Dowdeswell Engineering Co. Ltd
Pension and Employee Benefits Plan ("the Plan")

Chair's annual statement regarding governance of defined contribution benefits

Reporting period covered - 6 April 2019 to 27 January 2020

1. Introduction

1.1 This statement has been prepared by the Plan's current Trustee and reports on how the Trustees during the reporting period ("the previous Trustees") complied with the governance standards, introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 and amended by The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 ("the Regulations"). The current Trustee is publishing this statement to cover the period from 6 April 2019 to 27 January 2020. A subsequent statement published by the current Trustee will include the remainder of the 2019/2020 Plan year.

1.2 The current Trustee is Dalriada Trustees Limited, and the Previous Trustees were Punter Southall Governance Services Limited, Dave McTighe, Garry Smith and Peter Warren. Tim Dowdeswell was also a trustee during the period but resigned on 23 September 2019.

1.3 The governance standards relate to defined contribution ("DC") benefits, also commonly referred to as money purchase benefits.

1.4 The DC Section of the Plan provides benefits on a DC basis, with members who accrued benefits prior to 6 April 1997 having accrued a defined benefit ("DB") underpin. The DB underpin represents the Guaranteed Minimum Pension that a member accrued whilst contracting-out prior to 6 April 1997.

1.5 During the reporting period, the DC Section was structured on an unbundled basis with administration services provided by Trigon Pensions Limited ("the previous DC Section administrator") and investment management services provided by Legal & General Assurance (Pensions Management) Limited ("LGIM"). After the reporting period, Barnett Waddingham LLP was appointed as the administrator for all sections of the Plan.

1.6 During the reporting period the sponsoring employer, George Dyke Limited, used the DC Section as a 'Qualifying Scheme' in order to satisfy its auto-enrolment obligations only for its employees who were existing active members in the DC Section.

1.7 On 27 January 2020, George Dyke Limited suffered an insolvency event, from which point all contributions into the DC Section ceased.

1.8 On 20 February 2020, Dalriada Trustees Limited was appointed as sole independent Trustee of the Plan. All the previous Trustees had stepped down by this date. All actions described in the reporting period of this statement (i.e. 6 April 2019 to 27 January 2020) were undertaken by the previous Trustees.

1.9 Following the insolvency of the Participating Employers, the Defined Benefit Section ("DB Section") of the Plan will enter the Pensions Protection Fund ("PPF"). The Plan is currently in the PPF assessment period. The current Trustee will secure the benefits held under the DC Section outside the Plan, prior to the DB Section entering the PPF.

1.10 The current Trustee will make this statement available on a publicly available website.

At the time of preparing this Statement, the Trustee continues to work closely with its advisers and administrator to assess the impact of Covid-19 on the Plan. This work has included:

- Engaging with Barnett Waddingham to ensure that core financial transactions are processed promptly
- Considering the immediate impact on the investment funds and what actions may be required in the short and longer term

2. Default arrangement

Default investment arrangement prior to October 2019

2.1 The Plan's default investment arrangement was a 'Lifestyle Fund' invested through LGIM which initially invested in the Global Equity (70:30) Index Fund. During the final 10 years before a member's normal retirement age, the profile gradually switched so that 75% is invested in the Over 15 Years Gilts Index Fund and 25% in the Cash Fund.

2.2 A review of the default investment arrangement and wider investment choices within the Plan was undertaken and was presented at the Trustees' meeting on 17 January 2018, by the previous Trustees' investment adviser (Trigon Pensions Limited). This review considered the performance of the funds, the corresponding risk ratings and the objective of the default investment arrangement. This review also took into account the profile and needs of the membership and the flexible options now available to members at retirement.

2.3 As a result of this review, the previous Trustees decided to change the default investment arrangement, they communicated these changes to the membership in June 2019 and implemented the changes during October 2019.

Default investment arrangement from October 2019

2.4 The previous Trustees changed the default investment arrangement by introducing more diversification in the growth phase of the Lifestyle Fund (replacing the Global Equity (70:30) Index Fund with the Multi-Asset (formerly Consensus) Fund).

