Coats UK Pension Scheme

How contributions are invested

AVIVA

Retirement
Investments
Insurance
Health

This guide explains how contributions will be invested. Please read it alongside your supporting documents.

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Where are contributions invested?

A default investment solution has been created for your employer's pension scheme, into which contributions will be invested. This means you don't have to make your own investment decision. Put simply, the investments that make up your pension journey will be decided on your behalf.

This solution has been chosen by the scheme trustees after taking advice from their advisers. However, there are no guarantees that this solution is the most suitable for your own personal circumstances. If you would like to make your own investment choice, please see the 'Choosing your own investments' guide, or visit Membersite at **www.aviva.co.uk/membersite**.

Where contributions are invested will depend on how far away you are from retirement when you joined your employer's scheme.

If you have more than 11 years until you retire, contributions will be invested in the Aviva Pension BlackRock (50:50) Global Equity Index Tracker FP Fund; this is referred to as the pre-lifestyle investment programme fund in the following chart.

When you are 11 years away from retirement, or if you joined the scheme with only 11 years until you retire, contributions will be invested in the 11 year Lifestyle Investment Programme.

The following chart shows how the programme invests your money as you approach your retirement date. The movements are made on a monthly basis. The amount of money invested in each of these funds, shown below, will vary slightly depending on the conditions in the financial market at the time. All movements of funds are managed by the programme at no extra cost.

As your investments are moved to different funds within the programme, your annual management charge (AMC) may change.

As movements happen automatically on set dates, they may not occur at times that would give you the best returns on your investment.

Details about each fund in the investment solution are shown in 'More about each fund' starting on page 6 .

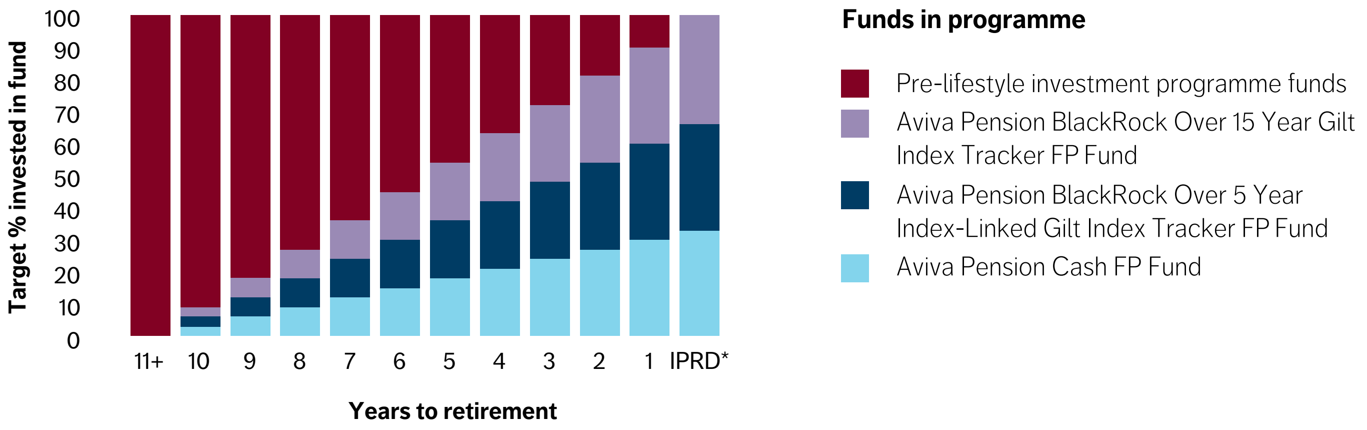
If you are more than 11 years away from your retirement date, you will be notified before the programme starts so you can make a different investment choice if you wish.

This investment programme may be subject to changes to the funds included in the programme or to the timings of the fund movements and their frequency, in accordance with the terms of your account.

Please be aware there is no guarantee that this programme will benefit your retirement savings.

The value of an investment is not guaranteed and can go down as well as up. You could get back less than the amount paid in.

11 year Lifestyle Investment Programme



* Investment programme retirement date. The IPRD is the date at which your investment programme ends and can be changed at any time. Your IPRD can be different from your selected retirement date and falls on your chosen birthday. If you continue to make contributions after your IPRD (for example, if you choose to take your pension benefits as income drawdown), these will be invested in the proportions shown at the IPRD in the chart above.

