Trustee's Report and Chair's Statement for Stanplan A (the "Scheme")

For the year to 31 December 2017

Standard Life

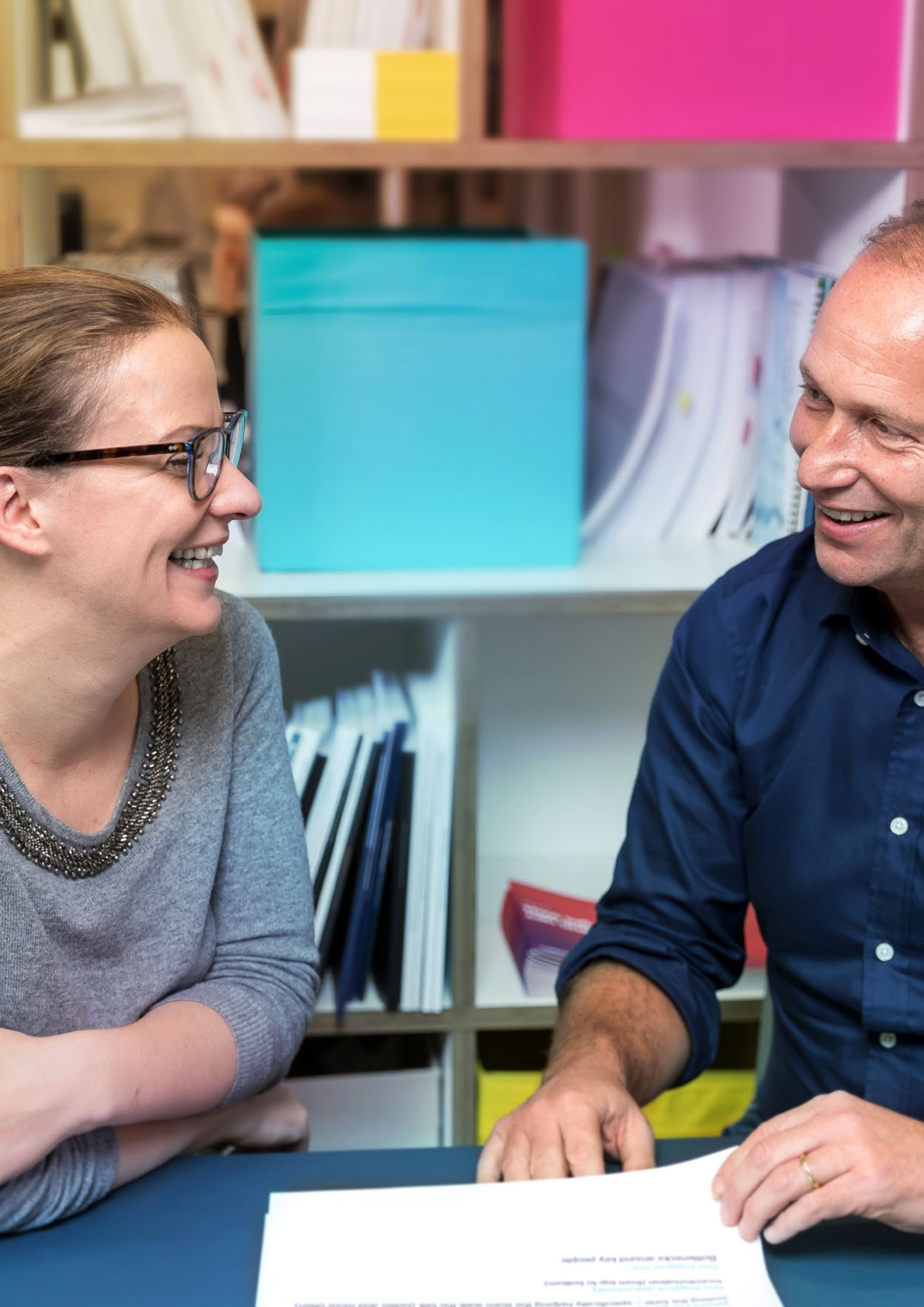
Contents

Dashboard

This dashboard gives you a summary of whether we think you are getting good value from the Scheme. Much more information can be found in the pages that follow.

Do the members of the Scheme get good value?	**Yes**

	Value for money component	Rating
Administration, management and governance	Is the Scheme well run and does it have timely and accurate administration?	Yes
Investment governance and performance	Are investment strategies appropriate and reviewed from time to time?	Yes
	Are investments performing well?	Yes
Communication and engagement	Are the information and tools available or sent to members clear and accessible?	Yes
Financial strength, sustainability and security	Is Standard Life able to provide the resources needed to properly run the Scheme now and in the future? Are members' assets safe?	Yes
What you should do next	We recommend that you review your level of pension saving on a regular basis and we recommend you do that today.	



Introduction

This is a statement produced to comply with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

It has been prepared by the Board of the Standard Life Master Trust Co. Ltd (SLMTC) which is the trustee of the Scheme.

Independence of the Board

Since April 2015, the law has required that the Board of SLMTC has a majority of members who are independent (known technically as "non-affiliated") of Standard Life. The Chair of the Board has to be one of the independent members.

I chair the Board which has five members all of whom are independent of Standard Life. There were no changes to the Board during the year. The current members are:

- PTL Governance Ltd represented by me
- Ruston Smith
- Francois Barker
- Stella Girvin and
- Poisson Management Ltd represented by Rene Poisson.

More information on each of us can be found in appendix 1.

Broadly speaking to be non-affiliated a member cannot be associated with another company (or other entity) which provides now, or in the last five years, other services to Standard Life, although there is one exception to this rule (see note 1 in the table below). In addition they cannot be a member of the Board for more than a defined period of time. The table below shows how the current members meet these requirements.

	Other services	Maximum term ends
PTL Governance Ltd	Yes (1)	Open (2)
Ruston Smith	No	8 May 2020
Francois Barker	No	8 May 2020
Stella Girvin	No	8 May 2020
Poisson Management Ltd	Yes (1)	Open (2)

Notes:

1: Both PTL Governance Ltd and Poisson Management Ltd are members of Standard Life's Independent Governance Committee (IGC) but the rules permit this.

2: Richard Butcher and Rene Poisson must be replaced by another representative of their companies no later than 6 April 2025.

At each of our meetings the Board members are asked to disclose any conflicts of interests.

Our knowledge, experience and training

The Board members were selected to ensure we collectively have the right skills to govern the Scheme effectively as well as an ability to provide robust challenge both to Standard Life and each other.

Between us, we (the members of the Board) have over 140 years' experience of running, managing and or advising pension schemes – a lot of that experience in senior positions and we are all professionally qualified. Each of us has significant knowledge and understanding of the law relating to pension trusts, of pension funding and investment. More information on our background, experience and qualifications can be found in appendix 1.

Shortly after the Board's appointment we carried out an audit of our knowledge and skills and this has been repeated each year since. The output of the audit is used to design the following year's training for individual members or the Board as a whole. During the course of 2017, we had training on: the member experience including how you join the Scheme; contribution processing; how transfers out of the Scheme are dealt with; an update on customer operations; how retirement and death benefits are settled and some specific parts of Standard Life's investment governance process.

The skills audit process 2017.

The Board members self assessed their knowledge across 123 criteria as either "needs training", "satisfactory", "good" or "excellent". The individual and collective output of this process helps us to design the year's training which may be sourced internally or externally

The assessment in 2017 showed strong knowledge across all areas. A summary of the key results were:

The law relating to pensions – excellent

The law relating to trusts – excellent

The principles of funding in a DC scheme - good

The principles of investing in a DC scheme – good

Our weakest area, the tax treatment of benefit payments after April 2015, scored "satisfactory".

