

## **The Snap-on Tools Limited Pension and Benefits Plan Annual Chair's Statement**

### **Scheme year-ended 30 April 2019**

Regulations effective from 6<sup>th</sup> April 2015 require the Trustees to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits. These standards cover four principal areas relating to the Plan's defined contribution benefits, namely:

- The default investment arrangement;
- Core financial transactions;
- Value from member borne deductions and
- The Trustees' knowledge and understanding.

As Chair of Trustees, it is my pleasure to report to you on how the Trustees have embedded these minimum standards over the period 1 May 2018 to 30 April 2019. This statement also incorporates the requirements with regards to the disclosure of the pounds and pence illustrations to show the impact of costs and charges.

### **The investment arrangements**

The Trustees are responsible for setting the Plan's investment strategy and for appointing investment managers to carry out that strategy. They must also establish a default investment arrangement for members who do not select their own investment options from the fund range that is available.

The Trustees' Statement of Investment Principles dated September 2019, which includes the principles in relation to the Plan's default investment arrangement, is attached to this statement. This covers our aims and objectives in relation to the default investment arrangement as well as our policies in relation to matters such as risk and diversification. It also states why we believe the default investment arrangement to be designed in members' best interests.

The Trustees undertake a holistic and strategic review of the Plan's investment arrangements periodically. Ad hoc reviews of strategy and/or investment policy are also undertaken in the event of significant legislative, market or member demographic changes.

The last strategic review was undertaken and completed in the second quarter of 2016 to ensure the Trustees offer members appropriate investment strategies, funds and options to enable the members to take advantage of the post-April 2015 flexibilities and to consolidate assets in an appropriate range of funds, taking account of the type of membership. No review of the default option was undertaken during the year. The Trustees will undertake the next review in 2019.

The Trustees implemented a new arrangement with Legal & General (L&G) with effect from 1 March 2017 for ongoing DC and additional voluntary contributions. Subsequently members' assets previously held in the Prudential Deposit fund were transferred to the L&G default fund in December 2017.

Historically, members were able to invest in with-profits funds managed by Equitable Life and Prudential. These funds were not included in the recent transfer exercise due to the way with-profits funds are structured. The with-profits funds are closed to new entrants but the Trustees have been kept aware of the pending developments at Equitable Life and action may be required in the next year.

The Trustees will keep the investment arrangements under regular review and will amend them as appropriate based on analysis of the likely requirements of the typical Plan member.

The current default fund for all DC members of the Plan is the L&G Multi-Asset fund. The L&G Multi-Asset fund adopts a lifestyle approach to manage risk throughout a member's lifetime in the Plan until three years prior to the member's selected retirement date, at which point a member's pension pot will gradually be moved into the L&G Cash fund so that at a members' selected retirement age 100% of a member's assets will be invested in the L&G Cash fund.

Given the membership of the Plan will retire with Defined Benefit ("DB") retirement benefits as the bulk of their retirement pot, it is likely that most members will use their savings from this Plan as a means of drawing tax free cash to supplement any retirement income from the DB section. The DC section of the Plan is not used for automatic enrolment purposes but there is active membership.

### **Requirements for processing financial transactions**

As required by the Administration Regulations, the Trustee must ensure that "core financial transactions" are processed promptly and accurately. Core financial transactions are (broadly):

- Investment of contributions made to the Plan by members and their employer;
- Transfer of members' assets into and out of the Plan;
- Switches of members' investments between different funds within the Plan; and
- Payments from the Plan to, or in respect of, members (e.g. payment of death benefits).

The Trustees monitor the extent to which the Plan's core financial transactions are processed promptly and accurately through the receipt of reports from L&G.

The Trustees recognise the importance of processing financial transactions promptly and accurately as failure to do so may have an adverse effect on member outcomes and may result in members disengaging with the Scheme.

The Scheme's administration is outsourced to L&G. Service levels and timescales have been agreed for the processing of all member-related services, including core financial functions such as investment switches and benefit payments. The Trustees have a service level agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core transactions. A report is received at least annually from L&G that references the SLA in place.

The L&G report for the year ending 30 April 2019 shows service in a number of areas and across 11 items of work, only 3 were outside the SLA. Overall the SLA achieved was 93%, which the Trustees have deemed to be satisfactory.

Where Legal & General has not met 100% of their Service Level Agreement, the Trustees have received reasons behind this and the steps Legal & General has taken to try and ensure enhanced Service Levels in the future.

