

# **THE ORACLE UK PENSION PLAN**

(Plan Registration Number 10176821)

## **ANNUAL REPORT FOR THE YEAR ENDED 31 MAY 2018**

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# 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 2018. The Investment Report on pages 39 to 40 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](http://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. 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 and BD Spence. 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 three and one meetings for both the Investment and the Governance & Operations sub committees respectively. 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 £8,591,710 to £398,034,127 as at 31 May 2018. The increase comprised of net withdrawals from dealings with members of £5,890,035 together with a net increase from the return on investments of £14,481,745.

Following recommendations from the Plan Actuary, the employer made a contribution of £9,200,000 (2017: £5,400,000) 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	693		
left (preserved pensioners)		(68)	
died		(2)	
transferred out		(1)	
			622
Preserved pensioners	4,649		
adjustments		(10)	
new (from in service preserved)		68	
retired (small lump sum)		(9)	
transferred out		(79)	
retired		(58)	
died		(6)	
			4,555
Pensioners and dependants	175		
adjustments		2	
new dependants		4	
new pensioners		58	
commuted benefits		(1)	
died		(1)	
			237
Grand total members	5,517		5,414

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 2018 was 3% (2017: 1%). 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://logon.bwebstream.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 preparing, maintaining, and from time to time reviewing and if necessary revising a schedule of contributions 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 Trustee 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 2017 were as follows:

	31 May 2016	31 May 2017
Assets	£237.6m	£263.3m
Technical Provisions	£403.1m	£536.6m
Surplus/(Deficit)	(£165.5m)	(£273.3m)
Funding level	59%	49%

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: \_\_\_\_\_

Signed on behalf of the Trustee:

\_\_\_\_\_  
Director of Dalriada Trustees Limited

# Chair's Statement

## Annual Governance Statement for the Plan Year Ending 31 May 2018

### Introduction and background

This statement has been prepared in accordance with regulation 23 the Occupational Pension Scheme (Scheme Administration) Regulations 1996, as amended (the "Administration Regulations"), and related Pensions Regulator guidance.

It relates to both the hybrid and money purchase sections of the Plan which both provide benefits on a money purchase basis.

The Plan was closed to accrual on 31 December 2010, prior to 1 June 2004 members' money purchase benefits were subject to a final salary underpin (the "Underpin")

This statement covers the period from 1 June 2017 to the Plan year end, 31 May 2018.

### Default arrangement

A number of requirements of the Administration Regulations, which are referred to in this statement, relate only to a "default arrangement" as defined in the Administration Regulations. The Plan has two default arrangements, one for those benefits subject to the underpin (Core funds) and one for all other funds (Non-core default); 94.6% of Members with Core funds are in that default strategy (the Core default) while 74.7% of Members with Non-core funds invest those funds in the Non-core default.

The Core default is invested in the Phoenix Oracle Diversified Growth Fund ("DGF") by default although members may self-select an alternative investment strategy. The DGF is an 80:20 split between the Phoenix Blackrock DGF and the Phoenix Blackrock Aquila MSCI World Fund.

The Non-core default includes lifestyling. Three lifestyling streams are available targeting taking benefits as cash, drawdown or, annuity purchase as detailed in the Statement of Investment Principles; members are defaulted into the Cash or Drawdown lifestyle stream depending on fund size but select to follow any of the three streams.

The table below sets out the funds that are used across the Non-core default.

Asset class	Fund
Equity	Phoenix CIS Oracle Global Equity Fund
Diversified Growth Funds	50% Phoenix CIS BlackRock DC Diversified Growth Fund and 50% Phoenix CIS Newton Real Return Fund
Index Linked Gilts	Phoenix CIS Oracle Index Linked Gilt Fund
Cash	Phoenix CIS Oracle Cash Fund

All lifestyling streams invest in 20% Equity Fund and 80% DGF during the growth phase.

The default streams gradually switch to the strategies below over 5 years as Members approach their target retirement date.

Cash Lifestyling	100% cash fund
Drawdown Lifestyling	25.0% cash fund 12.5% index linked gilts 12.5% equity 50.0% DGF

## Chair's Statement (Cont)

### Statement of Investment Principles

The Trustee has prepared a statement of investment principles ("SIP") governing decisions about investments for the purpose of the default arrangements. The SIP also contains a statement of investment principles relating to the Plan as a whole. The SIP covers the following key matters in relation to the default arrangements:

- ) The Trustee's aims and objectives in relation to the investments held in the default arrangements;
- ) The Trustee's policies on issues such as : the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed ; the expected return on investments ; the realization of investments; and the extent (if at all) to which social, environmental or ethical considerations are taken into account when selecting, retaining or realizing investments;
- ) An explanation of how these aims, objectives and policies (which together form the Trustee's "default strategy") are intended to ensure that assets are invested in the best interests of members whose benefits are invested in the default arrangements.

A copy of the latest SIP relating to the default arrangements prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 is contained in the APPENDIX 2 to this statement.

### Review of default strategy and default arrangements

The Trustee reviews the default strategy and performance of the default arrangements annually.

Each review focuses, in particular, on the extent to which the return on investments relating to default arrangements (after the deduction of any charges which are relevant to those investments) is consistent with the Trustee's aims and objectives in respect of the default arrangements (as recorded in the SIP).

The most recent review of the SIP was carried out in May 2016.

The review was carried out by the Trustee having taken appropriate written advice from a suitably qualified individual, Jenny Swift from Aon Limited.

The Trustee also consulted with Oracle Corporation UK Ltd, the sponsoring employer of the Plan, and sought advice from its professional advisers in formulating the investment strategies and deciding on the suitability of the products. The following information was considered:

- ) risk management and measurement including consideration of diversified portfolios of underlying assets and a mix of actively and passively managed funds;
- ) use of funds to reduce volatility or temporarily over-priced assets;
- ) the appointment of investment managers and restrictions placed on managers in relation to the allocation of assets, credit limits and the use of asset classes;
- ) the investment aims of the relevant funds; and
- ) the impact of performance on different groups of members.

The Trustee has, in particular reviewed the extent to which the return on investments relating to default arrangements (after deduction of any charges relating to those investments) is consistent with the aims and objectives of the Trustee in respect of the default arrangement and has concluded that to be the case.