In addition to the skills audit, each year the members of the Board certify they have completed at least 15 hours of Continuous Professional Development (CPD) which may be sourced internally or externally.

We have appointed a firm of solicitors and a firm of investment consultants to provide independent advice to us both of whom have experienced teams that specialise in pensions.

We have a Board effectiveness policy and carry out an annual Board effectiveness assessment. This involves each of the Board members completing a questionnaire which is reviewed by the scheme secretary (or the company secretary in my case).

All of the key documents and policies relating to the Scheme are kept electronically, are kept up to date and are available to the Board for reference at all times including during meetings.

All of this means that we have now and will retain the combined knowledge, understanding and access to documents and advice needed to properly run and govern the Scheme.

Member representation

We are always keen to hear from you or your representatives about your experience of the Scheme. In particular we are keen to hear what features of a pension scheme you value. Having considered the size, nature and demographic of the membership we think the best way for you to let us know your views are through email. During 2017 you could and in the future you should send us your thoughts at slmtc@standardlife.com

During the course of the year, members of the Board attended the governance meetings of some participating companies, open meetings for participating companies and retirement roadshows.

Standard Life uses two measures of customer satisfaction. The "Net Promotor Score" (NPS) measures the extent to which the customer would recommend Standard Life to friends and family. The "nEasy" score reflects how easy customers find it to deal with Standard Life. We see the scores they get on both in the regular governance reports we receive. During the course of the year scores have been satisfactory.

The default investment arrangement

The latest Statement of Investment Principles, which sets out the default investment arrangement, is attached as appendix 2.

The Scheme covers two products: the "Group Pension Scheme" (the "CIMP" section) and the "Executive Pension Plan" (the "EPP" section). You can tell which you are in by looking at the heading on your annual benefit statement.

CIMP section
The default investment arrangement wasn't reviewed during the year. It was last reviewed in 2017.

EPP section
The EPP section is different from the CIMP section in a number of ways: It was marketed principally to company executives, who were allowed to join only if they had taken advice from a regulated financial advisor and each member had to make an investment choice which was documented on their application form. That being the case there are no default investment arrangements. We took legal advice on this point which confirmed this to be a correct interpretation of the law.

Core financial transactions

We are required to make sure that core financial transactions in the Scheme are processed promptly and accurately.

What are core financial transactions?

Core financial transactions include the investment of contributions, transfers of members' assets to or from the Scheme, switches between investment funds in the Scheme and payments out of the Scheme to members or their beneficiaries.

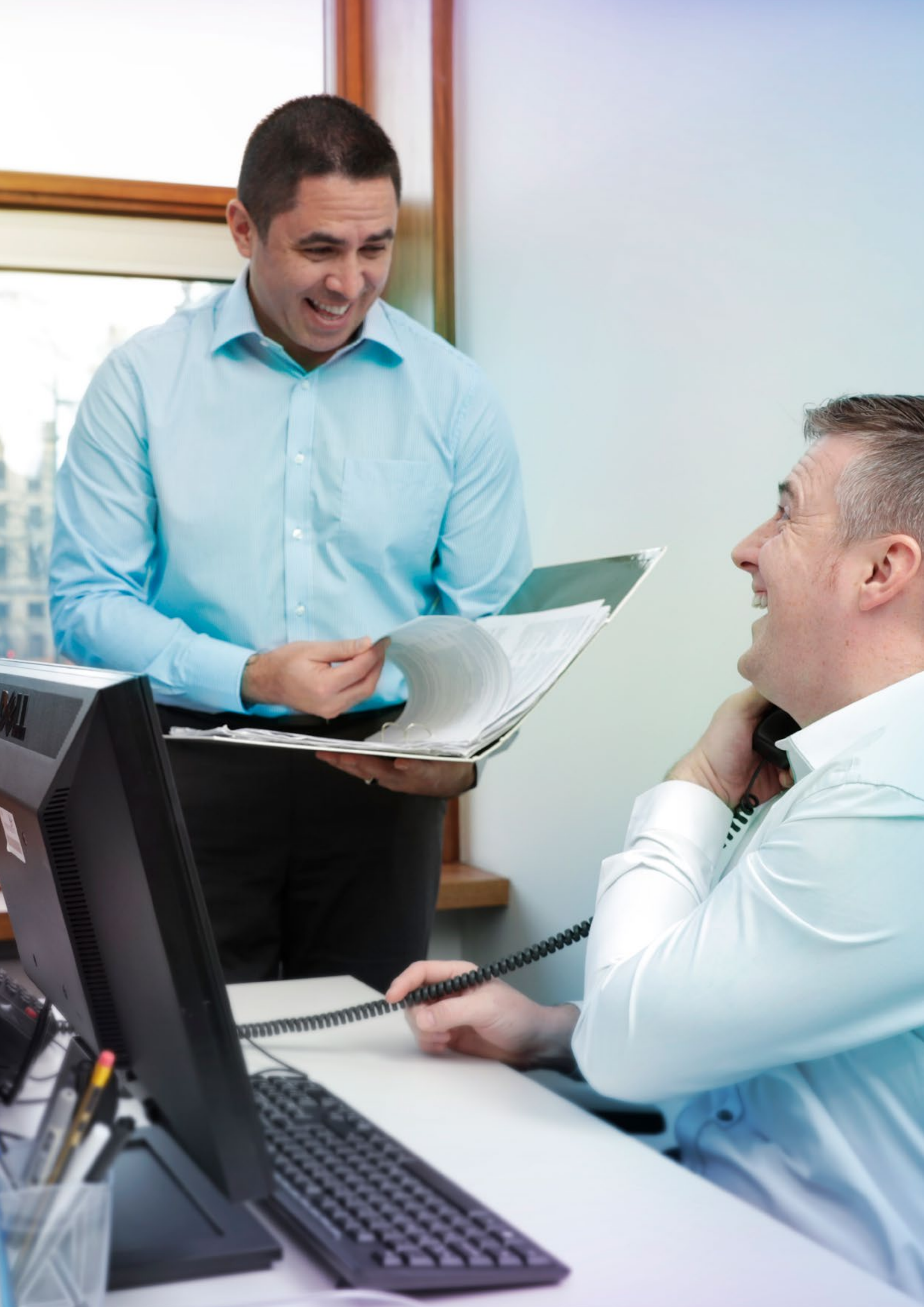
We have appointed Standard Life to carry out the administration of the Scheme, including processing core financial transactions, on our behalf.

Standard Life administers the Scheme through a dedicated centre in Edinburgh. The administration team is made up of more than 2,000 members of staff, many of them with relevant professional qualifications, with an average of more than 12 years' service each. The permanent team is supplemented by temporary contractors from time to time. If the temporary contractors were excluded the average length of years of service increases to nearly 14 years.

We visited their site and met with some of the staff and their managers on several occasions during the year. We have reviewed the governance structure employed by them around their administration processes and the way they process core financial transactions. The majority of these are carried out in a fully automated way (known as "Straight Through Processing" or STP) which increases effectiveness and efficiency.

During the year, to monitor Standard Life's performance, we:

- Reviewed quarterly governance reports which detail their performance against agreed service levels (see box below). These provided information on how promptly transactions and member enquiries were dealt with. The same reports also record the accuracy of the work they complete
- Considered key processes and controls to make sure their performance should be maintained. We also reviewed their "Pensions Internal Control Statement" which describes the activities they undertake to ensure the administration of their pension business is carried out in accordance with the requirements of the law and has good standards of governance and internal controls.
- Reviewed the complaints received from members to identify whether there may be any weaknesses in their processes and controls.
- Carried out a review of the member data they hold on their systems on our behalf. This review checked that data was present, that it is has been updated in accordance with your requests and that it looked reasonable.



