

THE ORACLE UK PENSION PLAN

(Plan Registration Number 10176821)

ANNUAL REPORT FOR THE YEAR ENDED 31 MAY 2019

Table of contents

The Trustee's Report	1
Chair's Statement	10
Appendix 1 – Statement of Investment Principles	25
The Investment Report	38
Independent Auditor's Report to the Trustee of The Oracle UK Pension Plan	40
Summary of Contributions payable in the year	42
Independent Auditor's Statement about Contributions	43
The Financial Statements	45
Notes to the Financial Statements	47
Certificate of Adequacy of Contributions	57
Schedule of Contributions	58

The Trustee's Report

Introduction

This report relates to the operation of The Oracle UK Pension Plan ("the Plan") during the year ended 31 May 2019. The Investment Report on pages 38 to 39 forms part of this report.

Full details of the Plan's benefits can be found in the Plan's Trust Deed and Rules as amended from time to time. The Fourth Definitive Trust Deed is available at myoraclepension.com. Copies of individual benefit statements are available on request. These, and any other enquiries about the Plan, should be referred to the Plan Secretary at the address shown on page 5.

The Plan was significantly restructured with effect from 1 June 2004, with a revised contribution and benefit structure for membership after that date. Contributions paid after 31 May 2004 are referred to as Section 2 contributions. Contributions prior to 1 June 2004 are referred to as Section 1 contributions.

Prior to 31 May 2004, the Plan operated on a money purchase basis, subject to a Pensions Underpin, whereby part of Section 1 contributions are compared with the value of a defined benefit and the greater amount paid. The Trustees' Reserve Fund (from which the underpin is funded) is referred to as the Final Salary Section Underpin Reserve in this Annual Report.

From 1 June 2004 the Plan became a pure money purchase plan and ceased to be contracted-out from this date. Contributions were paid into each Member's Account and invested on the direction of the member, from a range of investments selected by the Trustee. The balance of the Member's Account is applied to provide benefits at retirement.

Benefit accrual under the Plan ceased with effect from 31 December 2010 which resulted in the cessation of:

- The payment of all Money Purchase contributions to Section 2 of the Plan;
- The provision of insured death in service dependants pension benefits;
- The provision of insured life assurance lump sum benefits

A group personal pension plan was put in place to receive contributions from 1 January 2011 and to provide life assurance benefits.

The Pensions Underpin for those members who remain in employment with Oracle Corporation UK Limited (the "Employer") remains linked to their current Pensionable Salary, unless they opt out.

Management of the Plan

The names of the Trustee of the Plan who served during the year and those serving at the date of approval of this report is as follows:

Name	Nominated/appointed by
Dalriada Trustees Limited (represented by A Kennett and G McGuinness)	Independent Trustee

Trustees are appointed and removed in accordance with the Trust Deed and Rules. The Employer has the power to appoint and remove Trustees.

Since 1 August 2016 the Plan has had a sole independent professional trustee, Dalriada Trustees Limited. Under this arrangement there is no longer any requirement to have member nominated trustees.

The directors of Dalriada Trustees Limited are DN Copeland, CM Johnstone, AB Kennett, T Lukic, C Roberts, BD Spence and V Vassou. The directors of Dalriada Trustees Limited were appointed in accordance with that company's Memorandum and Articles of Association.

The Trustee's Report (Cont)

There were four full Trustee meetings during the year under review and there were four meetings for both the Investment and the Governance & Operations sub committees. Each Trustee is entitled to receive at least ten days' notice of meetings, although in practice, dates are normally fixed well in advance.

The Trustee has delegated the day-to-day management and operation of the Plan's affairs to external specialists.

Changes to Plan Rules

There have been no changes to the Plan Rules during the year under review.

The Sponsoring Employer

The name and address of the Sponsoring Employer is as follows:

Oracle Corporation UK Limited
Building 510, Oracle Parkway
Thames Valley Park
Reading
RG6 1RA

Plan advisers

The Trustee retains a number of professional advisers in connection with the operation of the Plan. The advisers currently appointed are as follows:

Plan Actuary	P Hubbard
Advising Actuaries	Barnett Waddingham LLP
Independent Auditor	RSM UK Audit LLP
Investment Managers	Phoenix Life Limited (formerly AXA Wealth Limited)
Investment Advisers	Aon Hewitt Limited
Legal Advisers	Eversheds LLP
Administrator of the Plan Benefits	Barnett Waddingham LLP
Bankers	Lloyds Bank Plc
Employer Covenant Advisers	Lincoln Pensions Limited
Secretary to the Trustee	N Lee – Oracle Corporation UK Limited

The Trustee's Report (Cont)

Changes in and other matters relating to Plan advisers

There have been no changes to Plan advisers and other matters during the Plan year under review.

Financial development of the Plan

During the year the value of the net assets increased by £5,329,380 to £403,363,507 as at 31 May 2019. The increase comprised of net withdrawals from dealings with members of £6,943,617 together with a net increase from the return on investments of £12,272,997.

Following recommendations from the Plan Actuary, the Employer was required to make a contribution of £10,900,000 (2018: £9,200,000) to the Plan during the year.

Plan Audit

The financial statements on pages 45 to 56 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Tax status of Plan

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why the Plan's registered status should be prejudiced or withdrawn.

Plan membership

	Number as at start of year	Changes in year	Number as at end of year
In service preserved	622		
adjustments		(4)	
left (preserved pensioners)		(42)	
retired		(2)	
died		(1)	
transferred out		(1)	
			572
Preserved pensioners	4,555		
adjustments		8	
new (from in service preserved)		42	
retired		(68)	
retired (ill-health)		(1)	
retired (small lump sum)		(2)	
transferred out		(61)	
died		(5)	
			4,468
Pensioners and dependants	237		
adjustments		3	
new dependants		4	
new pensioners		70	
commuted benefits		(1)	
			313
Grand total members	5,414		5,353

Adjustments relate to late notification of member movements. The member numbers shown above reflect the number of member records held by the Plan.

The Trustee's Report (Cont)

Pension increases

Pensions in payment and deferred pensions under the Plan are increased each year at the rates specified in the Plan Rules, subject to any legal requirements to increase pensions. Pensions in respect of the Pensions Underpin are currently paid from the Plan.

The Plan Rules allow for those parts of members' pension other than Guaranteed Minimum Pensions ("GMP") to increase in payment in line with the Consumer Prices Index ("CPI") up to a maximum of 5%. GMP accrued from 6 April 1998 increases in payment in line with CPI up to a maximum of 3%, GMP accrued prior to 6 April 1988 does not increase in payment.

The increase applied with effect from 1 April 2019 was 2.4% (2018: 3%). No discretionary increase was awarded.

Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pensions Schemes Act 1993 and subsequent amendments. There was no allowance for discretionary benefits in the calculation of transfer value.

Cash Equivalent transfer values paid during the year were not reduced.

A cash equivalent is the amount which a Plan member is entitled under social security legislation to have applied as a transfer payment to another permitted pension arrangement or a buy-out policy.

General Data Protection Regulations / Data Protection Act 2018

The General Data Protection Regulations 2016/679 (Regulations) cover information which is held electronically, i.e. computer based information and extend data protection laws to cover paper-based records held for individuals. The Regulations contain restrictions on the processing of special categories of data as defined in the Regulations, to which individuals must give their consent. This category of data can include information on, for example, the health of a member or marital status.

Members' personal data will be used by the Plan's advisers to administer the Plan, and may be passed to other professional providers or advisers.

The Trustee and the Plan's advisers each have a legal obligation and a legitimate interest to process data relating to members for the purposes of administering and operating the Plan, which includes passing on data to third parties, as mentioned above.

The Trustee is regarded as 'Controller' for the purposes of the Regulations, in relation to the process referred to above. The advisers appointed by the Trustee are usually 'Processors', however, some advisers, such as Scheme Actuary and auditors are considered to be controllers by the various professional regulatory bodies. Under the Regulations where two or more controllers jointly determine the purposes and means of processing, they shall be joint controllers of the data.

Codes of Practice

The Trustee is aware of and adheres to the Codes of Practice issued by The Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good administration.

The Trustee's Report (Cont)

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Plan documentation. TPR has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and was updated with effect from November 2009. The Trustee is aware of these requirements.

The Pensions Regulator: Record Keeping

The Pensions Regulator issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the trustees) and those who administer pension schemes. The guidance covers both common data and also conditional data (the data that is used to calculate benefits and is therefore scheme specific). The guidance sets out good practice in helping trustees to assess risks associated with record keeping. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded. More information can be found at:

http://www.thepensionsregulator.gov.uk/guidance/guidance_record_keeping.aspx

Contact for further information

If, as a Plan member, you wish to obtain further information about the Plan, including copies of the Plan documentation, your own pension position or who to contact in the event of a problem or complaint, please write to:

Secretary to the Trustee
The Oracle UK Pension Plan
UK HR Department
Building 510
Oracle Parkway
Thames Valley Park
Reading
RG6 1RA

Alternatively you may contact the Plan administrators online at:

<https://login.webstream.com/shared/contact>

Or telephone: 0333 1111 222

The Trustee's Report (Cont)

Statement of Trustee's Responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for securing that a Schedule of Contributions is prepared, maintained and from time to time revised showing the rates of contributions payable towards the Plan by or on behalf of the Employer and the active members of the Plan and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee's Report (Cont)

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, the Plan is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent full actuarial valuation of the Plan was carried out as at 31 May 2016. The previous valuation was carried out as at 31 May 2013 and the funding position was updated in each interim year as required under section 224 of the Pensions Act 2004. The results of the most recent valuation and an update as at 31 May 2018 were as follows:

	31 May 2016	31 May 2018
Assets	£237.6m	£276.1m
Technical Provisions	£403.1m	£531.5m
Surplus/(Deficit)	(£165.5m)	(£255.4m)
Funding level	59%	52%

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows (all assumptions adopted are set out in the Statement of Funding Principles dated 25 July 2017):

Method

The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit Method. The principal assumptions to be used in the calculation of the Technical Provisions are:

RPI inflation

The assumption is set having regard to the difference between the market yields on long-dated fixed-interest and index-linked gilts at the valuation date.

CPI inflation

The assumption for RPI less 1.0% p.a.

Pre-retirement asset return

The yield on the Bank of England nominal spot curve at a duration of 20 years at the valuation date plus 2.0% p.a.

Pre-retirement discount rate

The yield on the Bank of England nominal spot curve at a duration of 20 years at the valuation date plus 2.0% p.a.

Post-retirement discount rate

The yield on the Bank of England nominal spot curve at a duration of 20 years at the valuation date plus 0.9% p.a.

Pay increases

Each member's pay is assumed to increase in line with the assumed rate of RPI inflation plus 1.0% p.a. This rate is inclusive of promotional increases.

The Trustee's Report (Cont)

Report on Actuarial Liabilities (Cont)

Increases in pensions in payment

Derived from the CPI inflation assumption allowing for the maximum and minimum annual increases, based on the Scheme Actuary's best estimate view of inflation volatility.

Revaluations of deferred pensions in excess of GMP

In line with the CPI inflation assumption.

Life expectancies

Males: Based on 104% of SAPS (S2NA) Light year of birth tables, making an allowance for improvements in the short term in line with the CMI 2015 projections and long term improvements of 1.50% p.a.

Females: Based on 93% of SAPS (S2NA) Light year of birth tables, making an allowance for improvements in the short term in line with the CMI 2015 projections and long term improvements of 1.50% p.a.

Early retirement

All members are assumed to retire at their Normal Retirement Date.

Withdrawals

20% p.a. for each age up to 30, 10% p.a. between ages 31-40, 8% p.a. between ages 41-50, and 10% for age 51 or more.

Family details

80% of males and 70% of females are assumed to be married at retirement or earlier death and husbands are assumed to be three years older than wives.

Commutation

No allowance is made.

The financial statements on pages 45 to 56 do not take into account liabilities which fall due after the year end. As part of the triennial valuation, the Plan Actuary considers the funding position of the Plan and the level of contributions payable.

The Trustee's Report (Cont)

Approval of Trustee's Report (including Investment Report)

Further disclosures required by legislation are provided in the Investment Report.

This report and the accompanying Investment Report were approved by the Trustee on

Date: 2/12/19.