2.5 The Plan's default investment arrangement is now a 'Balanced Lifestyle Strategy' invested through LGIM which initially invests in the Multi-Asset (formerly Consensus) Fund. During the final 10 years before a member's normal retirement age, the profile gradually switched so that 75% is invested in the Over 15 Years Gilts Index Fund and 25% in the Cash Fund. The objective of the Lifestyle Fund overall is to reduce the risk of members being inappropriately invested at retirement. In the early years, money is invested in funds with greater growth prospects, whilst trying to diversify the risk from single asset class. As retirement approaches, the individual's account will be gradually and automatically switched into lower-risk investment funds.

2.6 In addition, the previous Trustees introduced an alternative cash targeting lifestyle as a self-select option.

2.7 During the reporting period, in October 2019, assets within the default investment arrangement held in the Global Equity (70:30) Index Fund were switched to the Multi-Asset (formerly Consensus) Fund. The current

Trustee does not have any details of the cost mitigation and out of market mitigation activities the previous Trustees undertook during this switch.

2.8 The latest Statement of Investment Principles, which sets out the previous Trustees' investment objectives and the strategy of the Plan was signed on 21 August 2019 and is attached to this statement. It was prepared in accordance with regulation 2A of The Occupational Pension Schemes (Investment) Regulations 2005. The current Trustee is in the process of producing a new Statement of Investment Principles.

2.9 During the reporting period the previous Trustees, with the support of their investment advisers, monitored the performance of the default investment arrangement strategy and the individual funds which make up the default investment arrangement.

3. Core financial transactions

3.1 The Regulations require trustees of DC trust based pension arrangements to ensure that 'core financial transactions' are processed promptly and accurately.

3.2 For this purpose, the DC Section's core financial transactions comprise:

- 3.2.1 investment of contributions
- 3.2.2 transfers into and out of the Plan
- 3.2.3 investment switches within the Plan
- 3.2.4 payments out of the Plan.

Controls in place

3.3 The following sets out the current Trustee's understanding of the actions of the previous Trustees in the reporting period.

3.4 The previous Trustees delegated administration functions to the previous DC Section administrator. In addition, transactions that required payments outside the Plan were processed by George Dyke Limited.

3.5 The processing of core financial transactions involved the previous DC Section administrator calculating the values to be settled and then instructing the sponsoring employer, George Dyke Limited as to the amount of payment to be made and where payment should be made. George Dyke Limited then settled this transaction from the Trustees' bank account.

3.6 The previous Trustees had Service Level Agreements (SLAs) in place with the previous DC Section administrator. The previous DC Section administrator undertook to ensure that the core financial transactions were processed within the SLAs set out below:

Core financial transaction	Service Level Agreement

Contribution/allocations	2 working days following receipt of all information
Transfer payments in	10 working days
Transfer payments out	5 working days following receipt of all information
Investment switches	2 working days following receipt of all information
Disinvestments	2 working days following receipt of all information
Retirement payments out of the Plan	10 working days from fund realisation from investment managers

3.7 The previous DC Section administrator monitored that contributions were paid within regulatory timescales.

3.8 George Dyke Limited ("the Company") operated the Trustees' bank account. The controls in place in relation to the accuracy of core financial transactions were:

3.8.1 Contributions were paid directly to LGIM.

3.8.2 Monitoring of accuracy was undertaken via the auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data. In addition, the previous DC Section administrator's processes were subject to internal controls procedures.

3.8.3 The previous DC Section administrator also published an annual Assurance Report on Internal Controls which is externally audited.

3.9 During the reporting period, the previous DC Section administrators provided the previous Trustees with administration reports that included summaries of member transactions, reporting of service performance against the SLAs and identifying any issues arising regarding administration timeliness and/or accuracy.

3.10 During the 2018/19 Plan year the previous Trustees identified issues with the monthly contribution cycles and subsequently made a 'breaches of law' report to the Pensions Regulator on 9 May 2019 (details of this event were provided in the 2018/19 governance statement). In summary:

3.10.1 The DC contributions for all active members in respect of October, November and December 2018 were paid into the Plan's bank account on time, but were not invested with LGIM until 15 January 2019.

3.10.2 In addition, the January, February and March 2019 contributions were paid into the Plan's bank account on time, but were not invested with LGIM until 9 May 2019.