Standard Life performs daily bank reconciliations for all operational bank accounts. The purpose of these reconciliations is to ensure that all transactions processed through the bank accounts (money in and out) can be accounted for. Any transactions which cannot be accounted for are investigated and corrected if required.

Many bank transactions are automated but for those that are manually processed, or generated internally by Standard Life, there is a formal documented authorisation processes which involves one or two other people depending on the value of the transaction.

The majority of investment transactions are automated but for those that are manually processed the transaction is subject to sample checking.

Each year the Board asks a firm of independent accountants to check that the procedures we have agreed with Standard Life, including those relating to core financial transactions, are properly carried out. Their findings are included in our "AAF02/07 Assurance Report" which can be found on our website https://www.standardlife.co.uk/c1/master-trust-committee.page.

We are satisfied that Standard Life has robust systems and the capability to process core financial transactions promptly and accurately in line with the agreed service levels and the requirements of the law. In those few cases where errors or delays occurred and Standard Life were at fault for this, any material losses to members were made good within a reasonable period of time.

Service levels agreement (SLA)

We've agreed with Standard Life that they will complete most non-STP processes within ten working days (STP processes are completed almost instantaneously as they need no human intervention). Although they manage this most of the time, they do sometimes miss the deadline. We discuss their performance and monitor their progress at every Board meeting.

During 2017 and into 2018 we have been discussing with Standard Life whether ten working days is an appropriate deadline for all of the processes. I'll report on the conclusion of those discussions next year.

Charges and transaction costs

Standard Life provides a "bundled" product. This means you receive a full package of services in return for a single charge taken from your pension savings. The charges quoted in this section are for the full bundle of services.

One component of the bundle is that Standard Life will invest your savings for you.

The Scheme has more than one default investment arrangement. The charge applying to any one of these will depend on a number of factors.

The Scheme has a range of other investment funds available to you, which are not part of the default arrangements. The charge quoted in this section are for the full bundle of services.

The range of charges for 2017 are set out in the table below.

	Charge range
Default arrangements	0.43% to 0.75%
Investments funds that are not default arrangements	0.36% to 2.905%

In addition to the explicit charges discussed above, funds to which your contributions are paid also incur implicit "transaction costs". These are costs which fund managers incur when buying, selling, borrowing or lending the assets that make up the investment funds. They may also include the cost of research on different investment opportunities. These costs are not currently disclosed by investment managers, but are reflected in the net investment returns of the funds.

Transaction costs are not currently disclosed because until January 2018 there was no mandated method for calculating them. Standard Life are now building the systems needed to provide us with this data, although due to the methodology used, it may not become available until January 2019. I will update you on this matter in my next report.

Despite this, we were provided with some provisional data showing the transaction costs for the funds used most often as default arrangements for the purposes of Auto Enrolment for the year. These are set out in the table below.

	Transaction costs
Active Plus III Pension Fund	0.080240%
Passive Plus III Pension Fund	0.020827%
Managed Fund	0.100247%

Standard Life uses a number of processes and controls to manage the level of transaction costs within funds, a number of which we have reviewed. All portfolio managers are required to assess the costs of a trade against the anticipated return; Standard Life monitors the costs and performance of third party suppliers (custodians, fund accountants, transfer agents etc) and within Standard Life, a "box system" is used to aggregate and match off customer transactions to minimise unnecessary trading.

Enhancements to the Scheme during 2017

During 2017 Standard Life enhanced the Scheme in a number of ways:

- They have improved the online registration process making it easier for you to access information about your pension through your online personalised dashboard. This included fingerprint, pin and facial recognition access through the mobile app, making it easier for you to access information about your pension on the go.
- For a number of years Standard Life have run roadshows for those approaching retirement. During 2017 they ran successful trials of an on-line version of these events. They now plan to roll these out to all members that can't attend a live event.
- They have introduced a Retirement Priority Support telephone team. The objective of the team is to support members through and to make sure they have all the information needed to make, their retirement decisions.
- All of Standard Life's staff have now been through a vulnerable customer training programme. This helps them to identify and support vulnerable customers including those who have comprehension difficulties (for example, they have low financial literacy), are in difficult circumstances (for example, they have been bereaved) or who have access difficulties (for example, they are hard of hearing).

We have taken these changes into account in our value assessment.

Standard Life and Phoenix Group

In February 2018 Standard Life Aberdeen announced the proposed sale of its insurance company, Standard Life Assurance Ltd, to Phoenix Group. As part of this deal, Standard Life Aberdeen would become a 19.99% shareholder in Phoenix. The master trusts which the Board are the trustees of are sponsored by and are part of the proposition of the insurance business being sold. Despite this the Standard Life brand will continue to be used by Phoenix (on license from Standard Life Aberdeen). Standard Life Aberdeen will also retain responsibility for distribution, relationship management and marketing oversight for all its workplace pension customers.

Phoenix has committed to maintaining the administration functions in Edinburgh, so there will be no immediate change in the people currently involved in the day to day customer servicing. Phoenix will maintain the same products, investments, propositions, technology and processes and so provide a consistent client experience.

The overall proposal is subject to regulatory and other approvals but the intent is that it will complete in the third quarter of 2018. Both companies' shareholders approved the proposal in June 2018. Assuming the proposal proceeds the Master Trust Board has access to and will liaise with Standard Life's senior leadership team as necessary to identify any areas of concern that may arise, ahead of, during and following the transition.

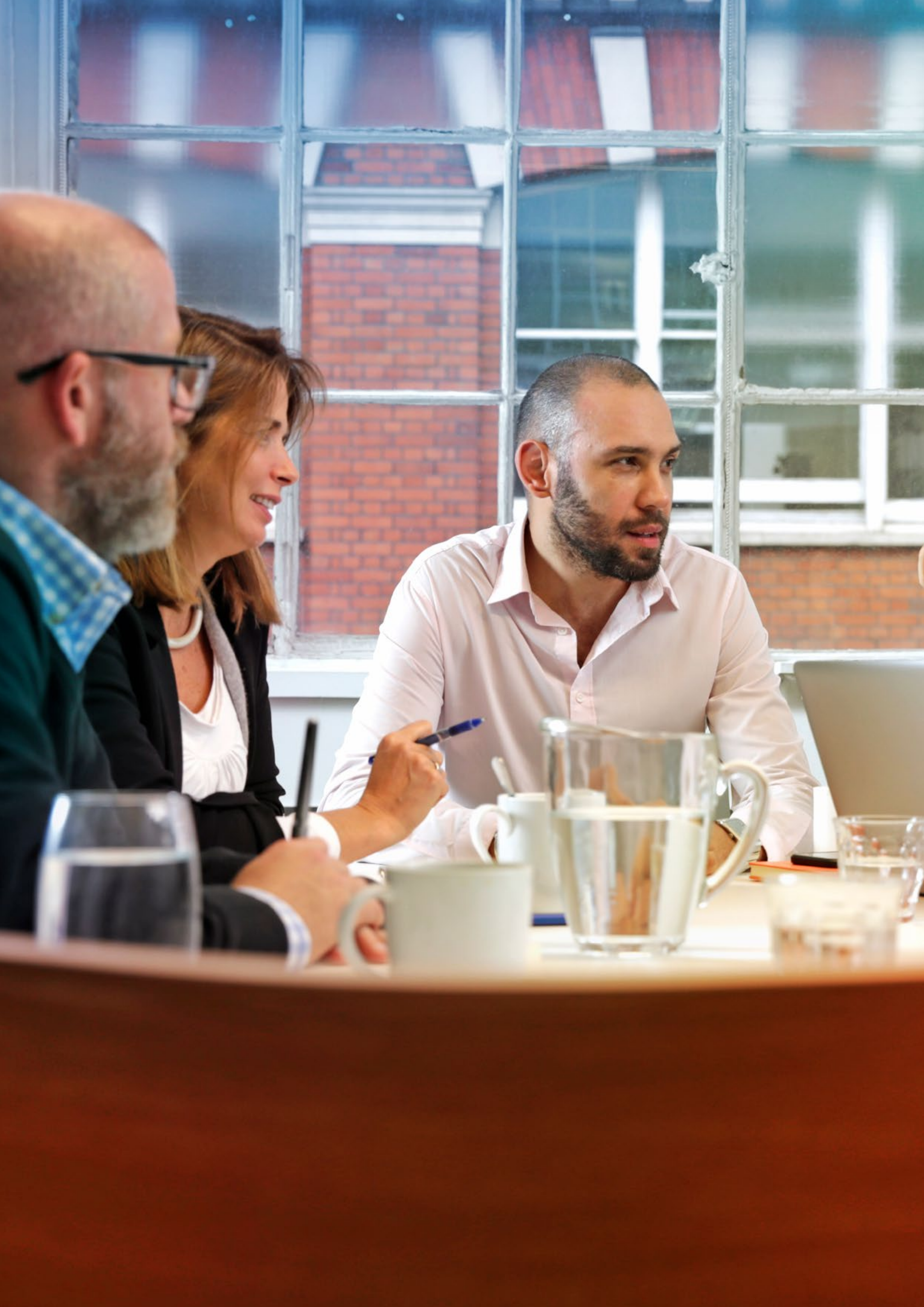
I will report more on this in next year's report.

