

NSK Pension Scheme – DC Governance and Charges Statement

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the Trustee to prepare an annual statement regarding governance, which should be included in the annual report. This is the fourth statement issued by the NSK Pension Scheme (the Scheme). It covers the period from 1 August 2020 to 31 July 2021 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. Processing of core financial transactions;
2. Member borne charges and transaction costs;
3. Illustration of the impact of these costs and charges;
4. Value for our Members; and
5. Trustee knowledge and understanding.

The statement is in relation to the Defined Contribution (DC) section of the Scheme, which is made up of:

- The Additional Voluntary Contribution arrangements/funds with the following providers: Clerical Medical, Janus Henderson, LGIM, Prudential, Utmost and Phoenix Life Assurance used by Defined Benefit members (DB AVC); and
- A DC insurance policy invested with Prudential
- Some transferred-in DC funds are invested with Utmost and Henderson.

Note: The Trustee has excluded any commentary on the 'default arrangement' sections of the regulations, on the basis that no members use the DC Section of the Scheme to meet automatic-enrolment requirements and so no such default arrangement (for that purpose) exists. As such a default Statement of Investment Principles is not produced. However, a copy of the Scheme's full Statement of Investment Principles is attached to this Statement for completeness.

1. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions relating to DC benefits within the Scheme are processed promptly and accurately.

What are core financial transactions?

Transactions we consider include:

- transfer of members' funds out of the Scheme,
- transfers between different investments within the Scheme, and
- payments to and in respect of members, such as on retirement or death.

The bulk of these transactions are undertaken and managed on behalf of the Trustee by XPS, the Scheme administrator, who work directly with the Scheme's DC fund managers.

How the Trustee monitors core financial transactions

The Trustee has agreed service levels (SLAs) with XPS for the completion of core financial transactions. These are 2 working days for death settlement cases and 10 working days for all other tasks.

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The Trustee reviews whether XPS are achieving the agreed timescales at each Trustee's meeting via an administration report, which sets out the number of cases received and completed within SLA. Where service levels are missed, the Trustee would request additional information from the administrator to understand the reasoning for this, which could be due to third party delays. Where efficiencies in process are identified, the administrators would agree these with the Trustee. This **regular review aims to help** the Trustee to identify and resolve any issues around the administration of core financial transactions, prior to these having a detrimental impact on the membership.

Please note that the administration reporting periods do not correspond to the Scheme year and as such we have reported on statistics for the closest period to the Scheme year. During the period 1 June 2020 to 30 April 2021, the administrators processed 1,974 tasks (107 AVC related) and completed 1,887 tasks (102 AVC related) of these within the timescales (96% achievement level, 95% for AVC related tasks).

At a glance:

96% of all work items completed within agreed service level

The Trustee is pleased with the SLA achievement particularly given the ongoing challenges created by the COVID-19 pandemic over the period.

The Trustee believes that the level of service being provided to members is good. Where the service levels have not been met, the Trustee has considered these to either not be delays that have detrimentally impacted members or steps have been taken to ensure that members have not been detrimentally impacted by any delay.

Any member complaints or legislative breaches would be discussed at the Trustee's meeting. The Trustee is pleased to confirm that there have been no complaints or administration issues during the year.

The Trustee also reviews the payments out of the Scheme via the quarterly administration report which provides a further indication to the Trustee around any delays in the dealing of core financial transactions. There are a number of administration controls in place, including:

- Monthly reconciliations of the investment units held by managers against the administrator's records to ensure that the data is correct and aligned.
- Annual lifestyle process in place which requires an Administrator to carry out the switches in line with the Scheme document and this is peer-reviewed by a Senior Administrator before the changes are sent to the investment manager. The investment units held by the administration system are then reconciled against the data provided by the investment manager.
- A monthly cashflow review is undertaken that looks at what money is needed to be paid out in the month and appropriate disinvestments are made. This enables the Administrator to pay out the benefits in good time. In addition, the cashflow is reconciled on a monthly basis against the Trustee's bank account.

XPS also produces an annual AAF report. This assurance report describes the control environment within which the administration business operates and the latest version covers the period 1 January to 31 December 2020. KPMG has independently reviewed the controls in place over the period, noting overall that the controls in place had been adhered to and were suitable. The Report highlighted three areas where KPMG was unable to gain full assurance as to the effectiveness of the controls and contains details of the action that XPS has taken or is considering to address these issues. The Trustee receives a copy of this report annually and reviews its contents. The Trustee reviewed the latest report at the Trustee's meeting of 17 September 2021 and were comfortable with the findings and controls in place.

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Accurate data is fundamental to the accuracy and timeliness of core financial transactions. The Trustee monitors the data held on an annual basis. The Trustee has a data cleanse programme in place that is being monitored at Trustee meetings.

Based on the Trustee's ongoing review of the administration service, the Trustee considers that agreed procedures and timescales have been adhered to over the period covered by this statement.

DB AVC Providers

As the AVC arrangements are closed to future AVCs, the Providers' administration is limited to producing annual benefit statements, maintaining a record and paying proceeds to the Scheme administrator, XPS on transfer, retirement or death. XPS will report back any concerns or delays to the Trustee around the administration by the AVC providers. During the Scheme year there have been no concerns raised.

The Impact of COVID-19 on the Scheme administration

The Trustee has been monitoring the administration as part of their response to the COVID-19 pandemic. The Trustee is happy that XPS' business continuity plans have enabled XPS to continue to deliver a good service to members throughout the year. XPS has stated that *'The security of the data processed on behalf of clients continues to be of paramount importance, and we recognise that we may be more vulnerable to cyber security risks whilst working from home. We have therefore put in place a number of additional measures to protect the security of client data during this time.'*

The Trustee is pleased to report that, to date, there has been no material impact to SLAs as a result of COVID-19.

The Trustee is satisfied that during the period of this report, that:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

2. Member Borne Charges and Transaction costs

The Trustee regularly monitors the level of charges borne by members through the funds. These charges comprise:

- Express explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio (TER); and
- Implicit charges, such as the transaction costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio. Due to the way in which transaction costs are calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity and so in practice the total charge would be less, whilst a positive figure is effectively an additional cost from trading activity.

Details of the charges and transaction costs for each fund used by members is given below. These are provided per DC provider for ease.

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Janus Henderson

Most members with DC and/or DB AVC benefits in the Scheme are invested with Janus Henderson. The DC members are those that have previously transferred in benefits from previous pension arrangements. We have obtained both charges and transaction costs from Janus Henderson and LGIM (which forms part of the Janus Henderson lifestyle strategy).

