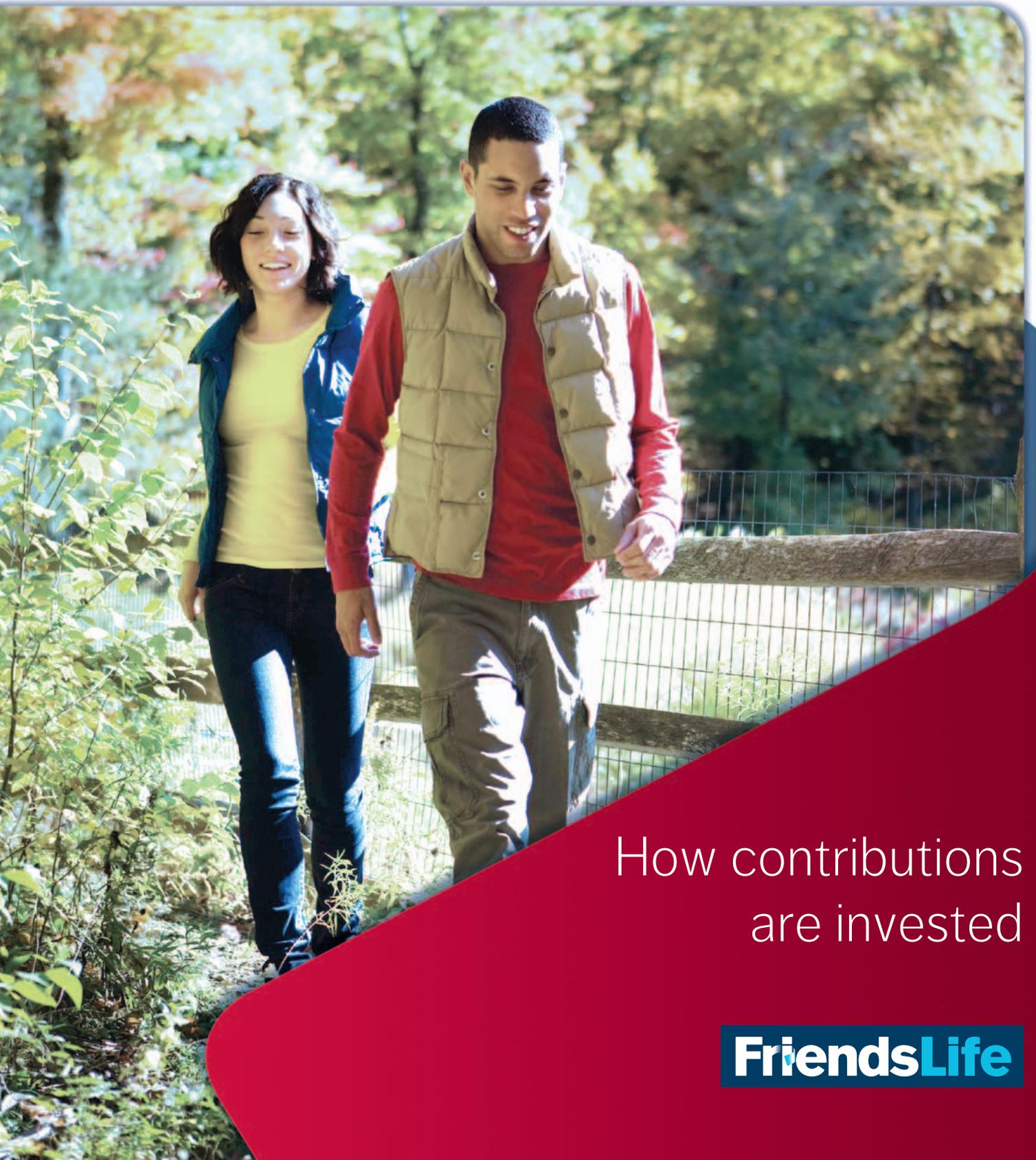


Coats Pension Plan



How contributions
are invested

FriendsLife

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

This guide was produced in November 2015.

Contents

Where are contributions invested?	page 3
More about each fund	page 5
Your approach to investment risk	page 9
Fund risk warnings	page 10
Should I make a different investment choice?	page 12
More information and help	page 13

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.

This solution has been chosen by the scheme trustees after taking professional advice.

Although the scheme trustees have made this selection for those who don't make an investment choice, there are no guarantees that this solution is the most suitable for your own personal circumstances.