During the year the Trustee carried out a review of the default strategies, the Trustee elected to consider further the investment profile of the growth phase of the Non-core default. The Trustee is currently taking further advice on alternative growth phase strategies. Should any strategy revisions be implemented, a revised SIP will be prepared.

The Core funds for the vast majority of members are considerably lower than the value of the Underpin with the difference funded by the Employer as is the case in a defined benefit scheme.

## Chair's Statement (Cont)

While this continues to be the case the Trustee is taking an Integrated Risk Management approach to setting the Core default as it would with a defined benefit pension scheme. Having consulted with the Employer, the Trustee has determined that the Core default remains appropriate based on the Plan's funding position and the employer's covenant.

There are processes in place to publish relevant parts of this section on the Oracle Pension Scheme website and members will be notified about the changes in strategy.

### Core financial transactions

The Trustee must ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members) relating to the Plan are processed promptly and accurately.

For these purposes, "core financial transactions" are (broadly):

- ) Transfers of assets relating to the members into and out of the Plan;
- ) Switches of Members' investments between different funds within the Plan;
- ) Payments from the Plan to or in respect of members (e.g. Payment of death benefits)

During the past Plan year, the following arrangements have been made to ensure that core financial transactions are processed promptly and accurately;

- ) Plan administration including all aspects of contribution collection is undertaken by Barnett Waddingham (the "administrators")
- ) Investment fund administration and custody of assets is undertaken by the Phoenix CIS investment platform.
- ) Investment management is undertaken by the managers shown in this report.
- ) The administrators have externally audited systems and processes in place for managing core transaction.
- ) The Trustee has in place with the administrators a service level agreement which includes relevant key performance indicators (KPIs) regarding the timescales for processing core financial transactions;
- ) The Trustee receives and reviews a quarterly administration report from the administrators which sets out the administrators' performance against the KPIs in the service level agreement. Quarterly meetings are held with the administrators to review the reports and discuss changes that need to be made. Within the report there is a reconciliation of the unit holdings recorded by the Phoenix CIS investment platform and the administrators.
- ) The administration report also reports any errors identified by the administrators in relation to the processing of core financial transactions, together with the steps taken to rectify those errors and any changes to the administrators' processes which have been implemented to ensure that there are no repetition of such errors. When errors occur the Trustee discusses with the administrator the reasons for the error and the steps taken to ensure the error does not reoccur.

All core transaction requirements were met with no issues during the Plan year.

### Charges and transaction costs

The new governance rules require the Trustee to make an assessment of investment management charges and transactions costs borne by the Plan members and the extent to which those charges and costs represent good value for money for members.

The Trustee has calculated the charges and, so far as they were able to do so, the transaction costs, borne by Plan members for the Plan Year.

## Chair's Statement (Cont)

In this context, "charges" means (subject to some specific exceptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. "Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustee receives regular advice from their Investment Consultant on the suitability and value for money of all available investment options including non default funds. The Trustee aims to ensure that Members have access to a range of investment options and risk profiles; the Trustee regularly reviews the cost and performance of the available funds negotiating improved pricing where possible and taking advice on the continued suitability of the funds. The Trustee considers that the securing of competitive investment TERs, layered with oversight, administration and consultancy costs being met by the Employer, provides value for money for Members as discussed further below.

The fund charges are shown below for the funds used in the default strategy and the funds which may be self-selected by members. All funds are single priced and attract annual management charges as shown below. There are no policy fees or other charges and no transaction charges are incurred when switching funds.

Fund Charges (including Phoenix CIS fees) Fund	Total Expense Ratio ("TER")	Transaction Charges **
<b>Active</b>		
Phoenix CIS Oracle Diversified Growth Fund	0.50%	0.7%
Phoenix CIS Newton Real Return Fund	0.69%	N/A
Phoenix CIS BlackRock Diversified Growth Fund	0.60%	0.17%
Phoenix CIS MFS Meridian Global Equity Institutional Fund	0.71%	0.00%
Phoenix CIS Oracle Active UK Equity Fund	0.83%	0.05%
Phoenix CIS Threadneedle Pensions Property Fund	0.80%	0.65%
Phoenix CIS LGIM Property Fund	0.76%	0.22%
Phoenix CIS Oracle Cash Fund	0.19%	N/A
<b>Passive</b>		
Phoenix CIS LGIM Global Equity Fixed Weights 50/50 Index Fund	0.15%	0.00%
Phoenix CIS Oracle Global Equity Fund	0.10%	0.00%
Phoenix CIS LGIM UK Equity Index Fund	0.10%	0.00%
Phoenix CIS LGIM Over 15 Year Gilts Index Fund	0.10%	0.01%
Phoenix CIS Oracle Index Linked Gilt Fund	0.10%	0.00%
Phoenix CIS LGIM Corporate Bond All Stocks Index Fund	0.18%	0.00%
Phoenix CIS LGIM Ethical UK Equity Index Fund	0.25%	0.01%

The Trustee has concluded that the combination of charges is within the cap. The combined annual management charge for the growth phase of the default strategies is 0.54% i.e. lower than the maximum allowed of 0.75%.

\*\* The data used to calculate the transaction charges is based on the raw information received from the underlying fund managers. For this reason it is an indication of the costs. More details information will be available for next year's statement.

## Chair's Statement (Cont)

### The impact of the costs and charges applied through the Plan

The impact of the costs and charges applied through the Plan are shown in the Appendix 1.

#### "Good value" assessment of charges and transactions

The Trustee has assessed the extent to which the charges described above represent "good value" for members during the Plan year, by considering the level of member borne charges against the benefits attributable to such charges.

Whether something represents "good value" is not capable of being precisely defined, but for these purposes, the Trustee considers that charges may be viewed as representing "good value" for members where an optimum combination of cost and quality is achieved for the membership as a whole, relative to other options available in the market.

The Trustee has carried out a review of the following information when assessing the value of charges for the default arrangement:

- ) Information regarding the service levels provided to members during the past Plan year (see heading "core financial transactions")
- ) Data which demonstrates that the fund charges are less than the 0.7% charge prescribed for the default funds;
- ) Noting that the two of the funds used in the default arrangement are passive funds which aim to track the index with very low management costs;
- ) That assets are invested in pooled investments which cover a wide range of investments with different characteristics to spread risk;
- ) Noting from the investment reports to the Trustee that the tracked funds in which assets are invested continue to adequately track the index; and

When compared with other options available on the market (as shown in particular by the benchmarking data obtained).