3.11 Subsequent issues that have been identified, and reported to the Pensions Regulator, are that:

3.11.1 The promised rectification, by George Dyke Limited, to the issues noted in 3.10 was not completed.

3.11.2 DC contributions in respect of June 2019 to October 2019 were not invested in a timely manner.

3.11.3 An individual's transfer value out of the Plan was not paid in a timely manner.

Issues occurring during the reporting period

3.12 Given the above reports, the current Trustee is unable to confirm that core financial transactions were processed promptly and accurately during the reporting period.

3.13 Following the end of the year the Trustee became aware of some irregular payments in and out of the Plan. The Trustees are taking appropriate action to resolve these issues and are working closely with the Pensions Regulator on this.

3.14 Since the end of the reporting period, the current Trustee has put in place a new administration structure. The current Trustee appointed Barnett Waddingham LLP to provide administration services for all sections of the Plan and the transition to the new administration structure commenced in February 2020. This included Barnett Waddingham LLP operating a bank account on behalf of the Trustee.

3.15 Barnett Waddingham LLP and the current Trustee are still working through whether there are any issues with the data held within the DC Section, and will establish a data rectification plan if any issues are identified.

3.16 The current Trustee is also implementing a comprehensive monitoring process, which includes reporting against service level agreements, to ensure core financial transactions are processed promptly and accurately, details of the monitoring procedures established will be set out in the next governance statement produced by the current Trustee.

4. Charges and transaction costs

4.1 Members bear charges deducted from the funds in which their DC benefits are invested. The charges differ between the investment funds available.

4.2 All other administration, communication and other costs associated with running the Plan were met by either the Sponsoring Companies, or the Plan via the DB Section assets.

4.3 The charges applied to members within the DC Section are structured by the investment managers as an annual Total Expense Ratio ("TER") which covers the cost of investment management.

Charges in relation to the default investment arrangement prior to October 2019

4.4 The annual member-borne charge applicable to the default investment arrangement in place prior to October 2019 was between 0.1065% and 0.1836%, depending on the point at which a member sat within the lifestyle strategy. The funds held by the member were determined by the period to pension age. The fund that was used for the growth phase (LGIM Global Equity (70:30) Index Fund (AK)) has a TER of 0.1836% p.a.

4.5 The charges for the individual investment funds used by the default investment arrangement prior to October 2019 were:

Fund	Annual Management Charge	Other expenses	TER
LGIM Global Equity (70:30) Index Fund (AK)	0.1615%	0.0221%	0.1836%
LGIM Over 15 Year Gilts Index Fund (AM)	0.1002%	0.0000%	0.1002%
LGIM Cash Fund (H)	0.1254%	0.0000%	0.1254%

Charges in relation to the default investment arrangement from October 2019

4.6 The annual member-borne charge applicable to the default investment arrangement (the Balanced Lifestyle Strategy) from October 2019 has been between 0.1065% and 0.2570%, depending on the point at which a member sits within the lifestyle strategy. The funds held by the member are determined by the period to pension age. The fund that is used for the growth phase (the LGIM Multi-Asset (Formerly Consensus) Fund (AN)) has a TER of 0.2570% p.a.

4.7 The charges for the individual investment funds used by the default investment arrangement from October 2019 were:

Fund	Annual Management Charge	Other expenses	TER
LGIM Multi-Asset (Formerly Consensus) Fund (AN)	0.2512%	0.0059%	0.2570%
LGIM Over 15 Year Gilts Index Fund (AM)	0.1002%	0.0000%	0.1002%
LGIM Cash Fund (H)	0.1254%	0.0000%	0.1254%

Charges in relation to other investment options

4.6 The four LGIM funds which made up the old and current default investment arrangements have also been offered to members on a self-select basis.

4.7 In addition, one further fund is available on a self-select basis.

Fund	Annual Management Charge	Other expenses	TER
LGIM Managed Property Fund (KJ)	0.7385%	0.1496%	0.8881% *

* LGIM also quotes "property expenses" of 0.5912% for the LGIM Managed Property Fund (KJ).

Additional transaction costs

4.7 In addition to the charges above, transaction costs are incurred in the day-to-day operation of the investment funds, e.g. in relation to an investment fund's trades and switching between investment funds. Transaction costs in particular will vary significantly depending on a fund's investment remit and on the market environment.

4.8 The Trustee approached LGIM to obtain details of any unreported costs incurred by members during the reporting period.

