Some important information

Not everyone feels comfortable making financial decisions, so we recommend you seek financial advice if you’re unsure about the choices you should make. There is likely to be a cost for this advice.

Laws and tax rules may change in the future. The information here is based on our understanding in July 2020. Your personal circumstances also have an impact on tax treatment.
Step 1
The basics of investing and charges

You can choose where your pension is invested from the range of options shown in this guide.

When you invest, there is always an element of risk. Putting money into a pension plan is no different. How you balance this risk against any potential reward is the key to investing. We recommend you regularly review your plan to ensure you are on track.

Your opportunity for growth
The money you put into the Plan is invested into funds. The price of units in funds depends on the value of the underlying assets after charges. Assets move up or down in value depending on a number of things like the economy and market confidence. Different funds carry different levels of risk. A fund with a higher level of risk means you’ll have the potential of a higher return but also means your money is at more risk. As the value of your investment can go down as well as up, it may be worth less than you paid in.

So it’s important to get the right balance between risk and potential return.

Asset classes: how funds are invested
An ‘asset class’ is a category of investments, such as equities or bonds. Normally assets in the same class have similar characteristics. However, they can have very different returns and risks.

The value of the investments in any asset class can go down as well as up, and may be worth less than what was paid in – there are no guarantees.

Equities
What are they?
Equities are part ownership in a company, usually known as stocks or shares.

What’s the potential return?
The return on equities comes from growth in the value of the shares, plus any income from dividends.
What are the risks?
Equities are one of the more volatile asset classes – although they can offer good growth potential, their value can rise or drop sharply at any time. Because of this volatility, equities should normally be viewed as a long term investment.

Bonds
What are they?
Bonds are essentially loans to a government or company. These loans are often for a set time period and the bond owner usually receives regular interest payments. Bonds issued by the UK government are called ‘gilts’ and those issued by a company are ‘corporate bonds’.

What’s the potential return?
The return is a combination of any interest received and any change in the bond’s value.

What are the risks?
A bond’s return will be affected if:
- The interest or capital can’t be paid back in full or on time.
- The creditworthiness of the company or government changes.
- Interest rates or foreign currency exchange rates change.

Bonds can be traded on the stock market, so their value can go up and down at any time. Some bonds are riskier than others, e.g. bonds issued for a longer time period or by companies which are viewed as risky.

Money Market Instruments (including cash)
What are they?
Money market instruments include deposits with banks and building societies, as well as governments and large corporations. They also include other investments that can have more risk and return than standard bank deposits. There are circumstances where money market instruments can fall in value.
What’s the potential return?
The return comes from any interest received and any change in the value of the instrument.

What are the risks?
Investments in these assets are riskier than cash deposit accounts – in some circumstances their values will fall. The return may also be lower than inflation.

Property

What is it?
Property investing includes direct investments in buildings and land, as well as indirect investments such as shares in property companies.

What’s the potential return?
The return from a direct investment in property is a combination of rental income and any change in the property value. In comparison, the return on property securities can be similar to equities (see the ‘equities’ asset class description for potential returns and risks).

What are the risks?
The value of direct property is generally based on a valuer’s opinion and is not fact. Property can take a lot longer to sell than other types of investment, so you might not be able to sell when you want to or get the price you were hoping for. Property securities, like equities, can have sharp changes in value at any time.

The values of different types of property do not necessarily move in line with each other. For example commercial property could be losing value even if house prices are going up.

Other

These are investments that don’t fit into one of the other asset class categories. They include direct and indirect investments in real assets like commodities, for example oil or precious metals. They also include investments with specialist characteristics.