Following this review, the Trustee concluded that overall, the default arrangement charges under the Plan continue to represent good value for members. For the reasons given above the Trustee also consider that the non default arrangements offer good value for members.

There are processes in place to publish relevant parts of this section on a website.

#### Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

Dalriada Trustees Limited ("Dalriada") has been a trustee of the Plan since 10 December 2013 and sole independent professional trustee since 1 August 2017. Throughout its appointment Dalriada has been represented by Adrian Kennett and Greig McGuinness.

Both Dalriada representatives are familiar with all Plan governing documents having oversaw a consolidation review of the Plan's trust deed and rules and been instrumental in the development of all other existing documents and policies.

Dalriada has externally audited processes with regards to the maintenance of knowledge and understanding for all of their key representatives appropriate to the appointments which they oversee including the need for all representatives to complete and maintain the Pensions Regulator's Tool Kit.

## Chair's Statement (Cont)

Additionally, Mr Kennett is a Fellow and Mr McGuinness an Associate member of the Pensions Management Institute (PMI), both are members of the Association of Professional Pensions Trustees (APPT) and comply with the Continuous Professional Development (CPD) requirements of both organisations; a record of their internal and external training is kept by Dalriada, the PMI and, the APPT.

Through their CPD the Dalriada representatives have been able to build on and maintain their knowledge of the regulatory framework and how this applies to the Plan. Together with their experience of the Plan they are able to use this to effectively manage regulatory governance; oversee service providers; take advice as necessary, challenge advisers where appropriate and; ensure that the Plan agenda is Trustee led for the benefit of the Membership.

- ) The Dalriada representatives are also able to call on the expertise of their wider team, to supplement their own knowledge and experience, for the benefit of the Plan. For instance Dalriada's Chief Investment Officer sits on the Investment Sub Committee of the Plan and is involved in investment decisions for the Plan.

In addition, the Trustee has obtained actuarial; legal, accounting, investment and consulting advice as and when required during the past Plan year.

### Member Representation

Arrangements are in place to encourage members of the Scheme or their representatives to make their views on matters relating to the Scheme.

During the year Members have received a Newsletter, annual benefit Statements and Summary Funding Statement. In each communication members have been given the opportunity to contact the Scheme and give feedback. Members are encouraged to register with the administrators on line portal to facilitate efficient and secure engagement.

Signed

Chair of Trustee

by and on behalf of Trustee

Dated

## **Appendix 1**

### **The impact of the costs and charges applied through the Plan**

To demonstrate the impact of the costs and charges applied through the Plan, in this year's Chair's Statement the Trustee has produced illustrations in line with February 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's DC arrangements.

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.

To determine the parameters used in these illustrations, the Trustee has analysed Plan membership data relevant to the reporting period of this statement and ensured that the illustrations take into account the following:

- ) A representative range of pot sizes.
- ) A representative range of real terms investment returns (gross of costs and charges), including the lowest, the highest and the most popular (by number of members).
- ) A representative range of costs and charges, including the lowest and the highest.
- ) A representative range of the expected periods of Plan membership, including the approximate duration that the youngest Plan member would take to reach Normal Retirement Age.

The Trustee has determined not to include future contributions in these illustrations as the Plans DC arrangements are closed to new contributions. There are no external legacy Additional Voluntary Contribution arrangements associated with the Plan.

**Appendix 1 (Cont)****Default Fund – Section 1 Core: Oracle Diversified Growth**

The Oracle Diversified Growth Fund has been selected as it is the Default Fund for Section 1 Core funds (employer and employees contributions). It is also the most widely used fund by members of the Plan's DC arrangements. The illustrations set out in this table assume that that members are wholly invested in this fund throughout their period of membership.

Years of membership from today	Starting pot size: £15,000		Starting pot size: £40,000		Starting pot size: £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£15,439	£15,421	£41,171	£41,124	£77,195	£77,107
3	£16,356	£16,300	£43,616	£43,467	£81,780	£81,501
5	£17,327	£17,229	£46,206	£45,944	£86,637	£86,146
10	£20,016	£19,789	£53,376	£52,772	£100,080	£98,947
15	£23,122	£22,730	£61,658	£60,614	£115,609	£113,652
20	£26,709	£26,108	£71,225	£69,622	£133,547	£130,541
25	£30,854	£29,988	£82,276	£79,968	£154,268	£149,941
30	£35,641	£34,445	£95,042	£91,852	£178,205	£172,223
35	£41,171	£39,563	£109,789	£105,502	£205,855	£197,817

Note on how to read this table: The highlighted example shows that if a member has invested £15,000 in this fund today, after 5 years the fund could grow to £17,327 if no charges are applied but to £17,229 with charges applied.

**Appendix 1 (Cont)****Default Strategy – Section 1 Non-Core and/or Section 2 and Section 2 only: Lifestyle Drawdown**

The Lifestyle Drawdown has been selected as it is the Default Fund for Section 1 Non-Core funds and Section 2. The illustrations set out in this table assume that a member that joins at age 30 is wholly invested in this strategy throughout their period of membership to the Plans NRA.

Years of membership from age 30	Starting pot size: £15,000		Starting pot size: £40,000		Starting pot size: £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£15,454	£15,375	£41,210	£41,001	£77,268	£76,876
3	£16,403	£16,154	£43,740	£43,077	£82,013	£80,770
5	£17,410	£16,972	£46,426	£45,260	£87,049	£84,862
10	£20,207	£19,204	£53,884	£51,211	£101,033	£96,020
15	£23,453	£21,729	£62,540	£57,944	£117,263	£108,646
20	£27,220	£24,586	£72,587	£65,563	£136,101	£122,931
25	£31,593	£27,819	£84,248	£74,184	£157,966	£139,095
30	£36,668	£31,477	£97,783	£83,939	£183,342	£157,385
35	£41,030	£34,446	£109,412	£91,856	£205,148	£172,230

Note on how to read this table: The highlighted example shows that if a member has invested £15,000 in this fund from age 30, after 5 years the fund could grow to £17,410 if no charges are applied but to £16,972 with charges applied.

**Appendix 1 (Cont)**

The change to the asset allocation in the final 5 years to NRA will have an impact upon the assumed rate of return as well as the costs and charges applied to members and, as such, we have modelled the last 5 years to retirement below separately. In order to do so, we have assumed a starting age of 60.