4.9 LGIM provided details of transaction costs incurred within the funds for the period 1 April 2019 to 31 March 2020 (LGIM is only able to provide transaction cost information up to a quarter end). It should be noted that a positive figure is where the transaction costs have been a drag on the fund and a negative figure is where transaction costs have actually resulted in a gain. This may occur, for example, when buying an asset, the valuation price when placing the order might be higher than the actual price paid. This gain may offset other transaction costs resulting in a total negative transaction cost for the fund.

Investment fund	Transaction costs within fund (%) **
LGIM Multi-Asset (Formerly Consensus) Fund (AN)	0.0422%
LGIM Over 15 Year Gilts Index Fund (AM)	0.0470%
LGIM Cash Fund (H)	0.0034%
LGIM Global Equity (70:30) Index Fund (AK)	0.0051%
LGIM Managed Property Fund (KJ)	-0.4408%

** See notes in Appendix 1 for an explanation of the transaction costs for each fund.

5. Cost & Charge Illustrative Examples

5.1 The current Trustee has produced illustrations in line with February 2018 guidance from the Department for Work & Pensions entitled "Cost and charge reporting: guidance for trustees and managers of occupational schemes". These illustrations are set out below, and are designed to cater for representative cross-sections of the membership of the Plan. For each individual illustration, each savings pot has been projected twice; firstly to allow for the assumed investment return gross of the costs and charges of the fund the member is invested in and then again, but adjusted for the cumulative effect of the costs and charges of the fund.

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

- A representative range of real terms investment returns, including the lowest, the highest and the most popular (by number of members);
- A representative range of costs and charges, including the lowest and the highest;
- Representative pot sizes – given the size of the Plan the median pot size for each fund illustrated is deemed appropriate; and
- The approximate duration that the youngest member using the fund would take to reach normal retirement age .

5.3 The current Trustee has determined not to include future contributions in these illustrations as the Plan is now closed to future contributions .

5.4 The illustrations are presented in two different ways:

5.4.1 For the default investment arrangement (the Balanced Lifestyle Strategy), the illustrations should be read based on the number of years until the member reaches their retirement age. This is because the underlying funds used and therefore the costs and charges changes over time and this is reflected in the illustrations.

5.4.2 For the individual self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Default investment arrangement (the Balanced Lifestyle Strategy)

This is the investment strategy that is used by the largest number of members in the Plan (either because they have selected this strategy or due to it being the default investment arrangement).

Years from taking benefits	Age: 30 Starting pot size: £20,000 *	
	Before charges	After charges
0	£20,000	£20,000
1	£19,976	£19,948
3	£20,124	£20,032
5	£20,541	£20,369
10	£22,882	£22,418
15	£26,747	£25,836
20	£31,265	£29,775
25	£36,546	£34,315
30	£42,720	£39,547
35	£49,935	£45,577

* This is the median pot size for the default investment arrangement

LGIM Managed Property Fund (KJ)

This fund incurs the highest costs by members within the Plan.

Years of membership	Age: 30 Starting pot size: £4,000 *	
	Before charges	After charges
0	£4,000	£4,000
1	£4,137	£4,079
3	£4,424	£4,241
5	£4,731	£4,410
10	£5,596	£4,862
15	£6,619	£5,361
20	£7,829	£5,911
25	£9,260	£6,517
30	£10,953	£7,185
35	£12,955	£7,921

* This is the median pot size for this fund

LGIM Global Equity (70:30) Index Fund (AK)

This fund is the fund anticipated to have the highest future real terms investment returns.

Years of membership	Age: 30 Starting pot size: £1,000 *	
	Before charges	After charges
0	£1,000	£1,000
1	£1,039	£1,037
3	£1,122	£1,116
5	£1,211	£1,200
10	£1,466	£1,441
15	£1,776	£1,729
20	£2,150	£2,075
25	£2,604	£2,491
30	£3,153	£2,990
35	£3,819	£3,589

* This is the median pot size for this fund

LGIM Cash Fund (H)

This fund is the fund anticipated to incur the lowest costs by members within the Plan and the fund anticipated to have the lowest future real terms investment returns.

