Chair's DC Governance Statement, covering the 12 months to 5 April 2021

1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings (a DC pension arrangement is where employee and employer contributions are paid into it, and the member chooses the investments from the options made available, but also bears the investment risk).

The Trustee of the Citi (UK) Pension Plan (the "Plan") is required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met for the DC benefits within the Plan in relation to:

- the default investment options (this means the main default arrangement and other funds also classed as default arrangements);
- the requirements for processing financial transactions (ie administration of the Plan, such as investment of contributions);
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This Statement covers the period from 6 April 2020 to 5 April 2021 (the "Plan Year").

2. Default arrangements

The Plan is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

The Plan's main default arrangement

The Trustee has made available a range of investment options for members. Members in the Plan that have not chosen an investment option are invested in the Drawdown Lifestyle arrangement, (the "Default"). When deciding on the Plan's investment strategy, the Trustee recognises that most members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustee decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their Target Access Age ("TAA"). Members further than 10 years from their TAA are fully invested in the Growth Fund, which comprises global equities, illiquids and diversified growth funds. At 10 years to TAA, members begin to de-risk into the Pre-Retirement Fund, which comprises global equities, diversified growth funds, index-linked gilts and corporate bonds. At TAA, members are fully invested in the Pre-Retirement Fund.

The Plan's other default arrangements

A number of other funds are also classified as defaults for some members following past investment changes where members' funds have been transferred without the members expressing a choice. These are:

- The Cash Lifestyle – Members further than 10 years from their TAA are fully invested In the Growth Fund. At 10 years to TAA members begin to de-risk into the Pre-Retirement Fund. Then at 5 years to TAA members begin to de-risk further into the Cash Targeting Fund. At TAA members are fully invested in the Cash Targeting Fund; and
- The Sterling Liquidity Fund – Active.

In addition, a number of other funds are classified as default arrangements for governance purposes (although will not be treated as default arrangements for charge cap purposes due to a legal exemption applying). The Diversified Growth Fund – Semi Passive became a default over the Plan Year as a result of changes following the investment strategy review. These funds are:

- The Growth Fund (this fund was modified);

- The Pre-retirement Fund (this fund was modified);
- The Annuity Targeting Fund (this fund was modified); and
- The Diversified Growth Fund – Semi Passive (assets transferred from the closed Diversified Growth Fund – Active).

These arrangements along with the Default are referred to as the “default arrangements”.

Statement of Investment Principles

The Trustee is responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and the Trustee’s policies regarding the default arrangements can be found in a document called the ‘Statement of Investment Principles’ (“SIP”). The Plan’s SIP covering the default arrangements is attached as Appendix 1 to this annual statement.

The aims and objectives of the default arrangements, as stated in section 3 of the attached SIP, can be summarised as follows:

- The Default (the Drawdown Lifestyle arrangement): to target a return significantly above inflation within the growth phase and then in the 10 years before a member’s intended TAA switch into an asset allocation designed to be appropriate for members who wish to access their benefits via drawdown.
- The Cash Lifestyle: to target a return significantly above inflation within the growth phase and then in the 10 years before a member’s intended TAA switch into an asset allocation designed to be appropriate for members wishing to take 100% cash at retirement.
- Sterling Liquidity Fund – Active: to maintain capital by investing in one or more Sterling liquidity fund which will predominantly invest in a range of short-term money market instruments and government securities.
- Annuity Targeting Fund: to be appropriate for members who wish to purchase an annuity at retirement by broadly aiming to track annuity prices
- Growth Fund: to provide members with long term growth by investing in one or more appropriate asset classes.
- Pre-Retirement Fund: to contain an appropriate balance between risk and return for members approaching their target access age who are expecting to draw down income.
- Diversified Growth Fund – Semi Passive: to deliver positive growth over the long term by investing across various asset classes and adjusting the amounts held within different asset classes over time to strategically manage risk and reduce volatility.

Review

The default arrangements are reviewed at least every three years. The default arrangements were not reviewed during the period covered by this Statement. The last review was carried out on 8 March 2019 and 14 June 2019. Further decisions relating to the implementation of the changes following the review were made at a meeting of the Defined Contribution Committee (“DCC”) on 24 September 2019. The DCC on behalf of the Trustee had concluded from this review that the approach of the existing default arrangements remained appropriate but had agreed on various underlying changes to the Default, the Cash Lifestyle and the Sterling Liquidity Fund – Active to improve them further. The implementation of these changes occurred over three phases, from 27 November 2019 to 18 May 2020.

The Trustee regularly monitors the performance of the default arrangements and will formally review both this and the investment strategy at least every three years. The next review is intended to take place by March 2022 or immediately following any significant change in investment policy or the Plan’s membership profile.

In addition to the triennial strategy review the Trustee also reviews the performance of the default arrangements against their aims, objectives and policies on a quarterly basis. These reviews include an analysis of fund performance and member activity to check that the risk and return levels are meeting expectations. The Trustee’s reviews that took place during the Plan Year concluded that the default arrangements were performing broadly as expected.

3. Requirements for processing core financial transactions

Processing core financial transactions in relation to the DC benefits within the Plan (such as the investment of contributions, processing transfers in and out of the Plan, processing transfers of Plan assets between different investments, and payments to members/beneficiaries) is carried out by the administrator of the Plan, Willis Towers Watson ("WTW").

Service level agreement

The Plan has a service level agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions such as retirement settlements, transfer out quotes and retirement quotes.

WTW internal controls

The Trustee has received assurance from WTW that there are adequate internal controls to ensure that core financial transactions relating to the Plan are processed promptly and accurately during the Plan Year. The key processes adopted by WTW to help ensure core transactions were processed promptly and accurately, and that the SLAs were met are as follows:

- A task logging system was in place which was reviewed regularly for upcoming workloads and tasks were allocated daily;
- A regular cash reconciliation was carried out;
- All monetary transactions were checked, and peer reviewed by a senior administrator or above before being authorised by a team leader. All monetary transactions above £250,000 required a second level of authorisation by an administration manager or above;
- Bank balances were reviewed daily by the treasury team;
- To ensure promptness, all payments were made electronically, and members had online access to facilitate contribution and investment decisions; and
- A target for each month was agreed with the Trustee for the number of days taken for contributions to be invested from receipt. Over the Plan Year, the average number of days taken for contributions to be invested from receipt was 8.1 days, which is within the agreed target.