Investment programme considerations

Potential benefits

- The investment programme offers an alternative to changing your investment funds independently as you head towards retirement.
- During the period leading up to your retirement, your pension fund is moved from investments with a greater exposure to the stock market into more cautious investments. This aims to reduce your exposure to risk from stock market fluctuations.
- Your investment programme can be amended if you choose to take your benefits earlier or later than planned.
- You can choose to leave the investment programme at any time.

Things to consider

- There is no guarantee that the investment programme will prove beneficial to your pension fund.
- The value of your investments, even in lower risk funds, can fall as well as rise and the value of your pension fund is not guaranteed.
- As movements between investments happen automatically on set dates, they may not occur at times that would give you the best returns.
- Taking your retirement benefits earlier or later than planned may have an impact on your investment programme, and may mean that it is no longer suitable for your individual circumstances.

More about each fund

Each fund is divided into units of equal value and contributions are used to buy units in the funds you choose. The price of the unit depends on the value of the investment funds. We work out the value of your personal fund based on the total number of units you have in each fund. If the unit price goes up and down, so will the value of your personal fund.

The funds you're invested in

The following table shows the funds which make up the investment solution. It shows each fund's aim, risk rating, risk warnings, the total AMC and additional expenses.

Please see information about risk ratings and risk warnings starting on page 9.

Risk rating		Fund name	Fund aim	Total AMC	Additional expenses
5	**Medium to high volatility**	Aviva Pension BlackRock (50:50) Global Equity Index Tracker FP	BlackRock state that the fund invests primarily in equities in both the UK and overseas markets. The fund has approximately 50% invested in the shares of UK companies. The remaining 50% is invested in overseas companies. The fund aims to provide returns consistent with the markets in which it invests and provides broad exposure to countries around the world. **Risk warnings** A, B	0.59%	0.00%
5	**Medium to high volatility**	Aviva Pension BlackRock Over 15 Year Gilt Index Tracker FP	BlackRock state that the fund invests in UK Government fixed income securities (gilts) that have a maturity period of 15 years or longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Over 15 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK gilt market. **Risk warnings** A, E	0.59%	0.00%
5	**Medium to high volatility**	Aviva Pension BlackRock Over 5 Year Index-Linked Gilt Index Tracker FP	BlackRock state that the fund invests in UK Government index-linked fixed income securities that have a maturity period of 5 years or longer. The fund aims to achieve a return consistent with the FTSE UK Index-Linked Gilts Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK index-linked gilt market. **Risk warnings** A, E, J	0.59%	0.00%
1	**Lowest volatility**	Aviva Pension Cash FP	The fund aims to provide short-term liquidity by investing in money market instruments, bonds and cash. It may invest in short-term bonds issued or backed by the UK Government or supranational agencies as well as commercial paper, cash and near cash assets such as deposits and certificates of deposit. **Risk warnings** A, E, H	0.59%	0.00%

Please note the details of each fund may change over time. For up-to-date details, you can view fund factsheets at: **www.avivafunds.co.uk**.

Investment governance

Fund governance plays an important role at Aviva, and this is why there is a dedicated fund governance team in place. It is the responsibility of the analysts in this team to develop and maintain a robust investment range for Aviva's customers.

The analysts in this team regularly monitor and review the funds that we offer our customers through our pension scheme plans to ensure they remain suitable.

This can involve adding new funds that are worthy of inclusion and also removing funds that no longer meet our strict criteria.

As a result, the fund range may change from time to time, and the funds that are available now may not be available in the future. If you are invested in a fund that is closed, we will write to you and offer you an alternative fund.

Charges

We deduct the following charges from your account:

Annual management charge

An AMC is taken from each fund during the course of your account.

The total AMC is made up of two parts:

- A scheme AMC which is taken out of the value of your pension account over its lifetime to cover administration costs and investment charges and may change over time.
- For certain funds, a fund AMC applies. These charges are taken by fund managers for managing the fund. The charge varies according to the funds you invest in.

The total AMC is shown in the fund table starting on page 6.

For more information on charges, please see your supporting documents.

Additional expenses

There are additional expenses associated with some funds, and these are reflected in the unit price. The additional expenses reflect the cost of managing the assets and include fees to auditors, trustees and valuers. The additional expenses may change as the expenses incurred by the fund change and the size of the fund changes. We regularly review the expenses and update our literature and annual statements accordingly.

Changes to funds

Please note that there may be circumstances when the fund managers decide to increase the fund AMC. If this happens, you can switch to another fund.

