The Avis UK Pension Plan

Statement of Investment Principles for the DC Section

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1 Introduction

1.1 Under Section 35 of the Pensions Act 1995 (as amended by Section 244 of the Pensions Act 2004), trustees are required to prepare a statement of the principles governing investment decisions ('SIP').

1.2 This document constitutes the Statement of Investment Principles applicable to the DC Section of The Avis UK Pension Plan ("the DC Section") and should be read in conjunction with the Plan's overall Statement of Investment Principles.

1.3 In preparing this document, the Trustee has given due consideration to its policy for securing compliance with the requirements of section 36 of the Pensions Act 1995 (as amended by the Pensions Act 2004).

1.4 The DC Section was established by AVIS UK ("the Company") on 1 July 2011 and was subsequently subdivided from September 2013 into the AE Section and Enhanced Section. No distinction is drawn between these categories in terms of investment options offered, however, the characteristics of each section are separately taken into account when setting strategic investment policy.

1.5 The DC Section's benefits are provided on a money purchase (defined contribution) basis for individual DC Section members ("the Members"). The DC Section's assets are held under the legal control of the Plan's Trustee, Avis UK Pension Plan Trustees Ltd ("the Trustee") under a trust constituted between the Company and the Trustee. The operation of the DC Section is governed by the Trust Deed and Rules dated 21 December 2010 (and consolidated as at 28 March 2018).

1.6 The Trustee is responsible for all aspects of the operation of the DC Section including this Statement. The Company has confirmed in writing to the Trustee that it has been consulted regarding the contents of this Statement as required by the Act.

1.7 This document is publicly available online.

1.8 The Trustee will review this document, and modify if deemed appropriate, in consultation with the Company at least every three years, or immediately following any significant change in the investment arrangements.

1.9 Before preparing this document, the Trustee has sought advice from the DC Section's Investment Consultant, Willis Towers Watson. The written advice received from the Investment Consultant considered the issues set out in the Occupation Pension Schemes (Investment) Regulations 2005 and the principles contained in this Statement.

Financial Services and Markets Act 2000

1.10 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The Investment Manager shall provide the skill and expertise necessary to manage the investments of the Plan competently.

Benefits provided by the DC Section

1.11 The benefits provided by the DC Section are related to the value of a Member’s defined contribution account at the time of retirement.

1.12 In addition, Members may make AVCs to provide additional defined contribution benefits.

2 Trustee objectives

2.1 The Trustee's duty is to act in the Members' interests. One of the Trustee's primary objectives therefore is to make available appropriate investment options to Members. The Trustee recognises that a key aspect of this is setting an appropriate default investment strategy (full details of which are included in the next section).

2.2 In determining which investment options to make available, the Trustee has considered the investment risks associated with defined contribution pension investment. In particular, there is uncertainty in the ultimate amount available to provide retirement benefits.

2.3 The factors contributing to this uncertainty include:

Amount of contributions invested

The amount of contributions invested will depend on the Company's decisions on benefit design and the individual's own decisions about saving for retirement.

Length of time that contributions are invested

The length of time over which contributions are to be invested will affect the level of uncertainty introduced by the other factors. The longer the period of investment, the greater the uncertainty. However, there is little control over the investment period since it is largely determined by each individual's retirement age and the date of joining the DC Section.

A member's choice of benefits at retirement

A member can delay the decision regarding the form in which they take their benefits until shortly before retirement and the Trustee cannot cater for this in advance.

2.4 The Trustee recognises that the uncertainty inherent in the above three factors is not within the Trustee's control and that there is also risk associated with investing in financial markets (outlined in Section Four). However, the following four risks (inflation risk, capital risk, pension conversion risk and opportunity cost risk) can be managed to some extent by the choice of investments. These risks and the Trustee's objective for each risk are considered under the following headings:

Inflation risk

The risk that investments do not provide a return at least in line with inflation, so that the real value of the ultimate fund available to provide benefits is not maintained at retirement.