General Data Protection Regulations (GDPR)

New data protection regulations (GDPR) came into force in May 2018 that have a far reaching impact on all organisations that process personal data.

Standard Life's capability to secure and protect your data is an important part of our value assessment.

Although Standard Life already had robust procedures to protect your data they had to do a significant amount of work to ensure compliance with these new regulations. This work was co-ordinated by a senior manager within the business with oversight provided by their Chief Information Security Officer (CISO). We met with both and received regular updates on progress during 2017 and into 2018. Standard Life are confident they meet their new obligations now the regulations have come into force. We will continue to monitor their performance in this respect.



Good value for members

We are required to assess the extent to which the charges and, so far as we able, transaction costs taken from your savings represent good value for members.

We have carried out this assessment in relation to the charges set out above.

Good value means different things to different people at different times. What is clear, however, is that it is a balance of costs against benefits (including the features, quality of service etc).

To help us assess good value we used a framework developed and adopted by a number of Independent Governance Committees (IGCs) who had a similar function to perform in relation to Workplace Personal Pension plans. A copy of this framework is attached as appendix 3.

As good value is a subjective matter and in the absence of sufficiently comprehensive reliable and consistent publically available data to compare the value of the Scheme to those provided elsewhere, we have relied on our own knowledge and experience in this assessment.

We reached our conclusion following a process where we:

- Understood the features of the Scheme, the quality of the service and the benefits on offer to different groups of members
- Independently and collectively assessed these benefits bearing in mind your interests
- Looked at the costs paid by you and compared them to the benefits.

The features we considered in our assessment are listed in appendix 4.

During last year's assessment we identified two areas, investment and administration, where Standard Life performed poorly compared to previous years. This influenced our assessment of the value some members were getting. Our last report noted that should the underperformance continue our assessment of value could reduce.

The Board was pleased to note that both areas have shown improvement, to a satisfactory degree, in 2017 although, in relation to investment performance, there has since been a decline in performance again during 2018. We will continue to monitor and report on these and the other component areas of Standard Life's performance in the future.

A table showing the performance of the most commonly used (for Auto Enrolment purposes) default investment arrangements against other similar pension schemes can be found in appendix 5.

We concluded that the charges applied represent good value for members.

While the costs you pay are not the lowest available on the market, our assessment is that they are competitive particularly when the benefits provided to you are considered.

We have been unable to fully carry out an assessment in relation to transaction costs for the reasons set out in the section above. Based, however, on the limited information we do have, we have not seen anything to suggest that the Scheme's transaction costs do not represent good value for you. As the legislative, regulatory and industry thinking on transaction costs has now developed we hope to be able to provide a more detailed assessment in the future.

Management of the Scheme

The power to appoint a new Trustee is vested in Standard Life Assurance Limited ("Standard Life") for the time being but written notice of any appointment must be given to all participating employers. The Pensions Act 2004 provides for the appointment of Member Nominated Directors, however since the Scheme meets the criteria of a relevant centralised scheme in the regulations, the Scheme is exempt from this requirement.

Standard Life Master Trust Co. Ltd. is a wholly owned subsidiary of Standard Life which acts as administrator and insurer. The power to remove and appoint directors of the Trustee rests with Standard Life.

The Scheme is a centralised scheme with 16,404 participating employers. The total number of participating members as at 31 December 2017 was 80,146 of which 20,396 were active members and 59,750 were deferred members across all of the employers. Details of the membership applicable to each participating employer are supplied to each of them on request.

Information to Members

Any enquiries about the Scheme generally, or about an individual's entitlement, should be sent to the appropriate participating employer in the first instance. If the employer cannot deal with them, they should be referred to:

Standard Life Assurance Limited

Standard Life House

30 Lothian Road

Edinburgh

EH1 2DH

Legal_PensAssistants@standardlife.com

Employer Related Investments

The Trustee is required to disclose any employer related investments, as defined in Section 40(2) of the Pensions Act 1995, and to disclose whether the Scheme's investments comply with the restrictions set out in the Occupational Pension Schemes (Investment) Regulations 2005.

Other than any contributions which are late and outstanding at the year end, there were no employer related investments.

What you should do next

In the good value section above, I explained that we assessed the features of the Scheme before concluding the charges are good value. What we have not assessed is your and your employer's level of pension saving – despite this being one of the factors that will have the greatest influence on the level of retirement benefit you receive.