Fund Name	AMC % per year	TER % per year (including AMC)	Transaction costs % per year	Total cost % per year
Janus Henderson Cautious Managed Fund*	0.50%	0.56%	0.37%	0.93%
Janus Henderson Asia Pacific Capital Growth Fund	0.50%	0.61%	0.37%	0.98%
Janus Henderson Institutional Long Dated Gilt Fund*	0.40%	0.46%	0.06%	0.52%
Janus Henderson Diversified Growth Fund*	0.45%	0.75%	0.20%	0.95%
LGIM Sterling Liquidity Fund*	0.10%	0.11%	0.00%	0.11%

* these funds form part of the lifestyle strategy available to members. All funds are available as individual self-select funds as well.

~ The latest available transaction costs are those to 31 March 2021.

Where transaction costs are negative these have been shown as zero above as a prudent approach.

Prudential

AVC Policy

The charges and transaction costs that apply to the Prudential funds are detailed below.

Fund Name	AMC % per year	TER % per year (including AMC)	Transaction costs % per year	Total cost % per year
Prudential Discretionary Fund	0.75%	0.77%	0.10%	0.87%
Prudential UK Equity Fund	0.75%	0.76%	0.00%	0.76%
Prudential Global Equity Fund	0.75%	0.76%	0.12%	0.88%
Prudential International Equity Fund	0.75%	0.77%	0.21%	0.98%
Prudential UK Property Fund#	0.75%	Not provided as fund closed in period	N/A	1.28%
Prudential Deposit Fund *	0.00%	0.00%	0.00%	0.00%
Prudential Cash Accumulation With-Profits Fund ^	^	0.18%	0.13%	^
Prudential Dynamic Growth I Fund#	0.72%	0.73%	0.11%	0.84%

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* Prudential Deposit fund - Prudential has advised that there is no explicit charge for the deposit fund and under the terms of this fund, the prevailing bank of England Interest Rate is applied.

^ Prudential Cash Accumulation With-Profits - Prudential have confirmed that there is no explicit charge for this fund. An amount to cover the expenses of running the with-profits fund is deducted from the fund before bonuses are declared. This is currently restricted to 1% p.a. although there is no guarantee that this will not change in the future. There are additional costs of 0.18% p.a. disclosed.

This fund closed on 22 June 2021 and was replaced by the Prudential Dynamic Growth I Fund

~ The latest available transaction costs are those to 31 March 2021.

Where transaction costs are negative these have been shown as zero above as a prudent approach.

Trustee Transfer Policy

There is only one member invested in this policy. The member is invested in the Prudential With-Profits I Fund and Prudential With-Profits II Fund. Both versions of the With-Profits Fund have a charge of 1% p.a. deducted from the fund to cover expenses prior to the declaration of any bonus. Transaction costs of 0.13% have been quoted by Prudential.

Clerical Medical

The charges and transaction costs that apply to the Clerical Medical Funds are detailed below:

Fund Name	AMC % per year	TER % per year (including AMC)	Transaction costs % per year	Total cost % per year
Clerical Medical Balanced Fund	0.59%	0.59%	0.27%	0.86%
Clerical Medical Japanese Fund	0.59%	0.59%	0.00%	0.59%
Clerical Medical Retirement Protection Fund	0.59%	0.59%	0.10%	0.69%
Clerical Medical UK Growth Fund	0.59%	0.59%	0.31%	0.90%
Clerical Medical Cautious Fund	0.59%	0.59%	0.18%	0.77%
Clerical Medical Non-Equity Fund	0.59%	0.59%	0.09%	0.68%
Clerical Medical Halifax Fund	0.59%	0.59%	0.00%	0.59%
Clerical Medical UK Property Fund	0.59%	0.59%	0.00%	0.59%
Clerical Medical Global Equity Tracker Fund	0.59%	0.59%	0.06%	0.65%
Clerical Medical Dynamic Return Fund	1.34%	1.34%	0.18%	1.52%
Clerical Medical International Growth Fund	0.59%	0.59%	0.20%	0.79%
Clerical Medical Invesco Perpetual High Income Fund*	1.39%	1.39%	1.06%	2.45%
Clerical Medical BlackRock World (Ex UK) Equity Fund	0.59%	0.59%	0.01%	0.60%
Clerical Medical BlackRock UK Equity Fund	0.59%	0.59%	0.00%	0.59%
Clerical Medical BlackRock Over 5 Year Index Linked Gilt Fund	0.59%	0.59%	0.00%	0.59%
Clerical Medical BlackRock Corporate Bond All Stocks Fund	0.59%	0.59%	0.00%	0.59%
Clerical Medical BlackRock Over 15 years UK Gilt Index Bond All Stocks Fund	0.59%	0.59%	0.00%	0.59%

* This fund is closed to new investors.

~ The latest available transaction costs are those to 30 June 2021

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Utmost (formerly Equitable Life)

Funds	AMC % per year	TER % per year	Transaction costs % per year	Total costs % per year
Utmost Multi-Asset Growth Fund	0.75%	0.75%	0.16%	0.91%
Utmost Multi-Asset Moderate Fund*	0.75%	0.75%	0.32%	1.07%
Utmost Multi-Asset Cautious Fund *	0.75%	0.75%	0.36%	1.11%
Utmost US Equity Fund	0.75%	0.75%	0.19%	0.94%

* these funds make up the Investing By Age lifestyle strategy and are also available as self-select funds.

~ The latest available transaction costs are those to 30 June 2021.

Phoenix Life Assurance

Phoenix Life have confirmed the charges for the Traditional With Profits as follows:

Funds	AMC % per year	TER % per year (including AMC)	Transaction costs % per year	Total costs % per year
LL Pension Traditional With Profits -V1 Fund	1.00%	1.00%	0.53%	1.53%

~ The latest available transaction costs are those to 31 March 2021.

Illustration of the effect of costs and charges

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided two illustrations of their cumulative effect on the value of typical scheme members savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out below.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements.

The Trustee has not provided additional illustrations for Utmost as it would be disproportionately burdensome given the very small amounts of money held in this arrangement. It has also not been possible to provide an illustration for Phoenix Life due to difficulties in obtaining the necessary data to be able to do so and also as the projection would not take into account the enhanced annuity rates that members invested in this fund benefit from.

Janus Henderson Illustrations

As the majority of members with DC and/or DB AVC members are invested in the Janus Henderson/LGIM funds, the Trustee has chosen to illustrate the impact of cost and charges for example members invested these funds.