Trustee monitoring

To help the Trustee monitor whether service levels are being met, the Administration Committee on behalf of the Trustee receives quarterly reports about the administrator's performance and compliance with the SLA. Whilst the Plan Year end is 5 April 2021, due to WTW operating a quarterly reporting system, information is currently only available to 31 March 2021. For the year to 31 March 2021, quarterly performance of administration tasks against SLAs was 84%, 80%, 83%, and 90%. This is a decrease in performance relative to last year where quarterly performance was 87%, 89%, 91% and 92%. However, the Trustee's DC consultant, LCP noted that these falls are in line with their expectations of a decrease in service levels over 2020 due to the Covid-19 pandemic. As per The Pensions Regulator's guidance on considerations for schemes during the Covid-19 pandemic, WTW's focus was on prioritising critical financial transactions over the Plan Year and the Trustee is satisfied that there were no material issues in relation to processing core financial transactions. WTW discusses all performance statistics with the Citi pensions team fortnightly and with the Trustee on a quarterly basis. WTW had an agreed service plan in place to return to business as usual levels (the contractual target is 95%) by Q2 2021. WTW has confirmed that an overall improvement to SLA's was reported in Q2 2021 in line with the agreed plan.

The Trustee is satisfied that over the Plan Year:

- the administrator was operating appropriate procedures, checks and controls. Whilst SLA performance remains lower than the contractual SLA target (as noted above), the Trustee understands the challenges that may have impacted SLA performance due to the Covid-19 pandemic over the Plan Year and is satisfied with the plans in place to raise the SLAs above the contractual targets;
- there have been no material administration errors in relation to processing core financial transactions and no such errors were reported over the Plan Year; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan Year.

Overall, the Trustee had no major concerns with the administration of the Plan during the Plan Year.

4. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members over the Plan Year in this Statement. The stated charges include a 0.10% charge for administration costs (which also cover audit, legal and investment advice costs), since this is met by the members.

The Trustee calculated the charges borne by members of the Plan for the period 1 April 2020 to 31 March 2021. During this period:

- The annual management charges (which include investment platform fees), and additional expenses, shown in the total expense ratio ("TER") were borne by members invested in all lifestyles and self-select funds.
- Members did not pay a platform fee on funds managed by the Plan's platform provider Legal & General ("L&G").
- In addition to any fund related charges, an additional charge of 0.10% pa is levied on members to cover some of the costs involved in running the Plan, including administration, audit, legal and investment advice costs. This charge is included in the Annual Management Charge ("AMC").

The tables shown later in this section show the charges that members paid over the Plan Year.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this Statement, the transaction costs shown are those incurred by members when the Plan'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.

The charges and transaction costs shown in the tables below take into account the charges and transaction costs that members incurred as a result of the investment fund changes that occurred over the Plan Year. Over the Plan Year, the TERs for the following funds changed (from 31 March 2020 to 31 March 2021):

- The UK Equity Fund – Active decreased from 0.790% pa to 0.610% pa due to a change in underlying fund;
- The Property Fund – Active increased from 0.674% pa to 0.870% pa due to a change in underlying fund; and
- The Sterling Liquidity Fund – Active decreased from 0.218% pa to 0.120% pa due to L&G temporarily waiving the fund management charge for the underlying fund due to the returns produced by money market assets.

The charges and transaction costs have been supplied by L&G who is the Plan's platform provider for the period 1 April 2020 to 31 March 2021 and are shown in the table below.

L&G were unable to provide charges and transaction costs for exactly the Plan Year period of 6 April 2020 to 5 April 2021. This is due to L&G operating a quarterly reporting system, and as such data is provided for the period 1 April 2020 to 31 March 2021.

Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

4.1 Default arrangements

The current default arrangements in the Plan are the Default (the Drawdown Lifestyle arrangement), the Cash Lifestyle, the Sterling Liquidity Fund – Active, the Growth Fund, the Pre-Retirement Fund, the Annuity Targeting Fund and the Diversified Growth Fund – Semi Passive.

The Default and the Cash Lifestyle have been set up as lifestyle approaches, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their Target Access Age ("TAA") and in which fund they are invested.

For the Plan Year, annualised charges and transaction costs incurred by members are set out in the following table.

Fund name		AMC (% pa)	TER (% pa)	Transaction costs (% pa)
Default (Drawdown Lifestyle)	10+ years to TAA	0.412	0.434	0.083
	5 years to TAA	0.338	0.361	0.097
	At TAA	0.264	0.288	0.111
Cash Lifestyle	10+ years to TAA	0.412	0.434	0.083
	5 years to TAA	0.338	0.361	0.097
	At TAA	0.165	0.175	0.106
Citi (UK) Pension Plan Growth Fund		0.412	0.434	0.194
Citi (UK) Pension Plan Pre-retirement Fund		0.264	0.288	0.215
Citi (UK) Pension Plan Annuity Targeting Fund		0.240	0.245	0.041
Citi (UK) Pension Plan Diversified Growth Fund – Semi Passive[1]		0.350	0.379	0.770
Citi (UK) Pension Plan Sterling Liquidity Fund – Active		0.120	0.120	0.021

[1]This Fund became a default arrangement during the Plan Year.

4.2 Self-select options

In addition to the default arrangements, members also have the option to invest in an annuity targeting lifestyle (the “Annuity Lifestyle”) and several other self-select funds.

The Annuity Lifestyle

The annual charges and transaction costs for the Annuity Lifestyle during the Plan Year are set out in the table below.

Years to retirement	AMC (% pa)	TER (% pa)	Transaction costs (% pa)
10+ years to TAA	0.412	0.434	0.083
5 years to TAA	0.338	0.361	0.097
At TAA	0.240	0.245	0.041

Self-select funds

The level of charges for each self-select fund (including those used in the default arrangements) 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 during the Plan Year are shown in **bold**.

There were a number of funds in the main DC arrangement with L&G that were closed over the Plan Year, on 15 May 2020. For these funds, charges have been obtained as at 15 May 2020. L&G is unable to provide transaction costs for the period 6 April 2020 to 15 May 2020.