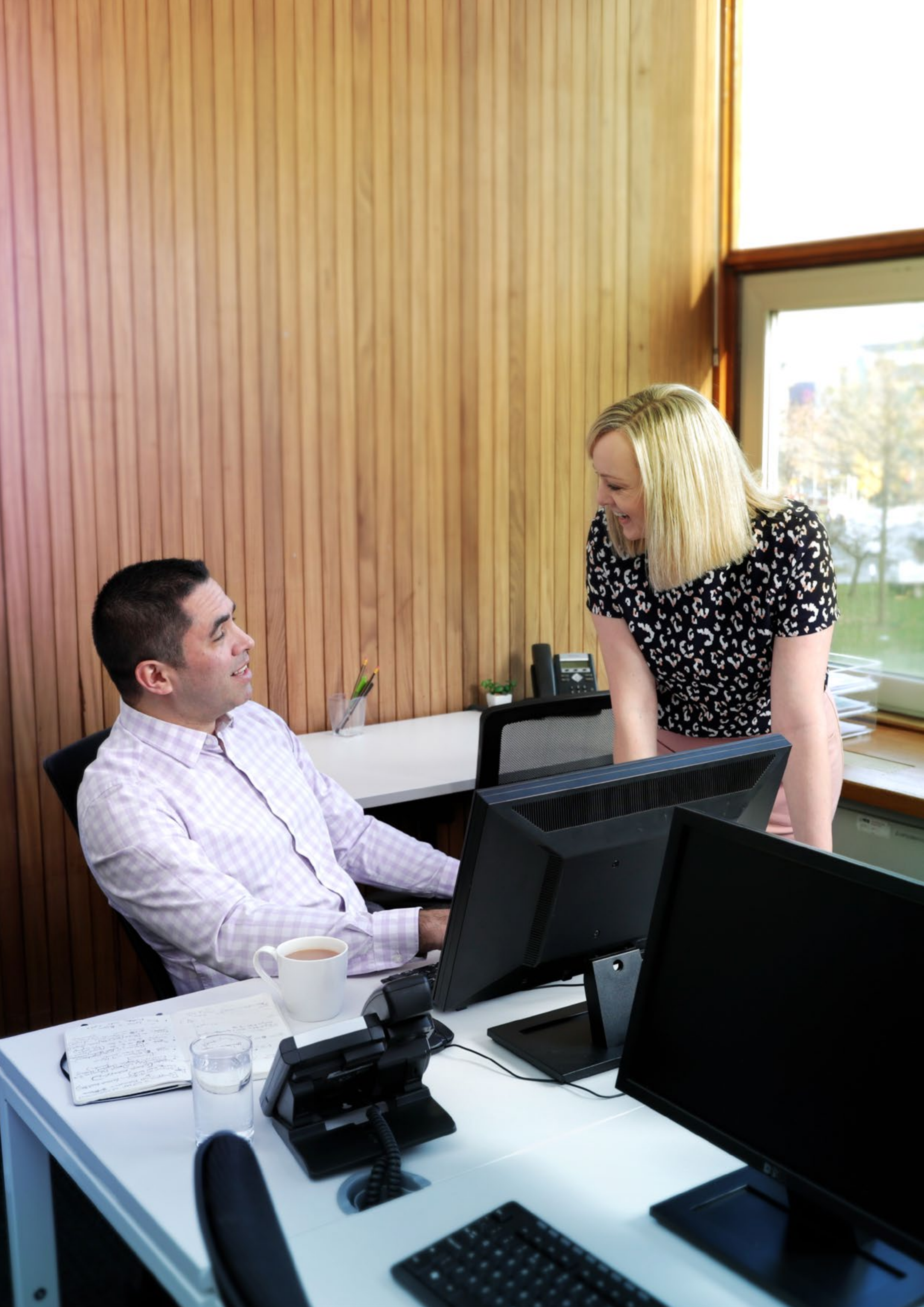
This statement is for your information. You do not need to take action however we do recommend that you review your own level of pension saving on a regular basis and we recommend you review it today.

Signed:

Richard Butcher on behalf of PTL,

Chair of Standard Life Master Trust Co. Ltd

Trustee of Stanplan A



Appendix 1

Standard Life Master Trust Co. Ltd (SLMTC) Standard Life DC Master Trust & Stanplan A

About the Board

The trustee company (SLMTC), effective from April 2015, is managed by five independent directors; Pitmans Trustees Limited (PTL) has been appointed as a director of SLMTC and chair of the Board of directors. Pension secretarial services are provided to the Trustee by PTL. Standard Life provide company secretarial services to the SLMTC.

PTL is a specialist and award winning Independent Pensions Trustee company. Its team delivers expert pensions governance advice to businesses across the UK.

Richard Butcher, PTL Governance Ltd, Independent Chair

Richard is Managing Director of PTL a market leading and award winning professional independent pension trustee company. Richard joined PTL in 2008 and became Managing Director in 2010. Richard has been involved in pension scheme governance since 1985. He is a Fellow of the Pensions Management Institute (PMI). Richard is Chair of the Pension and Lifetime Savings Association (PLSA), the industry association for pension schemes and a member of the FCA's Institutional Disclosure Working Group (IDWG), a body established to create a template for the disclosure of investment costs and charges. He has also sat on the Investment Associations Cost Disclosure Working Group, the Council of the PMI, the PLSA DC Council (which he chaired for two years), the Pension Regulators DC Practitioners Panel and the Department of Work and Pensions Trustee Panel. He is a regular contributor to the trade press and has won a number of awards and accolades.

Richard is qualified to be a member of an Board by merit of his significant experience in and knowledge of the pensions industry, his expertise in assessing the value for money of arrangements such as this (gathered from his role on similar boards) and his knowledge of underlying investment costs and charges. He is qualified to chair the Board by merit of his significant experience of and positive track record in chairing similar arrangements as well as other boards and committees.

Francois Barker, Independent Director

Francois is a partner and Head of Pensions at Eversheds Sutherland (International) LLP. He leads pension advisory client work (including in the DC and master trust sectors) and is responsible for leading, and having oversight of the strategic development of, the firm's pensions practice. He is professionally qualified as a Solicitor in England and Wales. Francois has been involved in the pensions industry since 1995, working with trustees and employers on the full range of pensions issues. He is actively involved in the development of pensions law, policy and strategy. He has been a member of the CBI's Pensions Panel since 2000 and is an elected member of the PLSA's DC Council.

Stella Girvin, Independent Director

Stella has worked in the pensions industry since 1982, holding senior positions at Mercer and at Travis Perkins plc. Since 2015 she has worked as a professional trustee. She has an MBA and is a Chartered Company Secretary with a particular emphasis on governance and compliance, having previously worked as a Head of Compliance at a FTSE 100 company; she is now a member of Capital Cranfield's Governance Committee. Stella has extensive experience of DC schemes and in addition to the Standard Life Master Trust, is a co-Trustee on a further Master Trust, a co-trustee on a single employer DC scheme and the Chair of a large mixed benefits scheme.

Ruston Smith, Independent Director

Ruston has over 30 years' experience in the pension industry and has extensive experience of pension fund governance and management of UK and International DB and DC schemes with members from over 350,000 to 1,000 – including as a Trustee. He is the former Group Pensions and Insurable Risk Director for Tesco where, as CEO, he had responsibility for Tesco Pension Investment, the FCA approved in house investment company that manages the £14bn of UK assets. He is the non-executive Chairman of Tesco Pension Investment, Tesco's DB Trustee Board; Tesco's DC Governance Committee and holds other Trustee positions. He is also a former company secretary of a FTSE 250, has an MBA, and is a Fellow of the Pensions Management Institute and the Institute of Management. He is Chair of PTL Limited, a NED of JP Morgan Asset Management International Limited and JP Morgan Funds Limited, a NED of Smart Pension, a Governor of the Pensions Policy Institute, Chairman of GroceryAid and a Trustee of the National Council for Palliative Care. Ruston is a past Chair of the Pensions and Lifetime Savings Association and was the co-chair of the DWP's 2017 Automatic Enrolment Review and led the engagement stream.

Rene Poisson, Poisson Management Ltd, Independent Director

Rene retired in September 2012 after a 30 year career with JP Morgan, latterly as Managing Director and Senior Credit Officer for EMEA. He has extensive experience of pension fund governance of both UK DB and DC pension schemes. He currently holds a number of non- executive appointments including as an Independent Director and Chair of the Remuneration Committee of the Universities Superannuation Scheme (USS), Chair of the JP Morgan UK Pension Plan and its Investment Committee, Chair of the Standard Life Independent Governance Committee and Director of the Standard Life Master Trust. He is also Chair of the Advisory Committees of Five Arrows Credit Solutions and Five Arrows Direct Lending.

Appendix 2

Statement of Investment Principles for Stanplan A

1. Introduction

1.1. This is the Statement of Investment Principles prepared by Standard Life Master Trust Co. Ltd. (the Trustee), the Trustee of Stanplan A (the Trust). This statement sets down the principles which govern the decisions about investments that enable the Trust to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- 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

1.2. In preparing this statement the Trustee has obtained advice from Barnett Waddingham LLP, the Trustee's 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.

1.3. The Trust has been set up to service multiple employers. The Trustee has consulted with the employers in the preparation of this statement.

1.4. The Trust is currently a wholly-insured scheme as defined in the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010. This is because it is a trust-based scheme, which has no invested assets other than specified qualifying insurance policies.

