

ASAHI GLASS FLUOROPOLYMERS PENSION SCHEME – DC SECTION STATEMENT OF INVESTMENT PRINCIPLES

September 2019

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Asahi Group Fluoropolymers Pension Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations and relates to the DC Section of the Scheme only.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their Investment Adviser, JLT Employee Benefits ("JLT EB"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with AGC Chemicals Europe, Ltd ("the Principal Employer"), although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Principal Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to ensure its ongoing suitability.

Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy.

Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Principal Employer.

2 INVESTMENT RESPONSIBILITIES

2.1. TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- Setting of investment objectives and formulating investment strategy
- Selecting and reviewing funds for default investment programmes
- Selecting and reviewing funds for self-select member choices
- The appointment and review of the investment platform, investment managers and Investment Adviser
- The compliance of the investment arrangements with the principles set out in this Statement
- The assessment of the risks assumed by the Scheme
- Reviewing this Statement at least triennially, in consultation with the Investment Adviser and Principal Employer
- Assessing the suitability and performance of the investment managers through regular investment reviews and advice taken in consultation with the Investment Adviser
- Consulting with the Principal Employer regarding any proposed amendments to this Statement

2.2. INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed JLT EB as the independent Investment Adviser to the Scheme. JLT EB provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware.

Matters on which JLT EB expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and the structure of the default investment strategy
- Advising on appropriate member fund choices
- Framing manager mandates
- Providing monitoring reports and advice relating to the suitability of the Scheme's investment managers
- Advising on the ongoing suitability of the DC platform provider
- Reviewing and amending this Statement
- How any significant changes with the investment managers could affect the interests of the Scheme

The Trustees may seek advice from JLT EB as and when they require it; however, they recognise that they retain responsibility for all such decisions.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks. JLT EB will provide performance monitoring reports to aide the Trustees in this process.

JLT is authorised and regulated by the Financial Conduct Authority ("FCA").

2.3. PLATFORM PROVIDER DUTIES AND RESPONSIBILITIES

The Trustees, after considering appropriate investment advice, have appointed the Aviva MyMoney Platform to manage the day-to-day administration of the Scheme and to be responsible for the investment of contributions and disinvestments required to meet member benefit payments. Aviva also has the responsibility of the safe custody of the Scheme's assets and administration of member policies.

Aviva's Platform provides members access to a varied choice of investment options, its fund range is selected by Aviva's Investment Governance Team which monitors the chosen funds to ensure they meet their required standards.

The Trustees make a range of funds available to Scheme which is appropriate for its members after seeking advice from JLT EB on the suitability of the fund range offered by Aviva.

The duties and responsibilities of Aviva include, but are not limited to, the following tasks and activities:

- General administration of the Scheme
- Investing member contributions
- Disinvesting units to meet member benefit payments
- Managing the Lifestyle Investment Programmes and default strategies for each section
- Due diligence and research into the investment managers made available on the Aviva MyMoney Platform

2.4. INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees, after considering appropriate investment advice, have appointed professional, authorised and regulated investment managers to manage the assets of the Scheme through the Scheme's platform provider Aviva. The Trustees considered a range of active and passive approaches to investment management and assessed these against their investment objectives and the membership profile of the Scheme.

The investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage. In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

Before selecting any investment manager, the Trustees seek advice from their Investment Adviser on their suitability for the Scheme and its members. JLT EB will monitor the underlying investment managers to ensure their continuing appropriateness for the mandates given. If any manager is downgraded by the JLT EB Manager Research Team, the Trustees will review the suitability and appointment of the manager and replace if necessary.

All investment managers that will be appointed by the Trustees will be authorised and regulated by the Prudential Regulation Authority (PRA), the FCA or both.

Details of the pooled funds offered by Aviva together with the mandate and objectives for each investment fund are set out in Appendix 1.

3 INVESTMENT OBJECTIVES

3.1. SETTING INVESTMENT STRATEGY

The Trustees aim to provide suitable investment options that are aligned to the needs of their members. They also aim for these options to enable members to achieve good outcomes at retirement as well as ensuring that members receive value for money.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default strategy.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 6 of this Statement. To help mitigate the most significant of the risks, the Trustees have:

- Made a lifestyle strategy available as a default solution, which transitions members' investments from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select funds across various asset classes.

The Trustees will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

4 INVESTMENT STRATEGY

4.1. DEFAULT INVESTMENT STRATEGY

The Trustees have assumed responsibility for setting a “Default Investment Strategy” for those members who do not make a specific choice of investment for their pension contributions. The Trustees have determined their Default Investment Strategy after considering the Scheme’s member profiles and their potential requirements at retirement. The Trustees have also received written advice from JLT EB on suitable investments for default funds.

