with available advice, have sound knowledge so that they can manage the Scheme well?	Yes

Here are some of the things we have achieved in the last 12 months;

- Investments: We have reviewed the Statement of Investment Principles (SIP) and the objectives set for the Investment Consultant. We considered the Environmental, Social and

Governance performance of the Scheme's Investment Managers and the alignment of that performance with the University's Policy on Sustainability. The Implementation Statement describes how we have met the policies included in the SIP. The SIP and the Implementation Statement are available at University of Reading Pension Scheme (aviva.co.uk).

- Value for members: We have continued to monitor costs and charges in relation to the services provided to members and commissioned an independent report on the value for money delivered by the Scheme. We found that the Scheme delivered excellent value for members during the year.

- Administration: Each year we review the administration provider's AAF/01/06 Report which details business risks and the controls' environment to ensure that the controls are identified and are operating effectively to manage the risks. We also review the administration provider's Business Continuity Plan which sets out how the services will be maintained should an event occur that disrupts the normal course of business. During the year the Business Continuity Plan was used as a result of the Covid-19 pandemic and as staff began working remotely. The controls' environment was affected as a result and the Trustees monitored this situation closely in conjunction with Aviva which is the administration provider. We are pleased to report no change or affect in the services provided: as a result business as usual was maintained throughout and core transactions were monitored in line with the service agreement.

- Communications: We looked at the communication we have with members across the journey from joining the Scheme to retirement to make sure that members are given all of the right information at the right time and are supported in making decisions about their pension savings. During this work we talked to our legal advisers and our administration provider and concluded by publishing a Communications Strategy which we will review on a regular basis.

- Data Integrity: It is a regulatory requirement that the scheme holds up to date and accurate information for members. This enables good quality administration, payment of correct benefits and supports good communication between the Scheme, the Trustees and the members. We asked Aviva to provide a detailed report on the quality of the data held on the administration systems. Where this report showed omissions or potential inaccurate data, the Trustees are working with Aviva to pull together a remediation plan and we will report more on this in the next Chair's Statement.

The Statement goes in to more detail in the following sections. If you would like to provide us with any feedback please log in to Pensions (reading.ac.uk) and follow the contact us link.

1. Default Investment Option and funds

The Trustees are responsible for setting the Scheme's investment strategy and for appointing investment managers to carry out that strategy. They must also establish a default investment arrangement for members who do not select their own investment options from the fund range that is available.

We are responsible for investment governance: this means setting and monitoring the investment strategy for the Scheme's default arrangement. We have prepared a Statement of Investment Principles (SIP) which documents the principles governing our decisions about investments, both in relation to the default funds and to the wider range of investment funds available to members. The strategy is designed to ensure that the Scheme's assets are invested in the best interests of members and their beneficiaries. We have chosen the Annuity Investment Programme as the default arrangement and the strategy and investment objectives are recorded in the SIP. The default option invests in a range of funds which, aside from meeting the fund performance objectives, also meet our requirements for Environmental, Social and Governance (ESG) considerations and comply with charge cap criteria. The SIP dated 28 August 2020 is included at section 5 of this report for reference.

During the review of the SIP, the Trustees took advice from Barnett Waddingham LLP who are the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority (FCA) and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

The day to day management of the Scheme's assets is delegated to Aviva. The Scheme's investment managers are selected by Aviva.

The Trustees do not own any assets or shares directly so cannot take part in voting activity themselves. However the Trustees monitor and expect the fund managers to engage with the companies they are invested in and promote good governance and social and environmental practice. The Trustees recognise that, as shareholders in the companies that the Scheme invests in, they can use voting rights and stewardship to ensure good corporate performance, and as a result generate good long term value for Scheme members. All voting rights are currently exercised on behalf of the Scheme by the investment managers taking into consideration their own policies and current codes of practice. The Trustees also pay regard to Aviva's Global Responsible Investment annual review, which describes the work done by Aviva's Investment Managers with regard to ESG. Aviva is authorised and regulated by the Financial Conduct Authority.

During the year the Trustees prepared an Implementation Statement which was published after the Scheme year end. This describes how the Trustees have followed the investment policies laid out in the SIP.

The Scheme is used as a Qualifying Scheme for auto-enrolment. We have chosen a default investment option for members who are enrolled into the Scheme and who do not want to choose their own funds. Currently, most of the Scheme's members have some or all of their funds invested in the default option.

The aims and objectives of the default arrangement, as stated in the SIP, are as follows:

- The default investment option is suitable for a typical member of the Scheme
- The default investment option is invested in a wide range of assets designed to achieve growth over the long term but where risk is gradually reduced in the 8 years prior to a member's planned retirement age
- At retirement age the default investment is appropriate for members taking an income from their pension savings.

The current default arrangement, the Annuity Investment Programme, aims to take a medium level of risk to grow members' assets until a member is within 8 years from retirement when the investments are gradually moved into a combination of cash (25%) and bonds (75%) to decrease risk and reduce volatility. The degree of protection provided is broadly appropriate for members who intend to take their 25% tax free cash and use the balance to buy an annuity at retirement but is also considered to be suitable for members who choose to take their benefits as cash or move funds into a drawdown arrangement.

Members are not locked into the default option: there are two alternative lifestyling programmes whereby assets are invested in line with a pre-determined strategy that changes as a member gets closer to accessing their retirement savings and takes into account the way in which they expect to access the savings. These programmes target income drawdown or cash withdrawal.