Fund name	AMC (% pa)	TER (% pa)	Transaction costs (% pa)
Citi (UK) Pension Plan Annuity Targeting Fund	0.240	0.245	0.041
Citi (UK) Pension Plan Growth Fund	**0.412**	**0.434**	**0.083**

Fund name	AMC (% pa)	TER (% pa)	Transaction costs (% pa)
Citi (UK) Pension Plan Pre-Retirement Fund	**0.264**	**0.288**	**0.111**
Citi (UK) Pension Plan Fixed Interest Gilt Fund – Passive	0.130	0.130	0.001
Citi (UK) Pension Plan Index-Linked Gilt Fund – Passive	0.130	0.130	0.025
Citi (UK) Pension Plan European (Ex UK) Equity Fund – Passive	0.140	0.140	-0.006[1]
Citi (UK) Pension Plan Global Equity Fund – Passive	0.138	0.138	0.114[1]
Citi (UK) Pension Plan Japan Equity Fund – Passive	0.140	0.140	0.013
Citi (UK) Pension Plan Pacific Rim (ex Japan) Equity Fund – Passive	0.140	0.140	0.008
Citi (UK) Pension Plan UK Equity Fund – Passive	0.135	0.135	-0.020[1]
Citi (UK) Pension Plan US Equity Fund – Passive	0.140	0.140	-0.022[1]
Citi (UK) Pension Plan Shariah Fund – Passive	0.420	0.420	0.030
Citi (UK) Pension Plan UK Equity Fund – Active	0.590	0.610	0.228
Citi (UK) Pension Plan UK Specialist Equity Fund – Active	0.720	0.750	0.239
Citi (UK) Pension Plan Ethical Fund – Active	0.470	0.600	0.110
Citi (UK) Pension Plan Global Equity Fund – Active	0.690	0.710	0.125
Citi (UK) Pension Plan UK Smaller Companies Equity Fund – Active[2]	0.720	0.720	Not available
Citi (UK) Pension Plan European (ex UK) Equity Fund – Active	0.410	0.470	0.211
Citi (UK) Pension Plan US Equity Fund – Active	0.720	0.810	0.082
Citi (UK) Pension Plan Japan Equity Fund – Active	0.870	1.020	0.201
Citi (UK) Pension Plan Far East (Ex Japan) Equity Fund – Active	0.870	1.110	0.144
Citi (UK) Pension Plan Emerging Markets Equity Fund – Active	0.795	0.855	0.380
Citi (UK) Pension Plan Diversified Growth Fund – Active[2]	0.655	0.714	Not available
Citi (UK) Pension Plan Diversified Growth Fund – Semi-Passive	0.350	0.379	0.210
Citi (UK) Pension Plan Corporate Bond Fund – Active	0.300	0.312	0.054
Citi (UK) Pension Plan Overseas Bond Fund – Active	0.370	0.370	0.002
Citi (UK) Pension Plan Property Fund – Active	0.220	0.870	0.074
Citi (UK) Pension Plan Sterling Liquidity Fund – Active	0.120	0.120	0.021
Citi (UK) Pension Plan Commodities Derivatives Fund – Active	0.520	0.710	0.454
Citi (UK) Pension Plan Short Dated Government Bond Fund – Active[2]	0.210	0.210	Not available

[1]Due to the way in which transaction costs have been calculated it is possible for figures to be negative. We have shown any negative figures in the table as provided, but since transaction costs are unlikely to be negative over the long term, the Trustee has shown any negative figure as zero for the cost and charges illustration.
[2]These funds were closed over the Plan Year, on 15 May 2020. Charges have been shown as at 15 May 2020. L&G is unable to provide transaction costs for the period 6 April 2020 to 15 May 2020.

4.3 Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. 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 illustrative example, the Trustee has had regard to the relevant statutory guidance.

As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below:

- 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 and an allowance for transaction costs.
- The transaction cost figures used in the illustration are an average of those provided by the managers over the year to 31 March 2020 and the year to 31 March 2021, supplied by L&G (the Plan's platform provider), subject to a floor of zero (so the illustration does not assume a negative cost over the long term).
- The illustration is shown for the Default since this is the arrangement with the most members invested in it, as well as four funds from the Plan'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 Emerging Markets Equity Fund – Active
    - the fund with the lowest before costs expected return – this is the Sterling Liquidity Fund – Active
    - the fund with highest annual member borne costs – this is the Far East (ex Japan) Equity Fund – Active
    - the fund with lowest annual member borne costs – this is the Fixed Interest Gilt Fund – Passive
- Illustrations have been provided for both active and deferred members of the Plan.

Deferred member illustration

- The following illustration is for an average deferred member who will make no further contributions into the Plan.
- 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. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. Inflation is assumed to be 2.5% pa.
- The starting pot size used is £40,700 as this is the approximate median pot size for a deferred member of the Plan.
- The illustration is shown over 40 years, as this is the approximate duration that the youngest deferred Plan member has until they reach the target access age of 60.
- Since the illustration is for deferred members, the starting salary is assumed to be £0 and total contributions are assumed to be 0%.
- The projected annual returns used are as follows:
    - Default option: 2.50% above inflation for the initial years, gradually reducing to a return of 0.10% above inflation at the ending point of the lifestyle.
    - Emerging Markets Equity Fund – Active is 3.75% above inflation
    - Sterling Liquidity Fund – Active is 2.00% below inflation
    - Japan Equity Fund – Active is 2.75% above inflation
    - Fixed Interest Gilt Fund – Passive is 2.00% below inflation
- No allowance for active management outperformance has been made (eg the assumed returns for a passive and active global equity fund are the same.

Projected pension pot in today's money

	Default option		Emerging Markets Equity Fund - Active		Sterling Liquidity Fund - Active		Far East (ex Japan) Equity Fund - Active		Fixed Interest Gilt Fund - Passive	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£41,700	£41,500	£42,200	£41,700	£39,900	£39,800	£41,800	£41,300	£39,900	£39,800
3	£43,800	£43,100	£45,500	£43,900	£38,300	£38,100	£44,200	£42,600	£38,300	£38,100
5	£46,000	£44,900	£48,900	£46,100	£36,800	£36,500	£46,600	£43,900	£36,800	£36,500
10	£52,100	£49,500	£58,800	£52,300	£33,300	£32,800	£53,400	£47,400	£33,300	£32,700
15	£58,900	£54,500	£70,700	£59,200	£30,100	£29,400	£61,100	£51,100	£30,100	£29,400
20	£66,700	£60,100	£85,000	£67,100	£27,200	£26,400	£70,000	£55,100	£27,200	£26,300
25	£75,500	£66,200	£102,200	£76,100	£24,600	£23,700	£80,200	£59,500	£24,600	£23,600
30	£85,400	£73,000	£122,800	£86,200	£22,200	£21,300	£91,800	£64,200	£22,200	£21,200
35	£93,200	£77,700	£147,600	£97,800	£20,100	£19,100	£105,200	£69,200	£20,100	£19,000
40	£96,000	£78,100	£177,500	£110,800	£18,100	£17,200	£120,500	£74,700	£18,100	£17,000