### **Value from member borne deductions**

The Trustees are required to report on the charges and transaction costs for the investments used in the default arrangement as well as the wider fund choice available, and assess the extent to which the charges and costs represent good value for members. When preparing this statement, the Trustees have taken account of statutory guidance when producing this section.

The total charges payable will vary depending on the stage that each member has reached in the default arrangement's growth and de-risking phase. The Annual Management Charges ("AMCs") and Total Expense Ratios ("TERs") applicable to each of the Plan's funds that are available to members are detailed below:

Manager	Fund	AMC (% p.a.)	TER (% p.a.)
Legal & General (L&G)	Cash Fund	0.45	0.45
	Multi-Asset Fund	0.48	0.48
	UK Equity Fund	0.45	0.45
	Retirement Income Multi Asset Fund	0.66	0.66
	All Stocks Index Linked Gilts Index Fund	0.43	0.43
	All Stocks Gilts Index Fund	0.43	0.43
	Global Equity Market Weights (30:70) Index Fund 75% GBP Currency Hedged Fund	0.49	0.49
Prudential	With-Profits Fund	No explicit charges*	1.0*
Equitable Life	With-Profits Fund	1.0	1.0

Source: L&G, Prudential, Equitable Life

\*Implicit, estimated charge.

L&G AMCs and TERs quoted in this statement were applicable as at 13 August 2019.

Prudential TERs quoted in this statement were applicable as at 7 June 2019.

Equitable Life TERs quoted in this statement were applicable as at 31 March 2019.

### Transaction costs

The charges referred to above do not include transaction costs. These are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds. The transaction costs shown are calculated on a methodology known as 'slippage cost'. This compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative as well as positive.

When buying and selling investments, transaction charges are often applied to the funds being bought or sold. In the below table, we set out the transaction charges applied in the Plan's default fund.

Manager	Fund	Transaction Cost (% p.a.)
Legal & General (L&G)	Cash Fund	-0.03
	Multi-Asset Fund	0.01
	UK Equity Fund	-0.02
	Retirement Income Multi Asset Fund	0.29
	All Stocks Index Linked Gilts Index Fund	0.03
	All Stocks Gilts Index Fund	0.03

	Global Equity Market Weights (30:70) Index Fund 75% GBP Currency Hedged Fund	0.03
Prudential	With-Profits Fund	Data not available
Equitable Life	With-Profits Fund	0.04

Source: L&G, Equitable Life

Transaction costs quoted in this statement were applicable as at 31 March 2019. Data from Prudential was requested but not available at the time of reporting. The Trustees have followed up with Prudential, and expect to include all transaction costs in the next annual statement.

Using the charges and transaction cost data provided by L&G, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

The below illustration has taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

Active member illustration:

Projected Pot sizes in Today's Money								
Lifestyle Option								
Year after age 40	Default Arrangement		Most expensive fund - Retirement Income Multi Asset		Cheapest fund and lowest return - Cash		Highest Return - UK Equity	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	11,159.40	11,104.72	11,157.86	11,052.08	10,855.59	10,806.74	11,273.13	11,222.40
2	12,340.94	12,225.03	12,337.67	12,113.93	11,702.63	11,601.82	12,584.45	12,475.81
3	13,545.05	13,361.14	13,539.84	13,185.65	12,541.19	12,385.41	13,935.12	13,761.01
4	14,772.16	14,513.28	14,764.80	14,267.34	13,371.37	13,157.67	15,326.30	15,078.80
5	16,022.71	15,681.68	16,012.98	15,359.07	14,193.25	13,918.77	16,759.22	16,430.03
10	22,643.05	21,775.63	22,617.86	20,971.87	18,180.99	17,562.38	24,595.00	23,717.98
15	29,920.32	28,311.78	29,872.89	26,850.39	21,973.30	20,950.15	33,678.83	31,978.32
20	37,919.70	35,322.21	37,842.09	33,007.23	25,579.74	24,100.05	44,209.47	41,340.78
25	44,060.19	40,447.05	46,595.75	39,455.56	29,009.43	27,028.77	56,417.37	51,952.43

Deferred member illustration:

## Projected Pot sizes in Today's Money

Lifestyle Option								
Year after age 40	Default Arrangement		Most expensive fund - Retirement Income Multi Asset		Cheapest fund and lowest return - Cash		Highest Return - UK Equity	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	10,191.02	10,141.09	10,189.55	10,092.94	9,900.00	9,855.45	10,300.00	10,253.65
2	10,385.69	10,284.17	10,382.69	10,186.75	9,801.00	9,712.99	10,609.00	10,513.73
3	10,584.07	10,429.26	10,579.50	10,281.43	9,702.99	9,572.59	10,927.27	10,780.41
4	10,786.25	10,576.41	10,780.03	10,376.99	9,605.96	9,434.22	11,255.09	11,053.86
5	10,992.29	10,725.63	10,984.37	10,473.44	9,509.90	9,297.84	11,592.74	11,334.24
10	12,083.04	11,503.91	12,065.63	10,969.29	9,043.82	8,644.99	13,439.16	12,846.50
15	13,282.02	12,338.67	13,253.33	11,488.62	8,600.58	8,037.98	15,579.67	14,560.54
20	14,599.98	13,234.00	14,557.94	12,032.54	8,179.07	7,473.59	18,061.11	16,503.26
25	15,113.11	13,377.96	15,990.97	12,602.21	7,778.21	6,948.83	20,937.78	18,705.19

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.
2. Inflation is assumed to be 2.5% per year.
3. The starting pot size is assumed to be £10,000.
4. For the active members, total contributions of 3% have been assumed. No contributions are assumed for deferred members.
5. For the default arrangement, which is a lifestyle strategy, the projections take into account the changing proportion invested in the different underlying funds over time and the growth rates may be a blend of those shown below where there is a blend of different asset classes.
6. The projected annual growth rate (before inflation) for each fund is as follows:
  - UK Equity: 5.5%
  - Multi-Asset: 4.4%
  - Retirement Income Multi Asset: 4.1%
  - All Stocks Gilts Index: 1.5%
  - Cash: 1.5%
7. Values are estimates and are not guaranteed.

The Trustee acknowledges the requirement to publish these illustrations on a website, they have therefore set up a site ([www.snapon.co.uk](http://www.snapon.co.uk)) and this Chair's Statement with the charge illustrations above will be available on the site in time for the deadline of 7 months following the Scheme year end. The 2019 benefit statements will also include the web address.

### Value for Money

The Trustees are required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for members, relative to peers and alternative arrangements that are available.

The Trustees with support from their advisors, Mercer Ltd, has undertaken a value for members' assessment for the year ending June 2019.

The Trustees concluded that the Plan's overall benefits and options represent value for money in comparison to the costs payable by members. The reasons underpinning this conclusion include:

- Charges on funds have been assessed by our advisors as comparing favourably with those of peer funds.
- The funds used by the Plan are highly rated by Mercer Ltd as having good prospects of achieving their risk and return objectives.
- The performance of the Plan's funds over the 3 years to 30 June 2019 compare favourably relative to their benchmark or objective.

- The transaction costs provided appear to be reflective of costs expected of the various asset classes and markets that the Plan invests in, noting that there are limitations on how these can be benchmarked at the current time.

The Plan’s assets also include with-profits policies with Equitable Life and Prudential. By their nature, the charging structure of with-profits policies is not transparent. The Trustees remain of the view that there is limited value in undertaking a market review of price and performance. The Trustees will consider appropriate action for the Equitable Life holdings if the sale of the firm to Utmost Life takes place in the next twelve months.

**Trustee Knowledge and Understanding**

The Trustees are required to maintain an appropriate level of knowledge and understanding which, together with the professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

There have been a number of changes to the group of Trustees over the year, including the appointment of a new Chair of Trustees. The Chair and the new members have been directed to The Pension Regulator’s Toolkit in order to acquire the necessary knowledge to support them in fulfilling their duties. They receive advice from their advisers on new issues that require Trustee decisions.

Training on relevant topics is undertaken when the Trustees are required to make decisions. An example of the training received over the year is with regards to the developments at Equitable Life and the potential activities that might follow in the next Plan year.

The Trustees have a working knowledge of the SIP and the principles within the SIP have been accounted for when considering the investment arrangements and will form the basis of the investment review in the next Plan year.

There are plans in place to provide further training the new Trustees. In addition, the Trustees are looking to undertake training on the DC Code of Practice in the coming year in a view to developing their understanding further.

Taking into account the actions taken individually and as a group, the knowledge and experience of the Trustees, and the professional advice available to it, the Trustees consider they are able to exercise their responsibilities but are seeking continued development over the coming year, given the changes to the composition of the Trustee board

I confirm that the above Statement has been produced by the Trustees to the best of their knowledge

Signature: .....

Name: .....

Position: .....

Date: .....

*Appendix:*

Statement of Investment Principles.

