

# Annual Governance Statement regarding defined contribution benefits held in The Oracle UK Pension Plan

## 1. Introduction

- 1.1. This Annual Governance Statement ("Statement") has been prepared by the Dalriada Trustees Limited ("the Trustee"), the Trustee of The Oracle UK Pension Plan ("the Plan"). It reports on compliance with the governance standards that apply to defined contribution (DC) arrangements which are designed to help members achieve good outcomes from their pension savings.
- 1.2. 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 in section 2 of this Statement.
- 1.3. This Statement covers the Plan year 1 June 2020 to 31 May 2021 ("the Plan year").
- 1.4. The Trustee will publish this Statement on a publicly accessible website available here: <https://myoraclepension.com/index.html>

## 2. The Plan's DC arrangements

- 2.1. Over the Plan year, 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 held by members; Core Funds and Non-Core Funds.
    - **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 at retirement, 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.
    - **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 Plan year, 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 depends upon the type and value of benefits held.

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 first implemented in 2016 following advice from the Trustee's then investment adviser. A strategic review was completed on 10 May 2018 which resulted in changes being made in 2019 following advice from the Trustee's professional advisers. In December 2020, a further strategic review was completed with additional changes being made in 2021 following advice from the Trustee's professional advisers.

## Annual Governance Statement (Cont)

### Default investment arrangements design, aims, objectives and changes over the Plan year

- 3.2. **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.
- 3.2.1. The Oracle Diversified Growth Fund invests 80% in the Phoenix BlackRock Diversified Growth Fund and 20% in the Phoenix BlackRock Aquila MSCI Fund.
- 3.2.2. 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.
- 3.3. **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 and the Lifestyle Option into which members' benefits were invested was dependent upon the size of their fund. The key features of the Drawdown Lifestyle Option and the Cash Lifestyle Option are as follows:
- 3.3.1. Both Lifestyle Options invest across a portfolio of underlying investment funds. Each underlying fund is designed to provide exposure to different degrees of investment risk funds depending upon each member's term to their Normal Retirement Age (NRA) 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.
- 3.3.2. When a member is more than 5 years from NRA, both Lifestyle Options invest exclusively in the Phoenix Oracle Lifestyle Growth Fund, which aims to grow the value of each 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 Phoenix Oracle Lifestyle Growth Fund invests:
- 20% in the Phoenix BlackRock Absolute Return Bond Fund;
  - 25% in the Phoenix BlackRock Diversified Growth Fund;
  - 25% in the Phoenix Invesco Perpetual Global Targeted Return Fund
  - 30% in the Phoenix BlackRock Aquila Life MSCI World Index Fund.
- 3.3.3. 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:
- **Drawdown Lifestyle Option:** this option has been 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. At NRA the assets are split:
    - 60% in the Phoenix Oracle Lifestyle Growth Fund;
    - 15% in the Phoenix Oracle Index Linked Fund;
    - 25% in the Phoenix Oracle Cash Fund.
  - **Cash Lifestyle Option:** this option has been designed to protect the value of members' benefits at NRA. At NRA the assets are split:
    - 50% in the Phoenix Oracle Cash Fund
    - 50% in the Phoenix Oracle Active Bond Fund.

## Annual Governance Statement (Cont)

### Alternative investment options

- 3.4. 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:

3.4.1. An Annuity Lifestyle Option which invests in the same fund 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.

3.4.2. A range of individual investment funds which hold different asset classes and have different investment objectives. This includes one fund, the BNY Mellon Real Return Fund, which is closed to new investors.

### Monitoring and review of the default investment arrangement and alternative options

- 3.5. 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.

- 3.6. The Trustee reviews the default investment arrangements at least annually and completes a strategic review at least every three years. In November 2020 the Trustee appointed Isio as its investment adviser and Isio commenced a strategic review of the default strategy for Core Funds towards the end of 2020. The results of this review are still being finalised and further details will be provided in next year's Statement alongside a summary of any changes that have been made. It is expected that a strategic review of the Non-core Funds default strategy, as well as the wider range of investment options, will take place across 2022.

### Further information on investments

- 3.7. Further information on the range of investment options provided through the Plan are set out in the Statement of Investment Principles dated September 2020. This was reviewed during the Plan year to take account of the changes to the Plan's investment options, the Trustee's stewardship policies and its arrangements with the Plan's asset managers.

- 3.8. 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, including:

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

3.8.2. 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.

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

- 3.9. A copy of the latest DC SIP is appended to this Statement as Appendix 1. The latest DC SIP is also available on the following website: <https://myoraclepension.com/assets/download/formal-plan-docs/Oracle-UK-Pension-Plan-Statement-of-Investment-Principles-SIP-2020.pdf>

## Annual Governance Statement (Cont)

**4. Core financial transactions**

- 4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately. Core financial transactions comprise the following:

- 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.

**DC Section administration**

- 4.2. Over the Plan year, 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.
  - 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.