Active member illustration

- The following illustration is for a young active member who will continue to make contributions until TAA is reached.
- 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. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £6,000 as this is the approximate median pot size for active members aged 25 and under in the Plan.
- The illustration is shown over 42 years, as this is the approximate duration that the youngest active Plan member has until they reach the target access age of 60.
- The starting salary used is £45,000, as this is the median salary of active members aged 25 and under in the Plan.
- The illustration assumes that until age 45 total contributions (employee plus employer) are 10.5% of salary per year. Then from age 45 it assumes total contributions (employee plus employer) are 11.5% to reflect the additional matching that the employer offers members over the age of 45. The contributions used are the median contribution rate for active members aged 25 and under. The illustration assumes that employee percentage contributions remain constant.
- The projected annual returns used are as follows:
  - Default option: 2.50% above inflation for the initial years, gradually reducing to a return of 0.10% above inflation at the ending point of the lifestyle.
  - Emerging Markets Equity Fund – Active is 3.75% above inflation
  - Sterling Liquidity Fund – Active is 2.00% below inflation
  - Japan Equity Fund – Active is 2.75% above inflation
  - Fixed Interest Gilt Fund – Passive is 2.00% below inflation
- No allowance for active management outperformance has been made (eg the assumed returns for a passive and active global equity fund are the same.

Projected pension pot in today's money

	Default option		Emerging Markets Equity Fund - Active		Sterling Liquidity Fund - Active		Far East (Ex Japan) Equity Fund - Active		Fixed Interest Gilt Fund - Passive	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£10,900	£10,900	£11,000	£10,900	£10,600	£10,500	£11,000	£10,900	£10,600	£10,500
3	£21,200	£21,000	£21,700	£21,200	£19,400	£19,300	£21,300	£20,800	£19,400	£19,300
5	£31,900	£31,400	£33,200	£32,000	£27,900	£27,800	£32,200	£31,000	£27,900	£27,800
10	£61,300	£59,500	£65,800	£61,400	£47,700	£47,300	£62,100	£58,000	£47,700	£47,300
15	£94,500	£90,400	£105,000	£94,700	£65,600	£64,900	£96,500	£87,100	£65,600	£64,800
20	£132,000	£124,400	£152,200	£132,500	£81,700	£80,700	£135,800	£118,500	£81,700	£80,500
25	£174,500	£161,900	£208,900	£175,400	£96,400	£94,800	£180,800	£152,400	£96,400	£94,600
30	£224,500	£205,200	£279,000	£225,800	£111,300	£109,200	£234,300	£190,900	£111,300	£108,900
35	£277,700	£250,000	£363,800	£283,500	£125,200	£122,600	£296,000	£232,800	£125,200	£122,200
40	£319,100	£283,200	£465,700	£348,900	£137,800	£134,600	£366,800	£278,000	£137,800	£134,100
42	£330,900	£292,000	£512,000	£377,400	£142,500	£139,000	£397,800	£297,100	£142,500	£138,500

5. Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs incurred over the Plan Year represent good value for members.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining good value given the circumstances of the Plan. The most recent assessment was considered by the Trustee during July and August 2021 with the final report being issued on 24 August 2021.

There is no legal definition of 'good value' which means that determining this is subjective. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the benefits received has also been considered in this assessment. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The assessment was undertaken by a sub-group of the Trustee with assistance from the Trustee's DC consultant and involved a wide assessment of value considering the key elements of the Plan and agreeing relevant value ratings for each area, in addition to looking at the value attributable to member borne costs and charges.

5.1 Member borne charges

Members pay for investment related charges, transaction costs and a 0.10% pa administration fee to cover some of the costs involved in running the Plan such as administration, audit, legal and investment advice.

- The Trustee's investment advisers have confirmed that the fund charges are reasonable for the types of funds available to members. Overall, total charges paid by members are reasonable for an arrangement in which members also pay for administration costs relative to similar sized pension schemes, with only a small number of self-select funds having been identified as being less competitively priced (active regional equity funds).
- Members (and the employer) do not pay platform fees on any funds managed by L&G.
- The Trustee believes the additional 0.10% administration cost paid by members represents good value for the services received compared with typical costs for administration services with a separate provider to the investment platform provider.
- As detailed in Section 3, covering processing of core financial transactions, the Trustee had no concerns with the quality and efficiency of the administration (which members pay for) during the Plan Year. The Trustee's DC adviser has confirmed that in their view the quality of the administration service is good in comparison to other third-party administrators.
- The Trustee believes the transaction costs which members pay provide value for members as the ability to transact forms an integral part of the investment approaches and the Trustee expects this to lead to greater investment returns net of fees over time.
- The Trustee's assessment included considering the performance of the Plan's investment funds (after all charges) in the context of their investment objectives. The Trustee monitors the risk and return profile of the funds available in the Plan on a quarterly basis. Over the year to 31 March 2021, the majority of active funds outperformed their benchmark. The UK Specialist Equity Fund – Active and US Equity Fund – Active experienced the most significant underperformance compared to their benchmark and these funds, along with all active funds, are being monitored by the investment adviser on a quarterly basis. Over the year to

31 March 2021, all passive funds broadly tracked their index within acceptable limits. However, past performance is no indication of future performance and the Trustee will continue to monitor performance compared to equivalent funds in the market.

Overall, total charges paid by members are considered to provide good value relative to similar sized pension schemes.

5.2 Wider assessment

The employer paid for all other costs and charges relating to the Plan such as the cost of the Plan's Trustee and communications advisor.

In carrying out the value for members assessment, the Trustee also considered the other benefits members receive from the Plan, not related to the charges and costs that they pay, which fall into the following criteria:

- Governance;
- Communications;
- Investment range;
- At retirement services; and
- Plan design.

