

Chair's Governance Statement for Defined Contribution Investments in the G4S Pension Scheme

The G4S Pension Scheme ("Scheme") is a defined benefit pension scheme, however it includes some elements of defined contribution. They are:

- AVCs
- Transfers in
- Augmentations
- Top up accounts for executives
- Protected rights benefits

AVCs are held externally with various providers.

Transfers in, augmentations and top ups, where they are held as defined contributions benefits, are all held with Aviva.

Protected rights benefits are held within the fund and given notional investment returns.

The Trustee of the Scheme has reviewed and assessed its systems, processes and controls across key governance functions and it considers that they are consistent with those set out in The Pensions Regulator's:

- Code of practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes.

These are underpinned by the DC quality features.

Based on our assessment, as Directors of G4S Trustees Limited (the "Trustee") and subject to the explanations set out below we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members at retirement.

This Statement covers the period from 6 April 2022 to 5 April 2023.

A copy of this Statement, together with other key Statements about how the Scheme is managed has been posted online at <https://www.g4s.com/g4sps>

Key Points:

Review of Default Strategy and Performance of the Default Arrangement

Details of the objectives and the Trustee's policies in regards to the default arrangement are set out below. The Trustee's Statement of Investment Principles includes an appendix that sets out details of the default strategy and this is attached as an appendix to this report.

Current Lifestyling Options and default strategy

Members with defined contribution funds in Aviva AVCs, transfers in, augmentation accounts or top up accounts have the option of investing their funds in either of the following lifestyling programmes, with the first fund below being the overall default fund:

- 10-year lifestyling programme that gradually switches from the Av G4S Pension Scheme Global Diversified Fund to the Av BlackRock Consensus Fund and Av BlackRock Aquila Life Cash Fund; or
- 10 year lifestyle programme that gradually switches from the Av G4S Pension Scheme Global Diversified Fund to the Av BlackRock Consensus Fund and Av BlackRock Aquila Life Over 5 year Index-Linked Gilt Index Fund.

The rationale behind offering members the choice of switching to cash or index-linked gilts is that this provides members with a “good” match for the eventual benefits claimed at retirement i.e. tax-free cash or the purchase of additional Scheme pension.

The aim of the default is to provide members with equity linked returns when they are still some time from retirement, but then to move into less volatile asset classes with potentially lower returns as they approach retirement, with all their assets being in cash at the time of retirement. This is because most members choose to take their AVCs as part of their tax free cash lump sum.

The Trustee carried out a review of the available funds and default arrangement in September 2019 and agreed that no changes were required. During the year, the performance of the default funds and the Investment Manager were formally monitored on a quarterly basis. The next review is scheduled for September 2023.

The money purchase underpin does not offer a choice of investments. Members' accounts are increased in line with notional investment returns as follows:

Securicor Section - 60% of FTSE All Share Total Return Index and 40% of FTSE Over 5 year Index Linked Total Return Index

Group 4 Section - FTSE All Share Total Return Index

GSL Section - 60 % of FTSE All Share Total Return Index and 40% of FTSE World Index

The aim is to provide reasonable long term returns, while accepting a degree of volatility.

Prompt and Accurate Processing of core financial transactions

The Trustee delegates responsibility for the processing of financial transactions to the Scheme administrator. The Scheme administration of the vast majority of DC assets is delivered by Aviva. The administrator of the money purchase underpin is Capita.

Aviva provides detailed quarterly reports to the Trustee board which allows it to assess how quickly and effectively the core scheme financial transactions are completed. In addition, Capita, as administrators to the main scheme will see and report and areas of concern. Any mistakes or delays would be investigated thoroughly and action taken to put things right as quickly as possible. In the last scheme year there have been no material administration service issues. The Trustee is confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

The money purchase underpin is administered by Capita. As these are notional accounts, no processing of core financial transactions is required.

There are no members who currently contribute to defined contribution arrangements within the G4S Pension Scheme.

Level of charges and transaction costs applicable to the default arrangement during the scheme year

Details of the charges applying to the funds which make up the default arrangement are provided in the table at the end of this document.

Levels of charges and transaction costs applicable to all funds which are not part of the default arrangement and in which assets relating to members are invested during the scheme year

Details of the charges applying to the funds available under the G4S Pension Scheme – DC Section are provided in the table at the end of this document. Different charges will apply to AVCs with providers other than Aviva and these are not covered by this document.