Each illustration, A and B is shown for a different type of member as follows:

Member A – no further contributions based on the median pension fund size of £2,300. The Trustees believe that this is a good representation of the Scheme membership with DC/DB AVC assets.

Member B – no further contributions based on the median fund size for members with funds above £20,000. This is £42,700.

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The illustrations use age 37 as the starting age. This is the age of the youngest DC member. The illustrations are based on the period until the member's Normal Retirement Age ("NRA") which is age 65. They show the impact of costs and charges on the member's fund, at five yearly intervals, until age 65.

As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have shown comparison illustrations for Members A and B assuming they are invested in the following funds:

- The Janus Henderson lifestyle strategy.
- The highest charged/expected rate of return Janus Henderson fund, assuming that it is self-selected; Janus Henderson Asia Pacific Capital Growth Fund
- The lowest charged/expected rate of return fund, assuming that it is self-selected – LGIM Sterling Liquidity Fund

The Chart shows a projection of the member's retirement savings at retirement age, with and without costs and charges applied. All projected fund values are shown in today's terms, so do not need to be reduced further for the effect of future expected inflation.

Member A: Starting fund size £2,300 no further contributions

Projected pension pot in today's money						
Fund choice						
	Lifestyle strategy		Janus Henderson Asia Pacific Capital Growth Fund		LGIM Sterling Liquidity Fund	
Age	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
37	£2,300	£2,300	£2,300	£2,300	£2,300	£2,300
40	£2,440	£2,370	£2,540	£2,510	£2,200	£2,190
45	£2,680	£2,480	£3,010	£2,890	£2,040	£2,030
50	£2,940	£2,600	£3,560	£3,340	£1,900	£1,870
55	£3,160	£2,690	£4,210	£3,860	£1,760	£1,730
60	£3,290	£2,710	£4,980	£4,460	£1,640	£1,600
65	£3,090	£2,500	£5,890	£5,140	£1,520	£1,480

Member B: Starting fund size £42,700 no further contributions

Projected pension pot in today's money						
Fund choice						
	Lifestyle strategy		Janus Henderson Asia Pacific Capital Growth Fund		LGIM Sterling Liquidity Fund	
Age	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
37	£42,700	£42,700	£42,700	£42,700	£42,700	£42,700
40	£45,250	£43,940	£47,230	£46,550	£40,850	£40,720
45	£49,840	£46,080	£55,860	£53,740	£37,950	£37,620
50	£54,560	£48,190	£66,070	£62,050	£35,250	£34,760
55	£58,670	£49,990	£78,150	£71,650	£32,750	£32,110
60	£61,090	£50,290	£92,430	£82,720	£30,420	£29,670
65	£57,410	£46,340	£109,330	£95,510	£28,260	£27,410

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Prudential Illustration

Member C – no further contributions based on the median pension fund size of £7,100 and based on the median age of 58. The Trustees believe that this is a good representation of the Scheme membership with DC/DB AVC assets with Prudential. It is based on being invested in the Prudential Cash Accumulation With-Profits Fund as this is the fund with the highest amount of money invested in (around 63% of the money invested with Prudential is invested in this fund).

Projected pension pot in today's money		
Fund choice		
Prudential Cash Accumulation With-Profits Fund		
Age	Before charges	After all charges + costs deducted
58	£7,100	£7,100
60	£7,540	£7,360
65	£8,760	£8,040

Clerical Medical Illustration

Member D – no further contributions based on the median pension fund size of £20,400 and based on the median age of 57. The Trustees believe that this is a good representation of the Scheme membership with DC/DB AVC assets with Clerical Medical. It is based on being invested in the Clerical Medical Balanced Fund as this is the fund with the highest amount of money invested in (around 44% of the money invested with Clerical Medical is invested in this fund).

Projected pension pot in today's money		
Fund choice		
Clerical Medical Balanced Fund		
Age	Before charges	After all charges + costs deducted
57	£20,400	£20,400
60	£20,250	£19,730
65	£20,010	£18,660

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) in making investment decisions.

Assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

- *The projected annual returns on assets are:*

Members A & B:

- *Janus Henderson Cautious Managed Fund 4.0% p.a.*
- *LGIM Sterling Liquidity Fund 1.0% p.a.*
- *Janus Henderson Institutional Long Dated Gilt Fund 1.4% p.a.*
- *Janus Henderson Diversified Growth Fund 4.5% p.a.*
- *Janus Henderson Asia Pacific Capital Growth Fund 6.0% pa*

These rates are set by the Trustee after taking advice from the Scheme Actuary.

For Members A & B, the projection takes into account the changing proportion invested in the different underlying funds.

Member C

Prudential Cash Accumulation With-Profits Fund – 5.62%. The assumed rate of growth mirrors that used by Prudential in the annual statement as at 31 July 2021 for someone invested in this fund. This assumed growth rate is set by Prudential and not the Trustee. For the purpose of the illustration we have used an assumed charge of 1.31% - this is based on the maximum expense of 1% plus the additional charge of 0.18% and the transaction costs of 0.13% quoted by Prudential.

Member D

Clerical Medical Balanced Fund – 2.25% p.a. The assumed rate of growth is based on that used by Clerical Medical in the annual statement as at 31 July 2021 for someone invested in this fund, allowing for the current investment split. This assumed growth rate is set by Clerical Medical and not the Trustee.

- *Inflation is assumed to be 2.5% p.a.*
- *The transaction costs have been averaged over a 4 year period for Members A & B (2 years for Member C and 3 years for Member D as transaction costs were not available prior to this time) in line with statutory guidance to reduce the level of volatility. A floor of 0% pa has been used for the*

The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available. Currently, less than 5 years of transaction cost information is available from providers, which may result in greater volatility in these costs in the short term. It is anticipated that once information is available over longer periods, the assumptions made in respect of these costs will demonstrate less volatility.

Value for members

There is no legal definition of "good value" and the process of determining this for members is a subjective one. Based on advice from the Scheme advisers, Aon, the Trustee has established a cost-benefit analysis framework in order to assess whether the member borne charges deliver good value for Members. The framework has been designed with reference to the statutory guidance. The assessment against the framework is relevant to the current membership. The cost part of the analysis considers the costs and charges members pay. The benefit side of the analysis considers the quality of Scheme Governance and Management, the quality of Scheme Administration, the quality of Scheme Investments and the quality of Scheme Communications. It also considers any special terms that apply to members under the relevant DC and DB AVC policy.