Years of membership from age 60	Starting pot size: £15,000		Starting pot size: £40,000		Starting pot size: £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£15,454	£15,375	£41,210	£41,001	£77,268	£76,876
3	£16,403	£16,154	£43,740	£43,077	£82,013	£80,770
5	£17,410	£16,972	£46,426	£45,260	£87,049	£84,862

Note on how to read this table: The highlighted example shows that if a member has invested £15,000 in this fund today, after 5 years the fund could grow to £17,410 if no charges are applied but to £16,972 with charges applied.

**Appendix 1 (Cont)****Phoenix CIS Oracle Global Equity Fund**

The Phoenix CIS Oracle Global Equity Fund has been selected as it is the fund with the highest assumed real investment return (net of costs and charges) of the funds available through the Plan's DC arrangements. The illustrations below assume that the member is invested wholly in this fund throughout their period of membership.

Years of membership from today	Starting pot size: £15,000		Starting pot size: £40,000		Starting pot size: £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£15,512	£15,498	£41,366	£41,327	£77,561	£77,488
3	£16,590	£16,543	£44,239	£44,114	£82,948	£82,714
5	£17,742	£17,658	£47,312	£47,089	£88,710	£88,292
10	£20,985	£20,788	£55,960	£55,435	£104,926	£103,940
15	£24,821	£24,472	£66,190	£65,259	£124,106	£122,361
20	£29,358	£28,809	£78,289	£76,825	£146,792	£144,047
25	£34,725	£33,915	£92,600	£90,440	£173,625	£169,576
30	£41,073	£39,926	£109,527	£106,469	£205,363	£199,629
35	£48,580	£47,002	£129,548	£125,338	£242,902	£235,009

Note on how to read this table: The highlighted example shows that if a member has invested £15,000 in this fund today, after 5 years the fund could grow to £17,742 if no charges are applied but to £17,658 with charges applied.

**Appendix 1 (Cont)****Phoenix CIS Oracle Cash Fund**

The Phoenix CIS Oracle Cash Fund has been selected as it is the fund with the lowest real investment return (net of charges) of the funds available through the Plan's DC arrangements. The illustrations below assume that the member is invested wholly in this fund throughout their period of membership.

Years of membership from today	Starting pot size: £15,000		Starting pot size: £40,000		Starting pot size: £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£14,854	£14,839	£39,610	£39,571	£74,268	£74,195
3	£14,565	£14,522	£38,841	£38,726	£72,826	£72,611
5	£14,282	£14,212	£38,086	£37,899	£71,412	£71,061
10	£13,599	£13,466	£36,265	£35,909	£67,996	£67,329
15	£12,949	£12,759	£34,530	£34,023	£64,743	£63,793
20	£12,329	£12,089	£32,878	£32,236	£61,646	£60,443
25	£11,739	£11,454	£31,305	£30,543	£58,697	£57,268
30	£11,178	£10,852	£29,807	£28,939	£55,889	£54,261
35	£10,643	£10,282	£28,382	£27,419	£53,215	£51,411

Note on how to read this table: The highlighted example shows that if a member has invested £15,000 in this fund today, after 5 years the fund could be £14,282 if no charges are applied but £14,212 with charges applied.

**Appendix 1 (Cont)****Phoenix CIS Oracle Active UK Equity Fund**

The Phoenix CIS Oracle Active UK Equity Fund has been selected as it is the fund with the highest total member-borne charges of the funds available through the Plan's DC arrangements. The illustrations below assume that the member is invested wholly in this fund throughout their period of membership.

Years of membership from today	Starting pot size: £15,000		Starting pot size: £40,000		Starting pot size: £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£15,512	£15,391	£41,366	£41,042	£77,561	£76,954
3	£16,590	£16,203	£44,239	£43,208	£82,948	£81,015
5	£17,742	£17,058	£47,312	£45,488	£88,710	£85,291
10	£20,985	£19,399	£55,960	£51,730	£104,926	£96,993
15	£24,821	£22,060	£66,190	£58,827	£124,106	£110,301
20	£29,358	£25,087	£78,289	£66,899	£146,792	£125,436
25	£34,725	£28,529	£92,600	£76,078	£173,625	£142,647
30	£41,073	£32,444	£109,527	£86,517	£205,363	£162,219
35	£48,580	£36,895	£129,548	£98,388	£242,902	£184,477

Note on how to read this table: The highlighted example shows that if a member has invested £15,000 in this fund today, after 5 years the fund could grow to £17,742 if no charges are applied but to £17,058 with charges applied.

**Appendix 1 (Cont)****Phoenix CIS MFS Meridian Global Equity Institutional Fund**

The Phoenix CIS MFS Meridian Global Equity Institutional Fund has been selected as it is the most popular self-select fund amongst those funds applicable to Section 2 members in the Plan's DC arrangements. The illustrations below assume that the member is invested wholly in this fund throughout their period of membership.

Years of membership from today	Starting pot size: £15,000		Starting pot size: £40,000		Starting pot size: £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£15,512	£15,408	£41,366	£41,089	£77,561	£77,041
3	£16,590	£16,259	£44,239	£43,356	£82,948	£81,293
5	£17,742	£17,156	£47,312	£45,748	£88,710	£85,778
10	£20,985	£19,621	£55,960	£52,323	£104,926	£98,106
15	£24,821	£22,441	£66,190	£59,842	£124,106	£112,204
20	£29,358	£25,666	£78,289	£68,442	£146,792	£128,329
25	£34,725	£29,354	£92,600	£78,278	£173,625	£146,772
30	£41,073	£33,573	£109,527	£89,528	£205,363	£167,865
35	£48,580	£38,398	£129,548	£102,394	£242,902	£191,989

Note on how to read this table: The highlighted example shows that if a member has invested £15,000 in this fund today, after 5 years the fund could grow to £17,742 if no charges are applied but to £17,156 with charges applied.

**Appendix 1 (Cont)****Phoenix CIS Oracle Index Linked Gilt Fund**

The Phoenix CIS Index Linked Gilt Fund has been selected as it is the fund with the lowest charge amongst those applicable to the Plan's DC arrangements. The illustrations below assume that the member is invested wholly in this fund throughout their period of membership.