The Trustee's objective is to provide an investment option which is expected to provide a long-term rate of return at least in line with price inflation, thus protecting the real value of a Member's account. An equity fund is an example of such an option.

Capital risk

The risk that the monetary value of a Member's account falls.

The Trustee's objective is to provide an investment option that offers security of capital value. A cash fund is an example of such an option.

Pension conversion risk

The risk that a member's decisions on how to access their accounts in retirement is not reflected in the investment strategy in which funds are allocated. Following the changes introduced by the 'Freedom and choice' reforms, at retirement, a member may elect to use their defined contribution account (in whole, or in part) to provide a full cash lump sum, a pension income (potentially through the purchase of an annuity) or income drawdown.

The Trustee's objective is to provide investment options which are expected to broadly align with these varying retirement objectives. Different investments may better match different retirement objectives. The Trustee offers a range of funds and lifestyle strategies which aim to target different retirement objectives, for example the change in the cost of purchasing an annuity. A long-dated UK Government bond fund is an example of such an option.

Opportunity cost risk

The risk that a Member takes insufficient risk when they can (for example, when they are younger) resulting in a smaller account at retirement.

The Trustee's objective is to provide several investment options which offer the opportunity of long-term growth (such as the equity funds) and to support Members to make an informed choice through structured communication.

Trade-off between risks

2.5 The relative importance of inflation, capital, pension conversion and opportunity cost risk depends on the length of time to retirement and each Member's attitude to risk and expected return. Managing pension conversion and capital risks becomes of greater importance near retirement, whereas managing inflation and opportunity cost risk will generally be more important for younger Members. The adoption of Lifestyle investment strategies aims to address these risks by way of an automated solution.

The Trustee recognises that the control of one of the aspects of risk is often at the expense of another. For example, investing in a cash fund will offer protection against a decrease in fund values (capital risk), but will increase the opportunity cost risk and may not keep pace with inflation, thereby eroding the ‘real’ value of the investment over time.

The default investment strategy

2.6 The overall objective of the Plan’s default investment strategy is to provide those members who do not actively make their own investment choice with an investment strategy that aims to:

a) generate returns over the long term at an acceptable (medium) level of risk whilst a member is at least 10 years from retirement; and

b) provide a gradual reduction in risk during the 10 years immediately leading up to a member drawing their Plan account

The default strategy aims to generate a level of return that is expected to provide adequate retirement benefits for its target population. It also aims to manage a member’s exposure to risk throughout their working life, ensuring that members are not unduly exposed to investment risk at any given point.

3 Investment Options for Members

3.1 Based on the characteristics of the DC Section as described in Section 1 and the Trustee's objectives as described in Section 2, the Trustee has selected a range of investment options for Members. These investment options are available for both basic contributions and AVCs.

Suitability

3.2 The Trustee has taken advice from the DC Investment Consultant to ensure that the investment platform and the range of funds provided for members is suitable. The Trustee will continue to monitor, and take advice on, the various options on an ongoing basis.

3.3 When selecting investments, the Trustee and the Investment Managers (to the extent delegated and where appropriate) are required to regard the criteria for investment set out in the Occupation Pension Scheme (Investment) Regulations 2005 and the principles contained in this Statement.

3.4 The Trustee undertook a full review of the Plan's default investment option and the supporting lifestyles which was finalised 30 August 2018. The review considered the demographic profile, accrued funds and risk tolerances of each of the DC Sections of the Plan. It also included:

a) detailed analysis of the members eligible to draw their benefits from the Plan over the next 10 years, and;

b) the actual retirement options selected by members since 2015.

3.5 The results of the review confirmed that the risk/reward profile of the existing lifestyle strategies remained appropriate for Plan members. The results also indicated that the majority of members retiring over the next five to ten years were expected to have relatively modest fund values which would be drawn as a lump sum – this view was reinforced by the Plan experience to date which confirmed the majority of members with a similar profile had drawn a lump sum from the Plan.