Standard Life uses asset classes to categorise our fund range. We categorise some funds as ‘other’ because they invest in more than one type of asset and therefore can’t be categorised as any individual asset class. Alternatively, funds can be classed as ‘other’ because they don’t meet the criteria of the recognised industry sectors or they haven’t provided enough information to be categorised.
Investment approaches

Passive funds
A ‘passive’ fund aims to track or replicate the performance of a benchmark (usually a market index or blend of market indices). The performance of this type of fund will be affected by the rise or fall of the market or markets it’s seeking to track and any charges which apply. Charges are typically lower for passive funds than active alternatives. But as these funds aren’t trying to outperform the markets they track, returns will usually be lower than their benchmark because of the impact of charges. You may also see passive funds called ‘tracker’ or ‘index-tracking’ funds.

Active funds
An ‘active’ fund usually aims to achieve returns that are higher than a ‘benchmark’ (such as the returns from a market index, cash/inflation, or the average return of other similar funds). The fund manager will try to outperform the benchmark by analysing potential investments to find the ones that they believe will provide higher returns over the longer term. Because of this, active funds are usually more expensive than passive alternatives. There’s also no guarantee that returns will be higher than the benchmark.

Absolute returns
Absolute return funds usually aim to have a positive return regardless of market conditions. Their investment strategies vary widely, but they often use complex strategies that make use of derivatives. Risk and return will depend on exactly what the fund invests in, but in general absolute return funds can be expected to fall less than the wider markets when markets fall, but also to increase by less than markets when they rise. Although absolute return funds aim for consistent positive returns, there is no guarantee that they will achieve them, and the funds can fall in value. Absolute return funds may have different risks from other funds due to the derivatives that they use, and also because they may borrow, which increases potential returns and risk.
Lifestyle investment profiles (LIPs)

LIPs are investment options that are specifically designed to make it easy for you to save for retirement. Once you’re in a LIP, you don’t need to do anything, although we do recommend that you regularly review your investments to make sure they’re on track to meet your goals.

There are two main stages in LIPs:

1. Growth stage – usually when you’re more than 15 years from retirement

Your money will be invested in funds that aim to increase the value of your pension over time (although please remember that all funds can go down as well as up in value and investment growth is not guaranteed).

2. Approaching retirement stage – usually when you’re less than 15 years from retirement

Your money will gradually be moved into funds designed to prepare your pension for how you plan to take your retirement income. This will happen automatically – you don’t need to do anything.

You should make sure any LIP you choose matches your retirement income plans, whether that’s buying an annuity, taking a flexible income (known as drawdown), taking your money as a lump sum, or a combination of these. It’s also important to consider when you’ll take your retirement income as LIPs make changes to your investments based on your Target Retirement Age (TRA). As a result, they may only be suitable if you’re planning to start taking your retirement income at your TRA. If you aren’t sure how and when you should take your retirement income, or whether a LIP is suitable for you, you should speak to a financial adviser.
Volatility ratings

The volatility rating of a fund indicates how much the fund price might move compared to other funds. The higher the volatility rating, the less stable the fund price is likely to be. You can use this to help you decide how much risk you’re comfortable taking with your investments.

<table>
<thead>
<tr>
<th>Less volatile</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>More volatile</th>
</tr>
</thead>
</table>

We regularly review volatility ratings for funds, and these may change.

We set ratings based on our experts’ judgement, using data on:

- How the fund price has varied from month to month in the past, compared to other funds available.

- How investments in similar asset classes vary from month to month and the investment policy of the fund.

Typically, higher volatility ratings mean greater potential investment returns over the longer term. But high volatility funds are more likely to suddenly fall or rise in value. The volatility rating is not the only factor you should consider when selecting a fund. If you’re not sure which funds to choose, please seek advice from a financial adviser.
Charges for your funds

**Fund management charge**
We apply a charge to money invested in our funds. This is known as the fund management charge (FMC) and is shown as an annual rate. However, we deduct the charge from each fund on a daily basis, which has the effect of reducing its unit price.

**Additional expenses**
Additional expenses may be deducted from some funds. They include items such as custodian, third party administration, trustee, registrar, auditor and regulator fees. Where a fund invests in other underlying funds, they may also include the underlying management charges. As the additional expenses relate to expenses incurred during the fund management process, they will regularly increase and decrease as a percentage of the fund, sometimes significantly.