Trustee's or managers' assessment, of the extent to which these charges and transaction costs represent good value for members

The Trustee considered charges as part of its review of DC arrangements and concluded that the charges represented good value for members. Where funds are invested through Aviva, the Trustee benefits from the relatively low management charges that G4S has been able to negotiate with Aviva for their group personal pension arrangement. Where investments are notional and held within the scheme there are no charges or transaction costs.

How the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding) have been met during the scheme year

All Directors of the Trustee have completed or are working towards completion of the Trustee toolkit provided by the Pensions Regulator. New Directors are expected to start working towards it on appointment. Additional training is provided as appropriate and a training log is kept for each Director. This ensures that all Directors of the Trustee have knowledge and understanding of:

- a) the trust deed and rules of the Scheme,
- b) the statement of investment principles,
- c) the law relating to pensions and trusts,
- d) the principles relating to -
 - i) the funding of occupational pension schemes, and
 - ii) investment of the assets of such schemes

Where gaps in a Director's knowledge are identified these are filled as appropriate, often by training within Trustee meetings.

How the combined knowledge and understanding of the trustees or managers, together with the advice which is available to them, enabled them properly to exercise their functions as trustees or managers of the scheme

The Trustee Directors' knowledge is supplemented by experience of managing the Scheme, and by the Chair's wider experience of trusteeship in other schemes. The Trustee holds regular meetings with professional advisers to consider the appropriate approach to issues of Scheme management, and to keep abreast of current issues and discuss how they may impact the Scheme and its members.

Detail of Aviva's Charges

Fund name	Base AMC	Fund AMC	Total AMC	Additional Expenses	Total Expense Ratio (TER)
Av BlackRock Consensus (Aquila C)	0.37%	0.00%	0.37%	0.00%	0.37%
Av BlackRock Emerging Markets Equity (Aquila C)	0.37%	0.18%	0.55%	0.07%	0.55%
Av BlackRock Over 15 Year Corporate Bond Index (Aquila C)	0.37%	0.00%	0.37%	0.00%	0.37%
Av BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	0.37%	0.00%	0.37%	0.00%	0.37%
Av BlackRock UK Equity Index (Aquila C)	0.37%	0.00%	0.37%	0.00%	0.37%
Av BlackRock World (Ex-UK) Equity Index (Aquila C)	0.37%	0.00%	0.37%	0.00%	0.37%
Av Cash	0.37%	0.00%	0.37%	0.00%	0.37%
Av G4S Pension Global Diversified	0.37%	0.00%	0.37%	0.00%	0.37%
Av Property	0.37%	0.00%	0.37%	0.00%	0.37%

Annualised returns net of charges for a single investment of £10000

	Additional Lump Sum Lifetime		Av Cash-FPCASH_P		Av BlackRock Emerging Markets Equity Index Tracker-FPBLEMMMP	
	Default Investment Programme		Lowest charge fund		Highest charge fund	
	Assumed growth rate 5.1%		Assumed growth rate 2.5%		Assumed growth rate 6.5%	
	Assumed costs and charges 0.41%		Assumed costs and charges 0.37%		Assumed costs and charges 0.64%	
At end of year	Projected value assuming no costs and charges are taken	Projected value after costs and charges are taken	Projected value assuming no costs and charges are taken	Projected value after costs and charges are taken	Projected value assuming no costs and charges are taken	Projected value after costs and charges are taken
1	£1,210	£1,200	£1,190	£1,180	£1,210	£1,210
2	£2,450	£2,440	£2,370	£2,360	£2,470	£2,450
3	£3,730	£3,700	£3,560	£3,540	£3,780	£3,740
4	£5,050	£5,000	£4,750	£4,710	£5,140	£5,070
5	£6,410	£6,330	£5,930	£5,880	£6,550	£6,440
10	£13,800	£13,500	£11,900	£11,600	£14,500	£14,000
15	£22,500	£21,700	£17,800	£17,300	£24,100	£22,900
20	£32,500	£31,000	£23,700	£22,900	£35,700	£33,200
25	£44,100	£41,500	£29,700	£28,300	£49,800	£45,400
30	£57,600	£53,500	£35,600	£33,700	£66,900	£59,700
35	£73,300	£67,100	£41,500	£38,900	£87,500	£76,500
40	£91,400	£82,600	£47,500	£44,100	£113,000	£96,100
45	£112,000	£99,900	£53,400	£49,200	£143,000	£119,000
50	£126,000	£111,000	£59,300	£54,100	£179,000	£146,000