3.6 As a result, the Trustee has elected to make the 10-year lifestyle strategy (cash target) lifestyle option the Plan's default strategy.

Diversification

3.7 To ensure Members' investments maintain suitable diversification and that investments may be readily realisable, the Trustee invests the DC Section's assets in pooled funds offered through an investment platform operated by Fidelity.

Costs

3.8 The Company covers the Plan's administration costs, whilst members bear the investment management charges on their investment. These investment fees are charged by adjustment to the unit prices within the funds, calculated daily on the value that day.

3.9 Investment Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

3.10 The Trustee reviews the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover, including regular engagement with Investment Managers on this subject and through the receipt of costs and charges reporting. There is no broad targeted portfolio turnover (how frequently assets within a fund are bought and sold by Investment Managers) which the Trustee adheres to. The Trustee, with the help of the Investment Consultant, will monitor that the level of portfolio turnover remains appropriate in the context of the Investment Manager's strategy and the Plan's investment strategy

3.11 The Trustee believes the charging structure is appropriate and in line with standard market practice.

Investment Options

3.12 The Trustee offers the following investment options via Fidelity's investment platform:

- Avis BlackRock Corporate Bond Index Over 15 Years Fund
- Avis BlackRock Over 15 Years UK Gilt Index Fund
- Avis BlackRock Over 5 Years Index Linked Gilt Fund
- Avis BlackRock 30/70 Currency Hedged Global Equity Fund
- Avis BlackRock UK Equity Index Fund
- Avis BlackRock World (ex-UK) Equity Index Fund
- Avis BlackRock Cash Fund
- Avis BMO Responsible UK Equity Growth Fund
- Avis HSBC Islamic Pension Fund
- Avis L&G Diversified Fund

Liquidity and realisation of investments

3.13 The Investment Managers have discretion over the timing of realisation of underlying investments within the funds that they manage and the liquidity of the underlying assets is considered when the Trustees decide which funds to offer to members. Members' DC accounts are held in funds which offer frequent dealing to enable benefits to be realised on retirement, or earlier on transfer to another pension arrangement

Lifestyle Investment Strategies

3.14 Members have four Lifestyle Investment Strategy options. Each has been designed as a result of strategic modelling and is designed to promote accumulation in the early phase, gradually reducing risk through asset diversification in the mid and later phases before consolidating to align with a specific retirement option at retirement.

10-Year Lifestyle Strategy (Cash Target) - Default

This strategy aims to align with members who expect to have a relatively modest DC pension account at retirement that can be drawn as a single lump sum tax efficiently. It has been chosen as the Plan's default option following detailed analysis of the membership's demographic and risk profile.

10-Year Lifestyle Strategy (Annuity Target)

This strategy aims to align with members taking 25% of their fund as tax-free cash and use the remainder to fund an income stream.

5-Year Lifestyle Strategy (Annuity Target)

This strategy also aims to align with members taking 25% of their fund as tax-free cash and use the remainder to fund an income stream. The shorter consolidation phase is designed for those members willing to accept higher investment risk in pursuit of potentially higher returns.

10-Year Lifestyle Strategy (Drawdown Target)

This strategy has been designed for those members who are seeking to transfer and reinvest their accrued funds at retirement into a drawdown arrangement (and draw an income over an extended period of time).

Full details of the Lifestyle Strategies switching programmes are provided in Appendix A.

Other considerations

3.15 The Trustee has chosen to include ethical and Shariah Law compliant investment options for those individuals who wish to invest in accordance with their beliefs.