The additional expenses figure shown is the annual rate of the charge. But where additional expenses apply, they are taken into account when the fund’s unit price is calculated each day.

All additional expenses figures shown are rounded to two decimal places. This means that although additional expenses may apply to some funds, they may show as 0.00% as we have rounded to two decimal places.

**Plan rebate**
We have agreed to provide enhanced terms to give you a rebate on some of the amount you have invested in each fund. The figure is the annual rate of the rebate, although the rebate is given to you as additional units in your fund each month. This reduces the effect of the FMC and additional expenses.

If you leave your employer, the rebate on all funds will remain in place.

The rebates applying to each fund can be found in Step 2.
Effective total annual fund charge

The effective total annual fund charge is the FMC plus additional expenses, minus any plan rebate which applies.

For example, if you invest in a Standard Life fund with an FMC of 1.00%, additional expenses of 0.01% and a rebate of 0.30%, this will give an effective total annual fund charge of 0.71%.

The FMC and additional expenses are deducted daily, while the plan rebate is applied monthly. So over the long term, the actual net amount of the FMC and additional expenses, minus the plan rebate, should be close to the effective total annual fund charge. However, it will be affected by factors such as:

• The period it has been measured over.
• Any single payments and transfer payments you make.
• Changes in the timing of your regular payments.
• Daily changes in fund values.

The charges and rebates which apply to each fund are shown later in this guide.

Charges and rebates are not guaranteed. They are regularly reviewed and may be changed in the future. The information in this guide is correct as at July 2020.
Step 2
Where you can invest your money

Your options
Over the next few pages you’ll find information about the investment options which the Trustee, with recommendations from their advisers, has selected for you to choose from.

If you are in any doubt as to which options to choose, we strongly recommend you seek advice from a financial adviser. There is likely to be a cost for this.

Self-select investment range
You can make individual choices from the selected investment range. Details are in the Selected investment range section.

If you would like more information on any of the funds from Standard Life, visit our website at www.standardlife.co.uk/funds

Default investment option
Unless you choose another option, this is where your money will be invested. It is considered to be an appropriate option for many people’s pension plan investments.

Details are in the default investment option section.
The default investment option

The Trustee selected default investment option: how it works

If you want a low level of involvement in the selection of your investment options, or find it confusing to choose where to invest your money for your pension, then the Trustee selected default investment option could be for you.

After recommendations from their investment advisers, the Trustee of the Plan has chosen the Flexible LIP, which they think is appropriate for pension plan investments.

If you don’t make a choice, contributions will automatically be invested here. Please note that this option might not meet all your requirements.

If you don’t want to invest in the Flexible LIP, there are two other LIP options which may be more suited to you and your attitude to risk – the Annuity LIP and the Cash LIP.

LIPs are investment options that are specifically designed to make it easy for you to save for retirement. Once you’re in a LIP, you don’t need to do anything, although we do recommend that you regularly review your investments to make sure they’re on track to meet your goals.
Flexible LIP (the default investment option)

The graph below illustrates how the funds you invest in through this LIP will vary during the years before your Target Retirement Age (TRA).

<table>
<thead>
<tr>
<th>Fund name</th>
<th>Fund code</th>
<th>Volatility rating</th>
<th>FMC</th>
<th>Additional expenses</th>
<th>Plan rebate</th>
<th>Effective total annual fund charge</th>
<th>Active/Passive investment¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Fund (CR)</td>
<td>BEJF</td>
<td>6</td>
<td>1.00%</td>
<td>0.06%</td>
<td>0.70%</td>
<td>0.36%</td>
<td>Passive</td>
</tr>
<tr>
<td>Multi Asset Fund (CR)</td>
<td>IKKB</td>
<td>3</td>
<td>1.69%</td>
<td>0.03%</td>
<td>0.70%</td>
<td>1.02%</td>
<td>Active</td>
</tr>
<tr>
<td>Bond Fund (CR)</td>
<td>LLHG</td>
<td>3</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.65%</td>
<td>0.36%</td>
<td>Active</td>
</tr>
<tr>
<td>Inflation Linked Government Bond Fund (CR)</td>
<td>IFLB</td>
<td>6</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.70%</td>
<td>0.31%</td>
<td>Passive</td>
</tr>
</tbody>
</table>