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The Trustee has carried out a detailed assessment of the Scheme over the period to consider whether good value is provided to members in terms of the benefits and services they receive given the level of charges paid.

- **Scheme Governance and Management:** The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.
- **Scheme Administration:** The Trustee believes that good administration and record keeping play a crucial role in ensuring that members receive the retirement income due to them.
- **Scheme Investments:** The Trustee believes that it is important to offer members a range of lifestyle and self-select funds.
- **Scheme Communications (including support at retirement):** The Trustee believes that effective member communications and delivery of the right support helps members understand and improve their retirement outcomes. The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.
- **Special terms** – the Trustee is mindful of the impact that special terms can have on member outcome such as guaranteed annuity rates and/or bonus rates. Such guarantees can be difficult to value.

For each area we have rated the services either green, amber or red:

- **Green** – we believe that the services provided represent good value to our members and help to deliver better member outcomes,
- **Amber** – some of the services provided offer good value, however, we have identified gaps where these services could be improved,
- **Red** – none of the services provided represent good value for our members and action will be taken to address this.

Area	Rating	Example
Plan Governance		<ul style="list-style-type: none"> ✓ The Trustee Board includes both Company and member nominated Trustee Directors. ✓ All Trustee Directors receive training both at outset and ongoing and are required to complete an agreed number of training hours per year to ensure that they can fulfil their duties. ✓ The Trustee regularly meets to discuss the Scheme and discussions at these meetings are documented in writing. The Trustee's professional advisers also attend these meetings to give advice and guidance to the Trustee. ✓ The Trustee has processes in place to deal with conflicts of interest and has a risk register that helps the Trustee to mitigate any risks related to running the Scheme. ✓ The Trustee Directors regularly assess their training needs against the Pensions Regulator's scope document. This scope document sets out areas that the Trustee needs to know and understand and a list of the documents that the Trustee should be familiar with.
Administration		<ul style="list-style-type: none"> ✓ The Trustee is comfortable with the quality and efficiency of the administration processes, as highlighted in the earlier section of this Statement.
Investments		<ul style="list-style-type: none"> ✓ The Scheme provides members with an appropriate range of lifestyle and self-select fund options. These are reviewed and refined as needed. For example, during the year, Prudential closed the Prudential UK Property Fund. The Trustee considered and agreed with Prudential's suggested replacement fund; the Prudential Dynamic Growth I Fund and this is now available to members. Additionally, during the year, the Trustee reviewed

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		<p>and reduced the number of funds available to make these more manageable. However the range still covers the main asset classes that would be typically of interest to DC members.</p> <ul style="list-style-type: none"> ✓ The investment strategy and performance is monitored and reviewed by the Trustee. ✓ Fund factsheets are produced quarterly for members and these are available to download or can be requested via the administrators.
Member communication		<ul style="list-style-type: none"> ✓ An annual newsletter is issued to members which includes topics specific to DC/DB AVCs, where relevant. ✓ The Trustee communicates directly with members where there are important messages to convey. For example, during the year the Trustee wrote to members of the Clerical Medical Invesco Perpetual High Income Fund regarding an issue that had arisen. ✓ At retirement, members receive a quotation that takes into account their DC/DB AVCs, highlighting the options available to them. ✓ A pre-retirement webinar was held in the year that explained the retirement options available from both the DB and DC sections.
Special terms		<ul style="list-style-type: none"> ✓ Special terms apply to members invested in the Phoenix Life policy, which include valuable guaranteed annuity rates at retirement which would be lost on transfer to another arrangement. ✓ Members invested in the Prudential Cash Accumulation With-Profits fund are entitled to guaranteed bonus rates which would be lost on transfer.

Under the Trustee's assessment framework, the Trustee believes that the Scheme delivers value for its members. The Trustee will continue to **monitor the Scheme against the Regulator's governance standards to ensure it continues to deliver value.**

3. Trustee's Knowledge and Understanding (TKU)

The comments in this section relate to the Trustee as a body in dealing with the whole Scheme and are not restricted to the DC/DB AVC section of the Scheme. The Trustee meets the Pension Regulator's TKU requirements (as set out under Code of Practice 7).

All of the Trustee Directors have successfully completed the Pension Regulator's e-learning toolkit. The Trustee's toolkit is an online module-based training tool that trustees can complete to gain an understanding of the key elements of managing a pension scheme. It is provided by the Pensions Regulator.

With the exception of the new Trustee Director (appointed in June 2020), all other Trustee Directors have successfully gained the PMI Award in Pension Trusteeship (APT). The Pensions Management Institute (PMI) is a recognised professional body for pensions professional and the APT is a qualification for trustees to demonstrate their TKU in line with the requirements set out in the Pensions Act 2004.

Each Trustee Director takes personal responsibility for keeping themselves up-to-date with relevant developments to meet their training needs. This includes attending pension conferences, reading pension related material supplied by Aon, XPS and training provided at Trustee's meetings. A formal training log is maintained by the Secretary to the Trustee to record the training undertaken. The Trustee undertook a self-evaluation assessment of training needs in September 2020 and this was used to identify training to be provided over the Scheme year.

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In addition to the skills within the Trustee board, the Trustee also engages with appointed professional advisers regularly to ensure that the Scheme is well run and functions are exercised properly. Regular Trustee's meetings are held throughout the year where advice is provided, discussions are held and decisions are taken in relation to any matters material to the Scheme's running. During the Scheme year, six Trustee's meetings were held. The wider knowledge and background of the Trustee from each individual's 'day job', which include positions in the Company's finance and HR departments, also assist in the Trustee functioning as an effective body.

Demonstrating a working knowledge of key scheme documents

The Trustee has engaged with its professional advisers regularly throughout the year to ensure that it exercises its functions properly and takes professional advice where needed. In exercising its functions this has required knowledge of key scheme documents such as their governance documents, Trustee's Report & Accounts and Statement of Investment Principles. A few of the areas that support this statement are set out below:

- Updated the Statement of Investment Principles,
- Signed off of the Trustee's Report and Accounts,
- Reviewed the risk register and high priority risks,
- Produced and monitored a Cyber Incident Response Plan and undertook a cyber assessment to monitor the adequacy of the current controls in place to prevent cyber security breaches,
- Monitored and updated the business plan,
- Reviewed quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience,

Demonstrating knowledge of principles relating to investment and funding of DC schemes

To show how the Trustee has demonstrated that it has sufficient knowledge and understanding of principles relating to investment of DC schemes it also undertook the following actions:

- Updated the Statement of Investment Principles for the Trustee's policies around how the Trustee delegates its voting rights, considers costs to members/the Company (including how parties are made fully aware of the costs) and how the Trustee monitors the Investment Managers.
- Undertook and reviewed the results of a Trustee survey used to identify the Trustee's investment policies.
- Undertook training from their investment consultant on investment issues.
- Received quarterly investment market updates from their managers/investment advisers.
- Carried out an annual review of the Clerical Medical arrangement.
- Consolidated the fund range offered to DC members.
- Undertook training around the equalisation of Guaranteed Minimum Pensions (GMP) and also new requirements relation to the triennial Scheme valuation which is relevant as some DC members have a GMP underpin.
- Reviewed the operation of the Scheme against the aim and objectives set out in the Statement of Investment Principles and produced an Implementation Statement to demonstrate how these aims and objectives have been met.