Years of membership	Age: 30 Starting pot size: £4,000 *	
	Before charges	After charges
0	£4,000	£4,000
1	£3,980	£3,975
3	£3,942	£3,927
5	£3,903	£3,879
10	£3,809	£3,761
15	£3,717	£3,647
20	£3,627	£3,537
25	£3,540	£3,430
30	£3,454	£3,326
35	£3,371	£3,225

* This is the median pot size for this fund

Notes to costs and charge illustrative examples

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. It is for this reason some funds show negative real growth
2. Inflation is assumed to be 2.5% each year
3. No further contributions are assumed to be paid
4. Values shown are estimates and are not guaranteed
5. Charges for each fund used in the illustrations are those outlined in this statement
6. Illustrations have not been included for the LGIM Over 15 Year Gilts Index Fund (AM) or the LGIM Multi-Asset (Formerly Consensus) Fund (AN) as only a small number of members have selected these funds and they do not have any outlying features (in terms of it not being the highest/lowest cost fund and not being anticipated to have the highest/lowest future real terms investment returns)
7. The projected growth rates for each fund or arrangement are in line with those produced for the Plan's 2019 Statutory Money Purchase Illustrations , and are as follows:

Fund	Assumed Investment Return
LGIM Multi-Asset (Formerly Consensus) Fund (AN)	5.75%
LGIM Over 15 Year Gilts Index Fund (AM)	2.50%
LGIM Cash Fund (H)	2.00%
LGIM Global Equity (70:30) Index Fund (AK)	6.50%
LGIM Managed Property Fund (KJ)	6.00%

6. Value for members

6.1 Regulations require trustees to assess the extent to which the charges and transaction costs borne by members represent good value.

6.2 The charges in respect of the investment management services by LGIM are met by the members.

6.3 In considering value for members the current Trustee believes that, as the members only meet the investment management costs of passively managed funds managed by a recognised leading passive investment manager, the charges represent good value given the size and demographic of the DC Section and the services provided by LGIM.

6.4 Given the insolvency of the sponsoring employer the current Trustee is now looking to discharge the DC Section benefits outside the Plan during the PPF assessment period. As part of the work in selecting a suitable provider and buyout arrangement, this will include analysis against a range of selection criteria including:

6.4.1 Appropriateness of the buyout arrangement

6.4.2 Charges

6.4.3 Asset Transition

6.4.4 Administration and communications

6.4.5 Market presence and commitment

6.4.6 Default investment solutions

7. Trustee knowledge and understanding

The previous Trustees

7.1 In the reporting period, the Trustee Board was made up of five Trustees, of whom one was a professional independent trustee. Two were member-nominated, meeting statutory requirements for the composition of trustee boards.

7.2 The professional independent trustee was Punter Southall Governance Services Limited (represented by I Eggleden).

7.3 The previous Trustees had resigned by 20 February 2020. On this date Dalriada Trustees Limited was appointed as sole independent Trustee of the Plan (represented by Connie Johnstone and MonicaCope).

7.4 The current Trustee does not have sufficient information about the knowledge and understanding of the previous Trustees and is therefore unable to comment on actions undertaken by the previous Trustees in the reporting period regarding maintaining trustee knowledge and understanding.

7.5 The current Trustee is unable to comment on the knowledge, skills and understanding of the previous Trustees during the reporting period, and consequently is unable to comment on their ability to properly exercise their Trustee functions in relation to the Plan during the reporting period.

The current Trustee from 20 February 2020

The Trustee must be conversant with the Plan's own documentation including the Trust Deed and Rules and Statement of Investment Principles. The Trustee must also be conversant with any other document recording current policy relating to the Plan generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustee is able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustee.

This requirement has been met as set out below:

Requirement	How met
Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts and the funding and investment of the assets	The Trustee considers their annual training plan on a [quarterly] basis, which includes specific consideration of whether any further training is required in respect of these statutory areas. In addition, the Trustee receives updates from their advisors at regular meetings and throughout the year to keep abreast of

Requirement	How met
	recent developments in these areas. They are also required to complete The Pension Regulator's Trustee Tool Kit and any new/revised relevant modules released. During the year the Trustee undertook ongoing training.
Trustees must be conversant with the Scheme's own documentation including the Trust Deed and Rules, Statement of Investment Principles and current policies	The Trustee undertakes an annual evaluation of training requirements, which includes specific consideration of whether any further training is required in respect of these documents. The Trustee has online access to all key Plan documentation.
Knowledge and resources generally	The Trustee comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the issues that may arise in respect of DC pensions

The table above shows how these duties have been fulfilled and how the combined knowledge and understanding, together with the advice which is available to the Trustee enables it to properly exercise its duties and responsibilities.