Signed on behalf of the Trustee:



Director of Dalriada Trustees Limited

Chair's Statement

Annual Governance Statement regarding defined contribution benefits held in The Oracle UK Pension Plan ("the Plan")

1. Introduction

- 1.1. This Annual Governance Statement ("Statement") has been prepared by Dalriada Trustees Limited ("the Trustee") and reports on how the Trustee complies with the defined contribution (DC) governance standards. These standards were introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and amended by the Occupational Pension Scheme (Administration and Disclosure) (Amendment) Regulations 2018 ("the Regulations").
- 1.2. The reporting period covered by this Statement is 1 June 2018 to 31 May 2019 ("the reporting period").
- 1.3. The Plan was closed to future accrual on 31 December 2010. Prior to 1 June 2004 members DC benefits were subject to a defined benefit (DB) underpin. Further details relating to the DB underpin are provided below.
- 1.4. As required by the Regulations, the Trustee will publish this Statement on a publicly accessible website.

2. The Plan's DC arrangements

- 2.1. Over the reporting period, the Plan's DC arrangements were held across two separate Sections, as follows:

2.1.1. **Section 1:** this Section consists of two different types of funds: Core Funds and Non-Core Funds.

2.1.1.1. **Core Funds:** these funds are subject to a DB underpin whereby if the value of an individual's benefits are less than the DB underpin, the individual will receive a guaranteed pension in respect of their Section 1 Core funds. If the Section 1 Core funds are greater than the DB underpin, these benefits are treated as DC benefits.

2.1.1.2. **Non-Core Funds:** these funds are treated as pure DC benefits.

2.1.2. **Section 2:** all funds held through Section 2 of the Plan are treated as pure DC benefits.

3. The DC Section's default investment arrangement

- 3.1. Over the reporting period, the Plan had three default investment arrangements for the purposes of the Regulations. The default investment arrangement that applies varies between Section 1 and Section 2 of the Plan and the type of benefits held.
- 3.2. When designing the default investment arrangements, the Trustee took into consideration the potential needs of Plan members as well as the Trustee's own investment beliefs. These default investment strategies were implemented in 2016 and followed advice from the Trustee's investment adviser. The default investment strategies are subject to review every year (see 3.6 for further information).

3.2.1. **Section 1 Core Funds:** the default investment arrangement for individuals that hold Core Funds through Section 1 of the Plan is the Oracle Diversified Growth Fund. This fund was

- 3.3. **Section 1 Core Funds:** the default investment arrangement for individuals that hold Core Funds through Section 1 of the Plan is the Oracle Diversified Growth Fund. This fund was

3.3.1. The Oracle Diversified Growth Fund invests 80% in the Phoenix BlackRock Diversified Growth Fund and 20% in the Phoenix BlackRock Aquila MSCI Fund.

Chair's Statement (Cont)

3.3.2. It is designed to provide long-term investment growth whilst limiting the degree to which it will fluctuate in value, to ensure that the value of benefits promised to members at their Normal Retirement Age (NRA) can be provided.

3.4. **Section 1 Non-Core Funds and Section 2:** for these benefits, the Trustee has implemented two different default investment arrangements; the Drawdown Lifestyle Option and the Cash Lifestyle Option. These Lifestyle Options have been designed to be appropriate for the typical member. The Lifestyle Option into which members' benefits were invested depends upon the size of their fund. The key features of the Drawdown Lifestyle Option and the Cash Lifestyle Option are as follows:

3.4.1. Both Lifestyle Options invest across a portfolio of underlying investment funds depending upon each member's term to their Normal Retirement Age (NRA). Each underlying fund is designed to provide exposure to different degrees of investment risk and will hold different asset classes in different proportions. The NRA of the Plan is set at age 65, however members can amend this should they wish.

3.4.2. When a member is more than 5 years from NRA, the Lifestyle Options will invest 20% in the Phoenix Oracle Global Equity Fund, 40% in the Phoenix Newton Real Return Fund and 40% in the Phoenix BlackRock Diversified Growth Fund. Throughout this phase of investment, the Lifestyle Options aim to grow the value of a member's benefits whilst providing less exposure to investment volatility (but a potentially lower return) than investing solely in a portfolio of global equities. The value of these funds can go down as well as up.

3.4.3. From 5 years to NRA, the Lifestyle Options will automatically and gradually switch into a portfolio of funds that have been designed to be suitable for taking benefits either as cash or using drawdown, as follows:

3.4.3.1. Drawdown Lifestyle Option: at NRA this Lifestyle Option will target 10% in the Phoenix Oracle Global Equity Fund, 25% in the Phoenix Newton Real Return Fund, 25% in the Phoenix BlackRock Diversified Growth Fund, 15% in the Phoenix Oracle Index Linked Fund and 25% in the Phoenix Oracle Cash Fund. This portfolio is designed to limit the extent to which members' benefits are exposed to large fluctuations in value in the approach to NRA, but to also provide the potential for future growth.

3.4.3.2. Cash Lifestyle Option: at NRA this Lifestyle Option will target 100% in the Phoenix Oracle Cash Fund. This portfolio is designed to protect the value of members' benefits at NRA.

Additional Investment Options

3.5. Alongside the default investment arrangements described above, the Trustee has made available a number of additional investment options from which members are able to self-select. These are as follows:

3.5.1. An Annuity Lifestyle Option which invests in the same funds as the Drawdown and Cash Lifestyle Options up to 5 years before NRA. At NRA this Lifestyle Option targets a portfolio of funds that is deemed to be suitable for those members who wish to purchase an annuity with their benefits.

3.5.2. A core range of 15 individual investment funds which hold different asset classes and have different investment objectives.

Chair's Statement (Cont)

Investing and monitoring the pension's investment arrangements and aligning to members' needs

- 3.6. The Trustee, together with its professional advisers, monitors the investment options offered through the Plan on a quarterly basis. This monitoring looks at the performance of the default investment strategies as well as all of the alternative investment options offered through the Plan to ensure that they are consistent with their stated aims and objectives. It also considers any developments or changes with the fund manager.
- 3.7. The Trustee reviews the default investment arrangements at least annually. The last strategic review of the Plan's default investment arrangements, as well as the range of alternative investment options, was completed in May 2018. This review was completed in conjunction with the Trustee's investment adviser and focussed on the degree to which the return on investments relating to the default investment arrangements (after the deduction of any charges) is consistent with the Trustee's aims and objectives and is aligned with the needs of Plan members.
- 3.8. As part of this review, the Trustee considered the membership profile of the Plan to ascertain the potential needs of members. A particular focus of this review was the growth phase of the Lifestyle Options (i.e. when members have more than 5 years to their NRA) and the Trustee's key objectives were as follows:
 - 3.8.1. To consider different asset classes, management styles and allocations which would be expected to deliver similar levels of returns to the current portfolio but with lower levels of investment volatility
 - 3.8.2. To consider alternative fund options for the Phoenix Newton Real Return Fund which the Trustee no longer believes is appropriate.
- 3.9. As a result of this review, the Trustee will be making a number of changes to the investment arrangements provided through the Plan, however these changes were not implemented in the reporting period covered by this Statement. The Trustee expects these to be implemented in the latter part of 2019 and as such further detail will be provided in next year's Statement. A summary of the expected changes is as follows:
 - 3.9.1. The Phoenix Newton Real Return Fund will be removed from the growth phase of the Lifestyle Options and will be replaced by the Invesco Perpetual Global Targeted Return Fund. Alongside this, the Trustee will introduce the BlackRock Absolute Return Bond Fund. As a result of these changes, the Lifestyle Options will invest in the following funds throughout the growth phase; 30% in the Phoenix Oracle Global Equity Fund, 25% in the Invesco Perpetual Global Targeted Return Fund, 25% in the Phoenix BlackRock Diversified Growth Fund, and 20% in the BlackRock Absolute Return Bond Fund.
 - 3.9.2. The Cash Lifestyle Option currently targets investing 100% in the Phoenix Oracle Cash Fund at NRA. This will be amended so that at NRA members are invested 50% in the Phoenix Oracle Cash Fund and 50% in the BlackRock Absolute Return Bond Fund.
 - 3.9.3. The Phoenix Newton Real Return Fund will be removed from the available range of self-select options for new investment, however existing investors will be able to retain their investment in the fund.
 - 3.9.4. A range of new self-select options will be added which will include the BlackRock Absolute Return Bond Fund and the Invesco Perpetual Global Targeted Return Fund.
 - 3.9.5. The LGIM Property Fund will be removed from the available range of self-select options for new investment, however existing investors will be able to retain their investment in the fund.

Chair's Statement (Cont)

- 3.10. The next strategic review of the default investment arrangements, as well as the wider range of investment options, is due to be completed in 2021.

Further information on the range of investment options

- 3.11. Further information on the range of investment options provided through the Plan are set out in the Statement of Investment Principles dated May 2016. This SIP was subsequently reviewed and updated outside of the reporting in September 2019. This review took account of the changes outlined above and of the Trustee's view on the financial materiality of Environmental, Social and Governance (ESG) factors. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, the SIP sets out further details around the Trustee's investment objectives, and covers the following key matters in relation to the default investment strategies

3.11.1. The Trustee's aims and objectives in relation to the investment held in the default investment arrangements.

3.11.2. The Trustee's policies on issues such as the kinds of investments to be held, the balance between different kinds of investment, investment risks (including how such risks are measured and managed), the expected return on investments, the realisation of investments.

3.11.3. An explanation of how these aims, objectives and policies are intended to ensure that assets are invested in the best interests of members.

- 3.12. A copy of the latest DC SIP is appended to this Statement as Appendix 1. This incorporates information on the Plan's default investment arrangements.

4. Core financial transactions

- 4.1. The Regulations require the Trustee to ensure that core financial transactions are processed promptly and accurately. Core financial transactions comprise, but are not limited to:

4.1.1. The investment of contributions.

4.1.2. Transfers into and out of the Plan.

4.1.3. Investment switches.

4.1.4. Payments out of the Plan in respect of members.

Outsourcing of Plan Business

- 4.2. Over the reporting period, the administration functions of the Plan were outsourced to, and completed by, Barnett Waddingham LLP. The scope of these administration functions are formally recorded in a service agreement between the Trustee and Barnett Waddingham which was agreed at outset. This service agreement is reviewed periodically to ensure that the range and type of services provided remain suitable.

- 4.3. To ensure the accuracy and timeliness of processing of all Plan core financial transactions, the Trustee has established robust reporting and monitoring processes which include the following:

4.3.1. The day-to-day monitoring of administration standards is undertaken by Oracle's in-house pensions team who scrutinise the performance of Barnett Waddingham. The in-house pensions team has regular contact with representatives of Barnett Waddingham to ensure any errors identified are rectified without member detriment.

Chair's Statement (Cont)

- 4.3.2. Service Level Agreements (SLAs) have been agreed between the Trustee and Barnett Waddingham. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Barnett Waddingham in respect of the Plan. The agreed SLAs for the core financial transactions identified in 4.1 above are as follows:

Core financial transaction	SLA
Investment of contributions/investment switches	95% within 5 days
Transfers into the Plan	95% within 5 days
Transfers out of the Plan	95% within 3 days
Payments out of the Plan	95% within 5 days

- 4.3.3. Barnett Waddingham also has SLAs in place for other services it provides including; assisting with member enquiries, amending member records and issuing information.
- 4.3.4. Barnett Waddingham provides the Trustee with quarterly administration reports that document its performance against the agreed SLAs. The Trustee considers these reports in detail as a regular item at its quarterly meetings.
- 4.3.5. Over the reporting period, the SLAs achieved for each of the core financial transactions outlined above were as follows:

Core financial transaction	Q1	Q2	Q3	Q4
Investment of contributions/ Investment switches	100%	99%	99%	100%
Transfers into the Plan	N/A	N/A	N/A	N/A
Transfers out of the Plan	100%	97%	96%	95%
Payments out of the Plan	98%	95%	98%	N/A

Note: N/A denotes that no activity of this kind occurred over the quarter.

- 4.3.6. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day. Barnett Waddingham's internal controls are audited annually and this is evidenced to the independent auditor. The Trustee has received a demonstration of the cash handling systems to show how transactions are reconciled and approved.
- 4.3.7. The administrator's processes are subject to internal controls procedures and adhere to AAF standards. Information about Barnett Waddingham's administration procedures and controls can be found in its AAF report which is published online: www.barnett-waddingham.co.uk/aaf-0106-report/
- 4.3.8. Administration is captured as part of the Plan's risk register which clearly documents the administrative risks associated with the operation of the Plan. This also includes details of the controls established by the Trustee to mitigate such risks. A review of the Plan's risk register is completed by the Trustee at least annually with the last review being undertaken in April 2019.

Chair's Statement (Cont)

4.3.9. Monitoring of accuracy is undertaken via the auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data.

The Trustee is satisfied that the Plan's financial transactions have been processed promptly and accurately during the period covered by this statement and no material issues relating to core financial transactions have been identified.