Demonstrating knowledge and understanding of the law relating to pensions and trusts

To show how the Trustee has demonstrated that it has sufficient knowledge and understanding of principles relating to pensions and trusts the Trustee undertook the following actions:

- Received further refresher training around the requirements of the General Data Protection Regulations for trustee boards.
- Updated the risk register and produced a forward-looking focused business plan,
- Carried out a review of the Scheme advisers and concluded that the service received is appropriate,
- Carried out a review of the effectiveness of the Trustee Board and has put in place a plan to address some areas where effectiveness can be improved (such as maintaining a focused business plan),
- Reviewed the process around avoiding Pension Liberation taking into account latest guidance,
- Undertook training around cyber risk, including participating in a simulated phishing exercise.

The Trustee board is made up of five Trustee Directors with varying skill sets and who have varying backgrounds including investment and administration expertise. As already highlighted the Trustee carries out an annual review of its effectiveness. The latest review, considered at the Trustee's meeting of 25 September 2020, led to the decision to produce a focused business plan looking at the next 12 months and the Risk Register becoming a regular agenda item going forward.

The Trustee considers that it meets the Pension Regulator's Trustee Knowledge and Understanding requirements and is confident that the Board's combined knowledge and understanding, together with the support of its advisers, enables it to properly exercise its functions as the Trustee of the Scheme.

Signed on behalf of the Trustee of the NSK Pension Scheme:

Name/Position: Steve Metcalfe/Chair of Trustee

Date of signing:

NSK Pension Scheme (the “Scheme”)

Statement of Investment Principles (the “Statement”)

1. SCOPE OF STATEMENT

This Statement has been prepared by NSK Pension Trustee Limited (the “Trustee”) in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is August 2021. The Trustee will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

2. CONSULTATIONS MADE

The Trustee has consulted with the Employer, NSK Europe Limited (the “Principal Employer”), on this Statement and will take the Employer’s comments into account when they believe it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Scheme. The Trustee has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon, which is authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme’s assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed where appropriate and is available to the members of the Scheme and will be published on a publicly accessible website.

3. OBJECTIVES AND POLICY FOR SECURING OBJECTIVES

The Trustee’s objectives for setting the investment strategy of the Scheme have been set with regard to the Scheme’s Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustee’s primary objectives for the Defined Benefit Section are:

- “funding objective” – to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
- “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Scheme’s investment strategy; and
- “security objective” – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) improves. The Trustee will take into account the strength of the Employer’s covenant when determining the required improvement in the solvency position of the Scheme.

The Trustee recognises that these objectives may conflict. For example, a greater allocation to more defensive assets may give greater security, but may result in a level of required contributions that the Employer may find too difficult to support. The Trustee also recognises that in resolving this conflict, it is necessary to accept some risk.

The current investment strategy (as set out in the Appendix) has been chosen to maintain a relatively low level of investment risk supporting the long-term funding target of gilts + 0.5% p.a. Furthermore, the current strategy targets an allocation to liability driven investment funds which have a long-term aim of providing a 90% hedge against changes in the technical provisions liabilities arising from interest rates and inflation expectations.

The Trustee's objectives for the Trustee Transfer Plan members (defined contribution (DC) members) is to make available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerance of the Scheme's members. The Trustee aims to provide investment options that allow members:

- To maximise the value of their DC assets at retirement
- To maintain the purchasing power of their DC savings in real (i.e. post-inflation) terms; and
- To provide protection for accumulated assets in the years approaching retirement against sudden (downward) volatility in the capital value and fluctuations in the cost of securing an income and / or cash in retirement.

Whilst the Trustee retains responsibility for choosing the funds made available to members, it is the individual member's responsibility to:

- choose which specific funds they invest in;
- monitor the performance of their own investments; and
- review the ongoing appropriateness of their chosen funds in light of their own individual circumstances.

4. INVESTMENT RISK MEASUREMENT AND MANAGEMENT

For the DB Section, the key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustee takes advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy) and also by reviewing the Employer's annual report and accounts. The Trustee also has an agreement with the Employer to receive notification of any events that have the potential to alter the creditworthiness of the Employer. In particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and Employer-related Notifiable Events. On receipt of any such notifications, the Trustee will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustee monitors the risks arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports prepared by its professional advisers. Expected deviation from the benchmark (for a passive manager) or out-performance target (for an active manager) is detailed in the Appendix to this Statement. The Trustee has appointed Aon to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

For due diligence purposes, the Trustee aims to meet quarterly and to meet the investment managers as appropriate.

For the Trustee Transfer Plan members there are a number of risks considered by the Trustee:

- The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the retirement outcomes compared with the members' expectations. The Trustee offers a lifestyling approach that aims to reduce volatility in the approach to retirement.
- The risk that the chosen investment manager underperforms the benchmark against which the manager is assessed. The Trustees recognise that the use of an active manager involves such a risk and for this reason offer both active and passive investment options for members.
- The risk that the absolute return on investments, and hence the value of the retirement income, may be diminished by inflation. To help mitigate this risk, a range of funds is offered, including growth funds which aim to provide real growth (in excess of inflation) over the long term.
- The risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced.

Trustee recognises that members take the investment risk and the Trustee manages this risk through the selection and monitoring of investment performance and the choice of funds offered to members. The funds available on the Clerical Medical platform are reviewed annually. For the other arrangements, the funds are reviewed every three years.

5. THE BALANCE BETWEEN DIFFERENT KINDS OF INVESTMENTS

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation.

The Trustee therefore retains responsibility for setting asset allocation, and takes expert advice as required from its professional advisers.