## Annual Governance Statement (Cont)

- 4.3.5. Over the Plan year, 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	83%	100%	85%	67%
Transfers into the Plan	N/A	N/A	N/A	N/A
Transfers out of the Plan	96%	98%	95%	85%
Payments out of the Plan	98%	97%	91%	80%

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

- 4.3.6. As part of its ongoing consideration of service standards, the Trustee noted that the SLAs achieved by Barnett Waddingham fell short of target, in particular towards the end of the Plan year. The Trustee has been liaising with Barnett Waddingham to understand the reasons for the fall in SLA's (which included increased member demand, a review of factors and team changes over the period) and notes that SLAs have improved in subsequent months. The Trustee will continue to keep SLAs under close review.
- 4.3.7. 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.
- 4.3.8. 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/](http://www.barnett-waddingham.co.uk/aaf-0106-report/).
- 4.3.9. 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. The risk registered is considered as part of the quarterly Trustee meeting process with a detailed review at least annually, the last detailed review was carried out following the Trustee meeting in July 2021.

## Trustee view of core financial transactions

- 4.4. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the Plan year, the Trustee is satisfied that the core financial transactions have been processed promptly and accurately.

## Annual Governance Statement (Cont)

**5. Charges and transaction costs**

- 5.1. Members of the Plan pay the costs and charges levied by the investment managers for the funds in which they are invested. These differ between the investment funds available and consist of the following:
- 5.1.1. **Charges:** these are collected by deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. They are referred to as a Total Expense Ratio (TER) and include the Annual Management Charge any additional expenses.
- 5.1.2. **Transaction cost:** these relate to the variable 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 TER.
- 5.2. All administration, communication and governance costs in respect of the Plan's benefits are met by Oracle as the sponsoring employer.
- 5.3. The following tables provide details of the charges and transaction costs applied to each of the investment options offered through the Plan over the Plan year. This data has been sourced from Phoenix whose platform is used to access the Plan's investment funds and covers the year to 31 March 2021. No charge or transaction cost data is missing.
- 5.4. The Trustee requested cost and charge data for all funds offered through the Plan from Phoenix for the period to 31 May 2021, however Phoenix can only currently provide this data quarterly 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 Lifestyle Options**

- 5.5. The following table provides details of the combined TER's and transaction costs for the Lifestyle Options provided through the Plan. As the investments held by the Lifestyle Options will change in the approach to NRA this is reflected in the range of charges provided.

Investment option	TER	Transaction costs [1]
Drawdown Lifestyle Option	0.35% - 0.47%	0.3034% - 0.4757%
Cash Lifestyle Option	0.35% - 0.47%	0.4757% - 0.5192%
Annuity Lifestyle Option	0.15% - 0.47%	0.0172% - 0.4757%

## Annual Governance Statement (Cont)

## The individual fund options

The following table provides details of the TER's and transaction costs for the self-select options provided through the Plan.

Investment option	TER	Transaction costs [1]
<b>Active</b>		
Phoenix CIS Oracle Diversified Growth Fund	0.49%	0.4358%
Phoenix CIS Oracle Lifestyle Growth Fund	0.47%	0.4757%
Phoenix CIS Oracle Active Bond Fund	0.50%	1.0240%
Phoenix CIS BNY Mellon Real Return (closed to new investment)	0.70%	0.5071%
Phoenix CIS BlackRock Diversified Growth Fund	0.59%	0.5380%
Phoenix CIS MFS Meridian Global Equity Institutional Fund	0.72%	0.0659%
Phoenix CIS Oracle Active UK Equity Fund	0.71%	0.3522%
Phoenix CIS Threadneedle Pensions Property Fund	0.78%	0.1852%
Phoenix CIS Oracle Cash Fund	0.19%	0.0144%
Phoenix CIS Invesco Global Target Return	0.76%	0.5133%
<b>Passive</b>		
Phoenix CIS LGIM Global Equity Fixed Weights 50/50 Index Fund	0.15%	0.0000%
Phoenix CIS Oracle Global Equity Fund	0.10%	0.0270%
Phoenix CIS LGIM UK Equity Fund	0.10%	0.0000%
Phoenix CIS LGIM Over 15 Year Gilts Index Fund	0.10%	0.0007%
Phoenix CIS Oracle Index Linked Gilt Fund	0.10%	0.0200%
Phoenix CIS LGIM Corporate Bond All Stocks Index Fund	0.18%	0.0000%
Phoenix CIS LGIM Ethical UK Equity Index Fund	0.25%	0.0793%

[1] 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. Where negative costs have been quoted by Phoenix these have been included in the table as a zero cost.

## Annual Governance Statement (Cont)

**6. Demonstrating the impact of costs and charges**

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.

To determine the parameters used in these illustrations, the Trustee has analysed the members invested in the Plan over the Plan year 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:

- Pot size: pot sizes of £10,000, £15,000, £50,000 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.
- 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.
- 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.
- 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.

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 TER applied is in line with the table set out in section 5.5 this Statement and the Transaction Costs are the average of those experienced in each fund over the previous 3 years (where available).

The Trustee is aware that the Regulations require the transaction costs data used to produce the illustrations 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.

The illustrations are presented in two different ways:

- 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.
- 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 2021) that a member expects to be invested in those funds.



## Annual Governance Statement (Cont)

## Guidance to the illustrations

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 2021.
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 2021 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, alongside the TER and Transaction costs used to produce the illustrations.