Years of membership	Starting pot size: £15,000		Starting pot size: £40,000		Starting pot size: £75,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£40,000	£40,000	£75,000	£75,000
1	£14,854	£14,839	£39,610	£39,571	£74,268	£74,195
3	£14,565	£14,522	£38,841	£38,726	£72,826	£72,611
5	£14,282	£14,212	£38,086	£37,899	£71,412	£71,061
10	£13,599	£13,466	£36,265	£35,909	£67,996	£67,329
15	£12,949	£12,759	£34,530	£34,023	£64,743	£63,793
20	£12,329	£12,089	£32,878	£32,236	£61,646	£60,443
25	£11,739	£11,454	£31,305	£30,543	£58,697	£57,268
30	£11,178	£10,852	£29,807	£28,939	£55,889	£54,261
35	£10,643	£10,282	£28,382	£27,419	£53,215	£51,411

Note on how to read this table: The highlighted example shows that if a member has invested £15,000 in this fund today, after 5 years the fund could be £14,282 if no charges are applied but £14,212 with charges applied.

**Appendix 1 (Cont)****Notes**

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. It is for this reason some funds show negative real growth.
2. Inflation is assumed to be 2.5% each year
3. No further contributions are assumed to be paid
4. Values shown are estimates and are not guaranteed
5. Charges for each fund used in the illustrations are those outlined in this statement
6. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with those produced for the Plan's 2018 Statutory Money Purchase Illustrations (SMPI), and are as follows:

Fund	Assumed investment return p.a.
Phoenix CIS Oracle Active UK Equity Fund	6.00%
Phoenix CIS Oracle Global Equity Fund*	6.00%
Phoenix CIS MFS Meridian Global Equity Institutional Fund	6.00%
Phoenix CIS BlackRock Diversified Growth Fund*	5.50%
Phoenix Newton Real Return Fund*	5.50%
Phoenix CIS Oracle Diversified Growth Fund	5.50%
Phoenix CIS Oracle Cash Fund*	1.50%
Phoenix CIS Oracle Index Linked Gilt Fund*	1.50%

\*Used in the Lifestyle Drawdown strategy

## Appendix 2

**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 2 (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 2 (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 2 (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"> <li>• Set structures and processes for carrying out their role</li> <li>• Select and monitor planned asset allocation</li> <li>• Appoint Investment Committee</li> <li>• Select and monitor the investment advisers</li> <li>• Select direct investments (see overleaf)</li> <li>• Consider recommendations from the Investment Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Make recommendations to the Trustees on                             <ul style="list-style-type: none"> <li>– selection of fund managers</li> <li>– investment structures and their implementation</li> </ul> </li> <li>• Monitor fund managers</li> <li>• Monitor direct investments</li> <li>• Make ongoing decisions relevant to the operational principles of the Plan's investment strategy</li> </ul>
Investment Adviser	Fund Managers
<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 Trustees on suitability of their benchmarks</li> </ul>

## Appendix 2 (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 2 (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 2 (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 2 (Cont)****Version Date: May 2016****Appendix One - AXA Wealth Funds – Section 1 and 2****Active Funds**

<b>Fund Name</b>	<b>Availability</b>	<b>Investment characteristics</b>	<b>Benchmark</b>	<b>Performance target</b>
AXA Wealth Newton Real 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 80% BlackRock Defined Contribution 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.	Bank of England Official Base Rate Plus 3.5% 20% 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% pa over rolling 3 year periods.
AXA Wealth 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.
AXA Wealth 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.	CAPS Pooled Pension Fund Property Median	To outperform the benchmark by 1% pa 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 investments in equities, but higher than investment in bonds.	CAPS Pooled Pension Fund Property Median	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 2 (Cont)****Appendix Two - AXA Wealth Funds – Trustee Reserve Account****Active Funds**

<b>Fund Name</b>	<b>Availability</b>	<b>Investment characteristics</b>	<b>Benchmark</b>	<b>Performance target</b>
AXA Wealth Oracle Diversified Growth Fund		Invests in a composite of 80% BlackRock Defined Contribution Diversified Growth Fund and 20% BlackRock Aquila 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**

<b>Fund Name</b>	<b>Availability</b>	<b>Investment characteristics</b>	<b>Benchmark</b>	<b>Performance target</b>
AXA Wealth 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 Gilt 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 AXA Wealth Oracle Pensioner Reserve Fund

**Appendix 2 (Cont)****Version Date: May 2016****Appendix Three – Fund Charges (including AXA Wealth fees)**

<b>Fund</b>	<b>Total Expense Ratio</b>
<b>Active</b>	
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%
<b>Passive</b>	
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 2 (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 2 (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:

<b>Fund Type</b>	<b>Fund Name</b>	<b>Investment Style</b>
<b>Cash</b>		
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
<b>Drawdown</b>		
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 LGIM Cash Fund	Active
<b>Annuity</b>		
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 LGIM Cash Fund	Active

