

INVESCO PENSION SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2021

Chair's Statement

Annual Chair's Statement for the Invesco Pension Scheme – DC Section

1. Introduction

This statement has been prepared by Invesco Pension Trustees Limited ("the Trustee") and reports on how the Trustee complies with the defined contribution ("DC") governance standards. These standards were introduced under the Occupational Pension Scheme (Charges and Governance Regulations 2015 and amended by the Occupational Pension Scheme (Administration and Disclosure) (Amendment) regulations 2018 ("the Regulations").

Governance requirements apply to defined contribution pension arrangements to help members achieve a good outcome from their pension savings.

The Trustee is required to produce a yearly statement (which is signed by the Chair of the Trustee) to describe how governance requirements have been met in relation to:

- The investment options in which members can invest (this means the range of funds members can select or have already have assets in, such as "legacy" funds);
- The requirement for processing financial transactions;
- The charge and transaction costs borne by members;
- An illustration of the cumulative effect of these costs and charges
- A value for member assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 1 January 2021 to 31 December 2021 ("the reporting period").

As required by the Regulations, the Trustee will publish this Statement on a publicly accessible website. The web address for the website will be <https://www.invesco.co.uk/uk/dam/jcr:8f59f942-7c1a-42d3-9531-239424661527/chairs-statement-and-sip-for-invesco-pension-scheme.pdf>

The Trustee was asked by Invesco in May 2018 to consider a transfer of the DC assets to the Invesco Group Personal Pension ("Invesco GPP"). The Trustee has been considering the proposal with their legal adviser. A review was undertaken in April 2020 to assess whether a bulk transfer to the Invesco GPP or the Invesco Section 32 buy-out plan ("Invesco s32 Plan") would be in the members' best interests. The transfer was to be on an individual member consent basis. For those members that did not consent to the transfer to the Invesco GPP, Invesco proposed that the DC benefits would be transferred into Invesco s32 Plan on a "without consent" basis. The Trustee received legal advice to confirm that the Rules allowed for the transfer of benefits without consent. The assessment was based on the DWP guidance on bulk transfers without member consent. The majority of the DC assets were transferred on the 2 December 2020. As the Aegon BlackRock Property Fund was suspended on the 18 March 2020 those members with assets in that fund were not transferred to either the Invesco GPP or the Invesco s32 Plan at the time. The transfer of those assets took place on 14 February 2022 once the Aegon BlackRock fund reopened. There remained 2 members within the DC section who had pension sharing orders. The Trustee is actively engaging with the members, but to no avail thus far.

2. The Default Arrangement

The Scheme is not used as a Qualifying Scheme for automatic enrolment compliance purposes.

Members who joined the Scheme and who did not choose an investment option were placed into the Lifestyle Option, (the "default arrangement"). The Scheme was closed to new members and future contributions on 1 April 2010.

INVESCO PENSION SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2021

2. The Default Arrangement (continued)

Details of the objectives and the Trustee policy regarding the default arrangement can be found in a document called the Statement of Investment Principles ("SIP"). The Scheme's SIP covering the default arrangement is attached to this annual statement regarding governance.

The aims and objectives of the default arrangement as stated in the SIP, are as follows:

- Significant long-term growth whilst the members are far from their target retirement date
- Gradually reducing risk taken in the investment strategy as members become close to their target retirement date which means that members' assets are automatically moved between different investment funds as they approach their target retirement date; and
- Having an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings.

The default strategy and the performance of the default arrangement are reviewed at least every three years and was last reviewed 24 April 2020. This review was commissioned as part of the due diligence process for the transfer. It provided general consideration relating to the fund mapping, the appropriateness of and fund mapping recommendations within the Invesco GPP (for those members who provided consent) and the appropriateness of and fund mapping recommendations within the Invesco s32 Plan.

Members were moved to a single default investment strategy rather than mapping existing holding on a like for like basis. For members moving to the Invesco GPP as they provided consent to the transfer, they were given the option to select the investment strategy. For those members that did not make a selection on their investment strategy the default was the Invesco Lifestage Strategy.

Where members did not actively consent to the transfer to the Invesco GPP the Trustee was able to consider all of the available funds within the Aviva range as the default mapping. The qualitative review undertaken considered the Aviva My Future Universal Strategy to be the most appropriate. The strategy targets a universal retirement allocation that is broadly appropriate for the vast majority of members irrespective of their retirement aim i.e. income drawdown, annuity purchase or lump sum

The Trustee was satisfied the defaults proposed under the Invesco GPP and the Invesco s32 Plan were appropriate.