Members can also choose to invest in a range of individual funds to suit their individual needs. These were selected following the receipt of professional investment advice. This advice considered, amongst other factors, charges, fund performance ratings and the members' investment requirements.

The Trustees regularly monitor the performance of the default arrangement and will formally review both this and the strategy at least every three years. The strategy was reviewed during July 2019 and a revised SIP was signed on 20 September 2019. The Trustees decided that the strategy was to be kept under active review in two areas:

1. To ensure that a default arrangement targeting annuity purchase remained appropriate in light of member experience
2. To consider whether to broaden the inclusion of ESG strategies within the investment funds on offer.

As a result the Trustees are keeping a watching brief on industry developments that may introduce positive options for the Scheme. This review remains ongoing with the assistance of the Scheme's Investment Consultant taking account of member experience in the Scheme and trends observed across similar schemes. The Trustees will continue to monitor the performance of the default fund and its appropriateness during the next Scheme year. The next full formal review of the strategy will be completed in the 2022-2023 Scheme year.

2. Administration and Core Financial Transactions

As required by the Administration Regulations, the Trustees must ensure that "core financial transactions" are processed promptly and accurately. Core financial transactions are (broadly):

- Investment of contributions made to the Scheme by members and their employer(s)
- Transfers into and out of the Scheme of assets relating to members;
- Switches of members' investments between different funds within the Scheme; and
- Payments from the Scheme to or in respect of members (e.g. payment of death benefits)

The Trustees have appointed Aviva to carry out the administration of the Scheme including the processing of core financial transactions

All Scheme administration processes carried out by Aviva are covered by a Service Level Agreement and the Trustees monitor Aviva's performance against the agreed service levels at least quarterly to make sure that all the administrative tasks, not just core financial transactions, are completed in line with the service levels agreed. Between quarterly Trustee meetings the Scheme Secretary has regular calls with Aviva to monitor performance and to raise any other issues as they arise. This means that we can try to resolve any issues before they impact core financial transactions.

The service standards and performance for some of the key financial transactions are as follows:

Service Standard	Service Level (working days)	Service Level achieved (%)
Fund switch request	1	100
Payment – transfer out	5	64.71
Process transfer in	5	77.78
Process contributions	2	100
Pay retirement benefits	5	83.33
Death Claim	5	100

Aviva attends each Trustee meeting to present the Administration Report. This document gives the Trustees information on which to assess the performance of Aviva against the agreed service levels

and allows the Trustees to discuss any areas of concern with Aviva. Despite lower service levels than we would like in some areas, other measures are used to assess the overall performance of Aviva. In particular, as a service level only reports on the time taken at any one step in a process, we also review the end to end time taken which provides a view of the overall performance of Aviva when processing the core transactions. This has provided assurance that despite some delays at some parts of the process, overall the core transactions are being completed in line with our service level expectations. At each Trustee Board Meeting we review a comprehensive administration report which covers the following:

- Performance against service levels and end to end servicing times
- Contributions paid including date of receipt and investment
- Transfers into and out of the Scheme
- Retirement lump sums paid
- Call waiting times
- Complaints
- Numbers of times that Aviva is contacted by members to chase outstanding or missing information
- Member engagement scores

During the year the Trustees were pleased to note that 34% of overall queries were dealt with within a single contact from the member to Aviva. To reduce call waiting times Aviva introduced a new model to ensure a call agent was always available; this resulted in improved call waiting times and we will continue to monitor this during the next reporting period. Additionally, to assess the overall performance of Aviva during the year, the Trustees have completed the following:

- An annual review of data quality held on Aviva's systems against the common data standards. Where data has not been complete or accurate a plan is being put in place to rectify this
- Reviewed Aviva's AAF01/06 Assurance Report which summarises their overall control framework and the performance of those controls during the year. Key controls for processing core financial transactions are:
    - All payments require dual authorisation. For high value payments the second authoriser has to be of a higher grade than the processor
    - All authorisations are set within the administration platform and cannot be bypassed
    - Daily reconciliations of funds and units held

    - All incoming payments are held in a nominee account which is protected according to the requirements of the FCA Client Assets Sourcebook (CASS)
    - All processes are allocated an owner with each process being reviewed at least annually to ensure they remain fit for purpose.

- Completed an audit as part of the production of the Scheme Report and Accounts which reviewed the contributions' payments process and financial records to ensure that there were no discrepancies and payments were properly authorised
- Completed a review of the Transfer In process and produced a guidance note to assist Aviva in the correct application of the Scheme Rules
- Requested additional information from Aviva to understand the controls operating around the process to identify possible missing contributions for Scheme members. This being a key control that the Trustees wish to review.

The performance of Aviva is formally assessed annually and reported to the Governance Sub-Committee where it is reviewed on behalf of the Board.

Aviva's plan for Business Continuity (their plan to ensure that services are maintained in the event of a disaster or serious interruption to their normal business) is reviewed by the Trustees to make sure that the ability to continue to process core transactions under such circumstances is protected. During the year the plan was put into action due to the Covid-19 pandemic.

Having reviewed the core financial transactions over the year, I am confident that Aviva is processing them accurately and in a timely manner, according to the reported service levels and requirements of the law and where this has not been the case we have been able to establish there is no systemic issue.