The Trustee believes the most appropriate means of determining asset allocation is by asset and liability modelling, which is usually carried out following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). Therefore, as a minimum the asset allocation is reviewed once every three years.

6. CHOOSING INVESTMENTS

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash flow requirements, the funding level of the Scheme and the Trustee objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes. Day to day selection of stocks is delegated to investment managers appointed by the Trustee. As regards the review and selection of its investment managers, the Trustee takes expert advice from its advisers.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to mitigate accumulations of risk in the portfolio as a whole.

Investment in derivatives within pooled funds is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

7. CUSTODY

Schroders, Aegon and JPMorgan arrange for custody of the assets which are invested with them. Northern Trust has been appointed as custodian for the segregated Buy & Maintain Global Bond portfolio and the LDI mandate managed by Legal & General Investment Management.

The custodians are independent of the Employer.

8. EXPECTED RETURNS ON ASSETS

Over the long-term the Trustee's expectations are:

- For index-linked bonds and swaps, to achieve a rate of return relative to price inflation, and short-term price behaviour in line with the cost of providing index-linked annuities.
- For monetary assets (UK and overseas bonds and swaps, cash etc) to achieve a stable nominal rate of return, amid short term price behaviour which is at least in line with changes in the cost of providing fixed income annuities.
- For multi asset credit, the range of returns could be expected to be between 2% to 9% per annum depending upon the level of liquidity.
- For the asset backed securities and global credit, the returns are expected to be in the region of 2% to 5% per annum.

The projected investment returns for the asset classes are taken from the actuarial valuation/asset and liability modelling exercise.

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and fund managers.

The current investment strategy, as set out in Appendix 1, is expected to achieve a return of at least in line with gilts + 1% p.a.

9. REALISATION OF INVESTMENTS / LIQUIDITY

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

10. SOCIAL, ENVIRONMENTAL OR ETHICAL CONSIDERATIONS

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

11. STEWARDSHIP – VOTING AND ENGAGEMENT

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which the Scheme's investments reside. The Trustee recognises that ultimately this creates long-term value for the Scheme and its beneficiaries.

To this end, the Trustee expects the Scheme's investment managers to use their influence as major institutional investors to exercise the Scheme's rights and duties as a stakeholder including voting, along with — where relevant and appropriate — engagement with underlying investee companies.

The Trustee will, on an annual basis, ask all of its investment managers to provide their respective responsible investment policies – including their policies with respect to their stewardship practices – and details of how they integrate ESG into their investment decision making process. Should the Trustee look to appoint a new manager, it will request this information as part of the selection process. All responses will be reviewed and monitored with input from the Trustee's investment adviser.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers where applicable. The Trustee engages with its investment managers as necessary for more information to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members upon request and within the annual member newsletter

Furthermore, the Trustee will ask the Scheme's investment managers to provide details about the ways in which they are undertaking these activities in comparison to their policies and relevant codes of practice. This will be reviewed annually with input from the Trustee's investment adviser.

Within the DB Section, the Trustee expects the Scheme's appointed asset managers to comply with the United Nations Global Compact or explain why they are not. Additionally, the Trustee has identified key areas of concern around climate change and corporate governance and will level scrutiny on its investment managers accordingly. The Trustee expects its asset managers to prioritise and actively monitor these risks within their respective investment processes and to provide transparency on engagement and voting actions with respect to the mitigation of these risks as appropriate.

The transparency offered for engagements should include objectives and relevance to the Scheme, the methods of engagement and the processes for escalating unsuccessful engagements.

The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustee or the asset manager.

Where voting is concerned the Trustee expects its asset managers to recall stock lending as necessary, in order to carry out voting actions.

The Trustee expect the Scheme's investment managers to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed.

If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policies, the Trustee will engage with the manager and seek a more sustainable position, though it may ultimately replace the manager if such a position cannot be reached.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

12. MEMBERS' VIEWS AND NON-FINANCIAL FACTORS

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"¹).

13. COST TRANSPARENCY

The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by its investment managers that can increase the overall cost incurred within the Scheme's investments.

The Trustee collects annual cost transparency reports covering all of its investments and asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its investment managers.

Within the DB Section, the Trustee will only appoint investment managers who offer full cost transparency via the CTI templates to manage assets of the Scheme. This will be reviewed before the appointment of any new managers and includes the Scheme's existing investment managers.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Scheme's investment consultant monitors this on behalf of the Trustee as part of the manager monitoring it provides and flags to the Trustee where there are concerns.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustee evaluates the performance of its managers relative to their respective objectives on a regular basis via its investment monitoring reports and updates from the investment managers. The Trustee also reviews the remuneration of the Scheme's investment managers on at least a triennial basis to ensure that these costs are reasonable in the context of the kind and balance of investments held.

¹ The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

For the Trustee Transfer Plan members, the Trustee collects information on member-borne costs and charges on an annual basis, where available, and sets these out in the Scheme's Annual Chair's Statement regarding DC Governance (the "Annual Chair's Statement"), which is made available to members in a publicly accessible location. No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects their advisers to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chair's Statement exercise. The Trustee assesses the (net of all costs) performance of the investment manager against each fund's investment objective.

14. ARRANGEMENTS WITH ASSET MANAGERS

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with its policies. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee receives regular reports and verbal updates from its investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives, and assesses the asset managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers where appropriate, and requests that the asset managers review and confirm whether their approach is in alignment with those of the Trustee. Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

Before appointing a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation – for example if the Scheme invests in a collective vehicle – then the Trustee will express its expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance, level of remuneration and investment strategy, is in most cases sufficient to incentivise the

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asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Within the DB Section, the Trustee reviews the Scheme's exposure to controversial sectors on an annual basis, with a particular focus on: controversial weapons, tobacco, gambling, pornography, all fossil fuels (including thermal coal) and companies that breach fundamental ethical norms (e.g., those in contravention of the UN Global Compact). Where appropriate the Trustee will engage with managers on the rationale for such investments.

The Trustee believes that it has a duty to invest in a responsible manner and where appropriate will query managers on the rationale for holding positions in companies which have a negative impact to society, regardless of whether the action may be financially material.

There is no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

15. EFFECTIVE DECISION MAKING

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

16. ADDITIONAL VOLUNTARY CONTRIBUTIONS ("AVC's") ARRANGEMENTS

Some members obtain further benefits by paying AVC's to the Scheme. The liabilities in respect of these AVC's are equal to the value of the investments bought by the contributions. Details of the AVC providers are included in the Appendix to this Statement.