They concluded that:

- The Trustee Board, committees and individual Trustees all have clearly defined roles and responsibilities, and knowledge and understanding is of a high standard. As part of the wider governance structure, the Trustee delegates some responsibilities to sub-committees. This helps ensure more effective decision making and governance of the various aspects of the Plan. The Trustee Board has a range of experiences with varied lengths of tenure.
- The Trustee employs a dedicated independent member communications consultant, LikeMinds, who works with the Trustee, the Plan's third-party consultants and the Plan's administrator to issue member guidance documentation and strategic communications. Furthermore, members can access fund information online, such as plan documentation and fund factsheets online and have access to a retirement lifestyle planner. Communications are overseen by the Engagement Committee on a quarterly basis. With the help of LikeMinds, the Trustee developed an engagement plan for communications during 2020 and 2021. Over the Plan Year, LikeMinds also sent communications covering topics such as changes to the UK Equity Fund – Active, changes to the Property Fund – Active and changes to the rounding of pension contribution amounts.
- The Plan offers members three lifestyle strategies, targeting income drawdown, cash lump sum and annuity purchase at retirement. Members also have access to a range of self-select funds, covering an appropriate range of asset classes. The performance of the lifestyle strategies and the self-select funds are reviewed by the Trustee on a quarterly basis. The Trustee implemented changes to the self-select funds over the Plan Year.
- Support and guidance offered to members is clear, timely and reflects the choices members are making when taking their benefits. Members are given access to a variety of options when they come to take their benefits, some within the Plan with others accessible by transferring out to another scheme. Within the Plan, members can take their complete pots as one uncrystallised funds pension lump sum or buy a guaranteed income for life. Members are also notified that an alternative retirement option would be an at-retirement transfer to the L&G Master Trust (or another arrangement) as a post-retirement option to access all Freedom and Choice retirement options not otherwise available from the Plan itself. Within the L&G Master Trust, members also have access to an LV= advice service.
- There were no changes to the contribution structure or non-pensions benefits over the Plan Year. Both the employer and the Trustee are committed to the long-term partnership required to ensure that the right amount is paid to the right member at the right time. The employer is supportive of the Trustee's approach to running the Plan.

5.3 Conclusion

Taking all factors into account, the Trustee believes that the costs and charges members pay represents very good value when compared to the benefits the members receive in relation to the Plan, as summarised below:

- There are a number of benefits provided by the Plan that are paid by the employer. Plan governance and communication costs are all met by the employer.

- Overall, the charges for the lifestyle and self-select funds (with the additional 0.10% fee included) are reasonably priced and are also generally in line with the wider market. Members (and the employer) do not pay platform fees on any funds managed by L&G.
- The quality of the non-investment related services provided to members is good.
- Members invested in the Default strategy experienced reduced risk as they approached retirement over the year to 31 March 2021, consistent with the objectives of the Default strategy. The Default strategy also outperformed its benchmark over 3 years to 31 March 2021.

To help compare criteria and assess any changes between Plan Years, the Trustee has rated each criteria as either Poor, Fair, Good or Very Good. The chart below compares the ratings given for this Plan Year against the ratings given in previous assessments.

Recognising that maintaining good value is an ongoing process, the Trustee aims to further improve value for members in the future by taking the following actions during the 2021/2022 Plan Year:

- Investigate fees for those funds where member charges look high versus a peer group of other pension schemes in the context of the value provided to members. Also review fees as part of the triennial strategy review.
- Continue to discuss and monitor service plan in place with WTW to improve service levels.
- Work with WTW to complete implementation of data correction plans to improve the quality and completeness of the data in the Plan.
- Consider the potential benefits of developing a Trustee skills matrix to ensure that if there are any gaps in knowledge these are identified.
- Consider working with LikeMinds to increase email addresses held for deferred members.
- Continue to engage with co-optees on communication and engagement matters and consider sharing feedback obtained and how the Trustee has acted on this feedback with members.
- Consider the suitability of a passive climate-tilted fund (which the Trustee has started reviewing) and / or other responsible investment options for use in the default strategy.
- Continue to monitor take-up of the Master Trust following communications issued to members about the Master Trust over the next Plan Year and consider appropriate steps to make relevant members more aware of the Master Trust offering.
- Consider how guidance and advice could be provided to members at-retirement to support members making retirement decisions.
- Continue to work closely with the Company to understand its thought process and keep up to date with any proposed changes to the Company's pension offerings.

6. Financial security of pension assets

This section describes, in broad terms, the Trustee's understanding of the key protections that generally apply to members' assets, should the DC platform provider, L&G, or a fund manager used by it, experience financial difficulties. Please note that this a complex area which is largely untested in practice. Whilst the wording below represents the understanding of the Trustee based on legal advice obtained from the Trustee's legal experts, a future situation may lead to an unexpected outcome.

There are several safeguards designed to prevent default by a DC platform provider, or a fund manager used by it, and potential protections that apply should this happen:

- To prevent default, there is internal oversight carried out by the provider and fund managers. This comprises several elements such as independent internal audits, as well as the work conducted by compliance and risk functions.
- There is external oversight, which is carried out by the relevant regulatory bodies, whose role it is to ensure that the provider and fund managers discharge their financial liabilities in a responsible manner.
- A custodian will normally be appointed to each of the investment funds offered by the provider. The custodian's primary function is the safekeeping of assets. In practice this means, in an investment fund such as a unit trust or an OEIC, keeping investors' funds legally separate from the provider's and fund manager's own monies, so they may not be used for meeting creditors' demands not relating to the investment funds.

Thus, the only circumstances in which a default would occur appear to be in the event of dishonesty, fraud or negligence. If a valid claim arose, in the first instance, the Trustee would expect L&G and/or the fund manager to make good any shortfall.

In common with most DC pension schemes, the Trustee holds the Plan's assets indirectly by means of an insurance policy with L&G which provides a platform for the underlying funds, which in turn are managed by third party managers. The Trustee's policy with L&G is currently covered by the Financial Services Compensation Scheme ("FSCS"). In the unlikely event that L&G is unable to meet its financial obligations, if a solvent insurer cannot be found to take on the business, the Trustee would have a claim on the FSCS for up to the value of the policy.

The FSCS applies to the risk of L&G not being able to meet its obligations. Under the policy, L&G offers access to a range of funds managed by third parties. Some of the third-party funds are structured as unit trusts or investment companies in the UK or in EU countries. Those funds are isolated from the liabilities of the manager and its group of companies.

Some other third-party funds are provided by life insurance companies under a reinsurance contract between L&G and those companies. The insurance companies concerned structure their businesses with a view to minimising the risk of other insurance liabilities having an impact on the funds which are used for the Plan and also hold capital in accordance with regulatory requirements.

