

AMNESTY INTERNATIONAL SUPERANNUATION SCHEME

YEAR ENDED 30 SEPTEMBER 2018

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: OCTOBER 2017 – 30 SEPTEMBER 2018

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Amnesty International Superannuation Scheme - DC Section ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC).

Default arrangement

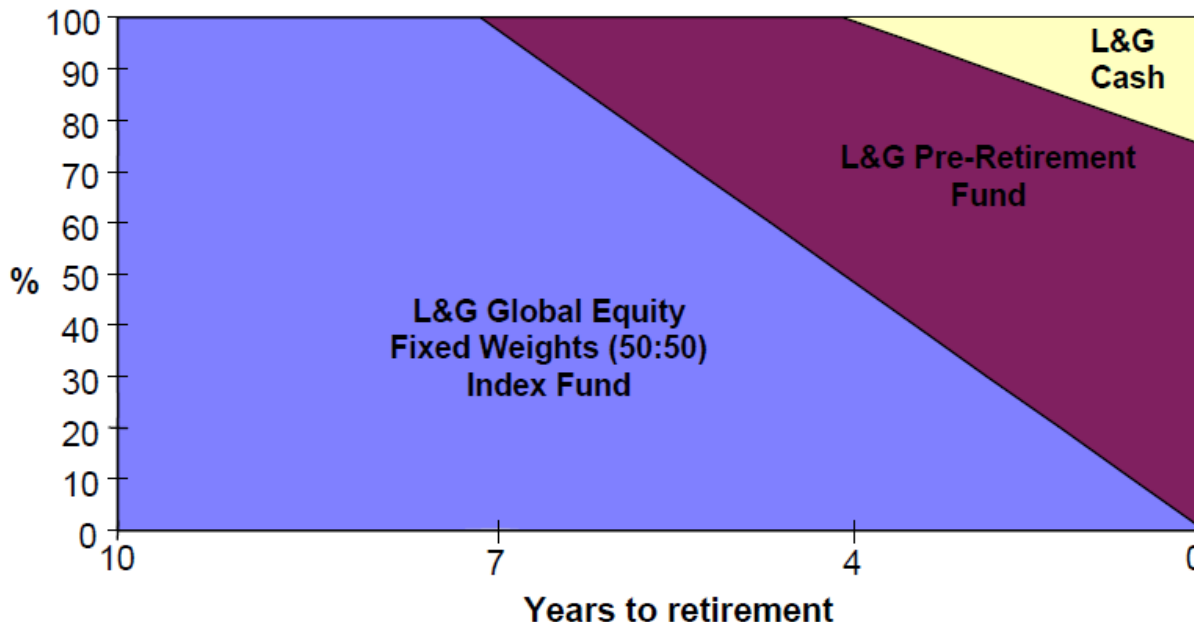
Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant.

The default strategy is a lifestyle strategy with Legal and General. Under the lifestyle strategy, a member's contributions are fully invested in the Global Equity Fixed Weights (50:50) Index Fund for the majority of a member's working life, with an aim to maximizing investment growth while diversifying risks. The fund aims to capture the returns of the UK and overseas equity markets with 50% invested in the UK and 50% being invested overseas.

As a member approaches their Normal or Targeted Retirement Date, the Lifestyle Transition Strategy gradually switches the accumulated contributions in steps each year (starting with the first January 7 years prior to the members' Normal or Targeted Retirement Date) from the Global Equity Fixed Weights (50:50) Index Fund to the Pre-Retirement Fund. The Pre-Retirement Fund aims to invest in assets that reflect the investments underlying a typical fixed pension annuity.

At the members' Normal or Targeted Retirement Date, the members' funds will be invested 75% in the Pre-Retirement Fund and 25% in the Cash Fund. The Cash Fund aims to match the median return of similar cash funds without incurring excessive risk.

This strategy can be illustrated using the following graph:



Source: AISS Guide to Investments

The default arrangement is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was last reviewed by the Trustees in January 2016 and a copy of which is submitted alongside this governance statement.

During the period covered by the statement, the Scheme's investment strategy was reviewed and changes were implemented in Q4 2018.

AMNESTY INTERNATIONAL SUPERANNUATION SCHEME

YEAR ENDED 30 SEPTEMBER 2018

The Trustees have set up processes to publish relevant information on the default arrangement and will notify members about this in their annual benefit statements.

Administration

The Trustees reviewed the appointment of the scheme administrator, in light of concerns over the provision of administration services provided by Aon. JLT Employee Benefits were appointed in place of Aon with effect from 1 December 2017.