The charges and rebates are not guaranteed. They are regularly reviewed and may be changed in the future. If you need more help to understand these tables, please see the basics of investing and charges section.¹

¹ Please see the basics of investing and charges section for an explanation of active/passive investments.

While you're invested in the Trustee selected default investment option, we will regularly review the charge against the 0.75% maximum charge set by the government. If the charge for the default investment option exceeds the maximum charge, we'll apply an additional discount to keep it to 0.75%.
**Annuity LIP**

The graph below illustrates how the funds you invest in through this LIP will vary during the years before your Target Retirement Age (TRA).

### Annuity LIP

<table>
<thead>
<tr>
<th>Fund name</th>
<th>Fund code</th>
<th>Volatility rating</th>
<th>FMC</th>
<th>Additional expenses</th>
<th>Plan rebate</th>
<th>Effective total annual fund charge</th>
<th>Active/Passive investment¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Fund (CR)</td>
<td>BEJF</td>
<td>6</td>
<td>1.00%</td>
<td>0.06%</td>
<td>0.70%</td>
<td>0.36%</td>
<td>Passive</td>
</tr>
<tr>
<td>Multi Asset Fund (CR)</td>
<td>IKKB</td>
<td>3</td>
<td>1.69%</td>
<td>0.03%</td>
<td>0.70%</td>
<td>1.02%</td>
<td>Active</td>
</tr>
<tr>
<td>Bond Fund (CR)</td>
<td>LLHG</td>
<td>3</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.65%</td>
<td>0.36%</td>
<td>Active</td>
</tr>
<tr>
<td>Inflation Linked Government Bond Fund (CR)</td>
<td>IFLB</td>
<td>6</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.70%</td>
<td>0.31%</td>
<td>Passive</td>
</tr>
<tr>
<td>Money Market Fund (CR)</td>
<td>MPLI</td>
<td>1</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.65%</td>
<td>0.36%</td>
<td>Active</td>
</tr>
<tr>
<td>Annuity Purchase Fund (CR)</td>
<td>MMDK</td>
<td>4</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.65%</td>
<td>0.36%</td>
<td>Active</td>
</tr>
</tbody>
</table>

The charges and rebates are not guaranteed. They are regularly reviewed and may be changed in the future. If you need more help to understand these tables, please see the basics of investing and charges section.

¹ Please see the basics of investing and charges section for an explanation of active/passive investments.
Cash LIP

The graph below illustrates how the funds you invest in through this LIP will vary during the years before your Target Retirement Age (TRA).

The charges and rebates are not guaranteed. They are regularly reviewed and may be changed in the future. If you need more help to understand these tables, please see the basics of investing and charges section.

1 Please see the basics of investing and charges section for an explanation of active/passive investments.
Choosing where to invest your money is one of the most important decisions you have to make when arranging a pension. Many people find this task confusing. To help make your life easier, after recommendations from their investment advisers, the Trustee has selected some funds which they think are appropriate for pension plan investments. You should note, however, that the inclusion of a range of selected funds does not mean that they are recommended by the investment advisers or the Trustee as being suitable in every case.

If you would like more information on any of the funds from Standard Life, please contact us on: 0345 60 60 069 or visit the website at www.standardlife.co.uk/funds

Your company pension website has more information about the plan investment options, visit www.baesystemspensions.com

If you are in any doubt as to which fund(s) you should choose, we strongly recommend you seek advice from a financial adviser. There is likely to be a cost for this.