3. Charges and Transaction Costs

The Trustees are required to report on the charges and transaction costs for the investments available to members. Currently costs associated with the administration, investment and communications from the Scheme are shared between the Trustees and members.

We have a specific duty to make sure that costs and charges borne by members of the Scheme are compliant with regulations and represent good value for money. We have taken account of statutory guidance when preparing this section.

The costs that members pay during the year are paid for by deduction from benefits. This can have a significant impact on the level of investment returns and therefore pension savings that members build up.

The charges quoted in this Statement are the funds' Annual Management Charges (AMC) and the Transaction Costs. The AMC is capped at 0.75% for the default arrangement.

Transaction costs are the costs that result from the trading necessary to invest the assets paid into a pension scheme and can include bank transaction charges, stamp duty and broker fees paid when a fund manager buys or sells shares. These costs are usually considered in the unit price offered by the funds and so are reflected in the net investment return. Transaction costs apply to all trading undertaken by a fund manager. These costs arise largely as a natural consequence of participating in financial markets and as a result of activity to deliver the investment strategy and objectives. They are usually reported independently to other charges but, due to the complexity of some of the activity, some are harder to identify and report separately.

Information on the charges payable by members is summarised in the following table. The default arrangement has been set up as a lifestyle approach which means that members' assets are automatically moved between different funds as they approach retirement date. This means the actual level of costs and charges will vary depending on how close a member is to retirement.

For the period covered by this statement, annualised charges and transaction costs for all available funds are set out in the table.

Fund Name	Annual Management Charge (% p.a.)	Additional Expenses (% p.a)	Total Transaction Costs (% p.a.)
Default Investment Funds			
Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Index Fund	0.58	0.01	0.1135%
Aviva Pension MyM LGIM Diversified Fund	0.70	0.00	0.00*
Aviva Pension MyM Legal & General (PMC) Pre-Retirement	0.59	0.00	0.00*
Aviva Pension MyM BlackRock Institutional Sterling Liquidity Fund	0.52	0.02	0.0109*
Self-Select Funds			
Aviva Pension MyM HSBC Amanah Global Equity Index	0.82	0.00	0.0518
Aviva Pension MyM BlackRock Over 5 Year Index-Linked Gilt Index	0.52	0.00	0.0916

* The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not include those incurred by the Aviva fund in buying and selling units in the underlying fund(s).

Charges can affect the value of your pension savings over time. We have included here illustrations to demonstrate the possible effects of these charges on the value of a member's pension. These have been produced in accordance with statutory guidance.

The illustrations show the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. As each member will have a different amount of savings within the Scheme and any future investment returns, costs or charges cannot be known in advance, the Trustees have made assumptions about what these might be. The following have been taken into account:

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

However nobody can predict the future and actual returns could vary significantly from those provided here.

The funds with the highest expected return before costs are the My Money BlackRock (30:70) Currency Hedged Global Equity Tracker and the My Money HSBC Islamic Global Equity Index

The fund with the lowest expected return before costs is the My Money BlackRock Sterling Liquidity Fund.

The fund with highest annual member borne costs is the My Money HSBC Islamic Global Equity Index.

The fund with lowest annual member borne costs is the My Money BlackRock Sterling Liquidity Fund.

Member illustrations based on these funds are shown in the following table.

These illustrations show that a younger member saving £100 per month for 35 years would:

- Build up a pot after costs and charges of £32,200 if invested in the My Money BlackRock Sterling Liquidity Fund. Charges have reduced the value of the pot by £2,900
- Build up a pot after costs and charges of £56,600 in the My Money BlackRock (30:70) Currency Hedged Global Equity Tracker. Charges have reduced the value of the pot by £8,700.

Please bear in mind that the figures quoted are for illustrative purposes and are not intended to be actual projections. They should never be relied on if you are making decisions about your pension savings.

Your pension scheme

University of Reading Pension Scheme

Costs and charges illustration

What is this illustration for and how could it help you?

The information in this document is an 'illustration'. This is to show you the possible effect of costs and charges on your pension savings to help you plan for your retirement. The figures shown in it are not personal to you and do not show the actual pension benefits you could get from the pension scheme.

Your pension scheme benefits depend on many things such as contributions from you or your employer, how your investment funds have performed, and costs and charges. You may get back less than you put in.

How charges affect your pension scheme's investment funds

On page 2 are tables which show how different costs and charges can impact the pension pot over certain periods of time, based on a selection of investment funds. Table 1 shows typical funds for your pension scheme. Table 2 shows funds with different growth rate assumptions and charges.

Under each investment fund, there are two columns. The first shows the projected pension values assuming no charges are taken. The second shows the projected pension values after costs and charges are taken. By comparing the two you can see how much the charges over the years will impact your pension fund. So, for example, if you started your pension at age 30 and expect to retire at 65, the figures at the end of year 35 would give an idea of figures are based on a monthly investment of £100 – see page 3 for the assumptions we use.