4.4. Based on the implementation of these control and monitoring procedures, the Trustee is satisfied that the core financial transactions have been processed promptly and accurately during the period covered by this statement and no material issues relating to core financial transactions have been identified.

5. Charges and transaction costs

5.1. Charges for the administration, communication and investment services provided to the Plan's DC arrangements are structured on a bundled basis and consist of both explicit and implicit costs:

5.1.1. Explicit costs: these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. These are referred to as Total Expense Ratio (TER) and are calculated as the Annual Management Charges (AMC) plus any Additional Expenses (AE).

5.1.2. Implicit costs: these relate to the charges and transaction costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the explicit charges. These implicit charges impact on the investment returns achieved by the investment fund and vary day-to-day according to each fund's investment approach and prevailing market conditions. We refer to these as transaction costs.

5.2. The following tables provides details of the explicit and implicit costs applied to each of the investment options provided through the Plan over the reporting period. This data has been sourced from Phoenix and covers the year to 31 March 2019. The Trustee requested data on the transaction costs for all funds offered through the Plan from Phoenix for the period to 31 May 2019, however at the time of writing Phoenix was not able to provide the data for the correct period. This was due to an absence of the required information from each of the underlying fund managers. The Trustee, in conjunction with its professional advisers, will continue to work with Phoenix provide the information required.

The following table provides details of the combined TER's and transaction costs for the Lifestyle Options. Details of the TER's and transaction costs for the funds used by the Lifestyle Options can be found in the table that follows

The following table provides details of the combined TER's and transaction costs for the Lifestyle Options. Details of the TER's and transaction costs for the funds used by the Lifestyle Options can be found in the table that follows

Investment Option	TER (%)	Transaction Costs (%)	AMC (%)	Total Expense Ratio (%)
Drawdown Lifestyle Option	0.369% - 0.494%	0.034% - 0.050%	0.400% - 0.544%	0.104% - 0.151%
Cash Lifestyle Option	0.190% - 0.496%	0.010% - 0.048%	0.190% - 0.544%	0.016% - 0.151%
Annuity Lifestyle Option	0.145% - 0.494%	0.005% - 0.050%	0.145% - 0.544%	0.028% - 0.151%

Chair's Statement (Cont)

Table 2: Transaction costs

Investment Strategy	2018	2017	2016	2015
Active				
Phoenix CIS Oracle Diversified Growth Fund	0.45%	0.05%	0.50%	0.236%
Phoenix CIS Newton Real Return	0.65%	0.05%	0.70%	0.075%
Phoenix CIS BlackRock Diversified Growth Fund	0.54%	0.07%	0.61%	0.287%
Phoenix CIS MFS Mendenham Global Equity Institutional Fund	0.66%	0.05%	0.71%	0.027%
Phoenix CIS Oracle Active UK Equity Fund	0.81%	0.02%	0.83%	0.292%
Phoenix CIS Threadneedle Pensions Property Fund	0.76%	0.04%	0.80%	-0.892%
Phoenix CIS LGIM Property Fund	0.76%	0.02%	0.78%	0.236%
Phoenix CIS Oracle Cash Fund	0.19%	0.01%	0.19%	0.016%
Passive				
Phoenix CIS LGIM Global Equity Fixed Weights 50/50 Index Fund	0.15%	0.00%	0.15%	-0.007%
Phoenix CIS Oracle Global Equity Fund	0.09%	0.01%	0.10%	0.031%
Phoenix CIS LGIM UK Equity Fund	0.10%	0.00%	0.10%	-0.360%
Phoenix CIS LGIM Over 15 Year Gilts Index Fund	0.10%	0.00%	0.10%	-0.008%
Phoenix CIS Oracle Index Linked Gilt Fund	0.10%	0.00%	0.10%	0.040%
Phoenix CIS LGIM Corporate Bond All Stocks Index Fund	0.18%	0.00%	0.18%	-0.024%
Phoenix CIS LGIM Ethical UK Equity Index Fund	0.25%	0.00%	0.25%	0.005%

*in certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

- 5.3. The Trustee is aware that the Regulations require the transaction costs data to be based on an average of the past 5 years, however Phoenix was not able to provide transaction cost data covering this timeframe for this Statement. The Trustee, in conjunction with its professional advisers, will continue to remind Phoenix of its legal duty to provide such information:

Chair's Statement (Cont)

6. Demonstrating the impact of costs and charges

- 6.1. To demonstrate the impact of the costs and charges applied through the Plan, the Trustee has produced illustrations in line with statutory guidance and the September 2018 guidance from the Department for Work & Pensions entitled "Cost and charge reporting: guidance for trustees and managers of occupational schemes". These illustrations are set out below and are designed to cater for representative cross-sections of the membership of the Plan.
- 6.2. To determine the parameters used in these illustrations, the Trustee has analysed the members invested in the Plan over the reporting period and has taken into consideration the range of investment options offered to members. As a result of this analysis the Trustee has elected to base these illustrations on the following variables:
 - 6.2.1. Pot size: pot sizes of £6,500, £18,500, £40,000 and £75,000 have been used as the Trustee considers these to be broadly representative of the pot sizes of members invested across Section 1 and Section 2 of the Plan.
 - 6.2.2. Future contributions: as all members of the Plan are now no longer actively making pension contributions, the Trustee has decided to produce illustrations that assume no future contributions will be paid.
 - 6.2.3. Investment funds: the investment options selected for these illustrations include the most popular by number of members for Section 1 and Section 2 of the Plan, the highest charged fund, the lowest charge fund, the fund with the highest assumed investment return and the fund with the lowest assumed investment return.
 - 6.2.4. Timeframe: the illustrations are shown over a 35 year time frame as this covers the approximate duration that the youngest member would take to reach NRA.
- 6.3. For each individual illustration, each savings pot has been projected twice; firstly to allow for the assumed investment return gross of the costs and charges of the fund, and then again, but adjusted for the cumulative effect of the costs and charges of the fund. The level of costs and charges applied is in line with the table set out earlier in this Statement. Where the quoted Transaction Costs are negative, the costs and charges are assumed to be nil for purposes of the illustrations.
- 6.4. The illustrations are presented in two different ways:
 - 6.4.1. For the Lifestyle Options, the illustrations have been calculated based on the number of years until the member reaches their chosen retirement date. This is because the underlying asset allocation and therefore the costs and charges of the Default change over time and this needs to be reflected in the illustrations.
 - 6.4.2. For the Oracle Diversified Fund and the other self-select funds, the illustrations have been calculated based upon the number of years (from 31 May 2019) that a member expects to be invested in those funds.

Chair's Statement (Cont)

Table 1: Illustrations of pot sizes

Notes on the illustrations are as follows:

1. Projected pot sizes are shown in today's terms and consequently do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations at 2.5%.
2. Each illustration assumes up to 35 years of membership leading up to the Plan's normal retirement age of 65.
3. Values shown are estimates and not guaranteed.
4. The starting date for the illustrations is 31 May 2019.
5. The projected growth rates, gross of costs and charges, for each fund or arrangement have been provided by Barnett Waddingham LLP and are in line with the 2019 Statutory Money Purchase Illustrations (SMPI). They are calculated with reference to the Financial Report Council's Actuarial Standards TM1 and are set out in the table below.

Investment option	Assumed future real rate of return
Drawdown Lifestyle Option	0.65% - 2.10%
Cash Lifestyle Option	-1.50% - 2.10%
Phoenix CIS Oracle Diversified Growth Fund	2.10%
Phoenix CIS LGIM Global Equity Fixed Weights 50/50 Index Fund	2.50%
Phoenix CIS Index Linked Gilt Fund	-1.50%
Phoenix CIS LGIM Property Fund	2.50%

Chair's Statement (Cont)

Oracle Diversified Growth Fund

An illustration has been included for the Oracle Diversified Growth Fund as it is the default investment arrangement for Core benefits held through Section 1 of the Plan and is the most popular self-select investment option for members invested in Section 1.

Years to Retirement	Strategy: Oracle Diversified Growth Fund		Fund value at retirement		Investment value at retirement		Investment value at retirement	
Years to Retirement	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,633	£6,586	£18,879	£18,746	£40,820	£40,532	£76,537	£75,998
5	£7,194	£6,944	£20,474	£19,764	£44,269	£42,733	£83,004	£80,125
10	£7,961	£7,419	£22,659	£21,115	£48,993	£45,653	£91,863	£85,600
15	£8,811	£7,926	£25,078	£22,557	£54,222	£48,773	£101,667	£91,449
20	£9,751	£8,467	£27,754	£24,099	£60,009	£52,105	£112,517	£97,698
25	£10,792	£9,046	£30,716	£25,745	£66,413	£55,666	£124,525	£104,374
30	£11,944	£9,664	£33,994	£27,505	£73,501	£59,470	£137,815	£111,506
35	£13,219	£10,324	£37,622	£29,384	£81,346	£63,533	£152,523	£119,125

Example of how to read this table: If a member had £18,500 invested in this fund on 31 May 2019, when they came to retire in 10 years, the fund could grow to £22,659 if no charges are applied but to £21,115 with charges applied.

Drawdown Lifestyle Option

An illustration has been included for the Drawdown Lifestyle Option as it is one of the default investment arrangements for Section 2 of the Plan and for Non-core benefits held through Section 1 of the Plan. It is also the most popular investment option for members invested in Section 2.

Years to Retirement	Strategy: Drawdown Lifestyle Option		Fund value at retirement		Investment value at retirement		Investment value at retirement	
Years to Retirement	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,541	£6,509	£18,617	£18,526	£40,254	£40,057	£75,476	£75,107
5	£6,880	£6,692	£19,581	£19,047	£42,338	£41,182	£79,384	£77,217
10	£7,609	£7,159	£21,656	£20,376	£46,824	£44,057	£87,795	£82,606
15	£8,421	£7,664	£23,967	£21,812	£51,821	£47,160	£97,165	£88,425
20	£9,320	£8,203	£26,525	£23,348	£57,352	£50,482	£107,535	£94,654
25	£10,314	£8,781	£29,356	£24,993	£63,473	£54,038	£119,012	£101,321
30	£11,415	£9,400	£32,489	£26,753	£70,247	£57,845	£131,713	£108,459
35	£12,633	£10,062	£35,957	£28,638	£77,744	£61,919	£145,770	£116,099

Example of how to read this table: If a member had £18,500 invested in this strategy on 31 May 2019, when they came to retire in 10 years, the fund could grow to £21,656 if no charges are applied but to £20,376 with charges applied.

Chair's Statement (Cont)

Cash Lifestyle Option

An illustration has been included for the Cash Lifestyle Option as it is one of the default investment arrangements for Section 2 of the Plan and for Non-core benefits held through Section 1 of the Plan. It is also the most popular investment option for members invested in Section 2.

Years to retirement from 31 May 2019	Investment growth only		Investment growth & charges		Investment growth & charges		Investment growth & charges	
Example of £18,500	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,405	£6,392	£18,229	£18,192	£39,415	£39,334	£73,902	£73,752
5	£6,434	£6,315	£18,313	£17,974	£39,595	£38,863	£74,240	£72,868
10	£7,109	£6,750	£20,232	£19,211	£43,745	£41,538	£82,022	£77,884
15	£7,867	£7,225	£22,391	£20,565	£48,414	£44,464	£90,775	£83,370
20	£8,707	£7,734	£24,781	£22,013	£53,580	£47,596	£100,463	£89,243
25	£9,636	£8,279	£27,426	£23,564	£59,299	£50,949	£111,185	£95,530
30	£10,664	£8,862	£30,353	£25,224	£65,627	£54,538	£123,051	£102,259
35	£11,803	£9,487	£33,592	£27,001	£72,631	£58,380	£136,183	£109,462

Example of how to read this table: If a member had £18,500 invested in this strategy on 31 May 2019, when they came to retire in 10 years, the fund could grow to £20,232 if no charges are applied but to £19,211 with charges applied.

Thematic CIS LGIM Global Equity Fund Withgap 50/50 Index Fund

An illustration has been included for this fund as it is the most popular self-select fund for members of Section 2 of the Plan and is one of the self-select funds with the highest assumed investment return.