3. Processing of Core Financial Transactions

The processing of core financial transactions was carried out by the administrator of the DC Section, Aegon. Core financial transactions include (but not limited to):

- Processing of transfers in and out of the Scheme
- Transfer of assets between different investments within the Scheme; and
- Payments to members/beneficiaries

The Trustee has received assurance from the Scheme's administrator, Aegon, and taken steps to try and ensure that there are adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme year.

The Scheme has a service level agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core transactions relating to the Scheme are processed promptly and accurately. The key processes adopted by the administrator to help them meet SLA are as follows:

- Daily monitoring of bank accounts; and
- Dedicated administration team, with at least two people involved with checking investment and banking transactions.

INVESCO PENSION SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2021

3. Processing of Core Financial Transactions (continued)

To help monitor whether service levels were being met, the Trustee received quarterly reports on Aegon's performance and compliance with the SLA, as well as Aegon's Audit and Assurance Faculty (AAF) 01/06 report. Any issues identified by the Trustee as part of its review process were raised with the administrators immediately, and steps were taken to resolve the issues.

As part of its ongoing considerations of service standards, the Trustee noted that the service levels in the SLA had not been met in certain quarters in 2021. The Trustee monitored the situation closely and Aegon implemented measures to ensure the required standards were met on a consistent basis.

The majority of the DC assets were transitioned on the 2 December 2020, with a further subset transferred on 12 February 2021 to the Invesco s32 Plan. Invesco reimbursed the members for any out of market exposure and any transaction costs incurred. A final unit reconciliation was obtained from Aegon.

Members who made a net gain because of favorable price swings retained the gain. Any member who had a transaction cost net loss was reimbursed the full amount by Invesco. No member incurred financial detriment through transaction cost as part of the bulk transfer.

Based on its review processes, the Trustee, was satisfied that over the period covered by this Statement:

- The administrators (Aegon) was operating appropriate procedures, checks and controls, and generally operating within the agreed SLA:
- There had been no material administration issues in relation to processing core financial transactions; and
- Core financial transactions have been processed promptly and accurately to an acceptable level during the Scheme year.

4. Member Borne Charges and Transaction costs

The Trustee is required to set out the on-going charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is borne by the members and is reflected in the unit price of the funds. Members do not pay an annual fund management charge or additional charges for any funds managed by Invesco.

The stated charges include investment administration costs for any funds not managed by Invesco - since members incur these costs.

The Trustee is also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. All transaction costs are borne by members.

The charges and transaction costs have been supplied by Aegon as the Scheme's investment platform provider. When preparing this section of the Statement the Trustee has taken account of statutory guidance.

4.1 Default arrangement

The Default arrangement is the Lifestyle option. The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the level of charges and transaction costs will vary depending on members' proximity to retirement, and in which fund they are invested.

INVESCO PENSION SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2021

4.1 Default arrangement (continued)

The majority of members were transferred over to the Employer's GPPP before the end of the Scheme's financial year (31 December 2021), hence the Trustee did not review the default strategy over the year.

For the period covered by this Statement, annual charges and transaction costs are set out in the table below.

Default arrangement charges and transaction costs

Years to retirement	TER	Transaction costs
5 or more years from retirement	0.14%	0.37%
At retirement	0.08%	0.01%

4.2 Self-select options

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the default arrangement are shown in **bold**.

Manager – Fund name	TER	Transaction costs
Aegon BlackRock Consensus Index	0.21%	0.03%
Aegon BlackRock 70/30 Global Equity Index	0.21%	0.05%
Aegon BlackRock World (ex UK) Equity Index	0.21%	0.03%
Aegon BlackRock UK Equity Index	0.21%	0.07%
Aegon BlackRock Index Linked Gilt	0.30%	0.00%
Aegon BlackRock Diversified Growth	0.60%	0.37%
Invesco Cash	0.00%	0.03%
Invesco Global Equity Growth	0.00%	0.28%
Invesco Global Equity Income	0.00%	0.31%
Invesco Global Equity (ex UK)	0.00%	2.18%
Invesco Growth Managed	0.00%	0.28%
Invesco UK Equity	0.00%	0.91%
Invesco UK Corporate Bond	0.00%	0.00%
Invesco Long Gilt	0.00%	0.01%
Invesco Growth	0.14%	0.37%
Invesco Balanced Risk 8	0.00%	0.50%
Invesco Global Targeted Return	0.00%	0.44%

4.3 Illustration of charges and disclosure costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustee has had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees (ie the TER).