It is not possible to completely remove the risk that some or all of a member's investment would not be recovered if a fund provider becomes insolvent and there can be no guarantee that funds will never be affected by fraud. However, the funds are subject to strict financial regulation and the funds, and the way the Plan accesses them, are structured to minimise the risk of other liabilities having an adverse impact.

The Trustee keeps the way in which the Plan accesses the funds under review. It is satisfied that the current arrangements are in line with good industry practice.

7. Trustee knowledge and understanding

The Plan's trustee directors (the "Trustee Directors") are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustee has measures in place to comply with the legal and regulatory requirements 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 Plan Year are set out below.

General

The Trustee Directors, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps and attend an annual training day and other bespoke training sessions to provide training on any gaps or to cover topical items or specific issues under consideration during the Plan Year. In addition, the Trustee's advisers proactively raise 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 or sub-committee meetings if they were material. Trustee Directors are also encouraged to attend external training sessions and events to keep up to date.

All the Trustees Directors are required to commit to completing relevant training, either at relevant Trustee meetings or by personal study. All the Trustee Directors are also required to complete 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) within 6 months of taking office, and must complete two modules of the Trustee Toolkit before putting themselves forward for a Trustee Director position.

There are documented processes for the appointment of new member and employer nominated trustees. Members who are interested in becoming a Trustee Director must get the support of two other Plan members before applying for the role. Potential new member nominated trustees are also required to attend a briefing session prior to election, to ensure that they are aware of the time commitment and responsibilities that come with the role. All nominees are then assessed for suitability before being put forward for the election process. A nominations panel will consider a number of factors in making its determination, including technical skills, communication skills and the ability to meet the time commitment. If the number of candidates put forward by the nominations panel exceeds the number of vacancies, then an election will be held.

Diversity in tenure is recommended to ensure that a balance is struck between experience and new ideas. The Trustee Board has a range of experiences with varied lengths of tenure. The Trustee Directors have Actuarial, Investment, Risk, Legal and Investment Transaction experience. In order to better represent the views of minority groups and the younger generation co-optees continue to attend the quarterly Engagement Committee meetings where they can voice their opinions and share feedback on agenda items as well as communication formats and topics.

In addition, the Trustee Directors receive advice on investment, legal, actuarial, communication and other related issues from their advisers.

All the Trustee Directors are familiar with the Plan's governing documentation and documentation setting out the Trustee's policies, including the Trust Deed & 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 any changes to the Plan, and the SIP is formally reviewed triennially and as part of making any change to the Plan's investments or if otherwise required to comply with legal or regulatory requirements. Further, the Trustee Directors believe they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

Activities during the Plan Year

During the Plan Year, the Trustee Directors have undertaken the following actions to ensure that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

- The Trustee Directors attended an annual trustee training day which was held in January 2021. Topics such as ESG and the Task Force on Climate and Financial Disclosures and a regulatory update on financial guidance and advice were covered, amongst others, to keep up to date with regulatory changes, pensions law and the principles of DC investing.
- The Trustee Directors received quarterly updates on topical issues in the DC market and investment matters from its investment advisors, LCP, at the quarterly DCC meetings to keep up to date with the principles of DC investing.
- The Trustee Directors received quarterly updates on topical general and DC issues from their legal advisers at each DCC meeting, Administration Committee meeting and Trustee board meeting to keep up to date with pensions and trust law.
- The Trustee Directors attended external seminars and conferences on pensions and investment during the Plan year to keep up to date with pensions law and further their knowledge of DC investing.
- The Trustee Directors reviewed and updated the SIP to take account of the strategy changes implemented over 2019 and 2020 and additional legal requirements which come into effect from 1 October 2020, such that the Trustee Directors have a working knowledge of it.
- 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 training log contains a section on Trustee knowledge and skills which details the essential and additional courses that each Trustee Director has completed.

- Receiving legal advice on the Plan's trust deed and rules, such that the Trustee Directors have a working knowledge of it.
- The Trustee Directors consider and apply their knowledge of the Trust Deed and Rules, SIP and Trustee policies where relevant to Trustee decisions.

Considering the knowledge and experience of the Trustee Directors outlined above and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors the Trustee believes it is well placed to exercise its functions as Trustee of the Plan properly and effectively.

Signed by the Chair of Trustee of the Citi (UK) Pension Plan

Date: **21.09.2021**

Statement of Investment Principles for the Citi (UK) Pension Plan (the "Plan")

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Citi (UK) Pension Plan (the "Plan") on various matters governing decisions about the investments of the Plan. This SIP replaces the previous SIP dated 21 October 2020.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Plan's investment adviser, whom the Trustee believe to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification, given the circumstances of the Plan, and the principles contained in this SIP. The Trustee has consulted with the relevant employer in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, or in the demographic profile of the relevant members in respect of the Plan, and at least once every three years.

- **Appendix 1** sets out details of the Plan's investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

- **Appendix 2** sets out the Trustee's policy towards risk appetite, capacity, measurement and management.

2. Investment objectives

The Trustee's primary objectives for the Plan are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Plan and the variety of ways that members can draw their benefits in retirement; and
- a main default investment option that the Trustee believes to be reasonable for those members that do not make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually into lower risk investments to improve diversification and reduce volatility as members near retirement, maintaining the potential for a modest level of growth in excess of inflation.

3. Investment strategy

The Defined Contribution Committee ("DCC") of the Trustee, with advice from its DC investment consultant, started a review of the Plan's lifestyle strategies and self-select fund range (including the default arrangements that existed at the time) at the end of 2017. This review continued during 2018 and was concluded in the first half of the Plan year in 2019. In particular, decisions were made in relation to the existing default arrangements at meetings of the DCC on 8 March 2019 and 14 June 2019. Further decisions relating to the implementation of the changes following the review were made at a meeting of the DCC on 24 September 2019, considering the objectives described in Section 2 above. Changes to the lifestyle strategies and self-select funds were implemented in three stages starting in the last quarter of 2019 and were concluded by the second quarter of 2020.

For the Plan, the Trustee offers members a range of investment funds. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. The Plan’s main default option was originally designed based on a review of the membership’s demographic details in 2016. Following a review of the membership base in 2019, it was concluded the demographic details had remained consistent, which supported the ongoing suitability of the Plan’s main default option. Therefore, the changes to the default lifestyle strategy that were implemented and concluded by the second quarter of 2020 continued to follow the same long-term strategic approach.