Years to retirement from 31 May 2019	Investment growth only		Investment growth & charges		Investment growth & charges		Investment growth & charges	
Example of £18,500	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,659	£6,649	£18,951	£18,924	£40,976	£40,917	£76,829	£76,720
5	£7,332	£7,280	£20,869	£20,720	£45,122	£44,800	£84,604	£84,001
10	£8,271	£8,154	£23,541	£23,207	£50,900	£50,177	£95,437	£94,082
15	£9,330	£9,132	£26,555	£25,992	£57,417	£56,199	£107,657	£105,373
20	£10,525	£10,228	£29,956	£29,111	£64,769	£62,944	£121,442	£118,019
25	£11,873	£11,456	£33,792	£32,605	£73,063	£70,498	£136,993	£132,183
30	£13,393	£12,831	£38,118	£36,518	£82,418	£78,958	£154,534	£148,047
35	£15,108	£14,371	£42,999	£40,901	£92,972	£88,434	£174,322	£165,814

Example of how to read this table: If a member had £18,500 invested in this Fund on 31 May 2019, when they came to retire in 10 years, the fund could grow to £23,541 if no charges are applied but to £23,207 with charges applied.

Chair's Statement (Cont)

Phoenix CL Index Linked Gilt Fund

An illustration has been included for this fund as it is the fund with the lowest total charge and one of the self-select funds with the lowest assumed investment return.

Years of membership from 31 May 2019	Starting point: £18,500		Without charges (£18,500)		Lowest assumed return (2.0%)		Lowest assumed return (2.0%)	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,405	£6,396	£18,229	£18,204	£39,415	£39,360	£73,902	£73,800
5	£6,038	£5,996	£17,185	£17,067	£37,158	£36,901	£69,670	£69,189
10	£5,609	£5,532	£15,964	£15,744	£34,517	£34,042	£64,720	£63,828
15	£5,210	£5,103	£14,830	£14,524	£32,064	£31,404	£60,121	£58,883
20	£4,840	£4,708	£13,776	£13,399	£29,786	£28,971	£55,848	£54,320
25	£4,496	£4,343	£12,797	£12,361	£27,669	£26,726	£51,880	£50,112
30	£4,177	£4,007	£11,888	£11,403	£25,703	£24,655	£48,193	£46,229
35	£3,880	£3,696	£11,043	£10,520	£23,877	£22,745	£44,769	£42,647

Example of how to read this table: If a member had £18,500 invested in this Fund on 31 May 2019, when they came to retire in 10 years, the fund could be £15,964 if no charges are applied but to £15,744 with charges applied.

Phoenix CL LGIM Property Fund

An illustration has been included for this fund as it is the fund provided through the Plan with the highest total charge.

Years of membership from 31 May 2019	Starting point: £18,500		Without charges (£18,500)		Lowest assumed return (2.0%)		Highest assumed return (4.0%)	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,500	£6,500	£18,500	£18,500	£40,000	£40,000	£75,000	£75,000
1	£6,659	£6,582	£18,951	£18,734	£40,976	£40,505	£76,829	£75,948
5	£7,332	£6,921	£20,869	£19,699	£45,122	£42,591	£84,604	£79,859
10	£8,271	£7,370	£23,541	£20,975	£50,900	£45,351	£95,437	£85,033
15	£9,330	£7,847	£26,555	£22,334	£57,417	£48,289	£107,657	£90,542
20	£10,525	£8,355	£29,956	£23,781	£64,769	£51,418	£121,442	£96,408
25	£11,873	£8,897	£33,792	£25,321	£73,063	£54,749	£136,993	£102,654
30	£13,393	£9,473	£38,118	£26,962	£82,418	£58,296	£154,534	£109,305
35	£15,108	£10,087	£42,999	£28,709	£92,972	£62,073	£174,322	£116,386

Example of how to read this table: If a member had £18,500 invested in this Fund on 31 May 2019, when they came to retire in 10 years, the fund could grow to £23,541 if no charges are applied but to £20,975 with charges applied.

Chair's Statement (Cont)

7. Value for members

7.1. In addition to the requirement to assess the charges paid by members, the Trustee is also required to consider the extent to which those charges and costs represent good value for money for members ("Value for Members"). The Regulations do not prescribe how trustees are to go about assessing Value for Members; it is left to the respective trustee body to develop their own assessment framework.

7.2. The Trustee has established an assessment framework in order to determine whether the charges and transaction costs paid by members represent Value for Members. The Trustee has identified the following areas where they believe there is a benefit derived by members; these benefits can be financial or non-financial in nature:

7.2.1. Costs

7.2.2. Member communications and engagement

7.2.3. Investment choices

7.2.4. Sound administration

7.2.5. The time spent by the Trustee in making sure that the Plan is run in the interests of its members overall (referred to as 'governance')

7.3. The assessment takes into account available research on the costs and features of other DC schemes for comparison purposes in respect of the five core benefit categories identified above.

7.3.1. Costs

7.3.1.1. Based on the profile of the Plan arrangements, the Trustee believes that the explicit charges are competitive when compared to current market rates on a like-for-like basis.

7.3.2. Member communications and engagement

7.3.2.1. The Plan provides effective communications that are accurate, clear, informative and timely.

7.3.2.2. Use is made of a variety of communication media.

7.3.2.3. There are also online tools and access to information via the Plan's member website.

7.3.3. Investment choices

7.3.3.1. The Plan offers a variety of lifestyle and standalone investment options covering a range of member risk profiles and asset classes. The investment choices available have been designed, following advice from the Plan's investment adviser, with the specific needs of members in mind.

7.3.4. Sound administration

7.3.4.1. The Trustee has appointed Barnett Waddingham to provide administration services to the Plan and is satisfied that Barnett Waddingham has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that, if administrative errors do occur, members are not disadvantaged as a result.

7.3.5. The time spent by the Trustee in making sure that the Plan is run in compliance with the law and regulation including taking account of the interests of its members (known as governance)

Chair's Statement (Cont)

7.3.5.1. The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet legal requirements and industry best practice.

- 7.4. Overall, the Trustee believes that the costs incurred by members offer value for money in this context. Additionally, the charges paid by members for the default fund are compliant with the statutory Charge Cap.

8. Trustee knowledge and understanding


- 8.1. Dalriada Trustees Limited ('Dalriada') has been a Trustee of the Plan since 10 December 2013 and the sole independent professional trustee since 1 August 2017. Throughout its appointment, Dalriada has been represented by Adrian Kennett and Greig McGuinness in addition Dalriada's Chief Investment Officer joins Adrian on the Plan's Investment Sub-committee. There have been no changes to the Trustee over the reporting period.

8.2. As an independent professional Trustee

- 8.2. As an independent professional Trustee, Dalriada bring a high degree of pension experience, knowledge and expertise to the management of the Plan and have the requisite knowledge and skills to undertake a trustee role effectively.
- 8.3. Both Dalriada representatives are familiar with the Plan governing documentation having overseen a consolidation review of the Plan's Trust Deed & Rules. They have also been instrumental in the development and implementation of other existing Plan governance documents and policies.
- 8.4. As part of Dalriada's externally audited processes and procedures, all representatives are required to maintain knowledge and understanding that is both relevant and appropriate to their ongoing appointments. This includes the need to complete the Pensions Regulator's trustee toolkit which ensures a good level of knowledge around the law relating to pensions and trusts and the procedures and the principles of investment and funding.
- 8.5. Additionally, Dalriada representatives benefit from Dalriada's internal Knowledge Management network and are able to call on the expertise and experience of the entire team of professional pensions at Dalriada and its group of companies.
- 8.6. Mr Kennett is a Fellow member, and Mr McGuinness an Associate member, of the Pensions Management Institute and both also hold membership of the Association of Professional Pension Trustees. As such, both are required to comply with the Continuous Professional Development (CPD) requirements of these professional organisations. This ensures that the Dalriada representatives maintain their knowledge of the regulatory framework and are able to put this into practice when managing the Plan. This includes compliance with regulatory duties, overseeing service providers, taking and challenging advice from the Plan's professional advisers and managing the Plan for the benefit of members.
- 8.7. Specific training on aspects of investments, scheme management and regulation (both of a general nature and in relation to the Plan) are provided at Trustee meetings by the Trustee's professional advisers as required. Such training is complemented by attendance at pensions focussed conferences, seminars and courses as well as the wider CPD activities described above.

Chair's Statement (Cont)

- 8.8. Over the reporting period, representatives of Dalriada have undertaken training and attended seminars which include, but are not limited to:
- 8.8.1. The new costs and charges disclosure duties and the impact upon the Plan
 - 8.8.2. DC governance and future regulatory change and how these developments will need to be accommodated through the Plan
 - 8.8.3. DC Section investment options incorporating Environmental, Social and Governance (ESG) factors and how such factors are integrated by the Plans investment managers.
 - 8.8.4. The impact of the General Data Protection Regulations
 - 8.8.5. Pensions Legal update
- 8.9. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements (Code of Practice 7) and provides a mixture of generic and bespoke training sessions. This, together with the ongoing work in relation to the Plan and the access to professional advisers ensures that the Trustee has sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.
- 8.10. The Trustee has appointed recognised and suitably qualified legal advisers and investment consultants, who provide advice on the operation of the Plan in accordance with the Plan's Trust Deed and Rules and in compliance with legislation. The appointment and an assessment of the Trustee's advisers is reviewed regularly.
- 8.11. The Trustee consults with its professional advisers as and when required, for example, on investments, governance and legal matters. Its professional advisers alert the Trustee on relevant changes to pensions legislation.
- 8.12. The Trustee is conversant with the Plan's Trust Deed and Rules as well as all other relevant Plan documentation, both through their overall experience in managing the Plan as well as its review of such documentation noted under 8.3 above. Over the reporting period, the Trustee has reviewed the following Plan documentation:
- 8.12.1. The Trustee, alongside its professional advisers, reviewed the Plan's Statement of Investment Principles (SIP) to take account of investment changes and to take account of ESG factors. This also included changes to the SIP to take account of the upcoming investment changes, described in Section 3.9.
 - 8.12.2. The risk register is reviewed at least every 6 months (the last review was completed in April 2019) to ensure that all relevant risks have been identified.
 - 8.12.3. The member communication materials are updated each year and reviewed by the Trustee and its advisers.
- 8.13. The Trustee considers that the combined knowledge of the Trustee Board, skills and understanding together with the advice which is available to the Trustee from its professional advisers, enables the Trustee to properly exercise its Trustee functions.


Adrian Kennett, for and on behalf of Dalriada Trustees Limited
Chair of the Trustee
2/12/19.
Date

Appendix 1 – Statement of Investment Principles

Version Date: May 2016

Oracle UK Pension Plan Statement of Investment Principles ("SIP")

Underpin Section – Section 1

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. The asset allocation strategy they have selected is designed to balance investing to meet the likely benefit obligation, taking into account the DB underpin, with investing to maximise members' benefits. The Trustees have taken into account the need for appropriate diversification.

Defined Contribution Section – Section 1 and Section 2

In investing the assets of the Plan in a prudent manner, the key aim of the Trustees is to provide a range of investments that are suitable for meeting long term and short term member objectives. They have taken into account members' circumstances, in particular their likely attitudes to risk, term to retirement, fund value at retirement and the options available at retirement. The Trustees aim to provide a limited range of high quality investment options.

Pensioner Section

The Trustees pay members' benefits from the Plan, as opposed to securing them through the purchase of an annuity. On retirement, members' funds will be disinvested from the Plan and invested within the Trustee Reserve Account. The Trustees aim to broadly match the balance between inflation-linked and fixed obligations, until such time as a bulk annuity purchase becomes viable.

The Plan is comprised of two sections (1 and 2). Section 1 is a hybrid of a Defined Contribution (DC) Scheme with a Defined Benefit (DB) Underpin. Section 2 is pure DC.

Section 1 is available for members' benefits accrued prior to 1 June 2004. Section 2 is available for benefits accrued after 1 June 2004. Both sections are now closed to future contributions. The Plan's investment objective is implemented using the range of investment options set out in Appendix One.

After taking advice, the Trustees decided to make three lifestyle options available for Section 1 non-core and Section 2 funds. The lifestyle options are designed to be appropriate for a typical member with a predictable retirement date. However, the lifestyle options are not necessarily suitable for all members, for example, those who unexpectedly retire early.

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005), the Occupational Pension Schemes (Scheme Administration) Regulations 1996 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Trustees have consulted with the principal employer, Oracle Corporation UK Limited ("the Employer"), prior to writing this Statement and will take the Employer's comments into account when they believe it is appropriate to do so.

Appendix 1 (Cont)

Version Date: May 2016

It is the policy of the Trustees to provide suitable information for members so that they can make the appropriate investment decisions. The range of funds was chosen by the Trustees after taking expert advice from the Plan's investment adviser. In choosing the Plan's investment options, the Trustees consider:

- The need for appropriate diversification.
- A full range of asset classes, including alternative asset classes such as private equity.
- The suitability of the possible styles of investment management and the option of investment manager diversification for members of the Defined Contribution Section.
- The risks and rewards of alternative asset allocation strategies.
- The suitability of each asset class in the Defined Benefit Underpin Section planned asset allocation strategy.
- The suitability of each asset class in the Defined Contribution Section.