INVESCO PENSION SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2021

4.3 Illustration of charges and disclosure costs (continued)

- The transaction cost figures used in the illustration are those provided by the Scheme's platform provider, subject to a floor of zero (ie the illustration does not assume a negative cost over the long term).
- The illustration is shown for the default option, ie the Lifestyle option, as well as five funds from the Scheme's self-select fund range. The four self-select funds shown in the illustration are:
 - the fund with the highest before costs expected return – this is the Aegon BlackRock 70/30 Global Equity Index
 - the fund with the lowest before costs expected return – this is the Invesco Cash Fund
 - the fund with highest annual member borne costs – this is the Aegon BlackRock 70/30 Global Equity Index
 - the funds with lowest annual member borne costs – this is the Invesco Global Equity Growth Fund, the Invesco Cash Fund and the Invesco Growth Managed Fund
 - the fund with the lowest before costs expected return – this is the Invesco Cash Fund,
 - the fund with highest annual member borne costs – this is the Aegon BlackRock UK Property Fund,
 - the fund with lowest annual member borne costs – this is the Invesco Global Equity Growth Fund,
 - the fund with the most members invested – this is the Invesco Growth Managed Fund.

Projected pension pot in today's money

Years invested	Default option		Aegon BlackRock 70/30 Global Equity Index Fund		Invesco Cash Fund		Invesco Global Equity Growth Fund		Invesco Growth Managed Pension Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£127,100	£126,700	£130,100	£129,800	£124,300	£124,300	£130,100	£129,700	£129,900	£129,500

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Projected pension pot values are shown in today's terms, so do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% each year.
- The starting pot size used is £126,625 which is the average invested pot size of members. As at 31 December 2021, there were 16 members outstanding in the Scheme.
- We have assumed the projection period for the last active member was three years, this allows for flexibility for when the last members will actually retire and for privacy/data protection issues.
- No further contributions are assumed to be paid.
- The projected annual returns used are as follows:
 - Default option: 1.4% below inflation at the ending point of the lifestyle, as all the members have been assumed to have less than three years until retirement age.
 - Aegon BlackRock 70/30 Global Equity Index: 2.8% above inflation.
 - Invesco Cash Fund: 1.8% below inflation.
 - Invesco Growth Managed Fund: 2.6% above inflation.
 - Invesco Global Equity Growth: 2.7% above inflation.
 - No allowance for active management has been made

INVESCO PENSION SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2021

4.4 Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the scheme year.

Default strategy net returns over periods to scheme year end*

Years to retirement	1 year (%)	5 year (%)
Less than 1 year	-0.8%	3.5%
1 Year**	-	-

* For the default strategy, as there are two members, returns are shown based on the years to retirement. The asset split remains the same for both members as one of the members has retired and the other has less than one year to retirement as at 31 December 2021.

** Aegon were not able to provide performance for the Invesco Growth Fund, hence we have not been able to provide representative performance for the default strategy with one year to retirement.

Self-select fund net returns over periods to scheme year end

Fund name	1 year (%)	5 years (% pa)
Aegon BlackRock 70/30	18.4%	7.4%
Global Equity Index Fund		
Invesco Growth Managed Pension Fund	21.2%	4.7%
Invesco Global Equity Growth Fund	21.8%	4.8%
Invesco Cash Fund	0.1%	0.6%

5. Value for members assessment

The Trustee is required to assess every three years the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee reviews all member-borne charges (including transaction cost where available) , with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was 24 April 2020 ahead of the transfer of the DC assets to the Invesco Group Personal Pension plan. The Trustee notes that value for money does not necessarily mean the lowest fee and the overall quality of the service received has also been considered in this assessment. The Trustee's investment adviser, LCP have confirmed that the fund charges are competitive for this type of fund available to members.

The Trustee assessment included a review of the performance of the Scheme investment funds (after all charges and transactions costs) in the context of their investment objectives. The returns on the investment funds available to members during the period covered by this statement were not consistent with their stated investment objectives. This was one of the reasons why the Trustee agreed to the transfer of the DC assets to the Invesco Group Personal Pension.

INVESCO PENSION SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2021

5. Value for members assessment (continued)

In carrying out the assessment the Trustee also considered the other benefits members received from the Scheme, which include:

- The oversight and governance by the Trustee, including ensuring the Scheme was compliant with relevant legislation such as the charge cap and holding regular meetings to monitor the Scheme and address any material issues that may impact members
- The design of the default arrangement and how this reflects the membership as a whole
- The range of investment options and strategies
- The quality of communication delivered to members
- The efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the Scheme year.