# **Snap-on Tools Limited Pension & Benefit Plan**

## **Statement of Investment Principles**

### **1. Introduction**

The Trustees of the Snap-on Tools Limited Pension & Benefit Plan (“the Plan”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. The Plan’s investment arrangements, based on the principles set out in this Statement, are outlined in the Investment Implementation Policy Document (“IIPD”), which is available to Plan members on request.

The Trustees have obtained and considered written professional advice from Mercer Limited (the “Investment Consultant”) in preparing this Statement. The Trustees believe that the Investment Consultant meets the Act and subsequent legislation. In matters where the investment policy may affect the Plan’s funding policy, input has also been obtained from the Plan Actuary. The Trustees will obtain similar advice whenever it reviews this Statement.

The Trustees seek to maintain a good working relationship with the Principal Employer and will discuss any proposed changes to the Statement with the Principal Employer. However, the Trustees’ fiduciary obligations to the Plan’s members will take precedence over the Principal Employer’s wishes, should these ever conflict.

The Trustees will review this Statement in response to any significant changes to any aspect of the Plan, its liabilities, finances and the attitude to risk of the Trustees and the Principal Employer that it judges to have a bearing on the Statement. This review will occur no less frequently than triennially.

### **2. Structure of the Plan**

The Plan has both Defined Benefit (“DB”) and Defined Contribution (“DC”) Sections. This Statement covers both the DB and DC Sections.

### **3. Process for Choosing Investments**

The stewardship of the Plan's investment arrangements falls into the following three main areas of responsibility:

- i. The *strategic management* of the assets, which is fundamentally the responsibility of the Trustees, acting on expert advice, and is driven by the investment objectives set out in Section 4 below.
- ii. The *day to day management* of the assets, which is largely delegated to the Trustees' selected investment managers. Details are outlined in Section 5 below, with full details in the IIPD.
- iii. The *ongoing measurement and monitoring* of the performance of the appointed managers against predetermined benchmarks. Again, this is the responsibility of the Trustees.

In considering investments for the Plan, the Trustees obtain and consider written advice from the Investment Consultant, who the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Act (as amended).

### **4. Investment Objectives and Risk Management**

#### **4.1 DB Section**

##### ***Investment Objectives***

The Trustees aim to invest the DB Section's assets in the best interests of the members and beneficiaries. The Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control the various risks to which the DB Section is exposed. The Trustees' primary objectives are as follows:

- To ensure that members and beneficiaries receive their promised benefits.
- To pay due regard to the Principal Employer's requirements relating to the amount and frequency of contributions to the DB Section.

At the latest actuarial valuation, the Actuary assumed that the DB Section's assets will achieve an investment rate of return on assets which exceeds that available from gilts. Based on advice from the Investment Consultant about realistic long-term assumptions, the Trustees expect the investment return resulting from the strategy adopted to at least meet the prudent expectations of the Actuary.

## **Risk**

The Trustees recognise that it is not necessarily possible, or even desirable, to select investments that exactly match the DB Section's estimated liabilities. Given the ongoing commitment of the Principal Employer, a degree of investment risk can be taken on, in the expectation of generating excess returns relative to the lowest risk strategy, since it is also acceptable to the Principal Employer.

The Trustees are aware that accepting a degree of investment risk means that there is a chance that one or more of the Trustees' objectives will not be met. Accordingly, the Trustees have considered the following risks to which the DB Section is exposed:

- The risk of deterioration in the DB Section's ongoing funding level. Volatility in the DB Section's funding level may be minimised by adopting a "least risk" investment strategy (i.e. one invested entirely in government bonds, whose value best matches fluctuations in the liabilities). However, in order to seek higher returns the Trustees must, to some extent, invest in riskier assets. This increases the risk that the funding level will deteriorate and may also increase the short-term volatility of the Principal Employer's contribution rate.
- The risk of a shortfall of assets relative to the liabilities as determined if the DB Section were to wind up.
- The risk that the day-to-day management of the assets will not achieve the rate of investment return within each asset class expected by the Trustees.

The Trustees have taken advice on these issues from the Investment Consultant and the Plan Actuary. It has also held related discussions with the Principal Employer.

The Trustees' willingness to take investment risk is dependent on the continuing financial strength of the Principal Employer and its willingness to contribute appropriately to the DB Section. The financial strength and perceived commitment of the Principal Employer to the DB Section is monitored and the Trustees will review the level of investment risk relative to the liabilities should either of these deteriorate.