7.6 Since appointment on 20 February 2020, the current Trustee considers that its knowledge, skills and understanding together with the advice which is available to it from its advisers enables it to properly exercise its Trustee functions in relation to the Plan.

[redacted] .... 22/04/2021 ....

Chair of Trustee Date

Dowdeswell Engineering Co. Ltd Pension and Employee Benefits Plan

Appendix 1: Additional transaction costs notes

Investment fund	Notes from LGIM
LGIM Multi-Asset (Formerly Consensus) Fund (AN)	This is the average cost incurred over the last financial year as a necessary part of buying and selling the Multi-Asset (formerly Consensus) Fund (charges included) (AN) underlying investments in order to achieve the investment objective. A proportion of these costs is recovered directly from investors joining and leaving the fund. In the case of shares, broker commissions are paid by the Multi-Asset (formerly Consensus) Fund (charges included) (AN) on each transaction. Transfer taxes and/or stamp duty may also be payable. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. We capture these costs using the implicit cost methodology set out in FCA rules and PRIIPs guidance. Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the mid-market price of an asset at the time the order was placed in the market. Where the arrival price was not available, the implicit cost was calculated as the difference between the price at which a deal was struck and the mid-market opening price on the day of the trade. Where the mid-market opening price was not available, the mid-market previous closing price was used. Where the previous mid-market closing price was not available, a fixed fee was used to estimate the implicit costs of each trade.
LGIM Over 15 Year Gilts Index Fund (AM)	This is the average cost incurred over the last financial year as a necessary part of buying and selling the Over 15 Year Gilts Index Fund (charges included) (AM) underlying investments in order to achieve the investment objective. A proportion of these costs is recovered directly from investors joining and leaving the fund. In the case of shares, broker commissions are paid by the Over 15 Year Gilts Index Fund (charges included) (AM) on each transaction. Transfer taxes and/or stamp duty may also be payable. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. We capture these costs using the implicit cost methodology set out in FCA rules and PRIIPs guidance. Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the mid-market price of an asset at the time the order was placed in the market. Where the arrival price was not available, the implicit cost was calculated as the difference between the price at which a deal was struck and the mid-market opening price on the day of the trade. Where the mid-market opening price was not available, the mid-market previous closing price was used. Where the previous mid-market closing price was not available, a fixed fee was used to estimate the implicit costs of each trade.
LGIM Cash Fund (H)	No notes provided.

LGIM Global Equity (70:30) Index Fund (AK)	This is the average cost incurred over the last financial year as a necessary part of buying and selling the Global Equity (70:30) Index Fund (charges included) (AK) underlying investments in order to achieve the investment objective. A proportion of these costs is recovered directly from investors joining and leaving the fund. In the case of shares, broker commissions are paid by the Global Equity (70:30) Index Fund (charges included) (AK) on each transaction. Transfer taxes and/or stamp duty may also be payable. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. We capture these costs using the implicit cost methodology set out in FCA rules and PRIIPs guidance. Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the mid-market price of an asset at the time the order was placed in the market. Where the arrival price was not available, the implicit cost was calculated as the difference between the price at which a deal was struck and the mid-market opening price on the day of the trade. Where the mid-market opening price was not available, the mid-market previous closing price was used. Where the previous mid-market closing price was not available, a fixed fee was used to estimate the implicit costs of each trade.
LGIM Managed Property Fund (KJ)	This is the average cost incurred over the last financial year as a necessary part of buying and selling the Managed Property Fund (charges included) (KJ) underlying investments in order to achieve the investment objective. A proportion of these costs is recovered directly from investors joining and leaving the fund. In the case of shares, broker commissions are paid by the Managed Property Fund (charges included) (KJ) on each transaction. Transfer taxes and/or stamp duty may also be payable. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. We capture these costs using the implicit cost methodology set out in FCA rules and PRIIPs guidance. Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the mid-market price of an asset at the time the order was placed in the market. Where the arrival price was not available, the implicit cost was calculated as the difference between the price at which a deal was struck and the mid-market opening price on the day of the trade. Where the mid-market opening price was not available, the mid-market previous closing price was used. Where the previous mid-market closing price was not available, a fixed fee was used to estimate the implicit costs of each trade.

Appendix 2 – Statement of Investment Principles