We may choose to close the fund concerned, but please be assured that whatever action we take, we will write to inform you and explain the choices you have at the time. Please see your supporting documents for more information.

Types of investment

You can choose which funds you invest your money in. The fund manager uses this money to buy the assets that make up the fund's investments. Generally, each fund offered by Aviva invests in one of four main asset classes which are described below.

Please note that although your money is invested in a fund, you do not own any of that fund's underlying assets. For example, you won't receive a dividend from shares in an equity fund or rental income from a property held by a property fund. These are reflected in the value of the fund itself.

Money market

The 'money market' is a mechanism for short-term borrowing and lending between organisations. Money market investments typically include what are described as 'near-cash instruments', such as certificates of deposit, floating rate notes and treasury bills. They are not to be confused with deposit accounts with banks or building societies.

Although less risky than other asset classes, there could be circumstances where these investments fall in value, for example, if an organisation defaults. Their value could also be eroded over time due to the effects of fund charges, product charges and inflation.

Fixed interest

Fixed interest assets include government and corporate bonds. These are loans issued by governments and companies in the financial markets as a way of ensuring they have sufficient money to function properly. Bonds issued by the UK government are also known as gilts.

Government and corporate bonds pay a regular income to the investor and then the full value of the bond upon maturity (the end of its lifetime).

If a government or a company becomes unable to pay the money it has borrowed, then it is said to have defaulted on its loan.

The UK government has a strong credit rating as it has never failed to pay back the money it has borrowed. UK government bonds or gilts are therefore regarded as relatively secure assets.

Corporate bonds are regarded as riskier assets than government bonds since they are issued by companies. Many companies issue bonds in the UK, but some companies have a better credit rating than others. This rating, or credit worthiness, is based on company research carried out by a credit rating agency such as Standard & Poor's. The upside is that corporate bonds pay investors a higher rate of interest than government bonds because of the higher risk associated in investing in these assets.

Property

Property investment usually means commercial property, such as offices and retail, leisure and industrial developments. It can also include residential property. As well as the potential increase in their value, property investments can also produce rental income. Property can be subject to heavy falls and sharp increases in value. It can also take more time to buy and sell property than investments in other asset classes.

Shares

Shares are also known as equities. Shareholders have a 'share' in a company's assets. Shares are bought and sold on stock markets and their value can go up and down depending on the fortunes of the company and stock markets in general. Companies may also pay a share of profits to shareholders, known as dividends. While there is more opportunity for potential gains with shares than some asset classes, there is also greater risk that they will fall in value.

Aviva risk ratings

Aviva assigns risk ratings to each fund. We calculate these risk ratings using historical performance data, based upon the methods set by European Union rules. We also carry out further research using information from the fund's investment manager(s). We review each fund's risk rating annually and these may change over time. The timing of your investment decisions is very important and you should consult a financial adviser. Past performance is not a guarantee of future performance.

Our risk ratings go from 1 to 7, with 1 being the lowest and 7 the highest. As a point of reference, a fund with a risk rating of 4 (medium volatility) would typically experience the volatility you would expect from a fund invested in a range of different investments (for example shares, property and bonds) without any bias to a particular investment type. Remember that all investment funds carry some element of risk but this varies from fund to fund.

Risk rating		Risk rating description
7	**Highest volatility**	The historical performance of funds with this risk rating has typically experienced the highest volatility of all the funds Aviva has rated. This means that these funds have the highest potential for substantial changes in value compared with other Aviva funds.
6	**High volatility**	The historical performance of funds with this risk rating has typically experienced high volatility compared with other funds Aviva has rated. This means that these funds have a high potential for substantial changes in value compared with other Aviva funds.
5	**Medium to high volatility**	The historical performance of funds with this risk rating has typically experienced medium to high volatility compared with other funds Aviva has rated. This means that these funds have a medium to high potential for substantial changes in value compared with other Aviva funds.
4	**Medium volatility**	The historical performance of funds with this risk rating has typically experienced medium volatility compared with other funds Aviva has rated. This means that these funds have a medium potential for substantial changes in value compared with other Aviva funds.
3	**Low to medium volatility**	The historical performance of funds with this risk rating has typically experienced low to medium volatility compared with other funds Aviva has rated. This means that these funds have a low to medium potential for substantial changes in value compared with other Aviva funds.
2	**Low volatility**	The historical performance of funds with this risk rating has typically experienced low volatility compared with other funds Aviva has rated. This means that these funds have a low potential for substantial changes in value compared with other Aviva funds.
1	**Lowest volatility**	The historical performance of funds with this risk rating has typically experienced the lowest volatility of all the funds Aviva has rated. This means that these funds have the lowest potential for substantial changes in value compared with other Aviva funds.