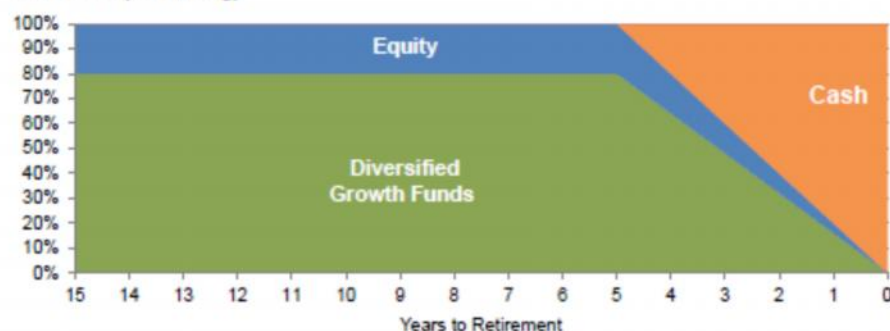
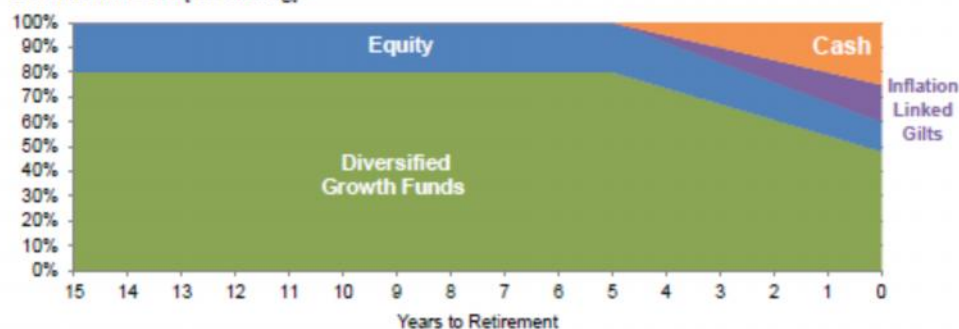
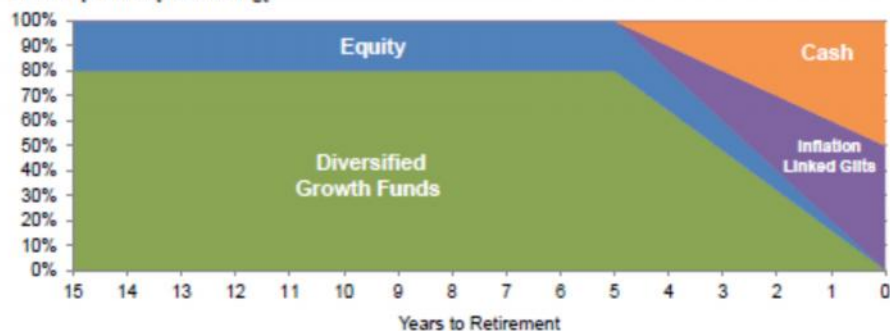
Members are assumed to retire at 65 unless they have specified an alternative target retirement age.

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 2 (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 managers' 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 37. 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.

### Custodial arrangements

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

## The Investment Report (Cont)

### Review of investment performance

Performance of the Plan's funds to 31 May 2018 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 2018			
Fund	1-Year	3-Year (p.a.)	5-Year (p.a.)
<b>Oracle Diversified Growth Fund</b>	<b>4.9%</b>	<b>4.3%</b>	<b>4.3%</b>
<i>80% Bank of England Base Rate +3.5%, 20% MSCI World Index</i>	4.8%	6.4%	5.6%
<b>Oracle Active UK Equity**</b>	<b>4.5%</b>	-	-
<i>FTSE All Share Index</i>	6.5%	-	-
<b>BlackRock Diversified Growth Fund</b>	<b>3.8%</b>	<b>1.6%</b>	<b>2.8%</b>
<i>Bank of England Base Rate + 3.5%</i>	3.9%	3.9%	4.0%
<b>LGIM Corporate Bond All Stocks Index Fund</b>	<b>-1.0%</b>	<b>3.9%</b>	<b>4.3%</b>
<i>iBoxx £ Non-Gilts ex BBB All Stocks Index</i>	-0.3%	3.9%	4.6%
<b>LGIM Ethical UK Equity Index Fund</b>	<b>8.0%</b>	<b>7.4%</b>	<b>7.8%</b>
<i>FTSE4Good UK Equity Index</i>	7.5%	7.4%	8.0%
<b>LGIM Global Equity Fixed Weights (50:50) Index Fund</b>	<b>6.4%</b>	<b>9.9%</b>	<b>9.8%</b>
<i>50% FTSE All Share Index, 50% Overseas Equity Indices</i>	7.1%	10.1%	9.9%
<b>LGIM Over 15 Year Gilts Index Fund</b>	<b>1.6%</b>	<b>7.4%</b>	<b>8.5%</b>
<i>FTSE A Government (Over 15 Year) Index</i>	1.7%	7.5%	8.6%
<b>LGIM Property Fund *</b>	<b>7.9%</b>	<b>8.9%</b>	<b>10.7%</b>
<i>LGIM Managed Property Benchmark *</i>	10.0%	8.1%	10.0%
<b>LGIM UK Equity Index Fund</b>	<b>6.5%</b>	<b>7.6%</b>	<b>7.6%</b>
<i>FTSE All Share Index</i>	6.5%	7.5%	7.8%
<b>MFS Meridian Global Equity Institutional Fund</b>	<b>3.5%</b>	<b>12.3%</b>	<b>11.9%</b>
<i>MSCI World Index</i>	8.2%	12.7%	12.3%
<b>Newton Real Return Fund</b>	<b>-2.2%</b>	<b>1.2%</b>	<b>2.1%</b>
<i>1 month LIBOR + 4%</i>	4.4%	4.4%	4.5%
<b>Oracle Cash Fund **</b>	<b>0.2%</b>	-	-
<i>7 Day LIBID</i>	0.3%	-	-
<b>Oracle Global Equity Fund **</b>	<b>8.8%</b>	-	-
<i>MSCI World Index</i>	8.2%	-	-
<b>Oracle Index Linked Gilt Fund **</b>	<b>-0.4%</b>	-	-
<i>50% FTSE UK Gilts Index-Linked Over 5 Years Index, 50% FTSE UK Gilts Index-Linked Under 15 Years Index</i>	-0.4%	-	-
<b>Oracle Pensioner Reserve Fund</b>	<b>1.0%</b>	<b>4.6%</b>	<b>5.8%</b>
<i>28% FTSE UK Gilt Index Linked Up to 5 Years Index, 42% FTSE A Index Linked Over 5 years Index, 30% Bank of England Base Rate + 3.5%</i>	0.9%	4.6%	5.9%
<b>Threadneedle Pensions Property Fund *</b>	<b>10.1%</b>	<b>8.6%</b>	<b>11.0%</b>
<i>Composite Property Benchmark *</i>	10.0%	8.1%	10.5%

Source: Phoenix Corporate Investment Services

\* Benchmark produced on a quarterly basis only; figures as at 31 March 2018

\*\* Funds launched recently; 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 2018 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 2018 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**  
**Statutory Auditor**  
**Chartered Accountants**  
Third Floor, Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

**Date:**

## 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	9,200,000
Contributions payable under the Schedules of Contributions and per note 3 to the financial statements	<u>9,200,000</u>

Signed on behalf of the Trustee:

\_\_\_\_\_  
Director of Dalriada Trustees Limited

Date: \_\_\_\_\_

## **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**

### **Statement about Contributions payable under the Schedule of Contributions**

We have examined the summary of contributions payable to The Oracle UK Pension Plan on page 43, in respect of the Plan year ended 31 May 2018.