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

1.6. The Trustee 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 profile of members.

1.7. The investment powers of the Trustee are set out in Clauses 7A-7E of the Trust Deed and General Rules, the current terms of which are dated April 2015. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee carefully considers its Investment Objectives, shown in the appendix, when designing the default investment options and an appropriate range of alternative investment options to offer to its members. The Trustee also acknowledges 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, it also considers the level of risk that is appropriate to those investments based on the anticipated needs of the membership profile across the Trust as a whole.

2.2. The Trustee's policy is to offer a range of "off-the-shelf" default investment arrangements suitable for the Trust's membership profile plus a range of investment solutions into which members can choose to invest contributions. Details of these are given in the appendix. In doing so, the Trustee considers the advice of its professional advisers, who it considers to be suitably qualified and experienced for this role.

2.3. As the Trust is currently a wholly-insured scheme, the insurer is responsible for the management of the investment arrangements as chosen by the Trustee. The insurer may invest in underlying funds run by other fund managers, who are responsible for the management of the underlying fund(s). The Trust's investment arrangements are detailed in the appendix to this statement. The investment managers will either be authorised and regulated by the FCA, or if non-UK domiciled will be recognised by the FCA. The investment managers are responsible for stock selection and the exercise of voting rights.

3. Investment objectives

3.1. The Trustee has discussed and agreed the key investment objectives for the Trust, suitable for the membership profile, as well as the constraints the Trustee faces in achieving these objectives. Further information is provided in the appendix.

4. Kinds of investments to be held

4.1. The Trust is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives. The Trustee currently invests via policies of insurance and, in deciding the types of assets to include, considers investment returns, net of fees, and an appropriate level of risk based on the anticipated needs of the membership profile across the Trust as a whole.

5. The balance between different kinds of investments

5.1. The Trustee has made available a range of funds to suit the individual needs of the Trust's members – taking into account the Investment Objectives set out in the appendix. 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 deposit and treasury funds are also offered for those members who are less comfortable with the likely greater volatility of the equity funds.

5.2. The Trustee has also made available a range of lifestyle arrangements, 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. For example, whilst a member is a long way off 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. As the member's target retirement date approaches, their retirement savings are progressively switched into "protection" assets so as to protect the value of the retirement savings relative to the way in which they are expected to be accessed.

5.3. Members can choose to invest in a range of funds or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by their employer, are invested, the Trustee will invest these contributions according to one of the default investment strategies set out in the appendix.

5.4. The Trustee is 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.

5.5. The Trustee considers the merits of both active and passive management and may select different approaches for different arrangements and asset classes.

6. Risks

6.1. Risk in a defined contribution scheme lies with the members themselves. The Trustee has considered a number of risks when designing and providing suitable investment choices to members. A comprehensive list of risks is set out in the Trustee 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 Trustee makes 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 to members, the Trustee increases the proportion of assets that more closely match how they expect members to access their retirement savings.
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 Trustee reviews the appropriateness of the fund range offered to members. 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. It is not part of the Trustee's role to ensure that the retirement income for any member is adequate for his or her needs.
Investment manager risk	The Trustee receives reports on performance from the insurer and reviews the performance of the funds used. The insurer monitors the performance of each of the investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, and reports to the Trustee on a regular basis. The insurer has a written agreement with each investment manager, which sets out the terms and conditions on which the insurer invests on behalf of the Trustee in the investment manager's fund(s).
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 Trust 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 insurer and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The insurer will also undertake a review of the internal controls and processes of each of the investment managers where necessary. The insurer will provide regular reports to the Trustee and advise of any material concerns arising from its due diligence. The Trustee also has a discontinuance plan in place and reviews the role of the Financial Services Compensation Scheme as part of this.

Some of these risks will be more relevant to particular cohorts of members. Some risks specific to individual sections are detailed in the relevant appendix.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return net of fees, and the risk, that each asset class is expected to provide. The Trustee is advised by their professional advisers on these matters, who it has assessed to be appropriately qualified. However, the day-to-day selection of investments is delegated to the investment managers.

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

8. Realisation of investments

8.1. The investment managers have responsibility for buying and selling investments. The Trustee has considered the risk of liquidity as referred to in the appendix.

9. Socially Responsible Investment, Corporate Governance and Voting Rights

9.1. The Trustee believes that environmental, social and corporate governance ('ESG') issues can affect the performance of investment portfolios and should therefore be taken into account as part of the Trust's investment process.

9.2. The Trustee delegates full discretion to the insurer to agree with the investment managers how they evaluate ESG issues and exercise rights and stewardship obligations relating to the Trust's investments.

9.3. It is accepted that pooled vehicles will be governed by – and constrained by – the individual investment policies of the investment managers.

9.4. The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council and encourages the insurer to ensure that the Trust's investment managers are asked to comply with the UK Stewardship Code. Such managers are expected to report to the insurer on their adherence to the code on an annual basis.

10. Monitoring

10.1. Investment Performance: The Trustee reviews the performance of each fund in which the Trust invests against the stated performance objective for that fund and, in doing this, the Trustee receives a performance monitoring report on a quarterly basis. This monitoring takes into account both short-term and long-term performance. The insurer meets the investment managers as frequently as is appropriate in order to review performance. A manager's overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.

10.2. Objectives: The Trustee monitors the suitability of the objectives for the Trust (as detailed in the appendix) 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.

10.3. Investment Choices: The Trustee monitors the ongoing appropriateness of the investment choices offered on a periodic basis.

10.4. Charges: The Trustee monitors the overall level of costs periodically to ensure members are receiving good value.

11. Agreement

11.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employers and the investment managers upon request.

Signed:

Date: July 2017

On behalf of the Standard Life Master Trust Co. Ltd,
Trustee of Stanplan A

Appendix 3

Evaluation of Value for Money - A Practical Framework for IGCs

Introduction

This paper has been produced by the Chairs of seven Independent Governance Committees (IGCs) to assist IGCs and their equivalent as they seek to assess Value for Money (VfM). While not intended to be prescriptive, the authors believe that some degree of consistency across IGCs is desirable. To this end, and recognizing that IGCs will encounter fact-specific circumstances when engaging with individual providers, the paper proposes a high level framework whose elements could be used to frame the detailed VfM assessment that a provider's governance group is required to carry out.

The authors have taken input from a number of other IGC Chairs and interested parties. They have also been mindful of what the IPB said in their report of December 2014, the FCA rules in COBS 19.5.5 R (2) and the six key elements identified by The Pensions Regulator.

The paper has been discussed with colleagues at the FCA who are considering what additional commentary they might supply to IGCs and their equivalent in due course.

IPB Report - preamble to Recommendations:

"There is no simple, 'one size fits all' charge structure that will ensure that all savers get value or money all of the time... value for money will depend on savers' decisions and behaviours, and also the important qualitative factors set out by the OFT, including governance, investment performance and transaction costs, and communication with savers. That is why governance arrangements are being strengthened via IGCs and increased requirements for trustees, to ensure that savers' interests can be appropriately safeguarded by people best placed to make these qualitative judgements."

COBS 19.5.5 R (2):

"The IGC will assess the ongoing value for money for relevant policyholders delivered by relevant schemes particularly, though not exclusively, through assessing:

(a) Whether the firm's default investment strategies are designed in the interests of relevant policyholders with a clear statement of aims, objective and structure appropriate for those relevant policyholders;

(b) Whether the characteristics and net performance of investment strategies are regularly reviewed by the firm to ensure alignment with the interests of relevant policyholders and action taken to make any necessary changes;

(c) Whether core scheme financial transactions are processed promptly and accurately;

(d) The level of charges borne by relevant policyholders;

And

(e) The direct and indirect costs incurred in relation to transactions and other activities in managing and investing the pension savings of relevant policyholders."