Fund/strategy name	Nominal return	Real return	TER	Transaction cost (3 yr average)
Drawdown Lifestyle [1]	2.72% - 3.87%	0.22% - 1.37%	0.35% - 0.47%	0.2362% - 0.3634% [2]
Cash Lifestyle [1]	1.10% - 3.87%	-1.40% - 1.37%	0.35% - 0.47%	0.3634% - 0.4694% [2]
Oracle Diversified Growth Fund	4.40%	1.90%	0.49%	0.3151%
LGIM Global Equity Fixed Weights 50:50 Index Fund	4.80%	2.30%	0.15%	0.0000% [3]
LGIM Over 15 Year Gilts Index Fund	0.80%	-1.70%	0.10%	0.0134%
Oracle Active Bond Fund	1.40%	-1.10%	0.500%	0.9250%
LGIM UK Equity Index	4.80%	2.30%	0.10%	0.0000% [3]

[1] These figures have been calculated as a weighted average of the underlying funds and the range provided reflects the change to asset allocation from 5 years to Normal Retirement Age.

[2] The transaction costs for the Oracle Lifestyle Growth Fund and Oracle Active Bond Fund which make up part of the Lifestyle Strategies are only available for part of 2020 as the funds were only recently introduced to the Plan. The transaction cost figure shown are therefore not three year averages.

[3] Where negative transaction costs have been quoted these are assumed to be zero for the purposes of the illustrations.

**Important note: each of the illustrations allow for the future impact of inflation which, for certain funds, is higher than the assumed rate of growth. This is why the real terms value of the savings pot decreases over time in some cases.**

## Annual Governance Statement (Cont)

## Phoenix CIS 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 a popular self-select investment option.

Years of investment from 31 May 2021	Starting pot size £10,000		Starting pot size £15,000		Starting pot size £50,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£15,000	£15,000	£50,000	£50,000	£75,000	£75,000
1	£10,185	£10,107	£15,278	£15,160	£50,927	£50,534	£76,390	£75,801
5	£10,962	£10,546	£16,443	£15,818	£54,809	£52,728	£82,214	£79,092
10	£12,016	£11,121	£18,024	£16,681	£60,081	£55,605	£90,121	£83,407
15	£13,172	£11,728	£19,758	£17,592	£65,860	£58,639	£98,789	£87,958
20	£14,439	£12,368	£21,658	£18,551	£72,194	£61,838	£108,291	£92,757
25	£15,828	£13,042	£23,741	£19,564	£79,138	£65,212	£118,707	£97,818
30	£17,350	£13,754	£26,025	£20,631	£86,750	£68,770	£130,125	£103,155
35	£19,019	£14,504	£28,528	£21,757	£95,094	£72,522	£142,641	£108,784

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2021, when they came to retire in 10 years' time the savings pot could be £18,024 if no charges are applied but £16,681 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 from taking benefits	Starting pot size £10,000		Starting pot size £15,000		Starting pot size £50,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£15,000	£15,000	£50,000	£50,000	£75,000	£75,000
1	£10,021	£9,964	£15,032	£14,946	£50,107	£49,819	£75,160	£74,728
5	£10,336	£9,996	£15,503	£14,994	£51,678	£49,979	£77,516	£74,969
10	£11,045	£10,260	£16,567	£15,390	£55,225	£51,302	£82,837	£76,952
15	£11,803	£10,532	£17,705	£15,798	£59,015	£52,658	£88,523	£78,988
20	£12,613	£10,810	£18,920	£16,215	£63,066	£54,051	£94,599	£81,077
25	£13,479	£11,096	£20,218	£16,644	£67,395	£55,481	£101,092	£83,222
30	£14,404	£11,390	£21,606	£17,085	£72,021	£56,949	£108,031	£85,423
35	£15,393	£11,691	£23,089	£17,536	£76,964	£58,455	£115,447	£87,682

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2021, when they came to retire in 10 years' time the savings pot could be £16,567 if no charges are applied but £15,390 with charges applied.

## Annual Governance 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.

Years from taking benefits	Starting pot size £10,000		Starting pot size £15,000		Starting pot size £50,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£15,000	£15,000	£50,000	£50,000	£75,000	£75,000
1	£9,863	£9,784	£14,795	£14,676	£49,317	£48,920	£73,976	£73,380
5	£9,857	£9,467	£14,785	£14,200	£49,285	£47,334	£73,927	£71,001
10	£10,533	£9,717	£15,800	£14,576	£52,667	£48,586	£79,001	£72,880
15	£11,257	£9,974	£16,885	£14,961	£56,283	£49,872	£84,424	£74,807
20	£12,029	£10,238	£18,044	£15,357	£60,146	£51,191	£90,219	£76,786
25	£12,855	£10,509	£19,282	£15,763	£64,274	£52,545	£96,411	£78,817
30	£13,737	£10,787	£20,606	£16,180	£68,686	£53,935	£103,029	£80,902
35	£14,680	£11,072	£22,020	£16,608	£73,401	£55,361	£110,101	£83,042

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2021, when they came to retire in 10 years' time the savings pot could be £15,800 if no charges are applied but £14,576 with charges applied.

## Phoenix CIS LGIM UK Equity Index

An illustration has been included for this fund as it is one of the funds offered through the Plan with the highest assumed investment return and the lowest overall charges.