Table 1

Illustration of effect of cost and charges for typical funds within your scheme – University of Reading Pension Scheme

	Av MyM LGIM Diversified		Av MyM BlackRock (30:70) Currency Hdgd Global Equity Tracker		Av MyM Legal & General (PMC) Pre-Retirement		Av MyM BlackRock Sterling Liquidity		Av MyM BlackRock Over 5 Year Index-Linked Gilt Index Tracker	
	Assumed growth rate 4.3%		Assumed growth rate 5%		Assumed growth rate 2.5%		Assumed growth rate 1.5%		Assumed growth rate 2%	
	Assumed costs and charges 0.76%		Assumed costs and charges 0.73%		Assumed costs and charges 0.66%		Assumed costs and charges 0.53%		Assumed costs and charges 0.63%	
At end of year	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,200	£1,190	£1,200	£1,200	£1,190	£1,180	£1,180	£1,180	£1,180	£1,180
2	£2,420	£2,400	£2,430	£2,420	£2,370	£2,360	£2,350	£2,340	£2,360	£2,350
3	£3,660	£3,610	£3,700	£3,650	£3,560	£3,520	£3,510	£3,480	£3,530	£3,500
4	£4,920	£4,840	£4,990	£4,910	£4,750	£4,680	£4,650	£4,600	£4,700	£4,640
5	£6,200	£6,080	£6,310	£6,190	£5,930	£5,830	£5,790	£5,710	£5,860	£5,770
10	£13,000	£12,500	£13,400	£12,900	£11,900	£11,500	£11,300	£11,000	£11,600	£11,200
15	£20,400	£19,200	£21,500	£20,300	£17,800	£16,900	£16,500	£15,900	£17,200	£16,400
20	£28,400	£26,200	£30,500	£28,200	£23,700	£22,200	£21,500	£20,500	£22,600	£21,300
25	£37,200	£33,600	£40,700	£36,900	£29,700	£27,300	£26,300	£24,700	£27,900	£25,900
30	£46,800	£41,400	£52,300	£46,300	£35,600	£32,300	£30,800	£28,600	£33,100	£30,200
35	£57,200	£49,500	£65,300	£56,600	£41,500	£37,100	£35,100	£32,200	£38,200	£34,400
40	£68,600	£58,100	£79,900	£67,800	£47,500	£41,700	£39,200	£35,600	£43,100	£38,300
45	£81,100	£67,100	£96,500	£79,900	£53,400	£46,200	£43,200	£38,700	£47,900	£42,000
50	£94,700	£76,600	£115,000	£93,100	£59,300	£50,500	£46,900	£41,600	£52,600	£45,400

Table 2

Illustration of effect of costs and charges for funds with different growth rates and charges within **your scheme – University of Reading Pension Scheme**

	Av MyM BlackRock Over 5 Year Index-Linked Gilt Index Tracker		Av MyM BlackRock Sterling Liquidity		Av MyM BlackRock (30:70) Currency Hdgd Global Equity Tracker		Av MyM HSBC Islamic Global Equity Index	
	Assumed growth rate 2%		Assumed growth rate 1.5%		Assumed growth rate 5%		Assumed growth rate 5%	
	Assumed costs and charges 0.63%		Assumed costs and charges 0.53%		Assumed costs and charges 0.73%		Assumed costs and charges 0.87%	
At end of year	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,180	£1,180	£1,180	£1,180	£1,200	£1,200	£1,200	£1,200
2	£2,360	£2,350	£2,350	£2,340	£2,430	£2,420	£2,430	£2,410
3	£3,530	£3,500	£3,510	£3,480	£3,700	£3,650	£3,700	£3,650
4	£4,700	£4,640	£4,650	£4,600	£4,990	£4,910	£4,990	£4,900
5	£5,860	£5,770	£5,790	£5,710	£6,310	£6,190	£6,310	£6,170
10	£11,600	£11,200	£11,300	£11,000	£13,400	£12,900	£13,400	£12,800
15	£17,200	£16,400	£16,500	£15,900	£21,500	£20,300	£21,500	£20,000
20	£22,600	£21,300	£21,500	£20,500	£30,500	£28,200	£30,500	£27,800
25	£27,900	£25,900	£26,300	£24,700	£40,700	£36,900	£40,700	£36,200
30	£33,100	£30,200	£30,800	£28,600	£52,300	£46,300	£52,300	£45,300
35	£38,200	£34,400	£35,100	£32,200	£65,300	£56,600	£65,300	£55,100
40	£43,100	£38,300	£39,200	£35,600	£79,900	£67,800	£79,900	£65,600
45	£47,900	£42,000	£43,200	£38,700	£96,500	£79,900	£96,500	£77,100
50	£52,600	£45,400	£46,900	£41,600	£115,000	£93,100	£115,000	£89,400

How we worked out the figures in the tables

It's important to understand how much or how little difference charges make to your pension pot, but we can't predict exactly what will happen in the future so we've had to make some assumptions. The values shown are estimates and are not guaranteed.

These assumptions are:

1. We've assumed someone doesn't have anything in their pension pot when they start saving. Contributions are assumed to be paid £100 monthly increasing in line with assumed earnings inflation of 2.5% each year.
2. The figures illustrate the pension pot value in 'today's money' which means they take inflation into account by discounting values at 2.5% a year. Seeing the figures in this way shows you what they could be worth today. It's important to note that inflation reduces the worth of all savings and investments. The effect of this is shown in the illustration and could mean the fund may reduce as well as grow in 'today's money'.
3. Transaction costs may not have been included where data was not available from the fund managers.

Some important things to remember

Your scheme will offer other funds to those illustrated, with different growth potential and different charges, and may also offer some form of lifestyling investment approach. If you have selected the lifestyling investment approach your pension pot will automatically be moved into different funds as you approach your retirement date and your scheme literature will provide details of how this works. As the individual funds used in a lifestyling approach have different growth potential and different charges, the overall growth rate and overall charge will change over time.