4 Performance targets, risk and monitoring

Performance targets and expected levels of return

4.1 The performance targets and expected levels of return, and investment fees for each fund are set out in the table below (as at 1 May 2019):

Fund	Performance Target (before fees)	Fees % p.a. *
Avis BlackRock 30/70 Currency Hedged Global Equity Fund	A return consistent with the 30:70 Global Equity Sterling Hedged Composite Index	0.245
Avis BlackRock UK Equity Index Fund	A return consistent with the FTSE All-Share Index	0.210
Avis BlackRock World (ex-UK) Equity Index Fund	A return consistent with the FTSE Developed World ex UK Index	0.210
Avis BlackRock Over 15 Years UK Gilt Index Fund	A return consistent with the FTSE Actuaries UK Conventional Gilts Over 15 Year Index	0.138
Avis BlackRock Corporate Bond Index Over 15 Years Fund	A return consistent with the iBoxx £ Non-Gilts, Over 15 Years Index	0.210
Avis BlackRock Over 5 Years Index Linked Gilt Fund	A return consistent with the FTSE Actuaries UK Index Linked Gilts Over 5 Years Index	0.137
Avis BlackRock Cash Fund	To outperform the return of the Seven Day LIBID	0.200
Avis BMO Responsible UK Equity Growth Fund	Achieve long-term capital growth, and increased income, with the emphasis on capital growth through concentrated investment in an ethically screened and diversified list of UK companies.	0.710
HSBC Islamic Pension Fund	To create long-term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic Investment principles as interpreted and laid down by the Shariah Committee.	0.450
Avis L&G Diversified Fund	To provide long-term investment growth through exposure to a diversified range of asset classes.	0.340

* includes expenses

Risk

4.2 The Trustee recognises that the investment of assets in financial markets results in an exposure to risk. Risk takes many forms. The key risks for Members' investments are highlighted in Section 2.

Risks inherent in the investment funds over a market cycle (a five to ten year period) are:

- the risk that the market returns will not be in line with expectations;
- the risk of annual volatility in returns, which means that in any one year the actual return may be very different from the expected return (such return may also be negative).

4.3 The Trustee has focused on providing a predominantly passive range of investment options in order to:

- Help manage investment risk by reducing the risk of relative underperformance of a market index for each relevant asset class
- Avoid the higher transaction costs and fees associated with active management

Monitoring of investments

4.4 The Trustee will regularly monitor Fidelity (as the investment platform Provider) and the underlying Investment Manager(s) to satisfy itself that all parties continue to carry out their work competently, cost-effectively and have the appropriate knowledge and experience to manage the investments of the DC Section. Fidelity will report to the Trustee on a regular basis, providing an analysis of the performance achieved over time.

4.5 The selection of the Investment Managers will be reviewed by the Trustee from time to time, based on the results of their monitoring of performance and process and the Manager's compliance with the requirements of the Pensions Act concerning diversification and suitability, where relevant. Fidelity has been provided with a copy of this Statement.

Arrangement with Investment Managers

4.6 The Plan uses different Investment Managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate**,** the investment options are consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. These considerations also apply in the appointment process of new investment managers and arrangements.

4.7 To maintain alignment, Investment Managers are provided with the most recent version of the Plan's Statement of Investment Principles on an annual basis to ensure managers are aware of the Trustee's expectations regarding how the Plan's assets are being managed.

4.8 Should the Trustee's monitoring process reveal that an Investment Manager's fund is not aligned with the Trustee's policies, the Trustee will engage with the Investment Manager to ascertain the reasons for this and whether closer alignment can be achieved. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the fund and the Investment Manager's engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the Trustee may consider alternative options available in order to consider terminating and replacing the Investment Manager.

4.9 For most of the Plan's investment funds, the Trustee expects the Investment Managers to invest with a medium to long term horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may select certain investment funds where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making.

4.10 The Trustee appoints its Investment Managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing an Investment Manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an Investment Manager's appointment based purely on short term performance. However, an Investment Manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Investment Consultant

4.11 The DC Section's investment consultant's responsibilities include:

- participating with the Trustee in regular reviews of this Statement
- advising the Trustee, as requested, on:
  - how any changes in the DC Section's Investment Managers' organisations affect the interests of the Plan
  - how any changes in the investment environment could either present opportunities or problems for the DC Section.
- undertaking project work as requested including:
  - advising on the selection of new DC Section Investment Managers
  - providing information, as relevant, on investment issues pertinent to the Trustee.