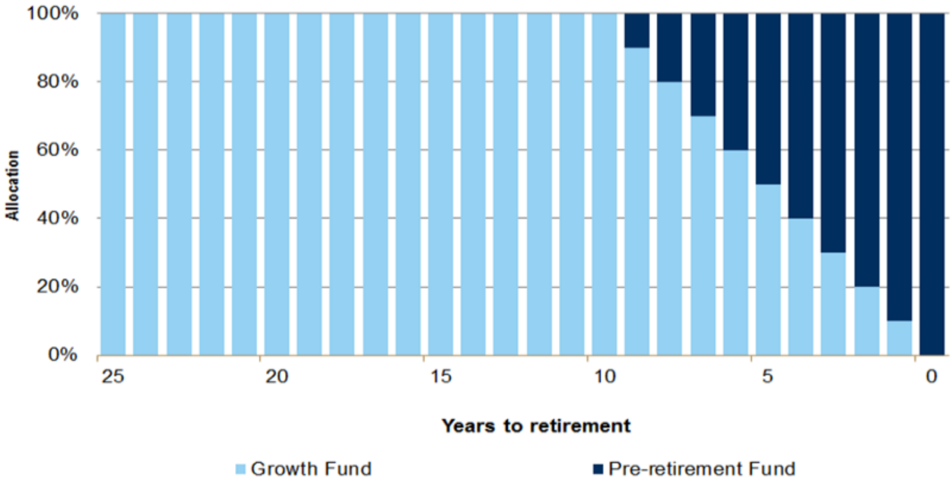
The Plan’s main default arrangement is the Drawdown Lifestyle; this will be the default option if a member has not made an active investment choice.

3.1. The Plan’s Main Default arrangement

3.1.1. The Drawdown Lifestyle

The default option targets income drawdown at retirement, so if a member has not chosen an investment option, their account will be invested into the default option, which is managed as a “lifestyle” strategy (ie it automatically combines investments in proportions that vary according to the time to retirement – known as Target Access Age or (“TAA”)).

In the initial growth phase, the default option is invested in the Growth Fund which targets an expected return significantly above inflation (making use of equity based funds). In the 10 years before a member’s intended TAA, the default option starts to switch gradually into the Pre-Retirement Fund whose asset allocation is designed to be appropriate for members who wish to access their benefits via drawdown. The chart below show how the default option’s asset allocation changes as a member approaches retirement.



3.2. Other default arrangements

The Trustee has identified six other arrangements which could be considered to be additional default arrangements and consequently these are being treated as default arrangements:

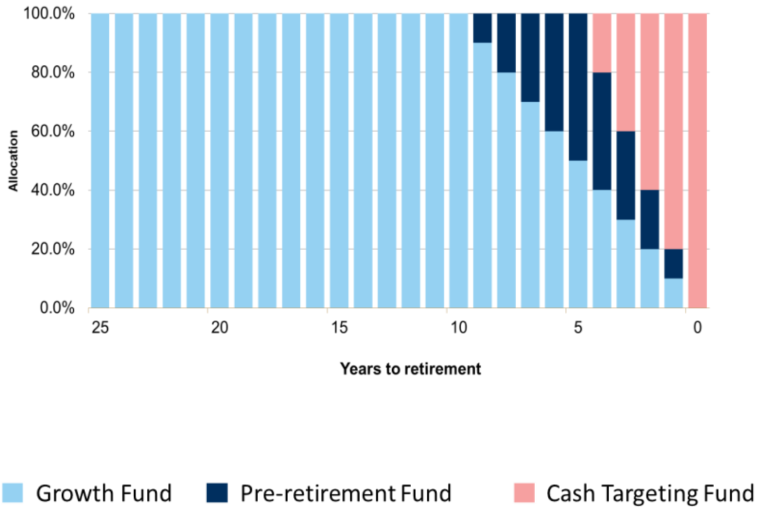
- the Cash Lifestyle;
- the Sterling Liquidity Fund – Active;
- Annuity Targeting Fund;
- Growth Fund;
- Pre-Retirement Fund; and
- Diversified Growth Fund – Semi Passive.

The Cash Lifestyle and Sterling Liquidity Fund – Active are considered to be defaults for governance purposes and must also meet charge cap restrictions. The Growth Fund, Annuity Targeting Fund, Pre-Retirement Fund and Diversified Growth Fund – Semi Passive are considered default arrangements for governance purposes only and therefore do not need to meet the charge cap restrictions.

3.2.1. The Cash Lifestyle

The default was set to the Cash Lifestyle for deferred members who in 2016 were projected to have relatively small pots at retirement.

In the initial growth phase this default option is invested in the Growth Fund which targets an expected return significantly above inflation (making use of equity based funds). In the 10 years before a member's intended TAA, the default option starts to switch gradually into the Pre-Retirement Fund and then from 5 years before a member's intended TAA it will switch 100% into the Cash Targeting Fund. This lifestyle is designed to be appropriate for members wishing to take 100% cash at retirement.



3.2.2. Sterling Liquidity Fund - Active

The Sterling Liquidity Fund – Active invests in the BlackRock Institutional Sterling Government Liquidity Fund with no lifestyling. The Fund became a default option as contributions that would have been invested in the Property Fund – Active were redirected to the Sterling Liquidity Fund – Active following suspension of the underlying funds of the Property Fund - Active during March 2020.

The Fund is designed to maintain capital by investing in one or more Sterling liquidity funds. These funds will predominantly invest in a range of short-term money market instruments and government securities.

3.2.3. Annuity Targeting Fund

The Fund is designed for members who wish to purchase an annuity at retirement by broadly aiming to track annuity prices.

3.2.4. Growth Fund

The Growth Fund is designed to provide members with long term growth by investing in one or more appropriate asset classes.

3.2.5. Pre-Retirement Fund

The Pre-retirement Fund is designed to contain an appropriate balance between risk and return for members approaching their target access age who are expecting to draw down income.

3.2.6. Diversified Growth Fund – Semi Passive

The Diversified Growth Fund – Semi Passive is designed to deliver positive growth over the long term by investing passively across various asset classes and adjusting the amounts held within different asset classes over time to strategically manage risk and reduce volatility.

The Trustee believes that the aims and objectives of the default arrangements as explained above and their policies in respect of all investments (including the default arrangements) as outlined in the rest of this Statement, are intended to ensure that assets are invested in the best interests of the majority of members invested in each of the default arrangements, taking into account the demographics of those members and the reasons why members are invested in these arrangements.