The expected long term returns from the investment options are set out in Appendix Four. The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash options are expected to be lower than the predominantly equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement for members who intend to take their benefits in this form. Cash funds are expected to provide protection against changes in short-term capital values, and may be appropriate in the lead up to retirement for members receiving part or all of their retirement benefits in the form of cash.

Pre June 2004 'Section 1' DC Investments

The default investment option is the AXA Wealth Oracle Diversified Growth Fund for employer and employee core funds. The lifestyle investment options for non-core funds are detailed in Appendix Five.

Post June 2004 'Section 2' DC Investments

The lifestyle investment options are detailed in Appendix Five.

Trustee Reserve Account

Pensioner Section Investments

Assets held in the Trustee Reserve Account in respect of the Pensioner Section are invested in the AXA Wealth Oracle Pensioner Reserve Fund.

Appendix 1 (Cont)

Version Date: May 2016

RISK MEASUREMENT AND MANAGEMENT

The Trustees recognise the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustees considered this risk when setting the investment options and strategy for the Plan. The Trustees' policy in respect of risk measurement methods and risk management processes is set out below.

The Trustees consider the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives ('manager risk'). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- Risk of the lifestyle strategies or default funds being unsuitable for the requirements of some members.
- The risk of fraud, poor advice or acts of negligence ('operational risk'). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Together with the following sources of risk which are specific to the Defined Benefit underpin and pensioner sections:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ('mismatching risk'). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ('cash flow risk'). The Trustees and their advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The possibility of failure of the Plan's sponsoring employer ('covenant risk'). The Trustees and their advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the range of funds offered and the suitability of the lifestyle option annually.

These risks are considered as part of each normal strategy review. In addition, the Trustees measure risk in terms of the performance of the assets compared to the benchmarks on a periodic basis, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

Appendix 1 (Cont)

Version Date: May 2016

GOVERNANCE

The Trustees of the Plan have ultimate responsibility for the investment of the Plan's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision-making structure:

Trustees	Investment Committee
<ul style="list-style-type: none"> • Set structures and processes for carrying out their role • Select and monitor planned asset allocation • Appoint Investment Committee • Select and monitor the investment advisers • Select direct investments (see overleaf) • Consider recommendations from the Investment Committee 	<ul style="list-style-type: none"> • Make recommendations to the Trustees on <ul style="list-style-type: none"> – selection of fund managers – investment structures and their implementation • Monitor fund managers • Monitor direct investments • Make ongoing decisions relevant to the operational principles of the Plan's investment strategy
Investment Adviser	Fund Managers
<ul style="list-style-type: none"> • Advise on all aspects of the investment of the Plan's assets, including implementation • Advise on this statement • Provide training as required 	<ul style="list-style-type: none"> • Operate within the terms of this statement and their written contracts • Select individual investments with regard to their suitability and diversification • Advise Trustees on suitability of their benchmarks

Appendix 1 (Cont)

Version Date: May 2016

DIRECT INVESTMENTS

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustees' policy is to review their direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' DC contributions and AVCs. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

Section 1

All of the Plan's Section 1 member assets are invested in an insurance policy with AXA Wealth Ltd

Section 2

All of the Plan's Section 2 member assets are invested in an insurance policy with AXA Wealth Ltd

Trustee Reserve Account

All of the Trustee assets, which are predominately there to provide for the DB underpin, where necessary, and pensioner section, are invested in an insurance policy with AXA Wealth Ltd

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

When deciding whether to make any new direct investments or terminate any direct investments, the Trustees will obtain written advice from their investment adviser. If the Trustees believe that any of the insurance policies are no longer suitable for the Plan, it will withdraw the assets.

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Appendix 1 (Cont)

Version Date: May 2016

IMPLEMENTATION

Aon Hewitt Limited has been selected as investment adviser to the Trustees and the Investment Sub-Committee. Aon Hewitt operates under an agreement to provide a full service designed to ensure that the Trustees and Investment Sub-Committee are fully briefed both to take decisions themselves and to monitor those they delegate. Aon Hewitt is paid on a combination of fixed fee and time cost basis. This structure has been chosen to ensure that cost-effective, independent, advice is received.

Section 1

The Trustees use the Aon Hewitt Fund Delivery Service to implement their required investment strategy for Section 1. This service provides access to a range of pooled fund managers through a single route, these are detailed within Appendix One. AXA Wealth Ltd provides the insurance policy and fund administration for all funds within the service. The Trustees have decided that all Section 1 employer core contributions will be invested in the AXA Wealth Oracle Diversified Growth Fund.

For Section 1 employee core and non-core contributions, the Trustees have decided that a limited range of high quality investment options will be made available. The objective is to ensure that the investment needs of members are provided for while avoiding an overwhelming amount of choice.

Section 2

The Trustees use the Aon Hewitt Fund Delivery Service to implement their required investment strategy for Section 2. This service provides access to a range of pooled fund managers through a single route, these are detailed within Appendix One. AXA Wealth Ltd provides the insurance policy and fund administration for all funds within the service. The Trustees have decided that for investments made in Section 2 a limited range of high quality investment options will be made available. The objective is to ensure that the investment needs of members are provided for while avoiding an overwhelming amount of choice.

Trustee Reserve Account

The Trustees use the Aon Hewitt Fund Delivery Service to implement their required investment strategy for the Trustee Reserve Account. This service provides access to a range of pooled fund managers through a single route. These are detailed within Appendix Two.

Responsibilities of Fund Managers

The fund managers underlying the AXA Wealth policy are required to have regard for:

- Realisation of investments.
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and implementing corporate governance, as required to ensure the best performance of the investments held.

The Trustees expect each fund manager of the underlying assets to carry out the powers of investment delegated to them with a view to giving effect to the principles in this Statement so far as is practical. All investment managers, as mentioned above, have responsibility for all day-to-day decisions about the investments that fall under a written contract.

Appendix 1 (Cont)

Version Date: May 2016

Socially Responsible Investment

The Trustees do not have a separate policy on socially responsible investment and corporate governance that requires compliance from their fund managers. The fund managers take these factors into account in the day-to-day management of the funds.

The Trustees have also made available socially responsible investment fund choices, so members are able to choose such an option if they wish to do so.

Charges

The fund managers are remunerated through a percentage of fund charge (an annual management charge). In addition, fund managers may pay commissions to third parties on many trades they undertake in the management of the assets. The Trustees intend to review these costs from time to time to ensure that the costs incurred are commensurate with the goods and services received.

The current annual management charges are detailed in Appendix Three.

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Appendix 1 (Cont)

Version Date: May 2016

Appendix One - AXA Wealth Funds – Section 1 and 2

Active Funds

Fund Name	Investability	Investment Objectives	Benchmark	Performance Target
AXA Wealth Newton Fast Return Fund	All contributions, except Section 1 employer core contributions	Invests in a wide range of assets. The returns are expected to be less volatile than investment in shares as the diversification of investments will help to reduce overall risk. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	1 Month LIBOR	Outperform benchmark by 4% p.a. over rolling 3 – 5 year period
AXA Wealth BlackRock Diversified Growth Fund	All contributions, except Section 1 employer core contributions	Invests in a wide range of assets. The returns are expected to be less volatile than investment in shares as the diversification of investments will help to reduce overall risk. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	Bank of England Base Rate	Outperform benchmark by 3.5% p.a. over rolling 3 year period
AXA Wealth Oracle Diversified Growth Fund	Section 1 core contributions only	Composite of 60% BlackRock Defined Contribution Diversified Growth Fund and 40% BlackRock Alpha MSCI World Fund. The fund is rebalanced as necessary to the initial allocation of 60% / 40% of the underlying funds in any subsequent period where it deviates.	Bank of England Official Base Rate Plus 3.5% / 40% MSCI World Index Net Total Return GBP	Composite
AXA Wealth Baillie Gifford UK Equity Focus Fund	All contributions, except Section 1 employer core contributions	The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	FTSE All Share Index	Outperform benchmark by 1.5% to 2% p.a. over rolling 3 year periods
AXA Wealth MFS Mandarin Global Equity Institutional Fund	All contributions, except Section 1 employer core contributions	Invests in shares throughout the world. The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns. There will also be additional risk due to currency movements. However, the additional diversification will help to reduce overall risk.	MSCI World Index	To outperform index over full market cycle
AXA Wealth Three Seaside Pensions Property Fund	All contributions, except Section 1 employer core contributions	Invests in direct and indirect property. Property investment risk is lower than investment in equities, but higher than investment in bonds.	CAPIS Pooled Pension Fund Property Measure	To outperform the benchmark by 1% p.a. over rolling 3 year periods
AXA Wealth LGIM Property Fund	All contributions, except Section 1 employer core contributions. Closed to all new contributions (including transfers)	Invests in direct and indirect property. Property investment risk is lower than investment in equities, but higher than investment in bonds.	CAPIS Pooled Pension Fund Property Measure	To outperform the benchmark by 1-1.5% p.a. over rolling 3 year periods
AXA Wealth Oracle Cash Fund	All contributions, except Section 1 employer core contributions	Invests in short term cash instruments and aims to produce fairly reliable nominal returns.	7 Day LIBID	To deliver competitive rates of return from cash deposits and other short-term instruments.

Appendix 1 (Cont)

Appendix Two - AXA Wealth Funds – Trustee Reserve Account

Active Funds

Fund Name	Liability	Investment description	Benchmark	Performance target
AXA Wealth Oracle Diversified Growth Fund		Invests in a composite of 10% BlackRock Defined Contribution Diversified Growth Fund and 90% BlackRock Alpha MSCI World Fund	Bank of England Official Base Rate Plus 3.5%, 20% MSCI World Index Net Total Return GBP	

Passive & Active Funds – Pensioner Reserve Fund

Fund Name	Liability	Investment description	Benchmark	Performance target
AXA Wealth Oracle Pensioner Reserve Fund	Trustee Passive Account	Low risk option with lower expected returns than equities. Investments are expected to broadly match the balance between inflation-linked and fixed obligations. The fund is rebalanced to the initial allocation of the underlying funds on a quarterly basis.	26% FTSE UK Gov Index-Linked Up to 5 Years Index 41% FTSE A Index-Linked (Over 5 Years) Index 33% Bank Of England Official Bank Rate Plus 3.5%	Achieve returns in line with benchmark

All investments held in relation to the pensioner section are held in the AXA Wealth Oracle Pensioner Reserve Fund

Appendix 1 (Cont)

Version Date: May 2016

Appendix Three – Fund Charges (including AXA Wealth fees)

Fund	Total Expense Ratio
Active	
AXA Wealth Oracle Diversified Growth Fund	0.52%*
AXA Wealth Newton Real Return Fund	0.69%
AXA Wealth BlackRock Diversified Growth Fund	0.63%
AXA Wealth MFS Meridian Global Equity Institutional Fund	0.76%
AXA Wealth Baillie Gifford UK Equity Focus Fund	0.51%
AXA Wealth Threadneedle Pensions Property Fund	0.85%
AXA Wealth LGIM Property Fund	0.78%
AXA Wealth Oracle Cash Fund	0.175%
Passive	
AXA Wealth Oracle Pensioner Reserve Fund	Composite
AXA Wealth LGIM Global Equity Fixed Weights 50/50 Index Fund	0.15%
AXA Wealth Oracle Global Equity Fund	0.10%
AXA Wealth LGIM UK Equity Index Fund	0.10%
AXA Wealth LGIM Over 15 Year Gilts Index Fund	0.10%
AXA Wealth Oracle Index Linked Gilt Fund	0.10%
AXA Wealth LGIM Corporate Bond All Stocks Index Fund	0.175%
AXA Wealth LGIM Ethical UK Equity Index Fund	0.25%

*Based on allocation of 80% BlackRock Defined Contribution Diversified Growth Fund and 20% BlackRock Aquila MSCI World Fund

Appendix 1 (Cont)

Version Date: May 2016

Appendix Four – Expected Returns on Assets

Aon Hewitt's current expected nominal return assumptions over the next 10 years, as taken from their Capital Market Assumptions dated 30 September 2015, are as follows:

Diversified Growth Funds	5.5% pa
UK Equity	7.3% pa
Global Equity	7.3% pa
UK Property	6.0% pa
UK Index Linked Gilts	1.9% pa
UK Fixed Interest Gilts	2.6% pa
Corporate Bonds	3.5% pa
Cash	1.9% pa

Appendix 1 (Cont)

Version Date: May 2016

Appendix Five – Lifestyle Options

The Trustees have selected three lifestyle strategies in which members can choose to invest their Section 1 non-core and Section 2 funds:

- Cash
- Drawdown
- Annuity

Each strategy automatically switches investments to align funds with the way in which members intend to take their benefits at retirement.