Selection Criteria

4.12 The Trustee has identified the criteria by which the DC Investment Platform Provider (Fidelity) and the underlying Investment Managers should be selected (or deselected). These include:

- Quality of the Investment Process
- Role Suitability
  - level of fees
  - reputation of the manager
  - familiarity with the mandate
  - internal objectives and restrictions of any pooled funds
  - policy in respect of financially material factors (including Environmental, Social and Governance considerations)
- Service
  - reporting
  - administration
- Team Proposed
  - the client relationship managers working for the DC Section
- Past Performance.

De-selection Criteria

4.13 Fidelity and/or Investment Managers may be replaced, for example, if:

a. they fail to meet the objectives set and/or

b. the Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future.

Realisation of Investments

4.14 The Trustee will monitor the need to disinvest assets from the Investment Managers via Fidelity. Any disinvestment must be authorised by the original signatures of authorised signatories as arranged between Fidelity and the Trustee.

5 Corporate governance and socially responsible investment policy

5.1 The Trustee takes account of all financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of members' investment time horizons and objectives. The Trustee will progressively consider sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.

5.2 The Trustee's policy is that day-to-day decisions relating to the investment of Plan assets is left to the discretion of its Investment Managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. The Trustee explores these issues with its advisers/managers to understand how they exercise these duties in practice and receives reports on how these issues are addressed.

5.3 When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment adviser, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant as set in item 4.12 above.

5.4 The Trustee monitors, through its advisers, asset managers' sustainable investment practices, including the approach to ESG integration within the investment process through desk-based research.

5.5 Member views on non-financial matters are not currently taken into account but the Trustee has provided members with one fund that is managed with reference to social, environmental or ethical considerations within the self-select fund range, namely the Avis BMO Responsible UK Equity Growth Fund, which invests in an ethically screened and diversified list of UK companies.

5.6 The Trustee policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the Investment Managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their Investment Managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy.

6 Review of statement

6.1 This document will be reviewed at least triennially - or when the Trustee needs to consider the implications of a major change. Such review and reasons for a review shall take into account:

- a fundamental change in the Company or the benefits provided by the DC Section;
- significant changes to the expected long-term trade-off between risk and reward on key asset classes;
- a major development in the investment products available;
- shortcomings of the Statement that emerge in its practical application;
- applicable changes in legislation.

6.2 Fidelity and the Investment Managers shall be regularly reviewed.

A Lifestyle strategies

The current “Lifestyle Strategies” switching programme matrix is provided below. The table shows the percentage distribution of a Member’s investment between the component funds at various time periods from that Member’s target retirement date for both switching periods that are offered.

10-Year Lifestyle Strategy (Cash Target) (also the default investment option)

Years until Selected Retirement Age	Avis BlackRock 30/70 Currency Hedged Global Equity Fund	Avis L&G Diversified Fund	Avis BlackRock Corporate Bond Index Over 15 Years Fund	Avis BlackRock Over 15 Years UK Gilt Index Fund	Avis BlackRock Cash Fund
24	100.00	0.00	0.00	0.00	0.00
23	100.00	0.00	0.00	0.00	0.00
22	100.00	0.00	0.00	0.00	0.00
21	100.00	0.00	0.00	0.00	0.00
20	100.00	0.00	0.00	0.00	0.00
19	90.00	10.00	0.00	0.00	0.00
18	80.00	20.00	0.00	0.00	0.00
17	70.00	30.00	0.00	0.00	0.00
16	60.00	40.00	0.00	0.00	0.00
15	50.00	50.00	0.00	0.00	0.00
14	40.00	60.00	0.00	0.00	0.00
13	30.00	70.00	0.00	0.00	0.00
12	20.00	80.00	0.00	0.00	0.00
11	10.00	90.00	0.00	0.00	0.00
10	0.00	100.00	0.00	0.00	0.00
9	0.00	93.00	0.00	0.00	7.00
8	0.00	86.00	0.00	0.00	14.00
7	0.00	79.00	0.00	0.00	21.00
6	0.00	72.00	0.00	0.00	28.00
5	0.00	65.00	0.00	0.00	35.00
4	0.00	58.00	0.00	0.00	42.00
3	0.00	51.00	0.00	0.00	49.00
2	0.00	44.00	0.00	0.00	56.00
1	0.00	37.00	0.00	0.00	63.00
0	0.00	30.00	0.00	0.00	70.00