For these reasons, we have shown a range of funds with a range of charges which are available to you and which could apply to your pension pot during the life of your plan. A personal projection of your pension pot is included in your annual benefit statement and you should read that to get an individual view of your projected pension benefits. You'll also find details of the actual charges applicable to you in your scheme literature.

The figures shown here:

- Shouldn't be used to make investment decisions, so if you need to do that, we recommend that you take financial advice.
- May not be relevant to your personal circumstances. Your money may be invested in different funds, for example.

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4. Value for Members Assessment

The Trustees believe it is important that members receive good value for the charges and transaction costs that they incur and this is determined each year in a report which is provided for the Trustees by an independent third party. This report is considered in conjunction with the Trustees own views and knowledge of the Scheme. There is no absolute definition of what constitutes good value so the Trustees have considered the services delivered relating to the member borne costs and charges and also other factors which contribute to the delivery of value but where the charges are not member borne.

To determine the value provided during this Scheme year the Trustees have considered a number of things including;

- Levels of charges compared to the levels for comparable schemes in the market
- Choice of investment funds offered and their performance
- How the Scheme is administered and the range of tools and support available to you
- How the Scheme is governed and its overall management

Costs: the costs borne by members are known and the charges associated with the default investment strategy are well below the charge cap no matter how far a member is from retirement. The independent report suggests that relative costs are slightly higher than may be obtained in the market for a similar scheme but overall the AMC represents reasonable value for members.

Investment Funds: there is a suitable range of investment funds available, including three lifestyle options targeting the available retirement income options open to members. The Trustees review the default strategy and the other funds on a regular basis for suitability and performance, the Trustees take appropriate advice to assist them. All funds performed positively relative to their benchmarks and relative performance using comparator funds is reviewed quarterly in conjunction with the Investment Consultants. In recognition that certain members may hold particular views about where their funds are invested the Trustees have made available a Sharia compliant fund and continue to monitor the market to identify new innovations which may prove beneficial

Scheme Administration: All members have online access to their accounts through the Aviva MyMoney secure portal which allows members to check their fund value, access investment information and model benefits using a range of tools. The tools include an attitude to risk tool, a pension forecaster and a modeller to demonstrate how changes made may alter future retirement income in today's terms. Members can include details of additional pension plans including State benefits if they wish. To assist members plan for retirement the Trustees have engaged Hub

Financial Solutions who act as an annuity broker for the Scheme. The overall performance of the administration provider is monitored regularly and Aviva is represented in each Trustee Meeting. Scheme members are provided with life assurance cover at 6x salary at no cost to the member.

Scheme Governance: The Trustees maintain an annual Operating Plan which details the various matters that make up the running of the Scheme. This is reviewed in detail annually and for updates at each quarterly meeting and Governance Sub-Committee meeting. In addition the Trustees have a Risk Register which captures the output of their regular risk reviews with the various mitigating actions and controls. There is a rolling review of the Scheme documents and annual training plans are put in place. The Trustees appoint professional advisers to provide advice which assists them in the running of the Scheme. During the year the Trustees also completed a member communications review, producing a Communications Strategy and assessed the running of the Scheme against The Pension Regulator's DC Code of Practice 13.

Considering all of the above I conclude that, during the period 1 August 2019 to 31 July 2020, the Scheme's overall benefits and services represent excellent value for money for its members.

5. Trustee Knowledge and Understanding (TKU)

The Scheme is run by a Board of Trustees who must act in the best interests of members and ensure that the Scheme meets regulatory governance standards, complies with the law affecting pensions and meets the requirements laid out in the Scheme Rules and associated documentation. The Board of Trustees currently comprises an independent Chair, an employer nominated Trustee, two member nominated Trustees and is assisted by The Secretary to the Scheme. All Trustees served throughout the Scheme year and there is a range of experience amongst Board members.

The member nominated Trustees are appointed through a documented recruitment process which ensures that candidates meet the required standards and are fit and proper to undertake the duties of a Trustee. Employer nominated Trustees are selected due to their aptitude, experience and knowledge they will bring to the running of the Scheme. There is a robust documented Conflicts of Interest Policy in place to ensure that the Scheme is governed independently at all times.

The Scheme's Trustees are required to maintain adequate knowledge and understanding that allows them to exercise their duties, taking into account the complexity of the Scheme. The requirements are a combination of statutory provisions, codes of practice, guidance and common law principles. Having adequate knowledge means that the Trustees are able to manage the Scheme with the necessary independence, recognise when advice is needed and make decisions that have a positive effect on member outcomes. The Trustees assess their knowledge, understanding and skills on an annual basis in an Effectiveness Review, to help them identify strengths and weaknesses and address those weaknesses in a training plan. A review was completed during the Scheme year which had

identified two areas for potential future training, these being Contract Management and Finance. The Trustees will complete current available e-learning in these topics and the future proposed appointment of an Employer Nominated Trustee will also look to address this skills gap.