4. Other lifestyle strategies

An Annuity Lifestyle which is designed for members wishing to purchase an annuity at retirement, has also been made available to members.

5. Trustee's policy to reviewing the investment arrangements

The Trustee will review the default options and the other investment options at least every three years and as soon as practicable after any significant change in investment policy, or the demographic profile of relevant members.

The Trustee will also review periodically the relevant members' use of their options at retirement or on taking benefits from the Plan to check whether assumptions made about how members access their benefits are borne out in practice.

The Trustee has ensured that each of the default options is below the cap on member-borne charges of 0.75% per annum. This does not apply to the defaults that have been categorised as defaults for governance purposes only. These are the Growth Fund, Annuity Targeting Fund, Pre-Retirement Fund and Diversified Growth Fund – Semi Passive. The Trustee will ensure that the cap on all member-borne charges will continue to apply to members' funds which remain invested in the other default arrangements, which are the Drawdown Lifestyle, The Cash Lifestyle and Sterling Liquidity Fund. This will be the case even if the member leaves their employer or stops making contributions and becomes a non-contributing, or 'deferred' member.

6. Considerations made in determining the investment arrangements

When deciding how to invest the Plan's assets, the Trustee considers several risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate.

In determining the investment arrangements for the Plan the Trustee also took into account:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the default strategy and between the other investment options offered to members;
- any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate; and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

7. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers and their objectives are set out in the separate Investment Policy Implementation Document.

The Trustee has entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct relationship between the Plan and the underlying investment managers of the DC investment funds.

The Trustee and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustee has limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial (eg firm stability, remuneration, staff turnover) performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The Trustee selects investment managers with the expectation of a longer-term appointment. The nature of the DC funds is that the Trustee can move away from a given manager on short notice, but the Trustee would not expect to do so on short term performance grounds alone. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates. Portfolio turnover is monitored regularly via quarterly investment reviews and portfolio transaction costs are monitored on an annual basis by the Trustee as part of the annual Chair's Statement.

8. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the fund they manage and in considerations relating to the liquidity of investments. For the Plan, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

9. Financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) where permissible within applicable guidelines and restrictions. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee has delegated responsibility for the selection, retention and realisation of investments within all investment funds to the underlying investment managers (within certain guidelines and restrictions).

In pooled funds, the Trustee has limited influence over managers' investment practices, particularly in relation to those pooled funds which are designed to track an index (passive funds) where the choice of index dictates the assets held by the manager. The Trustee accepts that the role of the passive manager is to deliver returns in line with the index and this approach is in line with the basis on which their current strategy has been set. However, the Trustee will periodically review the indices employed for this purpose and encourages its managers to improve their practices where appropriate. In relation to funds where the manager is permitted to make active decisions about the selection, retention and realisation of investments, the Trustee expects the managers to consider all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions.

The Trustee will review how ESG-related issues are taken into account in the investment processes adopted by their investment managers within the main default option on a regular basis. The Trustee will challenge these approaches where appropriate and will report on ESG-related issues in relation to the main default option as part of their implementation policy that will be produced annually.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. However, the Trustee recognises that some members may wish to invest specifically in ethical or Shariah compliant funds and offers members appropriate funds to achieve this.

10. Stewardship

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking in to account the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

For on behalf of the Trustee of the Citi (UK) Pension Plan:

Date: 16 June 2021

Investment governance, responsibilities, decision-making and fees

The Trustee has decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Plan overall, with access to an appropriate level of expert advice and service. The Trustee's investment powers are set out within the Plan's governing documentation.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on socially responsible investment issues;
- formulating a policy on voting rights;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer(s) when reviewing the SIP.

The Trustee has set up a DC Committee and delegated certain tasks to this Committee.

2. DC Committee

In broad terms, the DC Committee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employers;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- selecting (and, when necessary, reviewing) investment managers;
- appointing (and, when necessary, dismissing) platform providers, custodians and investment advisers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- the reconciliation of the units within the DC arrangements and any other matters raised within the Committee as to the proper administration of those arrangements;
- the preparation and monitoring of the budgets for all aspects of the Plan's DC arrangements;
- communicating with members as appropriate on investment matters;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change); and
- Compliance with any Code of Practice (or similar guidance) issues by the Pensions Regulator or any legislative provisions relating, in each case, to the governance of DC arrangements.

3. Investment platform provider

In broad terms, the investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers;
- providing the Trustee, through the platform, with regular information concerning the management and performance of the assets; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

4. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and with in the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation, as agreed with the Trustee;
- providing the Trustee with regular information concerning the management and performance of their respective portfolios;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing their respective portfolios where permissible within applicable guidelines and restrictions; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

5. Custodians

The custodians of the Plan funds (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of those assets and for facilitating all transactions within the funds.

6. Investment consultant

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- for the Plan, advising on a suitable fund range and default strategy for the Plan, and how material changes to legislation or within the Plan's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustee in reviews of this SIP.

7. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

The Trustee has agreed Terms of Business with the Plan's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and platform provider receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Plan. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

8. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustee will also carry out periodically an assessment of its own effectiveness as a decision-making body and will decide how this may then be reported to members.

Policy towards risk

The Trustee considers that there are a number of different types of investment risk that are important for the Plan. These include, but are not limited to:

1. Risk of inadequate returns

In the Plan, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifestyle" strategy.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan's assets. The Trustee believes that the Plan's DC default strategy is adequately diversified between different asset classes and within each asset class, and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Plan's investment arrangements.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis.

4. Liquidity/marketability risk

For the Plan, this is the risk that core financial transactions, such as investing and disinvesting members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

5. Risk from excessive charges

Within the Plan, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Plan are in line with market practice and assesses regularly whether these represent good value for members.

6. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Plan is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

7. Currency risk

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets.

For the Plan's lifestyle investment strategies, the Trustee believes that the currency exposure is managed in an appropriate manner given the objective of each of those strategies.

Within the Plan's self-select fund range some funds will be subject to currency risk where the underlying investments are held in overseas markets which the Trustee considers reasonable.

8. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks investment options that address these risks and to appoint investment managers who will manage these risks appropriately on their behalf where permissible within applicable guidelines and restrictions.

9. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Plan, and takes these into consideration as far as practical in setting the Plan's investment arrangement.