In our opinion the contributions for the Plan year ended 31 May 2018 as reported in the attached summary of contributions on page 43 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 29 May 2015 and 26 July 2017.

### **Scope of work on Statement about Contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 43 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.

### **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**  
**Statutory Auditor**  
**Chartered Accountants**  
Third Floor, Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

**Date:**

# The Financial Statements

## Fund Account

for the year ended 31 May 2018

	Note	31 May 2018		31 May 2017
		Final salary section underpin reserve £	Money purchase section £	Total £
<b>Contributions and benefits</b>				
Employer contributions		9,200,000	-	9,200,000
Total contributions	3	9,200,000	-	9,200,000
Other income	4	-	-	602
		9,200,000		9,200,000
Benefits paid or payable	5	(1,123,723)	(2,380,835)	(3,504,558)
Payments to and on account of leavers	6	(2,727,980)	(8,810,071)	(11,538,051)
Administrative expenses	7	(44,311)	(3,115)	(47,426)
		(3,896,014)	(11,194,021)	(15,090,035)
<b>Net additions / (withdrawals) from dealings with members</b>		5,303,986	(11,194,021)	(5,890,035)
<b>Returns on investments</b>				
Investment income	8	749	879	1,628
Change in market value of investments	9	513,786	13,966,331	14,480,117
<b>Net returns on investments</b>		514,535	13,967,210	14,481,745
<b>Net increase in the fund during the year</b>		5,818,521	2,773,189	8,591,710
Transfers between sections	17	3,703,296	(3,703,296)	-
<b>Net assets of the Plan</b>				
<b>At 1 June</b>		25,267,403	364,175,014	389,442,417
<b>At 31 May</b>		34,789,220	363,244,907	398,034,127

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

**Statement of Net Assets****available for benefits as at 31 May 2018**

	Note	31 May 2018			31 May 2017
		Final salary section underpin reserve £	Money purchase section £	Total £	Total £
<b>Investment assets:</b>	9				
Pooled investment vehicles	11	34,330,250	362,118,665	396,448,915	388,744,756
Cash	9	176,500	620,981	797,481	172,643
<b>Total net investments</b>		<b>34,506,750</b>	<b>362,739,646</b>	<b>397,246,396</b>	<b>388,917,399</b>
<b>Current assets</b>	15	329,238	1,156,761	1,485,999	885,323
<b>Current liabilities</b>	16	(46,768)	(651,500)	(698,268)	(360,305)
<b>Net assets of the Plan at 31 May available for benefits</b>		<b>34,789,220</b>	<b>363,244,907</b>	<b>398,034,127</b>	<b>389,442,417</b>

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: \_\_\_\_\_

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 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.
- ) Annuities purchased by the Trustee which fully provide the benefits for certain members are not included as assets of the Plan as they are deemed not material. The cost of purchasing these annuities is reported under benefits payable within the Fund Account.

#### 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	2018 Money purchase section	Total
	£	£	£
Employer contributions			
Deficit funding	9,200,000	-	9,200,000
	9,200,000	-	9,200,000
<b>2017</b>			
Employer contributions			
Deficit funding	5,400,000	-	5,400,000
	5,400,000	-	5,400,000

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 annual checks resulted in the contributions of £9,200,000 in 2018 and £5,400,000 in 2017.

The Schedule of Contributions states an amount of £833,333 per month will be paid into an Escrow account each month until April 2025. An annual funding 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.

### 4. Other income

	Final salary section underpin reserve	2018 Money purchase section	Total
	£	£	£
Compensation	-	-	-
	-	-	-
<b>2017</b>			
Compensation	-	602	602
	-	602	602

## Notes to the Financial Statements (Cont)

### 5. Benefits paid or payable

	Final salary section underpin reserve	2018 Money purchase section	Total
	£	£	£
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
<b>2017</b>			
Pensions	723,891	-	723,891
Commutation of pensions and lump sum retirement benefits	54,593	1,384,150	1,438,743
Purchase of annuities on retirement	-	394,571	394,571
Lump sum death benefits	23,461	181,342	204,803
	801,945	1,960,063	2,762,008

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.

### 6. Payments to and on account of leavers

	Final salary section underpin reserve	2018 Money purchase section	Total
	£	£	£
Individual transfers to other schemes	2,727,980	8,810,071	11,538,051
	2,727,980	8,810,071	11,538,051
<b>2017</b>			
Individual transfers to other schemes	2,140,078	6,432,485	8,572,563
	2,140,078	6,432,485	8,572,563

## Notes to the Financial Statements (Cont)

### 7. Administrative expenses

	Final salary section underpin reserve	2018 Money purchase section	Total
	£	£	£
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
<b>2017</b>			
Administration and processing	(2,580)	-	(2,580)
Other fees	6,208	-	6,208
Travel and printing	648	-	648
	4,276	-	4,276

The negative balances in the prior year are due to pension sharing order fees received. During the year the Trustee has agreed certain fees will be paid by the Scheme. All other administrative expenses are met by the Sponsoring Employer.

### 8. Investment income

	Final salary section underpin reserve	2018 Money purchase section	Total
	£	£	£
Interest on cash deposits	749	879	1,628
	749	879	1,628
<b>2017</b>			
Interest on cash deposits	387	242	629
	387	242	629

## Notes to the Financial Statements (Cont)

### 9. Reconciliation of investments

	Value at 31 May 2017 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 May 2018 £
<b>Not allocated to members</b>					
<b>Final salary section underpin reserve</b>					
Pooled investment vehicles					
-Trustee Reserve account	10,034,663	5,718,236	(7,293,356)	378,722	8,838,265
-Pensioner Reserve account	14,717,331	11,525,722	(886,132)	135,064	25,491,985
	24,751,994	17,243,958	(8,179,488)	513,786	34,330,250
Cash in transit	59,500				176,500
	24,811,494				34,506,750
<b>Allocated to members</b>					
<b>Money purchase section</b>					
Pooled investment vehicles	363,992,762	6,327,755	(22,168,183)	13,966,331	362,118,665
Cash in transit	113,143				620,981
	364,105,905				362,739,646

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:

	2018 £	2017 £
Members	362,739,646	364,105,905
Trustee	-	-
	362,739,646	364,105,905