As a minimum each Trustee must:

- Be conversant with the Trust Deed and rules of the Scheme, the Scheme's Statement of Investment Principles and any other document regarding policy adopted by the Trustees for the general operation of the Scheme,
- Have knowledge and understanding to the law relating to pensions and Trusts and the principles relating to their fiduciary duties and scheme investments, insofar as this is appropriate for the Scheme,

New trustees have six months from the date of appointment in which to meet the requirements and each Trustee is required to maintain this knowledge. All Trustees have completed the Pensions Regulator's Trustee Toolkit. As good practice the Trustees maintain records, in a training log, of their combined knowledge, the advice available to them and any ongoing training. Examples of the training received by Trustees during the Scheme year include;

- Environment, Social and Governance considerations for DC Schemes (July 2020)
- The Competition and Markets Authority Order as it applies to the Scheme's investments (May 2020)
- Customer Communications and the inter-relationship with Data Protection and Marketing regulations (June 2020)
- Disclosure Regulations 2013 (June 2020)

To ensure that they have sufficient knowledge and understanding of the law relating to pensions and trusts, the Trustees also participate in webinar sessions provided by third parties and receive regular technical updates provided monthly by the Scheme Secretary and also quarterly by the Scheme's Pension Consultant (Mercer). During the year, the Chair of Trustees participated in every scheduled meeting of a forum dedicated to the specific interests of higher education pension schemes. The Pension Consultant raises matters affecting the Governance of the Scheme and delivers training as part of their attendance at the Trustee meetings.

The Trustee Board has a Governance Sub-Committee and a Discretions Panel. In the case of the Discretions Panel this has been set up to decide on matters where knowledge of the Rules needs to be applied to a situation, for example in relation to the death of a Scheme member where the distribution of the correct beneficiary benefits needs to be agreed.

The Governance Sub-Committee is responsible for maintaining the annual Scheme Operating Plan and reviewing all scheme policy and governing documents on a regular basis, advising the Board

where changes may need to be made, for example where regulation or legislation has changed and needs to be reflected in the Scheme documents or practice. This work demonstrates the level of knowledge held by the Trustees and application of that knowledge in the day to day running of the Scheme.

In the period covered by this report, the Trustees exercised discretion in the event of a death-in-service, reviewed the communications approach and produced a Communications Strategy, and ensured that pension contributions for furloughed employees were calculated and paid in the required timescales taking on board the various communications from The Pensions Regulator. Where there has been any ambiguity involving decisions relating to the Scheme Rules, the Trustees have taken independent legal advice as part of the decision making process.

During the year a review of the Trust Deed and Rules was completed and the Scheme's schedule of delegations updated in order that Trustees can remain confident that decisions are being made in accordance with the governing documents.

Taking into account the various activities described, and the appointment of the Scheme's professional advisers, who provide additional expert support, I am of the opinion that the Trustees meet the necessary knowledge and understanding requirements.

6. Statement of Investment Principles.

University of Reading Pension Scheme

Statement of Investment Principles

28 August 2020

Contents

1. Introduction

1.1. This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the University of Reading Pension Scheme ("the Trustees") and relates to the defined contribution (DC) benefits provided through the University of Reading Pension Scheme ("the Scheme)"). The Statement sets down the principles which govern the decisions about the investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted the University of Reading, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).

1.4. The Trustees will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement or the demographic profile of members.

1.5. The investment powers of the Trustees are set out in Clause 17 of the Definitive Trust Deed and Rules, dated 14 July 2011. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustees carefully consider their Investment Objectives, shown in Appendix 1, when designing the range of investment options to offer to Scheme members. The Trustees also acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings – and therefore, whilst seeking good member outcomes net of fees, they also consider the level of risk that is appropriate based on the anticipated needs of the membership profile of the Scheme.

2.2. The Trustees' policy is to set the overall investment objectives (as outlined at the beginning of Appendix 1) and then monitor the performance of their investment managers against those objectives. The Trustees' policy is to offer a default investment arrangement suitable for the Scheme's membership profile plus a core range of investment strategies and funds into which members can choose to invest their contributions and those contributions made by the employer. Details of these are given in Appendix 1. In doing so, the Trustees consider the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.

2.3. The day-to-day management of the Scheme's assets is delegated to Aviva. The Scheme's investment managers as selected by the Trustees are detailed in Appendix 1 to this Statement. The investment

managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.4. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of Aviva and the investment managers with respect to their performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed and agreed key investment objectives in light of an analysis of the Scheme's membership profile as well as the constraints the Trustees face in achieving these objectives. These are set out in Appendix 1.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

5. The balance between different kinds of investments

5.1. Members can choose to invest in any of the funds detailed in Appendix 1 or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustees will invest these contributions according to the default investment strategy set out in Appendix 1.

5.2. The Trustees consider the merits of both active and passive management for the various elements of the Scheme's portfolio and may select different approaches for different asset classes.

5.3. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

6. Risks

6.1. Risk in a defined contribution scheme lies with the members themselves. The Trustees have considered a number of risks when designing and providing suitable investment choices to members. A comprehensive list of risks is set out in the Trustees' risk register, however, the main investment risks affecting all members are:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustees make available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangements made available through the Scheme (see Appendix 1), the Trustees change the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustees expect members to access their retirement savings. The Trustees keep under review the appropriateness of the strategies.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustees periodically review the appropriateness of the investment options offered to ensure member outcomes can be maximised. Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.
Investment manager risk	The Trustees monitor the performance of Aviva and the Scheme's underlying investment managers on a regular basis in addition to having meetings with them from time to time as necessary. The Trustees have a written agreement with Aviva that contains a number of restrictions on how they operate the Scheme's investments.
Concentration/ Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by the investment managers and their custodians is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustees also undertake an annual review of the internal controls and processes of the investment managers.