There are various risks to which any pension plan is exposed. The Trustees consider the risks set out below to be financially material to the DB Section and has therefore adopted various policies in order to manage these risks over the DB Section's anticipated lifetime:

- The risk arising through a mismatch between the DB Section's asset and liabilities. The Trustees aim to mitigate this risk by investing a proportion of the DB Section's assets in instruments that are expected to react in a similar way to movements in long term interest rates and inflation expectations as the DB Section's liabilities.

- The Trustees also recognise the market risk associated with the different asset classes in which the DB Section invests. The Trustees believe that diversification by asset class limits the impact of any single risk. The Trustees therefore aim to ensure that the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of the DB Section's assets, and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The Trustees acknowledge that currency risk may also arise due to investment in overseas markets and has sought to mitigate this risk by establishing a currency hedging policy (details of which are outlined in the IIPD).
- The Trustees recognise that there is a risk in holding assets that cannot easily be sold, should the need arise, and therefore looks to invest in funds which are readily marketable. Where this is not the case, consideration is given to the overall liquidity of the DB Section's assets with the aim of ensuring that there is sufficient liquidity to meet the DB Section's ongoing cash flow requirements.
- The Trustees believe that Environmental, Social and Governance ("ESG") issues, including climate change, may have substantive impacts on the global economy and therefore investment returns. The Trustees seek to minimise the risks associated with such issues by taking them into account in the selection, retention and realisation of the investment managers. Section 7 of this Statement documents the Trustees' policy on ESG integration.

The Trustees acknowledge that the above list of risks is not exhaustive and it is not possible to monitor all risks at all times. However, the Trustees only seek to take on those risks it expects to be rewarded for over time, in the form of excess returns, in a diversified manner.

### ***Investment Strategy***

The exact details of the DB Section's investment strategy are outlined in the IIPD. The Trustees implement an investment strategy consistent with its investment objectives. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

## **4.2 DC Section**

### ***Investment Objectives***

The Trustees recognise that members of the DC Section of the Plan have differing investment needs and that these may change during the course of members' working lives.

The Trustees believe that members should be encouraged to make their own investment decisions based on their individual circumstances. The Trustees regard their duty as making available a range of investment funds that will suit members' needs and risk tolerances through their working life.

The Trustees recognise that members may not believe themselves qualified, or may not wish to make their own investment decisions. As such, the Trustees make available a Default Investment Strategy. The Trustees acknowledge that this strategy will not meet the needs of every individual member.

### ***Risk***

The Trustees have considered risk from a number of perspectives when considering the appropriate range of funds to offer members. In particular:

- *Market risk:* The value of securities, including equities and interest bearing assets, can go down as well as up. The Trustees provide members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances.
- *Risk of erosion by inflation:* If investment returns, when combined with sufficient contribution rates over members' working lives, lag behind inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts may not be adequate. The Trustees have provided members with a default option, which has an explicit allocation to assets that are expected to outperform inflation over the long term. Members are also able to self-select funds, some of which are expected to outperform inflation over the long term.
- *Risk of returns from day-to-day management not meeting expectations:* This will lead to lower than expected returns to members. The Trustees recognise that the use of active investment management involves such a risk and have also made passive investment funds available. The Trustees monitor the performance of the investment funds.
- *Liquidity risk:* This refers to the ease with which assets are marketable and realisable. The Trustees review the pricing and dealing terms of the funds made available to the members.
- *Risk of selecting an inappropriate investment:* All members will have their own risk tolerances specific to their personal circumstances. Investment selections should be appropriate to such circumstances.
- *Retirement benefit risk:* The Trustees make available a default strategy that adopts a lifestyle approach to manage risk (relative to members' expected choice of retirement benefits) throughout a member's lifetime. The suitability of the default investment option is reviewed at least triennially.
- *ESG Risk:* ESG factors can have a significant effect on the performance of the investments offered to DC members. The Trustees have given discretion to the investment manager for evaluating ESG factors. Section 7 of this Statement documents the Trustees' policy on ESG integration.

The risks identified above are considered by the Trustees to be 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations should be viewed at a member level. This will be dependent on the member's age, as well as their selected retirement age. The default lifestyle option aims to cater for the differing time horizons of members who do wish to make their own investment decisions.

### ***Investment Strategy***

The Trustees have selected a range of investment options for members to utilise in structuring their assets according to their individual objectives. Details of the fund options, including the investment strategies of the default option, can be found in the IIPD.

## **4.3 Default Investment Option**

Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, it is expected that the vast majority of members will not make an active investment decision and will therefore automatically be invested in the default option.

The default option aims to generate investment returns over the working lives of members and has been designed for members who want to take their savings as cash when they retire.