Please note:

These investment risk ratings are based on our interpretation of investment risk and are only meant as a guide. These levels of investment risk are not guaranteed and may change in the future.

The colours in this table may be different to those used online; however, the ratings and approach to investment risk remain the same.

Fund risk warnings

There are risks associated with investing in funds, or types of funds.

Starting on page 6 we show which risk warning or warnings apply to each fund. These risk warnings are explained below.

Please note that we only show the warnings that apply to the funds in the investment solution and there is no direct relationship between the number of fund risk warnings and the investment risk rating for each fund.

Risk warning code	Risk warning description
A	**Investment is not guaranteed:** The value of an investment is not guaranteed and can go down as well as up. You could get back less than you have paid in.
	Price: At times, the way a fund's price is calculated may need to change to ensure that those moving into and out of the fund and existing unitholders/shareholders are treated fairly and are not disadvantaged by any large cash flows.
	Suspend trading: Fund managers have the ability, in certain circumstances, to suspend trading in their funds for as long as necessary. When this occurs we will need to delay the 'cashing in' or switching of units in the relevant fund. You may not be able to access your money during this period. The circumstances in which we may delay a switch, withdrawal or transfer can include but are not limited to the following: • If a large number of customers want to take money out of the same fund at the same time. • If there are practical problems selling the assets in which a fund is invested. • If the fund (or part of it) is managed by an external company, they may insist on a delay.
	Stock lending: Where a fund is involved in the temporary transfer of securities, there is a risk that the borrower may not be able to return the security to its owner. This may have a negative effect on the performance of the fund.
	Derivatives: Most funds can invest in derivatives for the purpose of efficient portfolio management or risk reduction. For funds that also use derivatives for investment purposes, we apply an additional risk warning due to the possible increase in the risk and volatility of the fund.
B	**Currency risk:** Where a fund invests in share classes or securities priced in currencies other than the fund's base currency, changes in exchange rates can contribute to the value of the investment going up or down.
E	**Fixed interest:** Where a fund invests in fixed interest securities, such as corporate or government bonds, changes in interest rates can contribute to the value of the investment going up or down. If interest rates rise, the value is likely to fall.
H	**Cash/Money market funds:** These are not cash deposit accounts but invest in money market instruments and short-term bonds and can fall in value. In a low interest rate environment, the charges applied to a cash fund may be greater than its return, so you could get back less than you have paid in.
J	**Index-linked:** Where a fund invests in index-linked bonds, changes in inflation rates can contribute to the value of the investment going up or down. If inflation falls, the value is likely to fall.

More information and help

Further information

Membersite allows you to easily monitor and make changes to your pension account: **www.aviva.co.uk/membersite**.

If you feel you would like advice with your pension planning, please speak to a financial adviser. If you don't have an adviser, you can find one at **www.unbiased.co.uk**.

GOV.UK provides impartial UK government information on pensions, visit **www.pensionwise.gov.uk**.

If you have any queries about your pension account, please speak to the scheme trustees.

How to contact us

The scheme trustees will normally be your first point of contact. They will be able to help you with queries about your salary and contributions.

You can contact us with any queries about your pension account in the following ways:

Call us on **0800 068 1431** at the following times: Monday to Friday between 8.30am and 6pm. We may record calls to improve our service. Calls may be charged and these charges will vary; please speak to your network provider.

Fax us on **0345 600 0624**.

Email us at **NGPcustomerservices@aviva.com**.

Email is not a secure form of communication and you should not email us with any personal information about you or personal details about your pension with us. For similar reasons, we will not reply by email if to do so would compromise your security.

Write to us at
Aviva, PO Box 1550, Salisbury, SP1 2TW.

Aviva provides millions of customers worldwide with insurance, savings and investment products. We're one of the UK's largest insurers and one of Europe's leading providers of life and general insurance.

In everything we do, we have one goal. To make everything simpler, better and more rewarding for our customers. We call it Good Thinking. This is our promise to customers. This could be by helping people save for their retirement. By giving safer drivers a way to save on their car insurance. Or simply by making people's policies easily accessible online.

This information is based on Aviva's understanding of current legislation, regulations, guidance and practice as at May 2018 and is not providing legal or financial advice.

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