Years of investment from 31 May 2021	Starting pot size £10,000		Starting pot size £15,000		Starting pot size £50,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£15,000	£15,000	£50,000	£50,000	£75,000	£75,000
1	£10,224	£10,215	£15,337	£15,322	£51,122	£51,073	£76,683	£76,610
5	£11,173	£11,120	£16,760	£16,680	£55,867	£55,601	£83,801	£83,402
10	£12,485	£12,366	£18,727	£18,549	£62,423	£61,830	£93,634	£92,745
15	£13,950	£13,751	£20,924	£20,627	£69,748	£68,756	£104,622	£103,134
20	£15,586	£15,292	£23,380	£22,938	£77,932	£76,459	£116,899	£114,688
25	£17,415	£17,005	£26,123	£25,507	£87,077	£85,024	£130,616	£127,536
30	£19,459	£18,910	£29,189	£28,365	£97,295	£94,548	£145,943	£141,823
35	£21,743	£21,028	£32,614	£31,542	£108,713	£105,140	£163,069	£157,710

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2021, when they came to retire in 10 years, the savings pot could grow to £18,727 if no charges are applied but to £18,549 with charges applied.

## Annual Governance Statement (Cont)

## Phoenix CIS LGIM Over 15 Year Gilts Index Fund

An illustration has been included for this fund as it is a self-select investment option with the lowest assumed investment return.

Years of investment from 31 May 2021	Starting pot size £10,000		Starting pot size £15,000		Starting pot size £50,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£15,000	£15,000	£50,000	£50,000	£75,000	£75,000
1	£9,834	£9,823	£14,751	£14,735	£49,171	£49,115	£73,756	£73,673
5	£9,198	£9,146	£13,797	£13,719	£45,989	£45,731	£68,983	£68,596
10	£8,460	£8,365	£12,690	£12,548	£42,300	£41,826	£63,449	£62,739
15	£7,781	£7,651	£11,672	£11,476	£38,906	£38,255	£58,359	£57,382
20	£7,157	£6,998	£10,736	£10,497	£35,785	£34,989	£53,678	£52,483
25	£6,583	£6,400	£9,874	£9,600	£32,914	£32,001	£49,372	£48,002
30	£6,055	£5,854	£9,082	£8,781	£30,274	£29,269	£45,411	£43,903
35	£5,569	£5,354	£8,354	£8,031	£27,845	£26,770	£41,768	£40,155

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2021, when they came to retire in 10 years, the savings pot could be £12,690 if no charges are applied but to £12,548 with charges applied.

## Phoenix CIS Oracle Active Bond Fund

An illustration has been included for this fund as it is the investment option with the highest overall charge.

Years of investment from 31 May 2021	Starting pot size £10,000		Starting pot size £15,000		Starting pot size £50,000		Starting pot size £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£15,000	£15,000	£50,000	£50,000	£75,000	£75,000
1	£9,893	£9,754	£14,839	£14,630	£49,463	£48,768	£74,195	£73,152
5	£9,475	£8,828	£14,212	£13,241	£47,374	£44,138	£71,061	£66,206
10	£8,977	£7,792	£13,466	£11,689	£44,886	£38,962	£67,329	£58,444
15	£8,506	£6,879	£12,759	£10,318	£42,529	£34,394	£63,793	£51,591
20	£8,059	£6,072	£12,089	£9,108	£40,295	£30,361	£60,443	£45,542
25	£7,636	£5,360	£11,454	£8,040	£38,179	£26,801	£57,268	£40,202
30	£7,235	£4,732	£10,852	£7,098	£36,174	£23,659	£54,261	£35,489
35	£6,855	£4,177	£10,282	£6,265	£34,274	£20,885	£51,411	£31,327

Note on how to read this table: If a member had £15,000 invested in this option on 31 May 2021, when they came to retire in 10 years, the savings pot could be £13,466 if no charges are applied but £11,689 with charges applied.

Annual Governance Statement (Cont)

## 7. Value for members

- 7.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 7.2. The Trustee undertook such analysis together with their professional advisers Isio with the findings and the Plan's position relative to his peers set out in a report. The Trustee has considered this report and confirmed its assessment of value for members, effective as at 31 May 2021, as set out below.
- 7.3. 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:
  - 7.3.1. Plan charges
  - 7.3.2. Investment
  - 7.3.3. Retirement support
  - 7.3.4. Governance
  - 7.3.5. Administration
  - 7.3.6. Education and Engagement
- 7.4. The assessment takes into account available research on the costs and features of other DC schemes for comparison purposes in respect of the six core benefit categories identified above. The assessment for this Plan year was completed in August 2021.
  - 7.4.1. Plan charges
    - Based on the profile of the Plan arrangements, the Trustee believes that the Plan charges are competitive when compared to current market rates.
    - The charges paid by members for the default investment arrangements and the majority of self-select funds are below the statutory Charge Cap.
    - The Trustee regularly monitors transaction costs.
  - 7.4.2. Investment
    - The Plan is ahead of the market in this area; the investment choices available have been designed, following advice from the Plan's investment adviser, with the specific needs of members in mind and are reviewed regularly.
    - The growth phase of the default strategies are well diversified.
    - There is a range of pre-retirement lifestyle options available to members.
    - There is a wide range of funds for members to self-select including main and alternative asset classes.
  - 7.4.3. Retirement support
    - The Plan is ahead of the market in this area for similar, closed schemes but the Trustee could consider reviewing the at retirement process to ensure members needs are met and that members are well educated on retirement options.