### ***Objectives of the default option***

The Trustees' objectives in relation to the default option, and the ways in which the Trustees seek to achieve these, are detailed below:

- To provide long-term investment growth through exposure to a diversified range of asset classes, with some protection against inflation erosion, and an element of diversification to reduce volatility and downside risk.

*The lifestyle investment strategy offers members the potential to grow the pension pot in the long term, by investing in a diversified range of assets.*

- To counter the greater impact of investment risk on member outcomes, as retirement savings grow, and reduce investment risk as each member approaches retirement.

*As a member gets closer to retirement the member's pension pot is gradually moved into lower risk funds in order to provide capital protection. This is achieved via automated lifestyle switches over a three year switching period. This strategy aims to reduce the risk of a sharp fall in markets reducing the value of a member's pension pot as the member approaches retirement.*

- To offer to members a portfolio of assets at retirement that are appropriate for an individual intending to take their pension pot as cash.

*At the selected retirement date, 100% of the member's assets will be invested in a cash fund.*

### ***Policies in relation to the default option***

The default option manages investment and other risks throughout a member's lifetime by investing members' assets in a diversified portfolio. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The expected return targeted for each underlying fund is outlined in the IIPD.

In designing the default option, the Trustees have explicitly considered the trade-off between risk and expected returns. The Trustees have considered risks from a number of perspectives, with the main risks that the Trustees consider to be 'financially material' noted in this Statement.

Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. Assets are also invested mainly on regulated markets (those that are not are kept to prudent levels).

Member views on non-financial matters are not taken into account in the selection, retention and realisation of investments.

If members wish to, they can opt to choose their own investment strategy on joining, but also at any other further date.

### ***Suitability of the default option***

Based on the Trustees' understanding of the Plan's membership, an investment strategy that targets a cash lump sum at retirement is expected to be broadly appropriate to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement, it merely determines the investment strategy that will be in place pre-retirement.

Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of members. Considering the demographics of the Plan's membership and the Trustees' views of how the membership might behave at retirement, the Trustees believe that the current default option is appropriate and will continue to review this regularly, and more strategically at least triennially, or after significant changes to the Plan's demographic (if sooner).

## **5. Day to Day Management of the Assets**

### **5.1 DB Section and DC Section**

The Trustees delegate the day to day management of the assets to a number of investment managers. The Trustees have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience to manage the Plan's investments and that they are carrying out their work competently.

Each investment manager is regulated by a recognised authority body and the Trustees assess the suitability of regulation in place prior to investing with any manager.

The Trustees review the continuing suitability of the Plan's investments, including the appointed managers, which may be adjusted from time to time.

Details of the appointed managers for the DB and DC Sections, as well as the investment options available for the DC Section, can be found in the IIPD.

### **5.2 Additional Voluntary Contributions**

Arrangements in respect of members' Additional Voluntary Contributions are set out in the IIPD.

## **6. Realisation of Investments**

In general, the Plan's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments within the parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The investment managers are responsible for generating any cash required to pay benefits and other expenditure on the instruction of the Trustees.

## **7. Responsible Investment and Corporate Governance**

The Trustees believe that good stewardship and ESG issues, including climate change, can have a financially material impact on the risk and return outcomes of investment portfolios and should therefore be considered as part of the Plan's investment process.

The Trustees believe that good stewardship can enhance long-term portfolio performance and is therefore in the best interests of the Plan's beneficiaries and aligned with fiduciary duty.

The Trustees have given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments.

The Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies. The Trustees expect the Plan's managers to take into account current best practice, including the UK Corporate Governance Code and the UK Stewardship Code, of which the Trustees are supportive. Equity managers who are registered in the UK are expected to report on their adherence to the UK Stewardship Code on an annual basis.

The Trustees monitor how ESG, climate change and stewardship is integrated within the investment processes adopted by its investment managers and considers these issues as part of the criteria when appointing new investment managers.

Member views and non-financially material issues are not currently explicitly taken into account in the selection, retention and realisation of investments.

## **8. Compliance with and Review of this Statement**

The Trustees will monitor compliance with this Statement regularly.

The Trustees will review the Statement at least every three years and without delay after any significant changes in investment policy. The Statement will also be reviewed in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustees and the Principal Employer which they judge to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and the Principal Employer will be consulted.

### **For and on behalf of the Trustees of the Snap-on Tools Limited Pension & Benefit Plan**

Dates of amendment:

- Drafted August 2010
- Amended September 2012
- Amended October 2014
- Amended September 2019