There are two categories of membership in the DC Section of the Scheme (Ordinary DC Members and Enhanced DC Members). Both sections have a specific default strategy which is based on a predetermined outcome at retirement.

The Trustees will seek advice from JLT EB on the ongoing suitability of the default investment strategies available to members and JLT EB and the Trustees will monitor the underlying investment funds to ensure their continuing appropriateness for the mandates given and replace them if deemed necessary.

Details of the default investment strategies are made available in Appendix 1 and in the Member Information Booklets which are available on the Aviva member portal.

4.2. FUND CHOICES

In addition to the default investment strategy, the Trustees have made two alternative options available to members:

Lifestyle investment programme

For those members wishing to invest in a predefined managed investment programme but wishing to have control of the options available to them at retirement, the Trustees have made options available to target a Cash Lump Sum, Annuity Purchase or to remain invested and drawdown an income in a Lifestyle investment programme.

Self-Select fund range

For those members wishing to have control of where their pension contributions are invested, the Trustees, after considering appropriate investment advice, have made a range of active and passive investment funds available to members of the Scheme. The Self-Select fund range allows members to access developed market and emerging market equities, UK and overseas bonds, property and diversified growth funds, providing members with access to a wider range of investments and markets than in the default investment arrangements.

Before selecting an investment manager, the Trustees seek advice from JLT EB on its suitability for the Scheme and its members. Where possible, funds will be selected which have a rating of “Preferred” or “Approved” by the JLT EB Manager Research Team (“JLT MRT”). JLT EB will monitor the underlying investment managers to ensure their continuing appropriateness for the mandates given. If any Preferred or Approved manager is downgraded, the Trustees will review the suitability and appointment of the manager and replace it if necessary. Funds that are not formally rated by the JLT MRT will be monitored by JLTEB and the Trustees but they will not be subject to the formal due diligence of the JLT MRT.

All investment managers that will be appointed by the Trustees will be authorised and regulated by the Prudential Regulation Authority (PRA), the FCA or both.

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

Further details of the lifestyle and self-select funds and their mandates are available in Appendix 1 as well as in the Member Information Booklets which are available on the Aviva member portal.

4.3. SOCIAL, ENVIRONMENTAL AND ETHICAL POLICY

The Trustees have considered the range of investment funds available to members on the Aviva My Money Platform, and have ensured funds that are Shariah compliant or have a specific Ethical stance are available.

As the Scheme's assets are invested in pooled funds, the Trustees accept that they are unable to directly influence the social, environmental and ethical policies and practices of the companies in which their managers invest.

The Trustees are aware of the investment managers' approaches to social, environmental and ethical factors with respect to the selection of investments and are satisfied that a responsible approach is being taken which is consistent with the long-term financial interests of the Scheme and its members. The Trustees will in future only appoint managers who are signatories of the UNPRI (Principles for Responsible Investment, supported by, but not part of, the United Nations).

4.4. CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees have concluded that the decision on how to exercise voting rights should be left with the investment managers who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders, and should be for the members' benefit.

Where the Trustees are specifically invited to vote on a matter relating to a policy or contract held with the Scheme's investment manager, the Trustees will exercise their right in accordance with what they believe to be in the best interests of the majority of the Scheme's membership.

4.5. TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes. All of the funds in which the Scheme invests are pooled and unitised. Details of each fund can be found in Appendix 1.

4.6. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Scheme provides a facility for members to pay additional voluntary contributions to enhance their benefits at retirement. Members are offered the opportunity to invest additional contributions in the same way as the main Scheme investments.

5 RESPONSIBLE INVESTING

5.1 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees recognise that Environmental, Social and Governance (“ESG”) factors, including climate change, can all influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.

The Trustees believe that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

The Trustees will work with the Investment Consultant in choosing managers that take into account ESG factors, and ensure that the Scheme’s managers are signatories of United Nations Principles for Responsible Investment (UNPRI). The ESG policies of each fund manager will be reviewed on an ongoing basis by the Investment Consultant’s Global Manager Research Team.

The Trustees have made available an Ethical Equity Fund in the Self-Select range. Additionally, members have the option to choose an Islamic Equity Fund giving the opportunity to invest in line with the principles of Shariah law.

The Trustees will continue to review the range of ESG products and approaches available to them and strive for the Scheme to incorporate responsible investment principles into the fund selection process where possible.

5.2 NON-FINANCIAL CONSIDERATIONS

The Trustees do not explicitly take into account non-financial matters in the selection, retention and realisation of investments.