TPR six key elements:

The Pensions Regulator lists the following six key elements which affect the outcomes experience by members:

- Appropriate contribution decisions
- Appropriate investment decisions
- Appropriate decumulation decisions
- Protection of Assets
- Efficient and Effective administration
- Value for Money

1. Value is more than just cost

- VfM has been defined (by the National Audit Office) as "The optimum combination of whole-life costs and quality"
- However, the identification of "optimum" is theoretical given the lack of perfect information about what is available and at what price, and because the qualitative elements of the proposition are not amenable to mathematical optimization
- Nevertheless, an assessment of VfM must take account of the quality of the particular pension proposition as well as its cost and consider how that compares to what is available for equivalent schemes from providers in the marketplace (including, where appropriate, what the IGC's provider might be offering to other equivalent schemes)

- IGCs should test VfM against (i) Quality – all benefits and services delivered, including range of investment options available and any default options in place; (ii) Risk – both investment and service risk; (iii) Relevance – whether the benefits and services delivered are in the member's interests (in increasing the probability of a good outcome whether or not explicitly valued by the member); and, (iv) Cost – both explicit and implicit, recognising the impact of scale (and expected scale) on market prices

2. Assessing quality needs to consider all elements of the proposition that can materially impact member outcomes

- In assessing whether a product can deliver good outcomes the IGC should consider all of the elements which can impact member outcomes and give priority to those elements most significantly impacting those outcomes
- Providers will bring different propositions to market offering different levels of service and flexibility. Such elements may include inter alia investment elements such as varying default structures, other investment options, investing styles and targeted levels of investment performance; premium flexibility and size and frequency of payment; service functionality and customer contact options provided, whether web enabled or via a customer service centre; the provision of guidance and/or advice; service standards targeted and performance against these; quality of communications, education and engagement materials; availability of in person presentations; and ease of access to understandable and sufficient information
- While some of these elements are capable of tangible measurement and numerical analysis, some are not and, particularly for the latter, informed qualitative judgement will play an important role in the VfM assessment
- That judgement may be informed by customer feedback and, where available, measurement of the effectiveness of those elements the provider wishes to assert as relevant to the VfM assessment

3. Assessing relevance needs to consider the needs of the member base and the extent to which these are reflected in the member feedback the IGC receives

- The rules relating to IGCs reflect the importance of customer views being represented directly to the appropriate IGC. These may prove particularly helpful to IGCs in the VfM assessment of proposition features whose provision gives rise to significant costs to members
- While customer views will be influential, they should not necessarily be considered to be conclusive as to VfM. There may well be elements of a proposition which can contribute significantly to good outcomes for customers, the value of which may not be fully appreciated by such customers
- Some of the features of a particular proposition may be of more relevance to some groups or cohorts of members than others (e.g. retirement roadshows; more sophisticated investment choices). In considering the VfM of the whole proposition, the lack of customer comments about a particular proposition feature need not imply that it is not relevant

4. Assessing cost is primarily a relative assessment, with research and judgement required to assess what are equivalent comparators to use

- VfM should be viewed primarily in the light of what price is available in the market for schemes of equivalent type (i.e. size, scale, premium flows) offering an equivalent proposition
- Perfect information about what is available in the market will rarely be available and it is likely that VfM can exist at a range of prices for a given proposition
- Consequently, in considering the VfM of a particular provider's proposition, the IGC needs to form a view on the extent to which the charges borne by a member fall within the reasonable range of pricing for the outcomes that can be reasonably expected from that proposition
- (the VfM Range)
- In particular, while in the future it is expected that IGCs will have access to consistent, cross-market, data on Transaction Costs, until such time as that is available, IGCs can review, relative to appropriate benchmarks, the net investment returns provided to members after all costs have been allowed for
- In assessing VfM, the amount of charges deducted from a member's pension fund is more important than how the charges might be, or might have been, presented for historic marketing purposes

5. VFM is forward-looking and can change over time

- At any point in time, in assessing whether or not a particular proposition continues to provide VfM, the IGC needs to form a view on the extent to which the ongoing charges to be borne by a member continue to fall within the reasonable range of pricing (as now reflected in the market) for the outcomes that can, at that point in time, be reasonably expected to be experienced

- Thus, IGCs will need to decide whether the price of entry to equivalent schemes is relevant to the assessment of ongoing VfM for existing members

6. VFM is primarily concerned with anticipated outcomes at retirement

- The ultimate objective of a pension savings arrangement is to provide financial security in retirement
- As a consequence, it is the likely ultimate outcome, rather than intermediate results, that should be the most significant component of the VfM assessment of a particular pension scheme
- Nevertheless, a VfM pension scheme may still not provide financial security in retirement for every member. Outcomes can only be tested against what is contributed, rather than what should have been contributed by the member to give a reasonable chance of meeting their expectations of wealth in retirement
- Thus, in assessing the VfM of any proposition, the primary aspect for IGCs is whether the proposition has the capacity to provide an outcome that meets the objective in whole or in part

7. Cross-subsidies inevitably exist both within and between schemes

- The existence of an element of cross-subsidy does not of itself raise concerns as to VfM so long as the particular scheme remains VfM within Framework Element 4
- In a flat basis point charging design, for example, those with larger investment values (typically long stay members) subsidise those in the early years of membership and who leave early, but may well have benefited from such cross-subsidy in the early years of their pension scheme membership
- Notwithstanding significant scheme discounts which may be available to larger schemes with stronger cash flows, such schemes can make access to a specific plan design possible for smaller schemes for whom such provision would otherwise not be economically attractive for providers
- Contract designs that involve less cross-subsidy (for example, historic designs that levied upfront charges such as reduced investment allocation or other variants) can also lead to poorer intermediate outcomes for those who do not remain active members of the scheme until retirement

8. Different contract designs can lead to different intermediate consequences, not all of which are within scope for IGCS

- Where contract designs incorporate "front end loaded" charges (through, for example, zero allocation periods or some forms of initial units), members who leave the scheme within a relatively short period are likely to receive poorer VfM than those remaining until retirement
- IGCs are not required to review the appropriateness nor seek to have remediated the historic charges borne by members prior to 6th April 2015. They are, however, required to consider the impact of charges on VfM for the member for post 6th April 2015 periods
- Thus, for existing members, the VfM assessment should take as its starting point the economic value of members' investments as at 6th April 2015 and consider whether the charges to be taken thereafter (including in respect of further contributions) fall within the VfM range
- For the avoidance of doubt, the economic value should reflect the member's realisable value and contract conditions, in other words the amount due to the member after all deductions and charges which would be suffered if the member sought to transfer their investments to another provider

9. Members' interests include the stability and ongoing existence of providers

- Good outcomes require members to make sufficient contributions over their entire working life. A member's propensity to save will be enhanced by their engagement with and confidence in their provider and its future ability to provide a good service across the entirety of the components of a scheme
- The members' interests are also served by providers' being able to make sufficient returns to attract capital into the provision of pension schemes and the ongoing development of attractive innovative saver proposition

10. The profitability (or lack thereof) of a provider's workplace pension proposition is not a primary indicator as to whether that proposition represents VFM

- If profitability is created by the provider's efficiency in delivering the proposition and the cost to the member is within the VfM Range, it is not for the IGC to advocate an even better VfM for the member at the cost of a lower return on capital for the provider
- However, to the extent that the level of profitability reflects historic charging practices which result in a proposition the pricing of which (going forward from now) no longer falls within the VfM Range, the IGC should recommend changes notwithstanding the impact on provider profitability
- The lack of sufficient profitability, if caused by provider inefficiencies, is not a basis for accepting that the proposition constitutes VfM

20 August 2015

Appendix 4

Standard Life Master Trust Co. Ltd
Standard Life DC Master Trust & Stanplan A

Good Value Assessment Features

Listed below are the Good Value assessment criteria that the Standard Life Master Trust Co. Ltd Board used to assess the value of the Standard Life DC Master Trust and Stanplan A.