From time to time the Trustee reviews the choices of investments available to members to ensure they remain appropriate to the members' needs.

.....
Name

.....
Signature

.....
Date

For and on behalf of NSK Pension Trustee Limited

NSK Pension Scheme (the “Scheme”)

Appendix to Statement of Investment Principles

This Appendix sets out the Trustee's current investment strategy, and is supplementary to the Statement of Investment Principles (the “Statement”) but does not form part of the Statement.

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the Statement. The details are laid out below:

1. ASSET ALLOCATION STRATEGY

The Scheme's asset allocation as at 30 June 2021 is set out below together with the Trustee's long-term strategic benchmark allocation of 42.5% liability driven investment (“LDI”) assets, 42.5% ‘Buy & Maintain’ Global Bonds, 7.5% Multi Asset Credit and 7.5% Asset Backed Securities Funds.

Manager (Asset Class)	Long-term Benchmark Weight (%)
JP Morgan (Multi-Asset Credit)	7.5
Aegon (Asset-Backed Securities)	7.5
Schroder (Asset-Backed Securities)	7.5
Insight Bonds Plus	-
LGIM (Buy & Maintain Global Bonds)	42.5
LGIM (LDI)	42.5

At the December 2020 Trustee meeting, the Trustee decided to disinvest fully from the Insight Bonds Plus Fund and invest the proceeds of this and the Aviva REaLM Fund sale into two new mandates, the Aegon European ABS Fund and the Schroders Securitised Credit Fund.

The current strategy targets an allocation to liability driven investment funds which have a long-term aim of providing a 90% hedge against changes in the liabilities arising from movements in interest rates and inflation expectations.

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2. INVESTMENT MANAGEMENT ARRANGEMENTS

The following tables describe the mandates given to the fund managers within each asset class:

Manager	Fund	Long-term Benchmark Weight (%)	Benchmark	Target
JP Morgan	Multi Sector Credit Fund	7.5	Total Return Target	Total return of 3-7% per annum over a rolling 3 year market cycle (gross of fees)
Aegon	European ABS Fund	7.5	Barclays Euro ABS Floating/Fixed (market-weighted)	Perform in line with or, above benchmark.
Schroders	Securitised Credit Fund		3 month USD LIBOR	Exceed the benchmark by 2.0% pa
LGIM	Buy & Maintain Global Bonds	42.5	n/a	To provide exposure to a diversified set of global corporate bonds
	LDI	42.5	Liability cashflow benchmark	To provide leveraged exposure to changes in interest rates and inflation expectations

2.1 RE-BALANCING ARRANGEMENTS

In order to ensure the assets are re-balanced in line with the Asset Allocation Strategy, the Trustee reviews the balance of the assets on a quarterly basis following which corrective action is taken if this is deemed appropriate.

3. CASH BALANCES

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustee intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

4. FEE STRUCTURES FOR ADVISERS AND MANAGERS

4.1 ADVISERS

The Trustee's investment advisers are paid for advice received either on the basis of the time spent by the adviser or on an agreed project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

4.2 INVESTMENT MANAGERS

For passive mandates, or mandates where an investment manager is seeking to add incremental value in excess of the performance benchmark, each manager is remunerated as a set percentage of the assets under management (or base fee). This is in keeping with market practice.

4.3 SUMMARY OF INVESTMENT MANAGEMENT FEE ARRANGEMENTS

Manager	Fee Scale (annual management charges, additional servicing fees may be payable in addition)	Performance Fee (%pa)
JP Morgan Multi Sector Credit Fund	0.35% pa	N/a
Aegon European ABS	Tiered – c. 0.25% p.a. at Scheme's level of investment	N/a
Schroders Securitised Credit	0.25% pa	N/a
LGIM Buy & Maintain Global Bonds	0.13% pa	N/a
LGIM LDI	0.06% pa of liabilities hedged	N/a

5. ADDITIONAL VOLUNTARY CONTRIBUTIONS AND TRUSTEE TRANSFER PLAN

The Trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who previously elected to pay additional voluntary contributions. There is also a closed Trustee Transfer Plan with Prudential which holds DC assets for members who transferred in from another Plan.

Members participating in this arrangement receive an annual statement made up to 31 July each year, confirming the amounts held in their account and movements during the year.

A summary of the investment options that are available under the arrangements, which are now all closed to contributions, although members can still switch investments within an arrangement

Provider	Fund	Investment objectives	Notes	Annual management charge (Total Expense Ratio – TER)
Phoenix Life Assurance and Prudential	With-profits*	To invest in a diverse range of assets, but in order to support the guarantees offered by the contracts, the funds maintain a larger exposure to fixed interest investments and a correspondingly smaller amount in equities, compared to typical unit-linked managed funds.	Closed.	Inherent within the bonus declarations.

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Janus Henderson	Diversified Growth Fund	To achieve long term capital growth with some potential for income returns with lower than equity market volatility.	Closed. Forms part of the Lifeplan lifestyle system.	0.45% (Total Expense Ratio - TER 0.82%)
Janus Henderson	Cautious Managed Fund	The fund aims to provide income and long-term capital growth by investing in a combination of company shares and a range of bonds in any country.	Closed. Forms part of the Lifeplan lifestyle system.	0.50% (TER 0.56%)
Janus Henderson	Long Dated Gilt Fund	To aim to provide a return by investing primarily in long dated UK Government securities.	Closed. Forms part of the Lifeplan lifestyle system.	0.50% (TER 0.56%)
LGIM	Sterling Liquidity Fund	To provide capital stability and a return in line with money market rates whilst providing daily access to liquidity and providing an income.	Closed. Forms part of the Lifeplan lifestyle system.	0.10% (TER 0.11%)
Janus Henderson	Asia Pacific Capital Growth Fund	The fund aims to provide capital growth by investing in Pacific region and Indian sub-continent companies.	Closed.	0.50% (TER 0.59%)
Prudential	Global Equity Fund	The fund provides an all-equity approach to investment, holding a 60% UK equity and 40% mix of overseas company shares. For the overseas shares the fund is actively managed against an internal composite benchmark asset allocation set by the M&G Treasury & Investment Office (T&IO).	Closed – existing Prudential AVC payers can switch into this fund.	0.75% (TER 0.76%)
Prudential	International Equity Fund	The fund invests, via other M&G PP funds, in the shares of overseas companies. It is actively managed against an internal	Closed – existing Prudential AVC payers can switch into this fund.	0.75% (TER 0.76%)