5.3 STEWARDSHIP POLICY

The Scheme could currently be regarded as a small scheme by the size of assets; hence, bespoke segregated mandates are not currently available to the Trustees. Therefore, the Scheme’s stewardship approach focuses on selection, monitoring and, where necessary, switching of underlying investment managers. The Trustees believe that choosing the right managers who fully engage with issuers of equity or debt instruments in their portfolios will lead to better financial results for members.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme’s underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from them on their alternative approach to stewardship.

As the Scheme invests in pooled funds via an investment platform, the Trustees’ scope to vote on the Scheme’s shares directly is currently limited. The Trustees have therefore concluded that the decision on how to exercise voting rights should be left with the underlying investment managers who will exercise these rights in accordance with their respective published corporate governance policies. These policies take into account the financial interests of shareholders, and should be for the benefit of members.

5.4 MEMBER VIEWS

The Trustees do not explicitly take account of member views when selecting investments for the Scheme, however, the Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and strive to provide a fund range that meets both financial and non-financially relevant member needs. To that end, an Islamic Equity Fund is available to members to provide them with an opportunity to invest in line with their religious beliefs and the principles of Shariah law. The Trustees are committed to reviewing this policy on an ongoing basis

6 RISK

The Trustees are aware, and seek to take account, of a number of risks in relation to the Scheme's investments, including those set out below. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed.

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, five main types of investment risk can be identified, as noted below:

Risk Type	Specific Risk	Description	How is the risk monitored and managed?
Market Risk	Inflation Risk	The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).	<p>The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their risk tolerances.</p> <p>The default strategy and white-labelled fund are designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from the investment adviser.</p>
	Currency Risk	The risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.	
	Credit Risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.	
	Other Price Risk	The risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.	
Environmental and social and governance (ESG) risks	<p>The risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.</p> <p>These risk factors can have a significant effect on the long-term performance of the assets the Scheme holds.</p>	<p>Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager.</p> <p>Please see Section 5 for the Trustees' responsible investment statement.</p>	
Pension Conversion Risk	The risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	<p>The Trustees make available three lifestyle strategies, in line with the pension freedoms. The Trustees increases the proportion of assets that more closely match how they expect members to use their pots at retirement.</p> <p>The default is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile on an absolute basis.</p>	

Risk Type	Specific Risk	Description	How is the risk monitored and managed?
Manager Risk		This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.	It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the quarterly performance updates provided by JLT EB, and by appointing JLT IM to monitor and replace any managers (having received written authorisation from the Trustees) where concerns exist over their continued ability to deliver the investment mandate.
Liquidity risk		The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustees' demand	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis

7 MONITORING OF INVESTMENT ADVISER, PLATFORM AND MANAGERS

7.1. INVESTMENT ADVISER

The Trustees continually assess and review the performance of their Investment Adviser in a qualitative way.

7.2. PLATFORM PROVIDER

The Trustees receive independent monitoring reports on the DC platform provider from JLT EB at least on an annual basis. The Trustees continually assess and review the suitability of the platform provider in a qualitative way.

7.3. INVESTMENT MANAGERS

The Trustees receive semi-annual monitoring reports on the performance of the underlying investment managers from JLT EB. Monitoring reports review the performance of the Scheme's individual funds against their benchmarks, and provide details of the developments within the investment manager firms and portfolio management teams.

8 CODE OF BEST PRACTICE

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustees. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase>

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

APPENDIX 1: INVESTMENT MANAGERS

The Trustees will monitor the suitability of the funds utilised in the Lifestyle investment programmes and in the Self-Select range available to members on the Aviva MyMoney Platform, and make changes as they consider appropriate.

The details of the mandate(s) with each manager are presented in the tables below:

Lifestyle Investment Programme

Manager / Fund	Benchmark	Objective	SORP Level	Fees p.a. (TER)
Friends Life My Future Plus Funds				
My Future Plus Growth	70% MSCI World Composite Index 30% FTSE A Gilts All Stocks Index	To provide exposure to a diversified portfolio of assets targeting volatility of 12% p.a.	2	0.61%
My Future Plus Drawdown	40% MSCI World Composite Index 60% FTSE A Gilts All Stocks Index	To provide exposure to a diversified portfolio of assets targeting volatility of 8% p.a.	2	0.61%
My Future Plus Annuity	75% FTSE A Gilts +15 Years Index 25% 3 Month GBP LIBOR Index	To provide a return broadly consistent with the benchmark	2	0.55%
My Future Plus Cash Lump Sum	3 Month GBP LIBOR Index	To achieve a positive return over a market cycle	2	0.56%