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The Trustees are advised by their professional advisers on these matters, whom they have deemed to be appropriately qualified. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment polices

10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Scheme's investment consultant on behalf of the Trustees..

10.5. Investment managers' ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment managers.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.

10.7. When considering the management of objectives for investment managers (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment managers make decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.9. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

10.10. The Scheme invests exclusively in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment managers, they receive more and as values fall they receive less.

10.11. The Trustees believe that this fee structure enables the investment managers to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.14. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangement with asset managers

10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Monitoring

11.1. **Investment Performance:** The Trustees review the performance of each investment option offered through the Scheme against the stated performance objective and, in doing this, the Trustees receive a performance monitoring report on a regular basis. This monitoring takes into account both short-term and long-term performance. The investment managers' overall suitability for each mandate will be monitored as frequently as the Trustees consider appropriate in light of both its performance and other prevailing circumstances.

11.2. **Objectives:** The Trustees monitor the suitability of the objectives for the Scheme (as detailed in Appendix 1) and performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members.

11.3. **Investment Choices:** The Trustees monitor the ongoing appropriateness of the investment choices offered on a periodic basis.

12. Agreement

12.1. This Statement was agreed by the Trustees, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the employer, Aviva, the investment managers and the Scheme auditor upon request.

Signed:..... **Date:**.....1.9.2020

On behalf of the Trustees of the University of Reading Pension Scheme

Appendix 1 Note on investment policy in relation to the current Statement of Investment Principles dated 28 August 2020

1. The balance between different kinds of investment

The Trustees' main investment objectives are:

- to provide a suitable default investment option that is likely to be suitable for a typical member;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives;
- seek to achieve good member outcomes net of fees and subject to acceptable levels of risk.

The Trustees are responsible for the design of the default investment option and for choosing which investment options to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

The Trustees have made available a range of funds to suit the individual needs of the Scheme's members. For example, a range of equity funds is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the equity funds.

Alternatively, the Trustees have made available a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings. The three lifestyle options are:

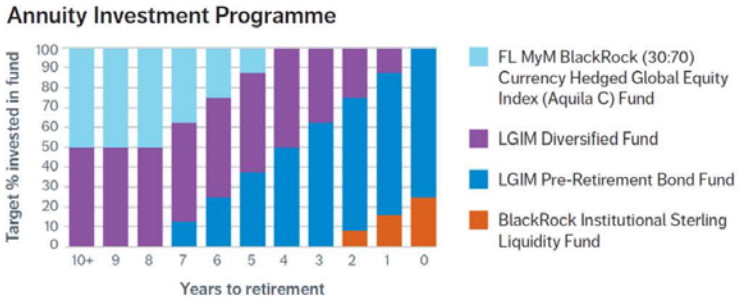
- The Annuity Investment Programme
- The Drawdown Investment Programme
- The Cash Investment Programme

So named to target either the purchase of an annuity at retirement, the purchase of a vehicle where assets can be steadily drawn down during retirement, or the withdrawal of cash at retirement.

The lifestyle arrangements are constructed from constituent funds that are also offered to members wanting to manage their own asset allocation decisions.

2. Default option

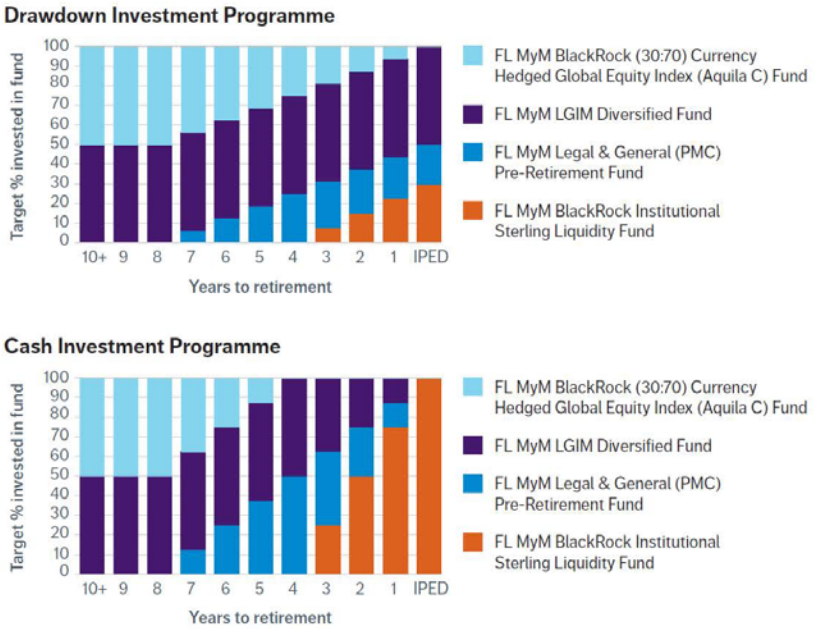
The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single investment option that will be suitable for each individual member. However, having analysed the Scheme's membership profile, the Trustees decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.



Source: Aviva Friends Life

3. Alternative investment options

Acknowledging the challenge of identifying the best solution for different groups of members, and in focusing on its key objective, the Trustees have focused on the default strategy. Alongside the default investment option, the Trustees also make available two further lifestyle options as set out below:



Source: Aviva Friends Life

Members can also self-select individual funds to invest in. These consist of the constituent funds of the lifestyle programmes as well as two further funds, details of which are set out in the next section.