The following funds are currently constituents of the lifestyle matrices:

Fund Type	Fund Name	Investment Style
Cash		
Diversified Growth	AXA Wealth BlackRock Diversified Growth Fund	Active
Diversified Growth	AXA Wealth Newton Real Return Fund	Active
Equity	AXA Wealth Oracle Global Equity Fund	Passive
Cash	AXA Wealth Oracle Cash Fund	Active
Drawdown		
Diversified Growth	AXA Wealth BlackRock Diversified Growth Fund	Active
Diversified Growth	AXA Wealth Newton Real Return Fund	Active
Equity	AXA Wealth Oracle Global Equity Fund	Passive
Index Linked Gilts	AXA Wealth Oracle Index Linked Gilt Fund	Passive
Cash	AXA Wealth LGEM Cash Fund	Active
Annuity		
Diversified Growth	AXA Wealth BlackRock Diversified Growth Fund	Active
Diversified Growth	AXA Wealth Newton Real Return Fund	Active
Equity	AXA Wealth Oracle Global Equity Fund	Passive
Index Linked Gilts	AXA Wealth Oracle Index Linked Gilt Fund	Passive
Cash	AXA Wealth LGEM Cash Fund	Active

Members are assumed to retire at 65 unless they have specified an alternative target retirement age.

Whilst the member has more than 5 years to retirement, all the lifestyle funds are identical and invest 80% in diversified growth funds and 20% in equity. The equity allocation is invested in the AXA Wealth Oracle Global Equity Fund. The diversified growth fund allocation is invested equally in the AXA Wealth BlackRock Diversified Growth Fund and AXA Wealth Newton Real Return Fund. The allocations are rebalanced each quarter.

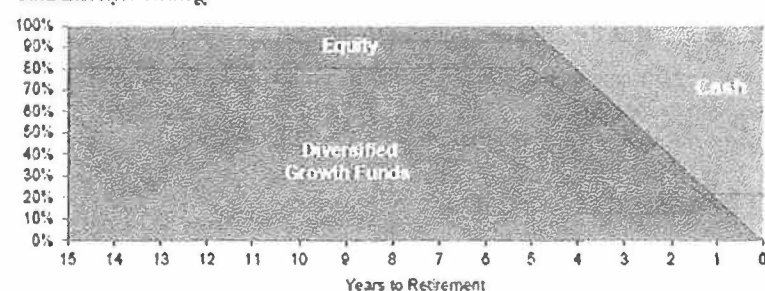
Appendix 1 (Cont)

Version Date: May 2016

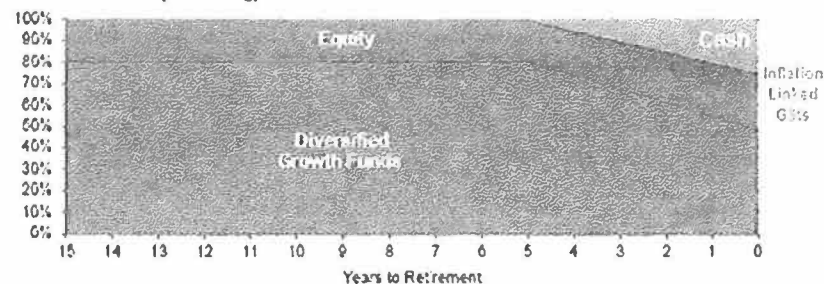
Within 5 years from retirement, the member's fund will be rebalanced in line with the lifestyle matrix on a quarterly basis. To reduce the risk of needing to repurchase fund units sold in a previous period purely as a result of market movements, the administrators will implement a 'No buy back' rule on the Equity and Diversified Growth Funds. For example, if market movements suggest that either Equity or Diversified Growth Funds need to be purchased to rebalance the member's fund in line with the lifestyle matrix, then this instruction will be overridden and the member's funds will be allowed to catch up with the matrix naturally as time passes.

Charts showing each lifestyle are set out below:

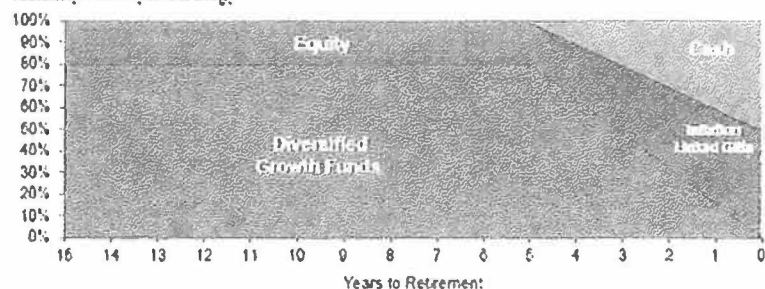
Cash Lifestyle Strategy



Drawdown Lifestyle Strategy



Annuity Lifestyle Strategy



The Investment Report

Investment managers

The Plan's Trust Deed and Rules permit the Trustee to delegate the task of investment management to outside experts. Phoenix Life Limited are professional external investment managers and have taken full responsibility for investing the Plan's assets. The Trustee sets the investment strategy for the Plan after taking advice from the Plan's investment adviser. The Trustee has put in place a mandate with the investment manager which implements this strategy. The investment manager is remunerated by fees based on a percentage of funds under management, and these fees are met by the Plan. There are no performance-related fee arrangements.

When choosing investments, the Trustee and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 requires that the Trustee's duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Plan's assets.

Investment Principles

The Trustee has produced a Statement of Investment Principles as required by section 35 of the Pensions Act 1995 and a copy of the statement is included on page 25. The Statement of Investment Principles incorporates the Trustee's investment strategy.

Departures from Investment Principles

There were no significant departures from the stated principles during the year under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

Custodian arrangements

Phoenix Life Limited act as custodians of the Plan's assets. The Trustee's investment management agreement with Phoenix Life Limited covers custodian arrangements.

The Investment Report (Cont)

Review of investment performance

Performance of the Plan's funds to 31 May 2019 is shown in the table below. Performance is shown net of fees against the benchmark and three and five year performance is annualised.

Plan Fund Performance (%) as at 31 May 2019			
Fund	1-Year	3-Year (p.a.)	5-Year (p.a.)
Oracle Diversified Growth Fund	2.7%	5.9%	4.0%
80% Bank of England Base Rate + 3.5%, 20% MSCI World Index	4.7%	6.1%	5.6%
Oracle Active UK Equity**	-9.5%	-	-
FTSE All Share Index	-3.2%	-	-
BlackRock Diversified Growth Fund	1.7%	3.5%	2.0%
Bank of England Base Rate + 3.5%	4.2%	4.0%	4.0%
LGIM Corporate Bond All Stocks Index Fund	4.7%	4.0%	5.1%
iBoxx £ Non-Gilts ex BBB All Stocks Index	4.1%	4.1%	5.0%
LGIM Ethical UK Equity Index Fund	-1.7%	9.0%	5.5%
FTSE4Good UK Equity Index	-0.7%	9.5%	5.9%
LGIM Global Equity Fixed Weights (50:50) Index Fund	-0.3%	11.1%	8.0%
50% FTSE All Share Index, 50% Overseas Equity Indices	-0.2%	11.4%	8.2%
LGIM Over 15 Year Gilts Index Fund	5.9%	6.4%	9.3%
FTSE Actuaries UK Government Over 15 Year Index	6.0%	6.5%	9.5%
LGIM Property Fund *	2.1%	2.1%	6.0%
Composite Property Benchmark *	4.8%	6.2%	9.1%
LGIM UK Equity Index Fund	-3.2%	8.5%	5.1%
FTSE All Share Index	-3.2%	8.7%	5.3%
MFS Meridian Global Equity Institutional Fund	8.7%	14.4%	12.2%
MSCI World Index	5.3%	14.4%	11.8%
Newton Real Return Fund	7.0%	3.2%	3.1%
1 month LIBOR + 4%	4.7%	4.5%	4.5%
Oracle Cash Fund **	0.6%	0.4%	-
7 Day LIBID	0.5%	0.3%	-
Oracle Global Equity Fund **	6.0%	14.9%	-
MSCI World Index	5.3%	14.4%	-
Oracle Index Linked Gilt Fund **	7.1%	7.4%	-
50% FTSE UK Gilts Index-Linked Over 5 Years Index, 50% FTSE UK Gilts Index-Linked Under 15 Years Index	7.1%	7.5%	-
Oracle Pensioner Reserve Fund	4.8%	5.9%	6.8%
28% FTSE UK Gilt Index Linked Up to 5 Years Index, 42% FTSE Index Linked Over 5 years Index, 30% Bank of England Base Rate + 3.5%	5.6%	6.1%	6.9%
Threadneedle Pensions Property Fund *	3.8%	5.7%	8.9%
Composite Property Benchmark *	4.8%	6.2%	9.1%

Source: Phoenix Corporate Investment Services

* Benchmark produced on a quarterly basis only; figures as at 31 March 2019

** Funds launched within 3 or 5 year period; available performance figures shown

The pooled investment vehicle unitised funds are priced and traded daily by the investment manager. The Trustee regards all of the Plan's investments as readily marketable.

Independent Auditor's Report to the Trustee of The Oracle UK Pension Plan

Opinion

We have audited the financial statements of The Oracle UK Pension Plan for the year ended 31 May 2019 which comprise the fund account, the statement of net assets and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 31 May 2019 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identifiable material uncertainties that may cast significant doubt about the Plan's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent Auditor's Report (Cont)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement in the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the Trustee's Responsibilities Statement set out on page 6, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Plan's Trustee, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan's Trustee, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date:

6/12/19

Summary of Contributions payable in the year

During the year, the contributions payable to the Plan by the Employer under the Schedules of Contributions were as follows:

	£
Employer deficit funding contributions paid during the year	4,166,665
Employer deficit funding contributions deferred	6,733,335
Contributions payable under the Schedules of Contributions and per note 3 to the financial statements	<u>10,900,000</u>

A deferral of contributions has been agreed between the Plan and the Employer in that the annual contribution of the required amount, £10.9m, has been deferred. From January 2019 a new Schedule of Contributions required monthly payments of £833,333 to be made against this amount by the Employer resulting in a year end deferred amount of £6,733,335.

Signed on behalf of the Trustee:



Director of Dalriada Trustees Limited

Date: 2/12/19.

Independent Auditor's Statement about Contributions under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of The Oracle UK Pension Plan

Qualified statement about contributions payable under schedule of contributions

We have examined the summary of contributions payable to The Oracle UK Pension Plan on page 42, in respect of the Plan year ended 31 May 2019.

In our opinion, except for the matter described in the Basis for qualified statement about contributions payable under the Schedule of Contributions section of our report, contributions for the Plan year ended 31 May 2019, as reported in the Summary of Contributions on page 42 and payable under the Schedule of Contributions, have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 26 July 2017 and 10 May 2019.

Basis for qualified statement about contributions payable under the Schedule of Contributions

As noted in the Summary of Contributions, the Trustee agreed to defer employer deficit contribution of £10.9 million which was due in one lump sum payment from the Escrow account by 22 October 2018, being 60 days after the actuarial calculation was completed in accordance with the Schedule of Contributions. This balance was not paid by 22 October 2018. Monthly payments of £833,333 were made against this amount from January 2019 onwards and therefore the outstanding amount at 31 May 2019 was £6.7m.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 42 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully on page 6 in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the Employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Independent Auditor's Statement about Contributions (Cont)

Use of our statement

This statement is made solely to the Plan's Trustee, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan's Trustee for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: 6/12/19

The Financial Statements

Fund Account

for the year ended 31 May 2019

	Note	31 May 2019		31 May 2018
		Final salary section underpin reserve £	Money purchase section £	Total £
Contributions and benefits				
Employer contributions		10,900,000	-	10,900,000
Total contributions	3	10,900,000	-	10,900,000
Benefits paid or payable	4	(1,415,034)	(3,839,256)	(5,254,290)
Payments to and on account of leavers	5	(3,232,821)	(9,343,332)	(12,576,153)
Administrative expenses	6	(12,582)	(592)	(13,174)
		(4,660,437)	(13,183,180)	(17,843,617)
Net withdrawals from dealings with members		6,239,563	(13,183,180)	(6,943,617)
Returns on investments				
Investment income	7	2,377	4,931	7,308
Change in market value of investments	8	1,863,185	10,402,504	12,265,689
Net returns on investments		1,865,562	10,407,435	12,272,997
Net increase / (decrease) in the fund during the year		8,105,125	(2,775,745)	5,329,380
Transfers between sections	16	4,503,490	(4,503,490)	-
Net assets of the Plan				
At 1 June		34,789,220	363,244,907	398,034,127
At 31 May		47,397,835	355,965,672	403,363,507

The notes on pages 47 to 56 form part of these financial statements.