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 eleven years until you retire, contributions will be invested in the FL BlackRock (50:50) Global Equity Index (Aquila C) Fund; this is referred to as the pre-lifestyle investment programme funds in the chart below.

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

The chart below shows how the programme aims to invest your money as you approach your retirement date. The movements are made on a monthly basis. The percentages invested in each of these funds, shown below, will vary slightly according to financial market movements. 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.

If you are more than eleven 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.

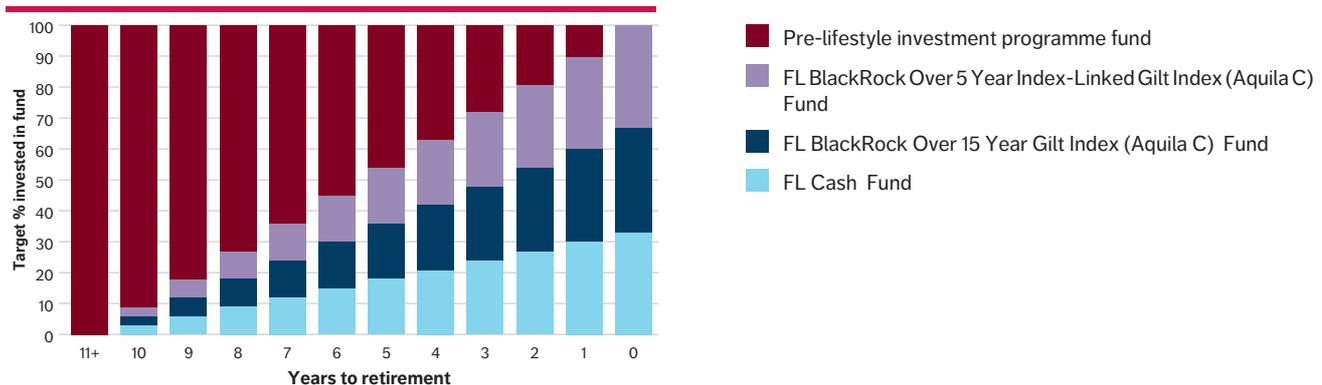
Please be aware there is no guarantee that this programme will benefit your retirement pot when you come to retire.

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

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

Details about each fund in the investment solution are shown in 'More about each fund' on pages 5 and 6.

11 Year Programme



There are potential advantages and disadvantages to investing in an investment programme.

Advantages

- 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.

Disadvantages

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

Please see pages 9 to 11 for information about risk ratings and risk warnings.

Risk rating		Fund name	Fund aim	Total AMC	Additional expenses
5	Medium to high volatility	FL BlackRock (50:50) Global Equity Index (Aquila C)	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, C, D, L, N	0.59%	0.00%
3	Low to medium volatility	FL BlackRock Over 15 Year Gilt Index (Aquila C)	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, L	0.59%	0.00%
3	Low to medium volatility	FL BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	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, L	0.59%	0.00%

Risk rating	Fund name	Fund aim	Total AMC	Additional expenses
1 Lowest volatility	FL Cash	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.	0.59%	0.00%
		Risk warnings A, E, H		

Please note the details of each fund may change over time. For up to date details, you can view fund factsheets at www.friendslife.co.uk/customer/funds.

Investment governance

Friends Life has a dedicated investment team who have a clear objective to develop and maintain a robust investment range. They proactively monitor and review all the funds that are offered through all our pension schemes, adding new funds that are worthy of inclusion.

The fund range may change from time to time. As a result, 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 an alternative investment 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 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 on pages 5 and 6.

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. Friends Life 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 Friends Life 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

Referred to as bonds, these are loans to a government or a company which pay a fixed interest rate for a set period until the loan is repaid to the investor. The most common bonds are government bonds (known in the UK as gilts) and corporate bonds (issued by companies). If a government or company defaults on the loan, then the interest will not be paid. For this reason UK gilts are seen as less risky than corporate bonds as the UK government is less likely to be unable to repay them.



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.