10-Year Lifestyle Strategy (Annuity Target)

Years until Selected Retirement Age	Avis BlackRock 30/70 Currency Hedged Global Equity Fund	Avis L&G Diversified Fund	Avis BlackRock Corporate Bond Index Over 15 Years Fund	Avis BlackRock Over 15 Years UK Gilt Index Fund	Avis BlackRock Cash Fund
24	100.00	0.00	0.00	0.00	0.00
23	100.00	0.00	0.00	0.00	0.00
22	100.00	0.00	0.00	0.00	0.00
21	100.00	0.00	0.00	0.00	0.00
20	100.00	0.00	0.00	0.00	0.00
19	90.00	10.00	0.00	0.00	0.00
18	80.00	20.00	0.00	0.00	0.00
17	70.00	30.00	0.00	0.00	0.00
16	60.00	40.00	0.00	0.00	0.00
15	50.00	50.00	0.00	0.00	0.00
14	40.00	60.00	0.00	0.00	0.00
13	30.00	70.00	0.00	0.00	0.00
12	20.00	80.00	0.00	0.00	0.00
11	10.00	90.00	0.00	0.00	0.00
10	0.00	100.00	0.00	0.00	0.00
9	0.00	91.00	3.25	3.25	2.50
8	0.00	82.00	6.50	6.50	5.00
7	0.00	73.00	9.75	9.75	7.50
6	0.00	64.00	13.00	13.00	10.00
5	0.00	55.00	16.25	16.25	12.50
4	0.00	46.00	19.50	19.50	15.00
3	0.00	37.00	22.75	22.75	17.50
2	0.00	28.00	26.00	26.00	20.00
1	0.00	19.00	29.25	29.25	22.50
0	0.00	10.00	32.50	32.50	25.00

10-Year Lifestyle Strategy (Drawdown Target)

Years until Selected Retirement Age	Avis BlackRock 30/70 Currency Hedged Global Equity (Fund	Avis L&G Diversified Fund	Avis BlackRock Corporate Bond Index Over 15 Years Fund	Avis BlackRock Over 15 Years UK Gilt Index Fund	Avis BlackRock Cash Fund
24	100.00	0.00	0.00	0.00	0.00
23	100.00	0.00	0.00	0.00	0.00
22	100.00	0.00	0.00	0.00	0.00
21	100.00	0.00	0.00	0.00	0.00
20	100.00	0.00	0.00	0.00	0.00
19	90.00	10.00	0.00	0.00	0.00
18	80.00	20.00	0.00	0.00	0.00
17	70.00	30.00	0.00	0.00	0.00
16	60.00	40.00	0.00	0.00	0.00
15	50.00	50.00	0.00	0.00	0.00
14	40.00	60.00	0.00	0.00	0.00
13	30.00	70.00	0.00	0.00	0.00
12	20.00	80.00	0.00	0.00	0.00
11	10.00	90.00	0.00	0.00	0.00
10	0.00	100.00	0.00	0.00	0.00
9	0.00	96.00	0.75	0.75	2.50
8	0.00	92.00	1.50	1.50	5.00
7	0.00	88.00	2.25	2.25	7.50
6	0.00	84.00	3.00	3.00	10.00
5	0.00	80.00	3.75	3.75	12.50
4	0.00	76.00	4.50	4.50	15.00
3	0.00	72.00	5.25	5.25	17.50
2	0.00	68.00	6.00	6.00	20.00
1	0.00	64.00	6.75	6.75	22.50
0	0.00	60.00	7.50	7.50	25.00