In order to try and improve value for members the Trustee considered and agreed to transfer the DC assets to the Invesco GPP or the Invesco s32 Plan. The administration services provided by Aviva and the online functionality means that members have better online support, communication and investment options. Members who transfer to the Invesco GPP have the option to transfer their DC pot back to the Invesco Pension Scheme at retirement to fund their pension commencement lump sum. For members that are transferred to the Invesco s32 Plan there is a two-year grace period where members can be transferred to the Invesco GPP.

Ahead of the decision to transfer, a value for members assessment of the GPP and the Section 32 buyout plan was conducted.

As detailed in Section 3 covering the processing of core financial transactions the Trustee was comfortable with the quality and efficiency of the administration process provided by Aegon

Overall, the Trustee believes that the transfer to the Invesco GPP and the Invesco s32 Plan was good value for money for the charges and costs they incur, for the reasons set out in this section.

6. Trustees' Knowledge and Understanding

The Scheme's Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee has measures in place to comply with the legal and regulatory requirement regarding knowledge and understanding of relevant matters, including investment, pension, and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustee with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raises any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, the Trustee received training on a range of pension topics including:

- Infrastructure (January 2021) delivered by LCP
- Multi Alternative income (February 2021) delivered by LCP

The Trustee has access to podcasts and seminars which cover topics various topics such as pensions de-risking, climate change and DC consolidation.

All the Trustee Directors are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out the Trustee's policies, including the Trust Deed and Rules and SIP (which sets out the policies on investment matters). In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make changes to the Scheme and the SIP is formally reviewed at least every three years and as a part of making any change to the Scheme's investment.

INVESCO PENSION SCHEME

CHAIR'S STATEMENT YEAR ENDED 31 DECEMBER 2021

6. Trustees' Knowledge and Understanding (continued)

Further, the Trustee Directors believe that they have sufficient knowledge and understanding of the law relating to pension and trusts and of the relevant principles relating to the funding and the investment of occupational pension schemes to fulfil their duties.

All the Trustee Directors are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (an online learning programme), designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law. Any new Trustee Directors are required to complete the Toolkit within six months of taking up office. New Trustee Directors are invited to attend training courses provided by their legal, investment and actuarial advisers.

There are currently five Trustee Directors for the Scheme. Regular one to one training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year. A training log is maintained in line with best practice and the training programme is reviewed regularly to ensure it is up to date.

The Trustee Board does not include any individual Directors who possess specialist investment expertise, and it therefore places significant reliance on its investment advisor which proactively keeps the Trustee updated on DB and DC topical investment matters. An experienced Independent Trustee is appointed to the Board. The Trustee Board is familiar with the Scheme's governing documentation. The Scheme's Trustee directors have extensive skills and expertise to oversee the governance of the Scheme. Clive Gilchrist has over 40 years' experience of the pension and investment industries, including 25 years as a professional trustee and pension board Chair. Clive is an accredited professional trustee with suitable technical knowledge.

In addition to the skills within the Trustee board, as mentioned previously, the Trustee is supported by a team of professional advisers and service providers that attend Trustee meetings regularly. The Trustee delegates certain responsibilities to its advisers. These include Aon as administrators, ZEDRA Inside Pensions as the Trustee Secretary, LCP as investment advisor, PwC as the auditor and Mayer Brown as the legal advisor. All third-party advisers are kept under regular review. The last evaluation was undertaken in 2020.

A questionnaire is used to carry out an annual evaluation of the Trustee's knowledge and to help identify training needs. The Trustee also performs an annual evaluation of the performance and effectiveness of the Trustee Board as a whole as measured against the objective of the Scheme's business plan.

During the Scheme year the Trustee has undertaken a review of the policies and procedures. These include the gifts and hospitality policy and the internal dispute resolutions procedure. The business plan was redrafted taking into consideration the governance documentation and industry wide best practice. The business plan now summarises the long-term as well as the medium/short term objectives for the Scheme. The risk register was revamped to include operational, reputational and financial impact along with a more detailed description of the likelihood.

Considering the knowledge and experience of the Trustee Directors and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers (e.g. investment consultants, legal advisors) the Trustee Directors believe they are well placed to exercise their functions as Trustee of the Scheme properly and effectively.

Signed on behalf of the Trustee of the Invesco Pension Scheme.

Chair of Trustee

Date: 27/07/2022