Your approach to investment risk

Friends Life calculates its 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 Friends Life has rated. This means that these funds have the highest potential for substantial changes in value compared with other Friends Life funds.
6	High volatility	The historical performance of funds with this risk rating has typically experienced high volatility compared with other funds Friends Life has rated. This means that these funds have a high potential for substantial changes in value compared with other Friends Life 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 Friends Life has rated. This means that these funds have a medium to high potential for substantial changes in value compared with other Friends Life funds.
4	Medium volatility	The historical performance of funds with this risk rating has typically experienced medium volatility compared with other funds Friends Life has rated. This means that these funds have a medium potential for substantial changes in value compared with other Friends Life 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 Friends Life has rated. This means that these funds have a low to medium potential for substantial changes in value compared with other Friends Life funds.
2	Low volatility	The historical performance of funds with this risk rating has typically experienced low volatility compared with other funds Friends Life has rated. This means that these funds have a low potential for substantial changes in value compared with other Friends Life funds.
1	Lowest volatility	The historical performance of funds with this risk rating has typically experienced the lowest volatility of all the funds Friends Life has rated. This means that these funds have the lowest potential for substantial changes in value compared with other Friends Life 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.

On pages 5 and 6 we show which risk warning or warnings apply to each fund. These risk warnings are explained below and on the next page.

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	<p>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.</p> <hr/> <p>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.</p> <hr/> <p>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:</p> <ul style="list-style-type: none">• 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. <hr/> <p>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.</p> <hr/> <p>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.</p>
B	<p>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.</p>
C	<p>Emerging markets: Where a fund invests in emerging markets, it is likely to be more volatile than one that invests in developed markets. These markets may not be as strictly regulated and securities may be harder to buy and sell than those in more developed markets. These markets may also be politically unstable, which can result in the fund carrying more risk.</p>
D	<p>Smaller companies: Where a fund invests in the shares of smaller companies, these shares can be more volatile and may be harder to buy and sell than larger company shares, which can result in the fund carrying more risk.</p>
E	<p>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. Bonds with a lower credit rating are known as sub-investment grade or junk bonds. These carry an increased risk that the issuer of the bond will be unable to continue the interest payments or return the capital at maturity.</p>

Risk warning code	Risk warning description
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.
L	Reinsured funds: Where a fund invests in an underlying fund operated by another insurance company through a reinsurance agreement, if the other insurance company were to become insolvent, you could lose some or all of the value of your investment in this fund.
N	Alternative investments: Where a fund invests in alternatives, it may carry more risk, as these instruments are generally priced less regularly and may be harder to buy and sell than investments in more conventional asset classes. Alternatives include commodities, hedge funds, private equity, real estate investment trusts (REITs), venture capital and currencies.

Should I make a different investment choice?

We understand that some people may find the investment solution provided does not match their attitude to investment risk or it invests in areas that they wouldn't choose for themselves.

It's important to ensure that your investments are right for you and are in line with the amount of investment risk you are prepared to take.

How much risk you are prepared to take will depend on your own personal circumstances, such as how long you have left until you retire and whether you have made other provisions for retirement.

You should consider your own personal views and opinions on money.

If you would like to choose your own investments, you may select different funds. You may also leave the investment programme.

Please view the 'Choosing your own investment funds' guide for all the options available. It provides detailed information about each fund, such as the aim, its associated risks and the charges, together with any investment programmes available to you.

This guide can be found online at www.library.friendslife.com/bpen918c.pdf or you can request a printed copy from us using the contact details on page 13.

Once you've decided where to invest contributions, you can update your account using Membersite or contact us using the details on page 13.

You can currently switch funds at any time. However, in exceptional circumstances we may need to delay the switching of the funds.

We do not currently charge for switching funds but we could introduce a charge in the future in accordance with the Terms and conditions, a copy of which can be obtained from the scheme trustees.

For more information about switching, please refer to your supporting documents.

More information and help

Further information

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.

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

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 **0345 602 9221** 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 ngp.questions@friendslife.co.uk.

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
Friends Life, PO BOX 1550, Salisbury SP1 2TW.



At Friends Life we want you to feel confident about your financial future, ready to face life's challenges and take its opportunities too.

We know that everyone has their own individual outlook so, wherever we can, we use our knowledge and experience to offer products, services and options that suit your particular needs. And we aim to make it as easy as possible for you to deal with us.



Find out more about automatic enrolment at

www.friendslife.co.uk/microsite/ae

This information is based on Friends Life's understanding of current legislation, regulations, guidance and practice as at March 2015 and is not providing legal or financial advice.

Friends Life and Pensions Limited

An incorporated company limited by shares and registered in England and Wales, number 475201.
Registered office: Pixham End, Dorking, Surrey RH4 1QA. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Telephone 0345 602 9189 – calls may be recorded. www.friendslife.com

Friends Life is a registered trade mark of the Friends Life group.

FriendsLife