Extract from Trustee's Statement of Investment Principles – DC Assets

(note – charges have reduced since Statement was last updated. The charges above are correct)

APPENDIX B - Defined Contribution

While the G4S Pension Scheme is a defined benefit arrangement, some members also have defined contribution arrangements. In addition, a significant proportion of the members have a “money purchase underpin”, which consists of what was formerly Protected Rights and which forms a defined contribution underpin to the defined benefit entitlements.

The defined contribution arrangements consist of:

- Additional Voluntary Contributions (AVCs)
- Transfers in
- Augmentations
- Top ups for members affected by the Earnings Cap
- Money Purchase Underpin

There are two main types of defined contribution arrangements:

- With-profits funds – the Trustee has been advised that it is best to leave these arrangements invested as in the past; and
- Market-linked funds – most are managed through a contract with Aviva. It is intended to consolidate all market-linked fund arrangements into the Aviva contract in due course. All new market-linked fund arrangements are managed through the Aviva contract

Money purchase underpins are currently held within the main defined benefit fund and allocated notional investment returns.

Investment Objective

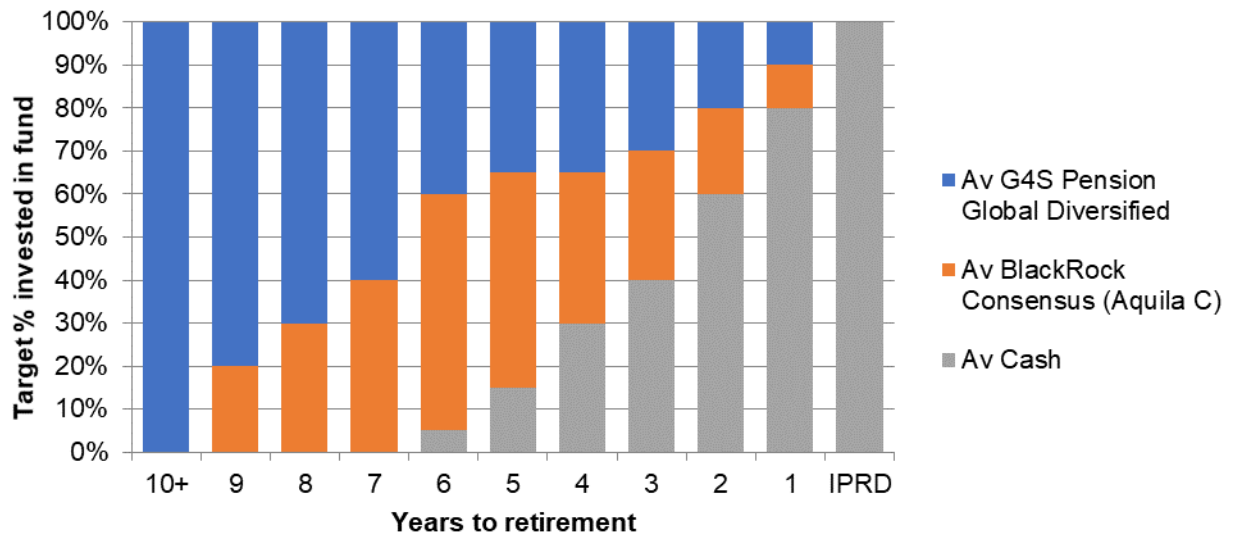
The Defined Contribution Account's objective is to provide members with the facility to accumulate additional savings for retirement over and above members' Defined Benefit pension. The Default Strategy is known as the 'Additional Lump Sum Lifetime Investment Programme'. The default aims to provide exposure to a range of asset classes in order to deliver investment growth over time, gradually de-risking to protect the value of members' account against stock market fluctuations as members approach retirement.

Investment Principles for funds held with Aviva

Default Fund

The aim of the default strategy is to grow the capital value of the assets over time balancing risk and return. Highest growth is targeted, with a corresponding level of potential volatility of the capital value, in the period up to 10 years before a member's target retirement age (or age 65 if no age has been selected). As a member gets closer to retirement, assets are gradually switched into less volatile holdings, which are also expected to provide lower investment returns.