## Annual Governance Statement (Cont)

### 7.4.4. Governance

- The Plan is ahead of the market in this area.
- 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.
- Governance costs are met by the Employer.

### 7.4.5. Administration

- The Plan is ahead of the market in this area with most areas receiving the highest scoring possible.
- 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.

### 7.4.6. Education and Engagement

- The Plan is broadly in line with the market in this area.
- The Trustee has a communications strategy, regularly reviews member communications and makes good use of technology
- Members have access to information and modelling tools to aid their retirement journey although the tools are not bespoke to the Plan.
- The Trustee could consider if it would be possible to provide additional support especially to deferred members not in service with the Employer although it is expected that their current employer and ongoing pension provider will have provision in place.

7.5. Overall, the Trustee is confident that the Plan provides good value for members.

## 8. Trustee knowledge and understanding

### The Trustee Board

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. There has been no changes to the Trustee over the Plan year.

### Knowledge and expertise of the Trustee

8.2. As an independent professional Trustee, Dalriada brings 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.

### Annual Governance Statement (Cont)

- 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 an independent professional trustee, representatives of Dalriada are subject to external audit with regards to the maintenance of 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. 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 and both are Accredited Members of the Association of Professional Pensions 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 Plans professional advisers and managing the Plan for the benefit of members.
- 8.6. The Dalriada representatives are also able to call on colleagues with specific expertise as and when required. In particular Simon Cohen and David Fogarty have both sat on the Investment Sub Committee during the year to allow the Plan to benefit from the pensions scheme investment experience and expertise. David Fogarty also played a key role in the review of Investment Consultancy provision and the ongoing review of the Section 1 Core Fund default strategy.
- 8.7. Training on aspects of investments, scheme management and regulation (both of a general nature and in relation to the Plan) is provided at Trustee meetings by the Trustee's professional advisers and Trustee training is a standing item agenda. Such training is complemented by attendance at pensions focussed conferences, seminars and courses as well as the wider CPD activities described above.
- 8.8. Over the Plan year, representatives of Dalriada have undertaken training and attended seminars which include, but are not limited to:
- 8.8.1. DC governance and future regulatory change and how these developments will need to be accommodated through the Plan
  - 8.8.2. Developing regulations regarding the incorporation of Environmental, Social and Governance (ESG) factors and how such factors are integrated by the Plans investment managers.
  - 8.8.3. DC investment options, trends and communications
  - 8.8.4. Regulatory updates on the role of the Trustee during Covid 19
  - 8.8.5. Pensions Legal update
  - 8.8.6. Various external seminars, conferences, webinars and other virtual events.

## Annual Governance Statement (Cont)

- 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.

### Access to professional advice

- 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 on an annual basis.
- 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. Over the Plan year, the Trustee received advice and consulted with its professional advisers on the following:
- 8.12.1. The Implementation Statement, setting out how the Trustee has implemented the policies referred to in the SIP.
  - 8.12.2. The triennial strategic investment review.
  - 8.12.3. The updates to the Plan's SIP, to include the Trustee's stewardship policies and the arrangements with asset managers.
  - 8.12.4. The Value for Member assessment.
  - 8.12.5. The triennial valuation of the DB underpin section of the Plan was concluded and signed off in October 2020.

### Trustee's knowledge of the Plan's governing documentation

- 8.13. 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. Over the Plan year, the Trustee has reviewed the following Plan documentation:
- 8.13.1. The Trustee reviewed the Plan's SIP to incorporate information on the Trustee's stewardship policies and its arrangements with the Plan's asset managers.
  - 8.13.2. The risk register is reviewed at least annually (the last detailed review was carried out following the Trustee meeting in July 2021) to ensure that all relevant risks have been identified.
  - 8.13.3. The member communication materials are updated each tax year and reviewed by the Trustee.
  - 8.13.4. The 2020 Annual Governance Statement.
  - 8.13.5. The 2020 Report & Accounts.
  - 8.13.6. The 2020 Implementation Statement.
  - 8.13.7. A new Schedule of Contributions was agreed in October 2020 following completion of the triennial valuation of the DB underpin section of the Plan.



Annual Governance Statement (Cont)

Assessment

8.14. The Trustee considers that the combined knowledge, skills and understanding of the Trustee Board, together with the advice available to the Trustee from its professional advisers, enables the Trustee to properly exercise its Trustee functions in the following ways:

8.14.1. The Trustee is able to challenge and question advisers, service providers and other parties effectively

8.14.2. Trustee decisions are made in accordance with the Plan rules and in line with trust law duties

8.14.3. Trustee decisions are not compromised by such things as conflicts or hospitality arrangements

.....

Adrian Kennett, for and on behalf of Dalriada Trustees Limited

Chair of the Trustee

.....

Date

## Appendix 1 – Statement of Investment Principles

**Version Date: September 2020**

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

#### **Underpin Section - Section 1**

The Trustee aims 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 Trustee has 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 Trustee 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 Trustee aims to provide a limited range of high quality investment options.