Processing Scheme transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustees' behalf by the Scheme administrator, JLT Employee Benefits, and its investment manager Legal and General. The Trustees periodically review the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustees have a service level agreement (SLA) in place with the Scheme administrator, which covers the accuracy and timeliness of all core transactions, and receive regular reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include dynamics checklists, a central financial control team separate to the administration team, peer checking and authorisation of payments, automated reporting of late contributions, daily monitoring of bank accounts, daily checking and reconciliation of member unit holdings and four eyes checking of investment and banking transactions. During the period covered by this statement, 96% of work was completed within the agreed service levels. The Trustees are aware that there was an instance in January 2018 where the lifestyle table for the Scheme was not correctly applied. This issue was identified and corrected by the Scheme administrator to ensure no loss to members. We have had assurances that additional processes have been put in place to ensure that there will not be a reoccurrence.

We continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from JLT.

We will also perform periodic assessments of methods and efficiency of the Scheme's administrators and will challenge them in terms of efficiency using available facilities including technological functionality.

In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustees to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

Fund	TER (%)	Transaction Cost (%)
L&G Global Equity Fixed Weights (50:50) Index	0.18%	0.00%
L&G Pre-Retirement	0.15%	-0.01%
L&G Cash	0.125%	0.00%

Source: L&G

This is lower than the maximum TER allowed of 0.75% for default arrangements.

AMNESTY INTERNATIONAL SUPERANNUATION SCHEME

YEAR ENDED 30 SEPTEMBER 2018

The Trustees also make available a range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

Fund	TER (%)	Transaction Cost (%)
L&G Global Equity Fixed Weights (50:50) Index	0.18%	0.00%
L&G Pre-Retirement	0.15%	-0.01%
L&G Cash	0.125%	0.00%
L&G Ethical UK Equity Index	0.20%	0.01%
L&G Multi Asset (formerly Consensus)	0.25%	0.00%

Source: L&G

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

Cumulative effect of charges

The compounding effect of charges on an active member's fund can be illustrated as follows:

Illustrations for an "Average" member						
Years from now	Default Strategy		L&G Ethical UK Equity Index Fund (the most popular self-select fund)		L&G Multi-Asset Fund (the most expensive fund)	
	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£19,939	£19,908	£19,939	£19,902	£19,770	£19,726
3	£29,426	£29,303	£29,426	£29,283	£28,769	£28,601
5	£39,669	£39,411	£39,669	£39,369	£38,302	£37,958
10	£68,983	£68,162	£68,983	£68,026	£64,687	£63,631
15	£104,482	£102,675	£104,482	£102,378	£95,166	£92,928
20	£146,377	£143,045	£147,469	£143,554	£130,375	£126,361
25 (retirement)	£173,427	£168,667	£199,525	£192,911	£171,046	£164,514
Total Fees	£3,118		£3,924		£4,179	
Illustrations for a "Young" member						
Years from now	Default Strategy		L&G Ethical UK Equity Index Fund (the most popular self-select fund)		L&G Multi-Asset Fund (the most expensive fund)	
	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted

AMNESTY INTERNATIONAL SUPERANNUATION SCHEME

YEAR ENDED 30 SEPTEMBER 2018

1	£5,761	£5,754	£5,761	£5,753	£5,724	£5,715
3	£14,120	£14,077	£14,120	£14,069	£13,889	£13,830
5	£23,144	£23,030	£23,144	£23,011	£22,539	£22,386
10	£48,972	£48,498	£48,972	£48,419	£46,478	£45,860
15	£80,250	£79,070	£80,250	£78,875	£74,132	£72,649

20	£118,125	£115,769	£118,125	£115,382	£106,076	£103,219
25	£163,990	£159,824	£163,990	£159,142	£142,977	£138,105
30	£219,531	£212,709	£219,531	£211,596	£185,604	£177,915
35	£274,379	£264,315	£286,789	£274,471	£234,845	£223,346
38 (retirement)	£289,313	£277,875	£333,776	£318,044	£267,985	£253,627
Total Fees	£6,217		£7,719		£7,802	

It could be helpful to provide the context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" and "Younger" members' pots at retirement would be £79,211 and £94,370 respectively in today's money.

Assumptions

The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Also, as the total median annual contribution was 7.5%, we rounded this up to 8% given the imminent rise in total contributions to 8% per annum due to auto-escalation. This will come into effect on 6 April 2019.