4. Choosing investments

The Trustees have appointed Aviva to carry out the day-to-day investment of the Scheme. The Trustees selected funds managed by the following investment managers:

- BlackRock;
- Legal & General Investment Management ("LGIM") and;
- HSBC.

Aviva and the investment managers are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each fund are given below:

Investment manager	Fund	Benchmark	Objective
BlackRock	Aquila Life (30:70) Currency Hedged Global Equity Index	30% FTSE All-share Index, 60% Developed Overseas Equities, 10% Emerging Market Equities	To track the benchmark
	Aquila Life Over 5 Years Index-Linked Gilts Index	FTSE UK Gilts Index-Linked Over 5 Years Index	To track the benchmark
	Institutional Sterling Liquidity Fund	7 Day LIBID	To track the benchmark
LGIM	Diversified Fund	50% FTSE World Total Return Index, 50% FTSE World Total Return Index (GBP hedged)	To provide long-term investment growth
	(PMC) Pre-Retirement Fund	FTSE UK Level Adjusted Annuity Index Series	To reflect the investments underlying a level annuity product
HSBC	Islamic Global Equity Index	Dow Jones Islamic Market Titans 100 Index	To track the benchmark

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

5. Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge (% p.a.)
BlackRock	Aquila Life (30:70) Currency Hedged Global Equity Index	0.58% (AMC) and 0.02% (Additional charges)
	Aquila Life Over 5 Years Index-Linked Gilts Index	0.52% (AMC)
	Institutional Sterling Liquidity Fund	0.52% (AMC)
LGIM	Diversified Fund	0.7% (AMC) and 0.02% (Additional charges)
	(PMC) Pre-Retirement Fund	0.62% (AMC)
HSBC	Islamic Global Equity Index	0.88% (AMC)

The Trustees review these charges periodically as part of the Value for Money assessments.

Appendix 2 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially Material Considerations

The Trustees view Environmental, Social and Governance (ESG) factors, including climate change, as potentially financially material. The Trustees believe that the financial materiality of ESG factors may vary between asset classes. The Trustees' views on ESG integration within each asset class are outlined below:

Passive equities – the Trustees accept that when investing passively in equity index tracker funds that investment managers cannot screen stocks. The Trustees do believe that positive engagement on ESG issues can lead to improved risk-adjusted returns. Therefore, the Trustees look to the passive equity managers to engage positively with companies regarding ESG factors.

Cash funds – the Trustees do not believe there is scope for ESG issues to improve risk-adjusted returns within the Scheme's cash fund holdings.

Multi-asset and credit funds – the Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi-asset fund and credit managers given these funds have a degree of active management and some scope to select stocks by ESG factors. The investment process for each multi-asset fund manager should take ESG into account in the selection, retention and realisation of investments. Further to this, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

The Trustees are aware of the different investment timeframes that members will have. Further to this, the Trustees believe that ESG issues, and particularly climate change, will be more material for members who are further from retirement. Therefore, within the Scheme's default investment strategy, the Trustees consider the financial materiality of ESG, including climate change, over various timeframes and will consider changes in relation to this as part of their periodic investment reviews.

Before considering any new mandate, the Trustees will consider whether the manager is a signatory to the United Nations supported Principles for Responsible Investment (PRI). At time of writing, Aviva and all of the Scheme's underlying investment managers are PRI signatories.

The Trustees will take advice on ESG from their advisers and report on ESG at least annually, making this available to members.

The Trustees take ESG factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

2. Non-financially material considerations

The Trustees do not make specific allowance for non-financial matters (such as member ethical views) within the investment strategy. However, the Trustees consider that it is important to ensure that a suitable range of funds are offered for members who wish to express an ethical preference in their pension saving and review these provisions from time to time.

3. The exercise of voting rights

Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme's investments, and the engagement by and with investment managers. The Trustees delegate responsibility for stewardship activities attaching to the Scheme's investments to its investment managers. Managers are expected to exercise voting powers with the objective of preserving and enhancing long term shareholder value. In addition to the exercise of voting rights, managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.

The Trustees periodically review engagement activity undertaken by their investment managers to ensure that the policies outlined above are being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code which the Trustees are supportive of.

4. Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers

with a benchmark they expect the investment managers to either follow or outperform. The investment managers have discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

It is not possible for the Scheme's investment managers to invest in the Principal Employer's business.

Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment managers and conflicts of interest between the Trustees/investment managers and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

Further Information

Any queries about your individual pension entitlement or the Scheme in general should be directed to The Pensions Office in the first instance:

The Pensions Office
Room 110
Whiteknights House
PO Box 217
Reading
RG6 6AH
pensions@reading.ac.uk

However, if you would like to direct any questions to the Trustees, please contact the Secretary to the Trustees:

Miss S May
The Pensions Office
The University of Reading
PO Box 217
Whiteknights
Reading
RG6 6AH
s.a.may@reading.ac.uk
Website: www.reading.ac.uk

Chair's declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees to the best of my knowledge.

K.N. Hodgson
K.N. Hodgson (Feb 10, 2021 11:59 GMT)

Signed by the Chair on behalf of the Trustees of the Scheme
Print name: K.N. HODGSON Date: 10-Feb-2021