#### **Pensioner Section**

The Trustee pays 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 Trustee aims 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) Plan 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 Trustee 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 and the Pension Protection Fund (Pensionable Service), The Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

The Trustee has 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

## Appendix 1 (Cont)

### Version Date: September 2020

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

- 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 membership profile and objectives.

The Trustee expects 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 Oracle Diversified Growth Fund for employer and employee core funds. The lifestyle investment options for non-core funds are detailed in Appendix Four.

#### **Post June 2004 'Section 2' DC Investments**

The lifestyle investment options are detailed in Appendix Four.

### **Trustee Reserve Account**

#### **Pensioner Section Investments**

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



## Appendix 1 (Cont)

**Version Date: September 2020**

### **RISK MEASUREMENT AND MANAGEMENT**

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

The Trustee considers 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 Trustee 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 Trustee has 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 Trustee 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 Trustee 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 Trustee 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 Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's 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 Trustee measures 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 Trustee.

## Appendix 1 (Cont)

Version Date: September 2020

**GOVERNANCE**

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

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

The Trustee's policy is to review their investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new investments the Trustee 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 the Phoenix Group

**Section 2**

All of the Plan's Section 2 member assets are invested in an insurance policy with the Phoenix Group

**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 the Phoenix Group.

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 Trustee (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

## Appendix 1 (Cont)

### **Version Date: September 2020**

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

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

The Trustee expects 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: September 2020**

### **IMPLEMENTATION**

Aon Hewitt has been selected as investment adviser to the Trustee. Aon Hewitt operates under an agreement to provide a full service designed to ensure that the Trustee is 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.

#### **Responsibilities of Fund Managers**

The fund managers underlying the Phoenix Group 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.
- Providing the Trustee with aggregate voting information and voting rationale for significant votes.

The Trustee expects 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: September 2020**

### **Responsible Investment**

#### **Financially Material Considerations**

The Trustee has considered financially material factors such as environmental, social and governance ("ESG") issues as part of the investment process to determine a strategic asset allocation (or default strategy). There is a risk that if ESG issues were not considered as part of the investment process that this could lead to poor performance. It believes that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes they or members are investing in. However, the Trustee has not made an explicit allowance for risks associated with climate change as they believe it is difficult to accurately quantify.

The Trustee has elected to invest through pooled funds. The Trustee acknowledges

that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee expects its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories to the United Nations Principles of Responsible Investment ("UN PRI") or other similarly recognised standards.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determine that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

#### **Non-Financially Material Considerations**

The Trustee has made an Ethical fund available to members who would like to invest in a fund with these specific considerations. The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

#### **Stewardship**

The Trustee recognises that good stewardship (including the exercise of rights attaching to investments and undertaking engagement activities) can enhance shareholder value over the long term.

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries. Where this primary consideration is not prejudiced, the investment manager should engage with companies to take account of ESG factors



## Appendix 1 (Cont)

### Version Date: September 2020

in the exercise of such rights.

The Trustee reviews the stewardship activities of their investment managers, with the help of its investment consultant, on an annual basis, covering both engagement and voting actions. If they are found to not be appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager. The Trustee also expects the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.

On an annual basis, the Trustee expects managers to provide aggregate voting information at a fund level and voting rationale for significant votes (defined as where votes were cast against management or where voting differed from the standard voting policy of the manager).

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

### Charges and Transparency

It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate the fund managers.

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 trades they undertake in the management of the assets. The Trustee intends to review these costs from time to time to ensure that the costs incurred are commensurate with the goods and services received and represent good value for members.

We believe that this method of remuneration of managers avoids a short-term approach to investment performance that may be the result of any performance-related fees. We therefore believe it is important to understand all the different costs and charges, which are paid by members (through a deduction from the unit price). These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');
- implicit charges, such as the portfolio turnover costs (transaction costs) borne within a fund. We define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

The Trustee's investment consultant collects information on these member-borne costs and charges on an annual basis, where available, and these are set out in the annual Chair's Statement. This Statement is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its investment consultant to highlight if these costs and charges appear unreasonable when they are collected as part of the Chair's Statement exercise.

The current annual management charges are detailed in Appendix Three.

### Arrangements with Investment Managers

The Trustee monitor the investment options made available to Plan members, including the default option, to consider the extent to which the investment strategy and decisions of the appointed investment managers are aligned with the Trustee's policies, as set out in this statement. This includes

## Appendix 1 (Cont)

### Version Date: September 2020

monitoring the extent to which investment managers make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity.

The Trustee receives reporting updates from their investment consultant on various items including the investment strategy, performance and longer-term positioning of the strategy on a quarterly basis. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assesses the investment managers over the long-term.

If and when a new investment manager is appointed, the Trustee endeavors to review any required governing documentation associated with the investment and consider the extent to which it aligns with the Trustee's policies. Where necessary, the Trustee will seek to express their expectations to the investment managers to try to achieve greater alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers (e.g. verbally or in writing at time of appointment), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial performance.