The progression as the Investment Programme Retirement Date ('IPRD') approaches and funds used are shown below:



Other fund options

The Trustee offers 9 other fund options so that members can tailor their arrangements towards their specific objectives:

Fund name	Base AMC	Fund AMC	Total AMC
Av BlackRock Consensus (Aquila C)	0.40%	0.00%	0.40%
Av BlackRock Emerging Markets Equity (Aquila C)	0.40%	0.18%	0.58%
Av BlackRock Over 15 Year Corporate Bond Index (Aquila C)	0.40%	0.00%	0.40%
Av BlackRock Over 5 Year Index-Linked Gilt Index (Aquila C)	0.40%	0.00%	0.40%
Av BlackRock UK Equity Index (Aquila C)	0.40%	0.00%	0.40%
Av BlackRock World (Ex-UK) Equity Index (Aquila C)	0.40%	0.00%	0.40%
Av Cash	0.40%	0.00%	0.40%
Av G4S Pension Global Diversified	0.40%	0.00%	0.40%
Av Property	0.40%	0.00%	0.40%

Review

The Trustee reviews this strategy at least every 3 years, having taken advice from Quantum Advisory.

Monitoring

The Trustee monitors the performance of these funds quarterly against the performance of the indices against which they are tracking.

Administration

The Trustee also monitors Aviva's performance as an administrator.

Investment Principles for Money Purchase Underpin

The money purchase underpin is held within the main DB fund and fund values are changed in line with notional investment returns. For the vast majority of members, this is an underpin amount that very rarely "bites".

The Trustee will review the notional funds used in each of the sections.

The aims are slightly different between the sections.

- The Securicor Section aims to achieve reasonable investment returns over time, while seeking to reduce volatility through the inclusion of gilts.
- The Group 4 Section seeks to maximise returns while accepting the intrinsic potential volatility.
- The GSL Section also seeks to maximise returns, while accepting the intrinsic potential volatility but also seeks to spread the risk somewhat by including overseas equities.

For a few members, the protected rights element is the only pension entitlement they have within the Scheme and the Trustee aims to review how their funds are invested during the next year, recognising that, especially as they approach their retirement age, the current notional investment strategy may not be the most appropriate.

The current notional investment strategies are:

- Securicor Section - 60% of FTSE All Share Total Return Index and 40% of FTSE Over 5 year Index Linked Total Return Index
- Group 4 Section - FTSE All Share Total Return Index
- GSL Section - 60 % of FTSE All Share Total Return Index and 40% of FTSE World Index

Socially Responsible Investment & corporate governance

The Trustee considers responsible investment to be the integration of environmental, social and governance (ESG) factors into investment decisions where financial risk and / or return could be materially affected. These considerations include the potential impact of climate change.

The Trustee expects its managers to take into account social, environmental and ethical issues when investing, provided that they are also satisfied as to the potential risk and return of the different investment types.

As all assets are invested via pooled funds, and most track an index, the Trustee accepts that the assets are subject to the index providers' and investment managers' own policies on social, environmental and ethical considerations as well as corporate governance.

Exercise of Voting Rights

The Trustees do not have voting rights in respect of the individual holdings within each of the pooled funds. The Trustees are reliant on the investment manager to exercise the voting rights, and encourages the investment manager to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

The Trustee is responsible for engaging with Aviva, as platform provider, and the underlying investment managers regarding voting records and level of engagement within each pooled fund, where this is expected to have meaningful impact.

Arrangements with Investment Managers

The Trustee believes that an understanding of, and engagement with, investment managers' arrangements is required to ensure they are aligned with Trustee policy, including its Responsible Investment policy. In accordance with latest regulation, it is the Trustee's policy to ensure that the following are understood and monitored:

- How investment manager arrangements incentivise investment managers to align their strategy and decisions with the Trustee's policies
- How investment manager arrangements incentivise investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
- How the method (and time horizon) of the evaluation of investment managers' performance and their remuneration are in line with the Trustee's policies
- Portfolio turnover costs incurred by the investment managers, in the context of the investment manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)
- Duration of the arrangement with the investment manager

Stewardship policies and voting records are reviewed at least annually by the Trustee. The Trustee will challenge any arrangements or stewardship practices that do not align with their Responsible Investment approach

Allan Course

Chairman of G4S Trustees Limited

20 September 2023