Some of the fund descriptions might use words or phrases you’re not familiar with. Speak to your financial adviser if you need an explanation.
You should be aware of the risks and commitments involved. All funds are subject to risk and the value of units in funds can go down as well as up and your investment may be worth less than what was paid in.

### Self-select investment range of funds

<table>
<thead>
<tr>
<th>Fund name</th>
<th>Fund code</th>
<th>Volatility rating</th>
<th>FMC</th>
<th>Additional expenses</th>
<th>Plan rebate</th>
<th>Effective total annual fund charge</th>
<th>Active/Passive investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Global Equity Fund (CR)</td>
<td>AGEF</td>
<td>5</td>
<td>1.75%</td>
<td>0.16%</td>
<td>0.65%</td>
<td>1.26%</td>
<td>Active</td>
</tr>
<tr>
<td>Active UK Equity Fund (CR)</td>
<td>ACEE</td>
<td>5</td>
<td>1.65%</td>
<td>0.00%</td>
<td>0.65%</td>
<td>1.00%</td>
<td>Active</td>
</tr>
<tr>
<td>Annuity Purchase Fund (CR)</td>
<td>MMDK</td>
<td>4</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.65%</td>
<td>0.36%</td>
<td>Active</td>
</tr>
<tr>
<td>Bond Fund (CR)</td>
<td>LLHG</td>
<td>3</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.65%</td>
<td>0.36%</td>
<td>Active</td>
</tr>
<tr>
<td>Diversified Asset Fund (CR)</td>
<td>DDAF</td>
<td>3</td>
<td>1.69%</td>
<td>0.03%</td>
<td>0.65%</td>
<td>1.07%</td>
<td>Active</td>
</tr>
<tr>
<td>Emerging Market Equity Fund (CR)</td>
<td>EEMG</td>
<td>7</td>
<td>1.75%</td>
<td>0.23%</td>
<td>0.65%</td>
<td>1.33%</td>
<td>Active</td>
</tr>
<tr>
<td>Fixed Government Bond Fund (CR)</td>
<td>FBFK</td>
<td>6</td>
<td>1.00%</td>
<td>0.02%</td>
<td>0.70%</td>
<td>0.32%</td>
<td>Passive</td>
</tr>
<tr>
<td>Inflation Linked Government Bond Fund (CR)</td>
<td>IFLB</td>
<td>6</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.70%</td>
<td>0.31%</td>
<td>Passive</td>
</tr>
<tr>
<td>Money Market Fund (CR)</td>
<td>MPLI</td>
<td>1</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.65%</td>
<td>0.36%</td>
<td>Active</td>
</tr>
<tr>
<td>Passive Global Equity Fund (CR)</td>
<td>PGLF</td>
<td>5</td>
<td>1.00%</td>
<td>0.02%</td>
<td>0.70%</td>
<td>0.32%</td>
<td>Passive</td>
</tr>
<tr>
<td>Passive UK Equity Fund (CR)</td>
<td>PAEF</td>
<td>5</td>
<td>1.00%</td>
<td>0.01%</td>
<td>0.70%</td>
<td>0.31%</td>
<td>Passive</td>
</tr>
<tr>
<td>Property Fund (CR)</td>
<td>PFDD</td>
<td>2</td>
<td>1.75%</td>
<td>0.05%</td>
<td>0.65%</td>
<td>1.15%</td>
<td>Active</td>
</tr>
<tr>
<td>Shariah Fund (CR)</td>
<td>HAFD</td>
<td>6</td>
<td>1.30%</td>
<td>0.00%</td>
<td>0.70%</td>
<td>0.60%</td>
<td>Passive</td>
</tr>
<tr>
<td>Socially Responsible Investment Fund (CR)</td>
<td>CAEC</td>
<td>6</td>
<td>1.00%</td>
<td>0.02%</td>
<td>0.70%</td>
<td>0.32%</td>
<td>Passive</td>
</tr>
</tbody>
</table>

1 Please see the basics of investing and charges section for an explanation of active/passive investments.

The charges and rebates are not guaranteed. They are regularly reviewed and may be changed in the future. If you need more help to understand this table, please see the basics of investing and charges section.
Step 3
Important information

Before making your investment choices please make sure you read the basics of investing and charges section and the following information, which includes details of some of the risks you should be aware of.