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		composite benchmark asset allocation set by the M&G Treasury & Investment Office (T&IO).		
Prudential	UK Equity Fund	The fund invests, via other M&G PP funds, in the shares of UK companies. The fund is actively managed against its benchmark, the FTSE All-Share Index.	Closed – existing Prudential AVC payers can switch into this fund.	0.75% (TER 0.76%)
Prudential	Dynamic Growth I S3 Fund.	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally.	Closed – existing Prudential AVC payers can switch into this fund.	0.75% (TER – 0.76%)
Prudential	Discretionary Fund	The fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property, cash plus listed alternative assets through other M&G PP funds or direct holdings	Closed – existing Prudential AVC payers can switch into this fund.	0.75% (TER 0.78%)
Prudential	Deposit Fund	To earn a variable rate of interest, the current practice in respect of which, which can be reviewed at any time, is to set the interest rate on the first of each month, in line with the Bank of England base rate at the time.	Closed. Only available to existing investors of the fund	No explicit charge
Prudential Trustee Transfer Plan	Range of 13 unit-linked funds	As set out by Prudential relating to each of the funds available and relating to achieving capital growth/income by investing in the specifically designated investment sector.	Closed. Members can switch investments within Prudential.	0.75%. (TER ranges from 0.75% to 0.78%)
Utmost	Multi-Asset Cautious Fund	The fund aims to provide capital growth in the long term by investing in	Closed – existing Utmost AVC payers can switch into	AMC/TER 0.75%

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		a combination of asset classes including equities, fixed income, property and cash with the potential for low to moderate levels of price fluctuations.	this fund. Forms part of the Investing By Age lifestyle strategy	
Utmost	Multi-Asset Growth Fund	The fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income, property and cash with the potential for high levels of price fluctuations	Closed – existing Utmost AVC payers can switch into this fund.	AMC/TER 0.75%
Utmost	Multi-Asset Moderate Fund [^]	The fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income, property and cash with the potential for moderate to high levels of price fluctuations.	Closed – existing Utmost AVC payers can switch into this fund. Forms part of the Investing By Age lifestyle strategy	AMC/TER 0.75%
Utmost	US Equity Fund	The fund aims to achieve capital growth in the long term by investing mainly in US companies.	Closed – existing Utmost AVC payers can switch into this fund.	AMC/TER 0.75%
Utmost	Money Market Fund [^]	The fund aims to preserve capital whilst aiming to provide a return in line with prevailing short term money market rates.	Forms part of the Investing By Age lifestyle strategy	AMC/TER 0.50%

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Provider	Fund	Investment objectives	Notes	Annual management charge
Clerical Medical	Adventurous Pension Fund	The fund aims to achieve long-term capital growth by gaining exposure almost exclusively to UK and overseas equities, but with some flexibility to gain a minority exposure to commercial property and fixed interest stocks.	Non-core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	Cash Fund	The fund aims to give an attractive rate of return on short term deposit instruments as well as the liquidity required in a short term investment.	Non-core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	Cautious Fund	The fund aims to achieve long-term capital growth by gaining exposure to UK equities, commercial property and fixed interest stocks	Non-core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	Halifax (Cash) Fund	The fund invests in deposits within the Lloyds Banking Group. The rate of return varies in line with changes in interest rates which, together with the annual management charge, is reflected in the unit price.	Core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	Retirement Protection Fund	The fund aims to broadly match the performance of those UK gilt edged stocks which influence market yields for pension annuity rates by investing totally in long-dated stocks.	Core fund open to switches.	0.59% (TER 0.59%)

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Provider	Fund	Investment objectives	Notes	Annual management charge
Clerical Medical	Balanced Fund	The fund aims to achieve long-term capital growth by gaining exposure predominantly to UK and overseas equities with flexibility to gain a minority exposure to commercial property and fixed interest stocks.	Core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	UK Property Fund	The fund aims to achieve long-term capital growth by investing mainly in UK properties.	Core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	UK Growth Fund	The fund aims to achieve long-term capital growth by investing mainly in UK companies.	Core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	BlackRock UK Equity Fund	The fund aims to achieve long-term growth by investing in the shares of UK companies in order to achieve a return that is consistent with that of the All-Share Index.	Core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	BlackRock Corporate Bond All Stocks Fund	The fund aims to achieve a return consistent with the iBoxx £ Non-Gilts Index. This index covers the broad spectrum of investment grade corporate bonds in issue.	Non-core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	BlackRock Over 5 Year Index Linked Gilt Fund	The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index	Non-core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	BlackRock World (ex-UK) Fund	The fund aims to invest in the shares of overseas companies, (Europe, Japan, Far East, US and Canadian markets) according to market capitalisation weightings and to achieve a return in line with the FTSE All-World Developed ex-UK Index.	Core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	Dynamic Return Pension Fund	The fund aims to provide long term growth and positive returns over a rolling 3-year basis.	Non-core fund open to switches.	0.59% (TER 1.34%)
Clerical Medical	Invesco Perpetual High Income Pension Fund	The fund aims to achieve a high level of income, together with capital growth by primarily investing in companies listed in the UK.	Closed to new switches.	0.59% (TER 1.39%)
Clerical Medical	Non-Equity Fund	The fund aims to provide a long-term total return by gaining exposure almost exclusively to a range of commercial property, fixed interest and index-linked	Non-core fund open to switches.	0.59% (TER 0.59%)

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		stocks.		
Clerical Medical	UK Tracker Fund	The fund aims to achieve long-term capital growth by investing in a representative sample of UK equities and for these assets to match the total return performance of the FTSE All-Share Index.	Non-core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	Global Equity Tracker Fund	The fund aims to achieve long-term capital growth by investing in a diversified international portfolio of equity or equity related securities traded on the major stock markets of the world	Non-core fund open to switches.	0.59% (TER 0.59%)

Provider	Fund	Investment objectives	Notes	Annual management charge
Clerical Medical	International Growth Pension Fund		Non-core fund open to switches.	0.59% (TER 0.59%)
Clerical Medical	Japanese Fund	The fund aims to achieve long-term capital growth from investments in a broad range of Japanese companies.	Core fund open to switches.	0.59% (TER 0.59%)

*The growth is achieved by way of a regular bonus added to members' funds each year. By awarding a regular bonus, the with-profits fund aims to smooth out any fluctuations in market performance. At retirement, or on leaving the Fund, members may also receive an additional bonus payment to reflect the investment earnings from the with-profits funds. This will depend on the performance of the fund over the period they are invested. A reduction in policy values may apply in certain circumstances due to market conditions at the time.