Self-Select Range

Manager / Fund	Benchmark	Objective	SORP Level	Fees p.a. (TER)
UK Equity Funds				
BlackRock UK Equity Index	FTSE All-Share Index	To provide a return broadly consistent with the benchmark	2	0.40%
Legal & General Ethical UK Equity Index	FTSE4Good UK Equity Index	To track the benchmark to within +/- 0.5% per annum for 2 years in 3	2	0.55%
Overseas Equity Funds				
BlackRock World ex UK Equity Index	FTSE All World Developed (ex UK) Index	To provide a return broadly consistent with the benchmark	2	0.40%
BlackRock 30:70 Currency Hedged Global Equity Index	30% FTSE All-Share Index 60% FTSE AW Dev (ex UK) GBP Hedged 10% MSCI Emerging Markets Index	To provide a return broadly consistent with the benchmark	2	0.46%
HSBC Islamic Global Equity Index	Dow Jones Islamic Market Titans 100 Index	To provide a return broadly consistent with the benchmark	2	0.70%
Regional Equity Funds				
BlackRock US Equity Index	FTSE All World USA Index	To provide a return broadly consistent with the benchmark	2	0.41%

Manager / Fund	Benchmark	Objective	SORP Level	Fees p.a. (TER)
BlackRock European Equity Index	FTSE AW Developed Europe (ex UK) Index	To provide a return broadly consistent with the benchmark	2	0.41%
BlackRock Japanese Equity Index	FTSE All World Japan Index	To provide a return broadly consistent with the benchmark	2	0.41%
BlackRock Pacific Rim Equity Index	FTSE AW Developed Asia Pacific (ex Japan) Index	To provide a return broadly consistent with the benchmark	2	0.41%
Emerging Markets Equity Funds				
BlackRock Emerging Markets Equity Index	MSCI Global Emerging Markets Index	To provide a return broadly consistent with the benchmark	2	0.64%
JP Morgan Emerging Markets Equity	MSCI Emerging Markets Index (net)	To provide long term capital growth by investing securities of emerging markets companies	2	1.40%
Property Fund				
M&G Feeder of Property Portfolio	Investment Association UK Direct Property Sector	To maximise long-term income and capital growth through a diversified portfolio of commercial UK property	3	1.32%
Diversified Growth Funds				
Schroder Life Intermediated Diversified Growth Fund	Consumer Price Index (CPI) +5% p.a.	To outperform the benchmark over an economic cycle, with volatility less than 2/3 ^{rds} of global equities	2	1.09%
Bond Funds				
BlackRock Over 15 Year Corporate Bond Index	iBoxx £ Non-Gilts Over 15 Years Index	To provide a return broadly consistent with the benchmark	2	0.41%
BlackRock Over 15 Year Gilt Index	FTSE A Gilts Over 15 Years Index	To provide a return broadly consistent with the benchmark	2	0.40%
BlackRock Over 5 Year Index-Linked Gilt Index	FTSE A Index-Linked Over 5 Years Index	To provide a return broadly consistent with the benchmark	2	0.40%
BlackRock Overseas Bond Index	JPMorgan GBI Global (ex UK) Index	To provide a return broadly consistent with the benchmark	2	0.41%
BlackRock Institutional Sterling Liquidity	7 Day GBP LIBID Index	To maximise income through a portfolio of high quality short-term money market instruments	2	0.40%

Note: Fees are correct at 31 March 2019.

APPENDIX 2: PRINCIPLES FOR DC INVESTMENT GOVERNANCE

Principles for investment governance of defined contribution work based pension schemes:

Principle 1: Clear Roles and Responsibilities

This Principle aims to help decision-makers lay firm foundations for the process of investment governance. It advocates that schemes have defined and documented roles and responsibilities for each element of the investment governance chain, ensuring each party, including members, are clear as to the role they are expected to play in the process.

Principle 2: Effective Decision Making

This Principle builds on Principle 1. It aims to ensure the process is effective through sound decision making based on quality and timely information and reference to relevant regulatory requirements and guidance. It also advocates decision makers adopt a proactive approach to their decision making, building in regular assessment and reviews of the people and processes within the decision making structure, and making improvements where appropriate.

Principle 3: Appropriate Investment Options

This Principle requires decision makers to provide investment options that take account of a range of risk profiles and needs within the pension scheme membership. It also aims to ensure pension scheme members receive the appropriate level of fund choice to meet their needs, without being overwhelming or restrictive.

Principle 4: Appropriate Default Strategy

This Principle determines a sound investment strategy principally for those members who prefer not to make an active investment decision.

Principle 5: Effective Performance Assessment

The aim of this principle is to ensure decision makers monitor the performance of investment options, including the default strategy, and take appropriate action where necessary.

Principle 6: Clear and Relevant Communications

The aim of this principle is to provide pension scheme members with clear, relevant and timely information so they can:

- Make an informed choice relevant to their circumstances about which fund(s) to invest in.
- Understand their personal responsibility for their pension Scheme, the choices they have available and how these affect the value of their fund and retirement income.