- The return on each fund depends on the performance of the assets it invests in and the charges on the fund.

- The price of units depends on the value of the fund’s assets after charges. This can go down as well as up, and your investment in the fund may be worth less than what was paid in.

- We review volatility ratings regularly and they can change over time.

- Some funds invest in overseas assets. This means that exchange rates and the political and economic situation in other countries can significantly affect the value of these funds.

- The asset mix that each fund invests in is continuously reviewed. It may be changed in line with developments in the relevant markets. Part of each fund may be held in cash and other money market instruments.
• You'll probably be one of many investors in each fund you choose. You can transfer or switch funds but sometimes, in exceptional circumstances, we may have to wait before we can transfer or switch your investments. This is to maintain fairness between those remaining in and those leaving the fund. This delay could be for up to a month. But for some funds, the delay could be longer:

It may be for up to six months if it’s a property based fund because property and land can take longer to sell.

If our fund invests in an external fund, the delay could be longer if the rules of the external fund allow this.

If we have to delay a transfer or switch, we will use the fund prices on the day the transaction takes place – these prices could be very different from the prices on the day you made the request.

• Some funds invest in property. The valuation of property is generally a matter of a valuer’s opinion rather than fact.

• You may be able to change the mix of your investments as it suits you. In some situations there may be a delay in carrying out your fund switch requests.

• Transaction costs may apply when you switch in and out of funds. These will be taken into account in the price used to calculate the value of the funds on the day you switch and will vary depending on the type of fund. For example, a typical transaction cost for an equity fund is between 0.20% and 1.20% of the price you receive. But for property funds they can be much higher – up to 7% of the price you receive, or even higher in exceptional circumstances. This is because of the additional costs involved in buying and selling property, such as stamp duty.
The investment performance of the Standard Life version of a fund will be different from what you would see if you invested in the underlying fund directly. There can be several differences, due to charges, cash management, tax and the timing of investing.

- Some fund managers may look to get a better return by lending some of the assets to certain financial institutions. This involves some risk and, in certain circumstances, the fund could suffer a loss, for example, if the institution encountered financial difficulties and was unable to return the asset. The fund manager will use some controls to manage this risk, such as obtaining security from the borrower and monitoring their credit rating.

- Funds can sometimes use derivatives to improve portfolio management and to help meet investment objectives. A derivative is a financial instrument – its value is derived from the underlying value or movement in other assets, financial commodities, or instruments, like equities, bonds, interest rates, etc.

There is a risk that a counterparty will fail, or partially fail, to meet their contractual obligations under the arrangement. Where a counterparty fails, the fund could suffer a loss. As part of the management of a fund, a number of controls can be used to reduce the impact of this risk, such as holding collateral and monitoring credit ratings.
Depending on how it is used, a derivative can involve little financial outlay but result in large gains or losses. Standard Life has control over the use of derivatives in its funds, and external fund managers are responsible for their own controls.

• Charges are not guaranteed and can be altered in the future.
• The funds listed here were correct when this document was published. We cannot guarantee that all funds will be available when you make an investment.

Further reading
We recommend you read all of the information the Trustee and your employer have given you about this plan.

Laws and tax rules may change in the future. The information here is based on our understanding in July 2020. Your own circumstances also have an impact on tax treatment.

One last thing to remember...
If you look after your pension plan now it can look after you in later life.

For more information about your company pension plan visit www.baesystemspensions.com or call us on 0345 60 60 069. Call charges will vary.
Find out more

Call us on 0345 60 60 069
We’re open Monday to Friday, 8am to 6pm.
Call charges will vary.

www.baesystemspensions.com