Statement of Net Assets

available for benefits as at 31 May 2019

	Note	31 May 2019			31 May 2018
		Final salary section underpin reserve £	Money purchase section £	Total £	Total £
Investment assets:					
Pooled investment vehicles	10	39,415,156	356,108,994	395,524,150	396,448,915
Cash	8	890,533	46,669	937,202	797,481
Total net investments		40,305,689	356,155,663	396,461,352	397,246,396
Current assets	14	7,092,146	199,243	7,291,389	1,485,999
Current liabilities	15	-	(389,234)	(389,234)	(698,268)
Net assets of the Plan at 31 May available for benefits		47,397,835	355,965,672	403,363,507	398,034,127

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which takes into account such obligations for the final salary section, is dealt with in the Report on Actuarial Liabilities on pages 7 to 8 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 47 to 56 form part of these financial statements.

These financial statements were approved by the Trustee and authorised for issue on

Date: 2/12/19.

Signed on behalf of the Trustee:


Director of Dalriada Trustees Limited

Notes to the Financial Statements

The Oracle UK Pension Plan is a money purchase scheme (subject to a Pensions Underpin) registered under Chapter 2 of Part 4 of the Finance Act 2004.

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (September 2015) issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2015).

2. Accounting policies

The principal accounting policies of the Plan which are applied consistently are as follows:

Currency

- The Plan's functional and presentational currency is pounds sterling.

Contributions

- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier.

Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- Individual transfers in or out of the Plan are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

Expenses

- Expenses (when agreed to be paid by the Trustee) are accounted for on an accruals basis.

Investment income

- Income from cash and short term deposits is accounted for on an accruals basis.
- Investment income arising from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".

Investments

- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
- Unitised pooled investment vehicles have been valued at the latest available single price provided by the pooled investment manager.

Transfers between sections

- Transfers between sections can arise when members' funds are transferred to pay pensions from the final salary section underpin reserve. Members' funds are also transferred from the final salary section underpin reserve to the money purchase section when a member opts to transfer out of the Plan.

Notes to the Financial Statements (Cont)

3. Contributions

	Final salary section underpin reserve	2019 Money purchase section	Total
	£	£	£
Employer contributions			
Deficit funding	10,900,000	-	10,900,000
2018			
Employer contributions			
Deficit funding	9,200,000	-	9,200,000

Under the terms of the actuarial valuation at 31 May 2013, an annual check is carried out to ensure that the Trustee Reserve Account could be expected to be able to meet demands on it over the following three years. The check is carried out each 31 May. If the Plan is in deficit (including the amount in the Escrow account) the contributions must continue to be paid in each month. The annual checks resulted in the contributions of £9,200,000 in 2018 and £10,900,000 in 2019.

A deferral of contributions has been agreed between the Plan and the Employer in that the annual contribution of the required amount, £10.9m, has been deferred. From January 2019 a new Schedule of Contributions required monthly payments of £833,333 to be made against this amount by the Employer resulting in a year end deferred amount of £6,733,335.

4. Benefits paid or payable

	Final salary section underpin reserve	2019 Money purchase section	Total
	£	£	£
Pensions	1,326,605	-	1,326,605
Commutation of pensions and lump sum retirement benefits	88,429	2,188,779	2,277,208
Purchase of annuities on retirement	-	1,327,528	1,327,528
Lump sum death benefits	-	322,949	322,949
	1,415,034	3,839,256	5,254,290
2018			
Pensions	949,866	-	949,866
Commutation of pensions and lump sum retirement benefits	167,225	1,444,912	1,612,137
Purchase of annuities on retirement	-	422,112	422,112
Lump sum death benefits	6,632	513,811	520,443
	1,123,723	2,380,835	3,504,558

Money purchase benefits payable on retirement or death are paid from and disclosed under the appropriate section above. If a top-up from the Final Salary underpin reserve has been required for those members in receipt of a benefit on death or retirement with Section 1 contributions, this is paid from the Final Salary underpin reserve and has therefore been disclosed under this section.

Notes to the Financial Statements (Cont)**5. Payments to and on account of leavers**

	Final salary section underpin reserve	2019 Money purchase section	Total
	£	£	£
Individual transfers to other schemes	3,232,821	9,343,332	12,576,153
2018			
Individual transfers to other schemes	2,727,980	8,810,071	11,538,051

6. Administrative expenses

	Final salary section underpin reserve	2019 Money purchase section	Total
	£	£	£
Administration and processing	733	-	733
TPR levy	-	-	-
Employer covenant fees	10,800	-	10,800
Investment advice	-	-	-
Bank charges	1,049	592	1,641
	12,582	592	13,174
2018			
Administration and processing	5,430	2,797	8,227
TPR levy	23,331	-	23,331
Employer covenant fees	12,000	-	12,000
Investment advice	3,000	-	3,000
Bank charges	550	318	868
	44,311	3,115	47,426

In line with the Schedule of Contributions the Trustee has agreed certain fees which are in isolation under £30,000 will be paid by the Scheme, subject to a total of expenses paid since 31 May 2016 being less than £200,000 in aggregate.

All other administrative expenses are met by the Sponsoring Employer.

Notes to the Financial Statements (Cont)**7. Investment Income**

	Final salary section underpln reserve	2019 Money purchase section	Total
	£	£	£
Interest on cash deposits	2,377	4,931	7,308
		2018	
Interest on cash deposits	749	879	1,628

8. Reconciliation of investments

	Value at 31 May 2018 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 May 2019 £
Not allocated to members					
Final salary section underpln reserve					
Pooled investment vehicles					
-Trustee Reserve account	8,838,265	4,373,633	(8,926,205)	54,482	4,340,175
-Pensioner Reserve account	25,491,985	9,141,411	(1,367,118)	1,808,703	35,074,981
	34,330,250	13,515,044	(10,293,323)	1,863,185	39,415,156
Cash in transit	176,500				890,533
	34,506,750				40,305,689
Allocated to members					
Money purchase section					
Pooled investment vehicles	362,118,665	6,837,653	(23,249,828)	10,402,504	356,108,994
Cash in transit	620,981				46,669
	362,739,646				356,155,663

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect costs is not separately provided to the Plan.

The money purchase section investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Plan administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Plan that relate to members leaving the Plan prior to vesting.

Money purchase assets are allocated to members and the Trustee as follows:

	2019 £	2018 £
Members	356,155,663	362,739,646
Trustee	-	-
	356,155,663	362,739,646

Notes to the Financial Statements (Cont)

9. Taxation

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

10. Pooled investment vehicles

The Plan's investments in pooled investment vehicles at the year-end comprised:

	2019	2018
	£	£
Final salary section underpin reserve		
Multi-asset	39,415,156	34,330,250
	<u>39,415,156</u>	<u>34,330,250</u>
Money purchase section		
Equities	31,924,839	33,015,029
Bonds	4,788,403	4,908,184
Multi-asset	309,006,466	314,250,944
Property	1,444,189	1,340,237
Cash	8,945,097	8,604,271
	<u>356,108,994</u>	<u>362,118,665</u>

The multi-asset funds hold a variety of investments including equities, bonds, derivatives and commodities.

The pooled investment vehicles are unrated, however all of the underlying investments are considered to be investment grade.

11. Fair value determination

The fair value of financial instruments has been estimated using the following fair value determination:

- Level 1: The unadjusted quoted price in an active market for identical assets that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset.

The Plan's investment assets have been fair valued using the above determination levels as follows:

	As at 31 May 2019			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Final salary section underpin reserve				
Pooled investment vehicles	-	39,415,156	-	39,415,156
Cash	890,533	-	-	890,533
	<u>890,533</u>	<u>39,415,156</u>	<u>-</u>	<u>39,415,156</u>
Money purchase section				
Pooled investment vehicles	-	356,108,994	-	356,108,994
Cash	46,669	-	-	46,669
	<u>46,669</u>	<u>356,108,994</u>	<u>-</u>	<u>356,108,994</u>
	<u>937,202</u>	<u>395,524,150</u>	<u>-</u>	<u>396,461,352</u>

Notes to the Financial Statements (Cont)**11. Fair value determination (Cont)**

	As at 31 May 2018			Total £
	Level 1 £	Level 2 £	Level 3 £	
Final salary section underpin reserve				
Pooled investment vehicles	-	34,330,250	-	34,330,250
Cash	176,500	-	-	176,500
Money purchase section				
Pooled investment vehicles	-	362,118,665	-	362,118,665
Cash	620,981	-	-	620,981
	797,481	396,448,915	-	397,246,396

12. Investment risk disclosures**Investment risks**

FRS102 requires the disclosure of information in relation to certain investment risks as follows:

- Credit risk – one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk – comprises the following three types of risk:
 1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
 2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
 3. Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

Summary of risk exposures

The below table summarises the potential risk exposures by fund at 31 May 2019:

Fund	Fund value as at 31 May 2019 (£)	Fund value as at 31 May 2018 (£)	Credit risk	Currency risk	Interest rate risk	Other price risk
Oracle Diversified Growth	233,933,955	241,432,804	✓	✓	✓	✓
Oracle Active UK Equity	1,860,197	2,344,322	-	-	-	✓
BlackRock Diversified Growth	37,831,470	39,381,626	✓	✓	✓	✓
LGIM Corporate Bond All Stocks Index	831,249	790,824	✓	-	✓	✓
LGIM Ethical UK Equity Index	605,533	662,999	-	-	-	✓
LGIM Global Equity Fixed Weights (50:50) Index	3,475,898	3,356,895	-	✓	-	✓
LGIM Over 15 Year Gilts Index	1,044,638	958,392	✓	-	✓	✓
LGIM Property	355,105	345,462	✓	-	-	✓
LGIM UK Equity Index	2,001,113	2,081,042	-	-	-	✓
MFS Meridian Global Equity Institutional	5,788,839	5,482,886	-	✓	-	✓
Newton Real Return	41,581,216	42,274,779	✓	✓	✓	✓
Oracle Cash	8,945,097	8,604,271	✓	-	✓	✓
Oracle Global Equity	18,193,258	19,086,885	-	✓	-	✓
Oracle Index Linked Gilt	2,912,515	3,158,968	✓	-	✓	✓
Oracle Pensioner Reserve	35,074,980	25,491,985	✓	✓	✓	✓
Threadneedle Pensions Property	1,089,083	994,776	✓	-	-	✓

The pooled investment vehicles that the Plan invests in are structured as life policies.

Notes to the Financial Statements (Cont)

12. Investment risk disclosures (Cont)

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Plan has exposure to these risks because of the investments it makes in following the investment strategy set out in the SIP which can be found on page 25.

Measuring and Managing

Note that, in the case of market risk, the Trustee makes the distinction between risks that arise from interest rate exposure, currency and credit exposure and other price risk, as well as the distinction between direct and indirect risks.

Credit Risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Direct credit risk exists through investment in pooled investment vehicles given the possibility that the respective managers could fail to meet their financial obligations to investors in their pooled funds.

However, these risks are mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the UK regulatory environment in which they operate and diversification across a number of pooled arrangements. The Trustee carries out due diligence checks on the appointments of new pooled investment managers and receives advice on any changes to the operating environment of the pooled manager.

Indirect credit risk exists through the credit exposure of the underlying securities within the pooled funds. The objective of taking on indirect credit exposure within the pooled funds is to obtain a higher expected return than would be obtained from investing solely in government bonds or secured overnight borrowing.

The credit risk is managed by ensuring that guidelines are in place for the investment manager to ensure an appropriate overall level credit quality and diversification of issuers and counterparties commensurate with the objectives of the investment.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Although a proportion of the underlying assets are held in overseas currencies, the pooled funds are denominated in sterling. The investment in overseas equities and bonds is designed to increase the number of securities that can be considered for inclusion in the portfolio and thereby improve the risk/reward and diversification characteristics of this investment. The Trustee is satisfied that the expected benefits from allowing members of the Plan to invest in overseas securities compensates for the associated currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in market interest rates will directly affect the fair value of the member's holdings in fixed income securities held through pooled investment vehicles. The objective of holding these instruments is to help the members' funds to be better matched to changes in annuity prices.

Other Price Risk

All investments are subject to idiosyncratic price risks that arise from factors affecting that asset class or individual investment in addition to credit risk, currency risk and interest rate risk. Before investing in any asset class or entrusting the assets in the Plan to a particular manager, the Trustee takes advice on the risks involved both on a quantitative and qualitative basis from their investment consultant.