Age	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>40 (<i>the average age of the Scheme's membership</i>)</p> <p>27 (<i>the average age of the youngest 10% of members</i>)</p>
Scheme Retirement Age	65
Starting Pot Size	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>£15,461 (<i>the median pot size of the Scheme's membership</i>)</p> <p>£1,815 (<i>the median pot size for the youngest 10% of members</i>)</p>
Starting Salary	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>£46,910 (<i>the median salary of the Scheme's membership</i>)</p> <p>£46,910 (<i>the median salary for the youngest 10% of members</i>)</p>
Inflation	2.5% p.a.

AMNESTY INTERNATIONAL SUPERANNUATION SCHEME

YEAR ENDED 30 SEPTEMBER 2018

Rate of Salary Growth	2.5% p.a.
Employer annual contributions <ul style="list-style-type: none"> • “Average” member • “Young” member 	<p>8.0% p.a. (<i>the median annual Employer contribution</i>)</p> <p>8.0% p.a. (<i>the median annual Employer contribution for the youngest 10% of members</i>)</p>
Employee annual contributions <ul style="list-style-type: none"> • “Average” member • “Young” member 	<p>0.0% p.a. (<i>the median annual Employee contribution</i>)</p> <p>0.0% p.a. (<i>the median annual Employee contribution for the youngest 10% of members</i>)</p>
Expected future nominal returns on investment: <ul style="list-style-type: none"> • Default Strategy <ul style="list-style-type: none"> ○ L&G Global Equity Fixed Weights (50:50) Index ○ L&G Pre-Retirement ○ L&G Cash • L&G Ethical UK Equity Index Fund • L&G Multi-Asset Fund 	<p>4.0% above inflation</p> <p>0.7% below inflation</p> <p>1.0% below inflation</p> <p>4.0% above inflation</p> <p>3.0% above inflation</p>

Based on professional advice and comment at Trustee meetings, the Trustees have a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme’s members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds. With this in mind, the Trustees have assessed the fees disclosed above and we are satisfied that we have negotiated a good deal for members and that the stated explicit charges for the Scheme’s funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile. The Trustees are intending to undergo this exercise in 2019.

The Trustees have set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online and will notify members about this in their annual benefit statements.

Trustees’ Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator’s Codes of Practice 07 and 13.

The Trustee group includes an independent Professional Trustee, Winterbourne Trustee Services Ltd, who provide an experienced representative to attend and Chair Trustee meetings alongside the other nominated Employer and Member Trustees. The team at Winterbourne comprises experienced professionals who are well versed in the operation and practices of occupational pension schemes. The Winterbourne team hold qualifications and have professional experience appropriate to all aspects of managing an occupational pension scheme and undertake continuous professional

AMNESTY INTERNATIONAL SUPERANNUATION SCHEME

YEAR ENDED 30 SEPTEMBER 2018

development appropriate to their specific discipline. Each of the team maintains adequate professional knowledge by undertaking more than 25 hours of professional training annually and has undertaken the Pension Regulator Trustee Toolkit training.

The Trustees have put in place arrangements for ensuring that each Trustee takes personal responsibility for keeping themselves up-to-date with relevant developments which includes identifying training needs at meetings. We will also be carrying out a self-assessment of training needs against the Pensions Regulator's scope guidance to help identify any knowledge gaps, during 2019.

All the Trustees have either completed or progressed with the Pensions Regulator's Trustee Toolkit. The Trustees understand the importance of keeping up to date with the range of issues that affect them in their role and attend industry seminars periodically.

Over the last year, the Trustees have received training on setting a Defined Contribution investment strategy. They also received training from the Scheme's legal advisers on the provisions, powers and duties contained in the new Scheme rules. In addition, the Trustees receive advice from the Scheme's other professional advisors, and the relevant skills and experience of those advisors is a key criteria when evaluating advisor performance or selecting new advisors. The Trustees also include legislative updates and Trustee Knowledge and Understanding on the agenda for each of our meetings. All the Trustees are required to familiarise themselves with the Scheme's Trust Deed and Rules, and Statement of Investment Principles.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustees consider that we are properly enabled to exercise our functions as Trustees of the Scheme.

In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise Trustees cannot be certain that a scheme remains fit for purpose.

Given the extent of the training above, the Trustees are comfortable to record that we have demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes. I am also satisfied that the Trustees have demonstrated a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles and all other documents setting out the Trustees' current policies.

The Chairman's statement regarding DC governance was approved by the Trustees on 29th April 2019 and signed on their behalf by:

Mr S Travers on behalf of Winterbourne Trustee Services Ltd

Chairman of the Trustees

Date: 29th April 2019