Where investment managers are considered to be making decisions that are not in-line with the Trustee's expectations, or the other considerations set out above, the Trustee will endeavor to first engage with the manager and in the event of a material misalignment, could ultimately replace the manager if deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all managers is reviewed at least on an annual basis.

The Trustee do not monitor the underlying investments made by the investment managers on their behalf against non-financial criteria.

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

A copy of the SIP is available to members in a publicly accessible web-location.

Signed . . . . Greig McGuinness . . . . . Date . .25/09/2020 . . . . .


For and on behalf of the Trustee of the Oracle UK Pension Plan

## Appendix 1 (Cont)

Version Date: September 2020

## Appendix One - Section 1 and 2

## Active Funds

Fund Name	Availability	Investment characteristics	Benchmark	Performance target
Newton Real Return Fund (Closed to new investors)	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.
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.
Invesco Perpetual Global Targeted 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.	3 month LIBOR.	Outperform benchmark by 5% p.a. over rolling 3-5 year period.
Oracle Active Bond Fund	All contributions, except Section 1 employer core contributions.	100% invested in the BlackRock Absolute Return Bond Fund which invests in a range of fixed income assets with the aim of achieving positive returns.	3 month LIBOR.	Outperform benchmark by 2.5% p.a. over rolling 3-5 year period.
Oracle Lifestyle Growth Fund	All contributions, except Section 1 employer core contributions.	Composite of 30% BlackRock Aquila MSCI World Fund, 25% Invesco Perpetual Global Targeted Return Fund, 25% BlackRock Diversified Growth Fund and 20% BlackRock Absolute Return Bond Fund. The fund is rebalanced as necessary.	Composite of underlying funds	Composite of underlying funds
Oracle Diversified Growth  RE_Oracle - SIP.msg	Section 1 core contributions only.	Composite of 80% BlackRock Diversified Growth Fund and 20% BlackRock Aquila MSCI World Fund. The fund is rebalanced as necessary to the initial allocation of 80%/20% of the underlying funds in any subsequent period where it deviates.	Composite of underlying funds	Composite of underlying funds
Oracle Active UK Equity Fund	All contributions, except Section 1 employer core contributions.	100% invested in the Majestic UK Equity Fund. 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 2% pa over rolling 3 year periods.
MFS Meridian 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.



## Appendix 1 (Cont)

### Version Date: September 2020

Threadneedle Pensions Property Fund	All contributions, except Section 1 employer core contributions.	Invests in direct and indirect property. Property investment risk is lower than investments in equities, but higher than investment in bonds.	MSCI/AREF UK All Balanced Quarterly Property Fund	To outperform the benchmark by 1% pa over rolling 3 year periods.
Oracle Cash Fund	All contributions, except Section 1 employer core contributions.	Invests in short term cash instruments and aims to produce reliable nominal returns.	7 Day LIBID	To deliver competitive rates of return from cash deposits and other short-term instruments.

## Appendix 1 (Cont)

Version Date: September 2020

## Passive Funds

Fund Name	Availability	Investment characteristics	Benchmark	Performance target
LGIM Global Equity Fixed Weights 50/50 Index 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 from this asset class. There will also be additional risk due to currency movements. However, the additional diversification will help to reduce overall risk.	50% FTSE All Share 50% Overseas Equities (split between the US Europe (ex-UK) and the Far East)	Achieve returns in line with benchmark.
Oracle Global Equity 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 from this asset class. There will also be additional risk due to currency movements. However, the additional diversification will help to reduce overall risk.	MSCI World Index	Achieve returns in line with benchmark.
LGIM Over 15 Year Gilts Index Fund	All contributions, except Section 1 employer core contributions.	Low risk option, although the expected returns are lower than for equities.	FTSE UK Gilts Over 15 Years Index	Achieve returns in line with benchmark.
Oracle Index Linked Gilt Fund	All contributions, except Section 1 employer core contributions.	Low risk option with lower expected returns than equities. Investment returns are not eroded by unanticipated inflation.	50% FTSE UK Gilts Index-linked Over 5 Years Index 50% FTSE UK Gilts Index-linked Under 15 Years Index	Achieve returns in line with benchmark.
LGIM Corporate Bond All Stocks Index Fund	All contributions, except Section 1 employer core contributions.	Low risk compared to equities but riskier than gilts, the expected returns are lower than for equities and higher than for gilts.	iBoxx £ Non-Gilts Index	Achieve returns in line with benchmark.
LGIM Ethical UK Equity Index Fund	All contributions, except Section 1 employer core contributions.	Invests in UK shares of companies that comply with a code of ethical conduct. 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 4 Good Index	Achieve returns in line with benchmark.
LGIM UK Equity Index Fund	All contributions, except Section 1 employer core contributions.	Invests in shares in the UK. The returns will be more volatile and less secure than UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class.	FTSE All Share Index	Achieve returns in line with benchmark.

The default option for Section 1 core contributions is the Oracle Diversified Growth Fund.