The purpose of accepting these risks is to ensure that, when considered as a whole, the Plan members have access to a suitably diversified portfolio in terms of the type of risk taken and the sources of expected future returns.

These risks are managed by ensuring that the portfolio is well diversified both across asset classes and within each individual asset class. In addition, the Trustee takes advice from their investment consultant as to the continuing suitability of the asset classes and managers in which members invest.

Notes to the Financial Statements (Cont)**13. Concentration of investments**

The following investments each account for more than 5% of the Plan's net assets at the year-end:

	2019		2018	
	£	%	£	%
AXA Oracle Diversified Growth FDS	233,933,955	58.0	241,432,804	60.7
Newton Real Return Fund	41,581,216	10.3	42,274,779	10.6
BlackRock Diversified Growth Fund	37,831,470	9.4	39,381,626	9.9
AXA Oracle Global Equity Fund	35,074,980	8.7	25,491,985	6.4

14. Current assets

	Final salary section underpin reserve	2019 Money purchase section	Total
	£	£	£
Employer contributions due	6,733,335	-	6,733,335
Cash balances	255,106	199,243	454,349
Prepayments	103,705	-	103,705
	7,092,146	199,243	7,291,389
2018			
Cash balances	329,238	1,156,761	1,485,999
Prepayments	-	-	-
	329,238	1,156,761	1,485,999

Included in the money purchase section bank balance is £539 (2018: £815) which is not allocated to members.

A deferral of contributions has been agreed between the Plan and the Employer in that the annual contribution of the required amount, £10.9m, has been deferred. From January 2019 a new Schedule of Contributions required monthly payments of £833,333 to be made against this amount by the Employer resulting in a year end deferred amount of £6,733,335. These monthly payments are continuing to be paid post year end and therefore the deferred debtor will be settled in less than one year.

Notes to the Financial Statements (Cont)**15. Current liabilities**

	Final salary section underpin reserve	2019 Money purchase section	Total
	£	£	£
Unpaid benefits	-	(389,234)	(389,234)
Accrued expenses	-	-	-
	-	(389,234)	(389,234)
2018			
Unpaid benefits	(11,608)	(651,500)	(663,108)
Accrued expenses	(35,160)	-	(35,160)
	(46,768)	(651,500)	(698,268)

16. Transfers between sections

	2019 Final salary section underpin reserve	2019 Money purchase section
	£	£
Reclassification of assets	4,503,490	(4,503,490)
2018		
Reclassification of assets	3,703,296	(3,703,296)

Transfers between sections can arise when members' funds are transferred to pay pensions from the final salary section underpin reserve.

17. Related party transactions

Oracle Corporation UK Limited provides certain administration and other services to the Plan for which no charge is made. The Employer also pays contributions to the Plan as disclosed in Note 3.

Fees paid to Dalriada Trustees Limited (who are key management personnel) by the Employer totalled £81,337 (2018: £69,195).

The above transactions were made in accordance with the Plan Rules.

A guarantee has been agreed between the Trustee and the Oracle Corporation (the parent company of the Sponsoring Employer) to meet liabilities that may arise (up to a maximum of £600 million).

18. Employer-related investments

There were no direct employer-related investments at the year-end. Any potential indirect employer-related investment through pooled investment vehicles is unintentional and would represent less than 0.1% of Plan net assets.

Notes to the Financial Statements (Cont)

19. Contingent liabilities

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustee of the Plan are aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Certificate of Adequacy of Contributions

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected, on 31 May 2016, to be met by the end of the period specified in the Recovery Plan dated 25 July 2017.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 25 July 2017.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.

Signature:



Date:

10 May 2019

Name:

Paul Hubbard

Qualification:

Fellow of the Institute and Faculty of Actuaries

Address:

Silver Springs House
2 Topaz Way
Birmingham Road
Bromsgrove
Worcestershire
B61 0GD

Employer:

Barnett Waddingham LLP

Schedule of Contributions

THE ORACLE UK PENSION PLAN

Schedule of contributions

Status

This Schedule of Contributions has been prepared by the Trustees of the Oracle UK Pension Plan (the Plan) after obtaining the advice of the Scheme Actuary appointed by the Trustees.

This document follows the actuarial valuation of the Plan as at 31 May 2016, which revealed a funding shortfall (technical provisions minus value of assets) of £165.5m. It has been agreed by the sponsoring employer, Oracle Corporation UK Limited (the Employer).

This schedule replaces the existing Schedule of Contributions dated 25 July 2017, with future revisions taking place as part of the 31 May 2019 actuarial valuation.

Employer contributions

Accrual

The Pensions Underpin ceased accruing with effect from 31 May 2004, and future accrual of benefits (including death benefits) ceased with effect from 31 December 2010. Therefore there are no contributions in respect of future service.

If additional defined contribution benefits are provided in future, supplementary employer contributions will be payable as agreed with the Trustees and/or affected members.

Expenses

The Employer will pay the expenses of running the Plan directly, including any levies payable to the Pension Protection Fund or the Pensions Regulator with the following exceptions:

- The Trustees may determine that any expenses which are in isolation under £30,000 will be paid directly from the Plan subject to the total of such expenses paid since 31 May 2016 being less than £200,000 in aggregate.
- The Trustees may determine that any annual management charges in respect of assets held within the Escrow Account will be paid directly from the Plan, if such charges cannot be paid from the Escrow Account directly.

Augmentations

If any augmentations are made, supplementary employer contributions will be payable equal to the cost as advised to the Trustees by the Scheme Actuary.

Contributions to the Section 1 Underpin Reserve account

The Section 1 Underpin Reserve (the Underpin Reserve) is made up of the following:

- a. Pensioner Reserve Fund (PRF): The PRF is an investment fund used to back the liabilities for Pensioners. It is intended that the value of the PRF, plus any amount in the Underpin Reserve bank account, is equal in value to the liabilities for Pensioners assessed using the Cash Equivalent Transfer Value (CETV) assumptions in place as at the assessment date.
- b. Trustee Reserve Account (TRA): The TRA is an investment fund used to fund the difference in value between a member's Notional Account and the value of the member's Pensions Underpin at the time the

Pensions Underpin is applied. This may be as a result of the member retiring with a pension from the Plan, transferring out of the Plan or passing away.

- c The Underpin Reserve bank account and net current assets (NCA).

An annual check as at 31 May of each year will be carried out to ensure that the Underpin Reserve account is expected to be able to provide the benefits of current pensioners in future and to meet demands as a result of transfers out and retirements over the following three years. In the Funding Deed dated 28 May 2015 and in this Statement, this amount is defined as a 'Required Amount'.

As at 31 May of each year a calculation will be made of the following amount:

1. The value of all pensions in payment as at the assessment date. This will be calculated using the CETV assumptions in force as at the assessment date. Different assumptions may be used for this calculation if the Trustees and Employer agree.

PLUS

2. The expected shortfall as at the assessment date on the Underpin Reserve due to retirement at or after Normal Retirement Age (NRA) during the next 3 years. This will be based on members expected to reach NRA in the following 3 years and members already over NRA at the assessment date, using the CETV assumptions in force as at the assessment date. For these purposes all members over NRA will be assumed to retire immediately. Different assumptions may be used for this calculation if the Trustees and Employer agree.

PLUS

3. Expected demands due to early retirements and transfers out in the next 3 years. For the purposes of this test, the demands due to early retirements and transfers out over the following 3 years will be assumed to be equal in value to the demands due to transfers out in the 3 years prior to the assessment date.

PLUS

4. Any additional demands on the Underpin Reserve in the next 3 years. This will be calculated as the total of any expected additional demands on the Underpin Reserve over the following 3 years, which the Trustees have agreed with the Employer as at the assessment date.

LESS

5. Expected returns on the TRA in the 3 years following the assessment date. The assumed rate of return for this calculation will be set equal to the pre-retirement asset return that is in line with the CETV assumptions as at the assessment date. Different assumptions may be used for this calculation if the Trustees and Employer agree.

LESS

6. The value of the Underpin Reserve as at the assessment date.

LESS

7. The present value of any Required Amount due under any previous Underpin Reserve annual checks. This will be calculated as the present value of any Required Amount due under any previous Underpin Reserve annual checks which has not been paid into the Plan prior to the assessment date.

The resulting amount will be amortised over the following 3 years payable in advance, using the post retirement discount rate that is in line with the CETV assumptions as at the assessment date. Each annual instalment is referred to in this statement and in the Funding Deed as a 'Required Amount Instalment' and will be paid in accordance with the terms of the Funding Deed.

The Required Amount calculation will be set to a minimum of zero, in which case no funding is required to the Underpin Reserve.

The Required Amount will be calculated by the Scheme Actuary and the Employer will be notified of the amount payable. If any, from the date of notification the Employer's actuary will have 20 business days to review the amount.

If by the end of 20 business days the Employer's actuary has agreed the amount payable, the amount payable will be due to be paid to the Plan no later than 40 business days after the end of the 20 business day period.

If at the end of 20 business days the Employer's actuary has not agreed the Required Amount payable, the lower of the Trustees' calculation of the Required Amount Instalment payable in the first year and the Employer's calculation of the amount payable in the first year will be due 40 business days after the end of the 20 business day period. The final amount payable in the first year in relation to the first Required Amount Instalment will then be agreed between the Trustees and the Employer, with any final payment due 40 business days after agreement has been reached. Payments of the Required Amount Instalments in subsequent years will be due on the anniversary of the date agreement has been reached and will be payable regardless of the results of subsequent annual checks, unless a new Schedule of Contributions is agreed in the meantime.

If there has been no delayed payment agreement between the Trustee and the Employer (see later section) then in the event of non or partial payment at the end of the above time periods, the Guarantee can be called upon for the payment outstanding, rather than the maximum amount of the Guarantee. The Trustees will first exhaust all other avenues before calling on the Guarantee.

Payments to escrow

The Employer and Trustees have agreed as part of the 2016 actuarial valuation that the Employer will continue to make payments in respect of the funding shortfall into an escrow arrangement until at least May 2025. Payments to the escrow will be made in monthly instalments of £833,333 with the first instalment under this schedule due by no later than 31 July 2017 (for the July 2017 instalment) and the last instalment due by the last business day in May 2035. The terms of the escrow arrangement are set out in the "Funding Deed in relation to the Escrow Arrangement" dated 28 May 2015 (the Funding Deed).

Unless agreed otherwise between the Trustees and Employer, payments falling due after May 2025 will be made direct to the Plan.

Note that payments due to or from the escrow can be reduced by the amount of any contributions that have been paid to the Plan directly by the Employer since the date of this Schedule, excluding those in respect of augmentations or made under the indemnity provisions in the Plan rules.

An actuarial report on developments affecting the Plan's technical provisions and funding level will be obtained annually between actuarial valuations. This check will be based on the Technical Provisions assumptions in the Statement of Funding Principles in force at the previous actuarial valuation date with market conditions updated to the effective date.

If an annual Actuarial Report reveals a surplus (taking into account the monies in the escrow), payments to the escrow arrangement may cease in accordance with the Funding Deed. If an update reveals a surplus in the Plan (excluding the monies in the escrow), then all the funds in the escrow may be returned to the Employer and the escrow may be wound up.

If an annual Actuarial Report reveals a deficit (taking into account the monies in the escrow), then the Employer will continue / resume making payments to the escrow arrangement.

Delaying payment of amounts due from the escrow account

With the agreement of the Trustee, the Employer can delay making a payment from the escrow account into the Plan. However if the amount in the TRA goes below £2m (as determined by the Trustees from the weekly updates

THE ORACLE UK PENSION PLAN ANNUAL REPORT FOR THE YEAR ENDED 31 MAY 2019

received from the investment manager) the Employer is required to authorise a transfer payment of £2m from the escrow account to the Plan within 10 working days of notification that a payment is required.

Final Test Date contribution from the escrow arrangement

The 'Final Test Date' in the Funding Deed is 31 May 2025. In accordance with the Funding Deed, at the Final Test Date the Trustees may require the transfer of escrow monies to the Plan, up to a maximum of the deficit calculated using Technical Provisions assumptions as at that date. The Funding Deed contains further details regarding the nature and timing of the calculations at the Final Test Date.

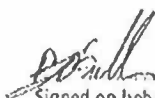
This Schedule has been agreed by the Trustees and the Employer



Signed on behalf of the Trustees of the Oracle UK Pension Plan

29/03/19

Date



Signed on behalf of Oracle Corporation UK Limited

10/05/19

Date

Date of Schedule:

10/05/19