### 10. 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.

## Notes to the Financial Statements (Cont)

### 11. Pooled investment vehicles

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

	2018	2017
	£	£
<b>Final salary section underpin reserve</b>		
Multi-asset	34,330,250	24,751,994
	<u>34,330,250</u>	<u>24,751,994</u>
<b>Money purchase section</b>		
Equities	33,015,029	32,872,783
Bonds	4,908,184	5,114,234
Multi-asset	314,250,944	317,362,318
Property	1,340,237	1,099,542
Cash	8,604,271	7,543,885
	<u>362,118,665</u>	<u>363,992,762</u>

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

### 12. 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 2018			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
<b>Final salary section underpin reserve</b>				
Pooled investment vehicles	-	34,330,250	-	34,330,250
Cash	176,500	-	-	176,500
	<u>176,500</u>	<u>34,330,250</u>	<u>-</u>	<u>34,506,750</u>
<b>Money purchase section</b>				
Pooled investment vehicles	-	362,118,665	-	362,118,665
Cash	620,981	-	-	620,981
	<u>620,981</u>	<u>362,118,665</u>	<u>-</u>	<u>362,739,646</u>
	<u>797,481</u>	<u>396,448,915</u>	<u>-</u>	<u>397,246,396</u>
	As at 31 May 2017			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
<b>Final salary section underpin reserve</b>				
Pooled investment vehicles	-	24,751,994	-	24,751,994
Cash	59,500	-	-	59,500
	<u>59,500</u>	<u>24,751,994</u>	<u>-</u>	<u>24,811,494</u>
<b>Money purchase section</b>				
Pooled investment vehicles	-	363,992,762	-	363,992,762
Cash	113,143	-	-	113,143
	<u>113,143</u>	<u>363,992,762</u>	<u>-</u>	<u>364,105,905</u>
	<u>172,643</u>	<u>388,744,756</u>	<u>-</u>	<u>388,917,399</u>

## Notes to the Financial Statements (Cont)

### 13. Investment risk disclosures

#### Investment risks

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

- J Credit risk – one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- J 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 2018:

Fund	Fund value as at 31 May 2018 (£)	Fund value as at 31 May 2017 (£)	Credit risk	Currency risk	Interest rate risk	Other price risk
Oracle Diversified Growth	241,432,804	240,454,008	✓	✓	✓	✓
Oracle Active UK Equity	2,344,322	2,322,290	-	-	-	✓
BlackRock Diversified Growth	39,381,626	41,762,937	✓	✓	✓	✓
LGIM Corporate Bond All Stocks Index	790,824	920,965	✓	-	✓	✓
LGIM Ethical UK Equity Index	662,999	636,448	-	-	-	✓
LGIM Global Equity Fixed Weights (50:50) Index	3,356,895	3,194,706	-	✓	-	✓
LGIM Over 15 Year Gilts Index	958,392	1,372	✓	-	✓	✓
LGIM Property	345,462	331,263	✓	-	-	✓
LGIM UK Equity Index	2,081,042	2,055,117	-	-	-	✓
MFS Meridian Global Equity Institutional	5,482,886	5,620,073	-	✓	-	✓
Newton Real Return	42,274,779	45,180,034	✓	✓	✓	✓
Oracle Cash	8,604,271	7,543,884	✓	-	✓	✓
Oracle Global Equity	19,086,885	19,044,146	-	✓	-	✓
Oracle Index Linked Gilt	3,158,968	3,010,109	✓	-	✓	✓
Oracle Pensioner Reserve	25,491,985	14,717,331	✓	✓	✓	✓
Threadneedle Pensions Property	994,776	768,277	✓	-	-	✓

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

#### 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.

## Notes to the Financial Statements (Cont)

### 13. Investment risk disclosures (Cont)

#### 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)

### 14. Concentration of investments

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

	2018		2017	
	£	%	£	%
AXA Oracle Diversified Growth FDS	241,432,804	60.7	230,419,346	59.2
Newton Real Return Fund	42,274,779	10.6	45,180,034	11.6
BlackRock Diversified Growth Fund	39,381,626	9.9	41,762,938	10.7
AXA Oracle Global Equity Fund	25,491,985	6.4	-	-

### 15. Current assets

	Final salary section underpin reserve	2018 Money purchase section	Total
	£	£	£
Cash balances	329,238	1,156,761	1,485,999
	329,238	1,156,761	1,485,999
<b>2017</b>			
Cash balances	455,911	429,412	885,323
	455,911	429,412	885,323

Included in the money purchase section bank balance is £815 (2017: £2,270) which is not allocated to members.

### 16. Current liabilities

	Final salary section underpin reserve	2018 Money purchase section	Total
	£	£	£
Unpaid benefits	(11,608)	(651,500)	(663,108)
Accrued expenses	(35,160)	-	(35,160)
	(46,768)	(651,500)	(698,268)
<b>2017</b>			
Unpaid benefits	(2)	(360,303)	(360,305)
	( 2)	(360,303)	(360,305)

## Notes to the Financial Statements (Cont)

### 17. Transfers between sections

	2018	
	Final salary section underpin reserve	Money purchase section
	£	£
Reclassification of assets	3,703,296	(3,703,296)
	2017	
Reclassification of assets	2,514,172	(2,514,172)

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

### 18. Related party transactions

Oracle Corporation UK Limited provides certain administration and other services to the Plan for which no charge is made.

During the year, out of pocket expenses totalling £Nil (2017: £648) were reimbursed to 0 (2017: 2) individual Trustee Directors. Fees paid to Dalriada Trustees Limited (who are key management personnel) by the Employer totalled £69,195 (2017: £115,022).

All of the former member-nominated Trustees (A Beecroft, J Coster, P Lewis and S Seymour) are members of the Plan.

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).

### 19. 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.

## Certificate of Adequacy of Contributions

### Certification of the schedule of contributions

#### The Oracle UK Pension Plan

##### 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 is expected 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: 26 July 2017

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).

##### 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.

###### 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.

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 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.

### 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.

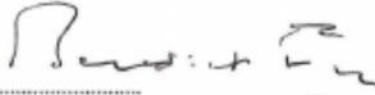
**This Schedule has been agreed by the Trustees and the Employer**

 .

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

19 July 2017 .

Date



Signed on behalf of Oracle Corporation UK Limited

25 July 2017

Date

Date of Schedule: 25 July 2017