## Appendix 1 (Cont)

Version Date: September 2020

### Appendix Two - Trustee Reserve Account

#### Active Funds

Fund Name	Availability	Investment characteristics	Benchmark	Performance target
Oracle Diversified Growth Fund		Invests in a composite of 80% BlackRock Defined Contribution Diversified Growth Fund and 20% BlackRock Aquila MSCI World Fund	Composite of underlying funds	Composite of underlying funds

#### Passive & Active Funds – Pensioner Reserve Fund

Fund Name	Availability	Investment characteristics	Benchmark	Performance target
Oracle Pensioner Reserve Fund	Trustee Reserve 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.	28% FTSE UK Gilts Index-Linked Up to 5 Years Index 42% FTSE A Index-Linked (Over 5 Year) Index 30% 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 Oracle Pensioner Reserve Fund

## Appendix 1 (Cont)

Version Date: September 2020

## Appendix Three – Fund Charges

Fund	Total Expense Ratio
<b>Active</b>	
Oracle Diversified Growth Fund	0.51%
Oracle Lifestyle Growth Fund	0.48%
Newton Real Return Fund	0.70%
BlackRock Diversified Growth Fund	0.61%
Invesco Perpetual Global Targeted Return Fund	0.78%
Oracle Active Bond Fund	0.50%
MFS Meridian Global Equity Institutional Fund	0.71%
Oracle Active UK Equity Fund	0.81%
Threadneedle Pensions Property Fund	0.80%
LGIM Property Fund	0.78%
Oracle Cash Fund	0.19%
<b>Passive</b>	
Oracle Pensioner Reserve Fund	Composite
LGIM Global Equity Fixed Weights 50/50 Index Fund	0.15%
Oracle Global Equity Fund	0.10%
LGIM UK Equity Index Fund	0.10%
LGIM Over 15 Year Gilts Index Fund	0.10%
Oracle Index Linked Gilt Fund	0.10%
LGIM Corporate Bond All Stocks Index Fund	0.175%
LGIM Ethical UK Equity Index Fund	0.25%

## Appendix 1 (Cont)

### Version Date: September 2020

#### Appendix Four – Lifestyle Options

The Trustee has 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
<b>Cash</b>		
Diversified Growth	Oracle Lifestyle Growth Fund	Active
Absolute Return Bonds	Oracle Active Bond Fund	Active
Cash	Oracle Cash Fund	Active
<b>Drawdown</b>		
Diversified Growth	Oracle Lifestyle Growth Fund	Active
Index Linked Gilts	Oracle Index Linked Gilt Fund	Passive
Cash	Oracle Cash Fund	Active
<b>Annuity</b>		
Diversified Growth	Oracle Lifestyle Growth Fund	Active
Index Linked Gilts	Oracle Index Linked Gilt Fund	Passive
Cash	Oracle 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 in the Oracle Lifestyle Growth Fund.

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 Oracle Lifestyle Growth Fund. 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.

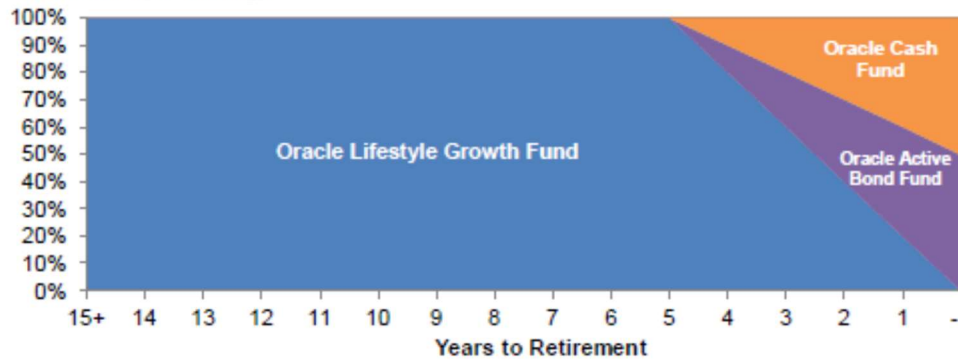


## Appendix 1 (Cont)

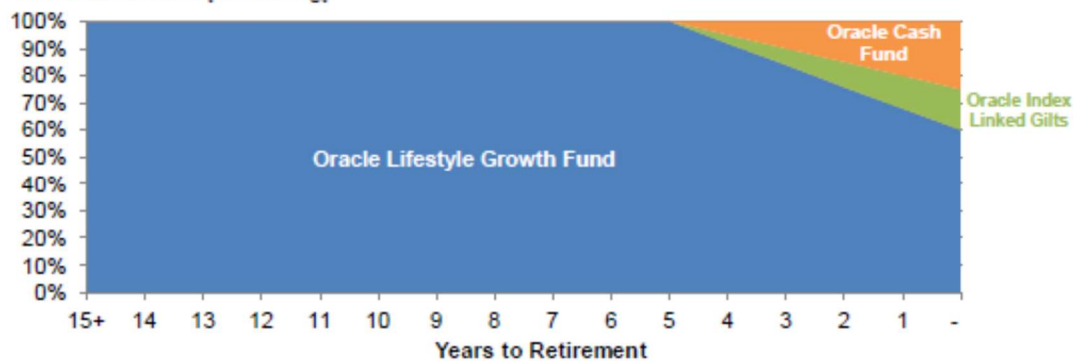
### Version Date: September 2020

Charts showing each lifestyle are set out below:

#### Cash Lifestyle Strategy



#### Drawdown Lifestyle Strategy



#### Annuity Lifestyle Strategy