Scheme management and governance

- In relation to the trustee board, with particular reference to the appointment of the chair and MNTs (if appropriate). In relation to scheme management, with particular reference to risk management, TKU, the appointment and management of service providers, monitoring employer processes and managing conflicts of interest
- Management of operational risk and controls
- Security of IT systems and controls
- Independent assurance of controls

Administration

- With particular reference to the timely and accurate processing of core financial transactions.
- Responsiveness to customer demand
- Relevant experience and expertise of staff
- Efficiency and scalability of operational capability
- Level of automation / straight through processing
- Ease of transfer by an individual to another provider
- Ability to contribute / transact on-line

Investment Governance

- With particular reference to the documentation of investment matters, setting objectives and strategies, monitoring strategies and performance, the security and liquidity of assets, default arrangements, appropriate range of non-default funds and the long term financial sustainability of investments
- Default Investment strategies are designed and executed in the interests of members
- Performance of default funds (net of charges) - risk adjusted
- Performance of funds (net of charges) - to stated goals (FAR)
- Clarity of description of default funds
- Suitability of default funds
- Regularity and quality of default fund reviews
- Adaptability of default funds to changing circumstances
- Range and suitability of additional fund choices
- Ease of access to additional fund options
- Fund governance

Communications

- With particular reference to clarity (e.g. plain English), the use of technology and technological improvement, at retirement communications and in relation to scams.
- Easy access to phone support
- Easy access to online support (webchat etc.)
- Ease with which customers can contact via different channels
- Quality of retirement roadshows
- Availability of Workplace seminars
- Quality, access and relevance of digital experience
- Clarity of yearly statements
- Quality of education and support materials
- Ability to view pension plan on-line
- Access to guidance

Additional factors

- Member satisfaction
- Complaints Handling
- Availability of choices at retirement
- Ease of access to retirement freedoms

Financial strength, sustainability and stability

- Facility to organise an orderly wind up of the plan without explicit negative impact on member funds
- Ability of provider to invest in proposition enhancement
- Reassurance given to members enabling higher levels of contributions

Appendix 5

Default fund Risk Adjusted Performance Analysis

The following chart shows how much fund performance has been produced taking into account the volatility (i.e. the level and frequency of price movements) that the fund has experienced over a rolling 3 year period. The figures shown are gross performance (i.e. performance before charges are taken) divided by the volatility experienced by the fund at each month shown.

Investors in scheme default funds are exposed to risk (volatility) and this chart helps us to understand how efficiently a fund is delivering returns for the risk it takes on. The risk efficiency of a fund is an important way for us to measure performance as it demonstrates if the risk you are exposed to as an investor is being suitably rewarded through a fund's returns. Funds which are more risk efficient are highlighted in green – these funds are delivering greater returns for the level of risk taken, while funds in red are delivering less return for the level of risk taken. It is important to note that the colouring isn't an indication of the riskiness of each fund, for example, green and red funds can both be higher risk funds.

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Standard Life Active Plus III Pension Fund	4.01%	4.04%	4.87%	4.71%	4.43%	4.16%	4.41%	4.87%	4.83%	5.13%	4.98%	5.05%	4.77%	4.85%	4.72%	4.58%	4.80%	4.29%	4.66%	4.26%	3.51%	2.75%	3.14%	3.20%	4.03%
Standard Life Passive Plus III Pension Fund	4.09%	4.10%	5.00%	4.97%	4.70%	4.46%	4.83%	5.22%	5.27%	5.42%	5.21%	5.20%	5.06%	5.09%	4.99%	4.79%	4.97%	4.47%	4.93%	4.42%	3.82%	3.11%	3.45%	3.61%	4.62%
Peer 1 Default fund	3.29%	3.38%	4.22%	4.29%	3.83%	3.79%	4.13%	4.88%	4.81%	5.02%	4.89%	4.84%	4.79%	4.85%	4.72%	4.70%	4.70%	4.27%	4.72%	4.23%	3.63%	2.91%	3.44%	3.58%	4.89%
Peer 2 Default fund	3.02%	3.45%	3.94%	3.92%	3.83%	3.75%	4.28%	4.57%	4.63%	4.84%	4.61%	4.56%	4.47%	4.56%	4.46%	4.23%	4.55%	4.00%	4.24%	3.90%	3.43%	2.54%	3.08%	3.27%	4.18%
Peer 3 Default fund	3.38%	3.44%	4.35%	4.21%	3.82%	3.54%	4.17%	4.42%	4.40%	4.73%	4.45%	4.51%	4.46%	4.66%	4.56%	4.48%	4.80%	4.25%	4.63%	3.97%	3.52%	2.86%	3.32%	3.41%	4.62%
Peer 4 Default fund	3.42%	3.42%	4.20%	4.39%	4.31%	4.20%	4.49%	4.90%	4.78%	4.90%	4.46%	4.52%	4.30%	4.48%	4.28%	4.17%	4.18%	3.63%	3.97%	3.30%	2.78%	2.00%	2.64%	2.85%	3.66%
Peer 5 Default fund	2.71%	2.84%	3.43%	3.51%	3.41%	3.23%	3.71%	4.15%	4.07%	4.30%	4.01%	3.98%	3.98%	4.00%	3.90%	3.88%	4.36%	3.87%	4.42%	4.08%	3.47%	2.61%	3.14%	3.34%	4.36%
Peer 6 Default fund	3.51%	3.71%	4.65%	4.60%	4.30%	4.18%	4.59%	5.06%	5.08%	5.12%	4.92%	4.88%	4.76%	4.80%	4.70%	4.68%	4.67%	4.19%	4.59%	3.84%	3.66%	3.24%	3.46%	3.67%	4.81%
Peer 7 Default fund	3.98%	4.08%	4.69%	4.65%	4.63%	4.36%	4.85%	5.27%	5.30%	5.67%	5.15%	5.16%	5.06%	5.10%	4.90%	4.94%	5.38%	4.75%	5.06%	4.64%	4.00%	3.05%	3.58%	3.67%	4.71%
Peer 8 Default fund	2.71%	2.89%	3.45%	3.41%	3.32%	3.02%	3.42%	3.82%	3.75%	4.15%	3.88%	3.89%	3.89%	3.98%	3.92%	3.86%	4.33%	3.80%	4.24%	3.85%	3.32%	2.44%	2.93%	3.11%	3.90%
Peer 9 Default fund	3.52%	3.56%	4.19%	3.94%	3.63%	3.43%	3.58%	4.43%	4.46%	4.45%	4.37%	4.08%	3.86%	3.95%	3.72%	3.85%	4.06%	3.78%	4.08%	4.06%	3.03%	2.59%	2.83%	2.86%	3.49%
Peer 10 Default fund	3.08%	3.17%	3.86%	3.78%	3.54%	3.28%	3.60%	4.07%	4.01%	4.36%	4.22%	4.31%	4.26%	4.33%	4.21%	4.19%	4.61%	4.07%	4.42%	3.99%	3.31%	2.58%	3.04%	3.20%	4.08%
FTSE All Share	1.84%	1.62%	2.14%	2.21%	1.81%	1.68%	1.99%	2.39%	2.20%	2.77%	2.43%	2.76%	2.56%	2.76%	2.67%	3.06%	3.43%	2.78%	3.59%	2.93%	1.99%	1.97%	2.26%	2.42%	3.40%

Source: Financial Express, 3 year gross cumulative performance to end of month shown divided by 3 year volatility. Volatility was calculated using Monthly data points.