5 Year Lifestyle Strategy (Annuity target)

Years until Selected Retirement Age	Avis BlackRock 30/70 Currency Hedged Global Equity Fund	Avis BlackRock Corporate Bond Index Over 15 Years Fund	Avis BlackRock Over 15 Years UK Gilt Index Fund	Avis BlackRock Cash Fund
5 years plus	100.00	0.00	0.00	0.00
4.75 to 5 years	95.00	2.50	2.50	0.00
4.5 to 4 .75 years	90.00	5.00	5.00	0.00
4.25 to 4.5 years	85.00	7.50	7.50	0.00
4 to 4. 25 years	80.00	10.00	10.00	0.00
3.75 to 4 years	75.00	12.50	12.50	0.00
3.5 to 3.75 years	70.00	15.00	15.00	0.00
3.25 to 3.5 years	65.00	17.50	17.50	0.00
3 to 3.25 years	60.00	20.00	20.00	0.00
2.75 to 3 years	55.00	21.46	21.46	2.08
2.5 to 2.75 years	50.00	22.92	22.92	4.16
2.25 to 2.5 years	45.00	24.38	24.37	6.25
2 to 2.25 years	40.00	25.83	25.83	8.34
1.75 to 2 years	35.00	27.29	27.29	10.42
1.5 to 1.75 years	30.00	28.75	28.75	12.50
1.25 to 1.5 years	25.00	30.21	30.21	14.58
1 to 1.25 years	20.00	31.67	31.67	16.66
0.75 to 1 year	15.00	33.12	33.13	18.75
0.5 to 0.75 year	10.00	34.58	34.58	20.84
0.25 to 0.5 year	5.00	36.04	36.04	22.92
0 to 0.25 year	0.00	37.50	37.50	25.00

Avis UK Pension Plan DC Section

Annual Implementation Statement (Period 1 April 2020 to 31 March 2021)

Introduction

This is the Trustee's Annual Implementation Statement ('the Statement') for the Avis UK Pension Plan DC Section ("the Plan") and is prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This Statement sets out how the Trustee has complied with the Plan's Stewardship Policy during the period from 1 April 2020 to 31 March 2021.

Review of the SIP and resulting changes

The Trustee reviewed and subsequently updated the SIP in September 2020.

The SIP was updated to reflect new regulatory requirements to describe the Trustee's policy in relation to its arrangements with its investment managers (via the Fidelity platform), setting out the following matters:

- how the arrangement incentivises the investment managers to align their investment strategy and decisions with the Trustee's policies.

- how that arrangement incentivises the investment manager (where appropriate) 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 the investment manager's performance and the remuneration for asset management services are in line with the Trustee's policies.

- how the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover.

- the duration of the arrangement with the investment manager.

Prior to the start of the reporting period, the Trustee had received training from their adviser on the new requirements and discussed the Trustee's policies in each of the new areas. The Trustee's policies were finalised and incorporated in the SIP during the reporting period as set out below:

- The Trustee uses different Investment Managers and mandates to implement their investment policies. The Trustee ensures that the investment options are consistent with the policies set out in the SIP, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations 2005. In order to help maintain alignment, Investment Managers are directed to the most recent version of the Plan's SIP (hosted online by XPS) on an annual basis to ensure managers are aware of the Trustee's expectations regarding how the Plan's assets are managed. The Trustee aims to have a long-term relationship with their Investment Managers, which encourages active ownership of the Plan's assets.

- As day-to-day investment decisions (including ESG-related issues and exercising voting rights) are delegated to the investment managers the Trustee has appointed, the Trustee maintains a monitoring framework to ensure they keep abreast of the Plan's investment managers' policies and how they are implemented in practice to ensure they remain aligned to the Trustee's policies.

- The Trustee has considered whether to take non-financial matters into account such as members' views on sustainable investing. Having discussed this, the Trustee's preference was to focus initially on monitoring of effective stewardship of ESG related factors. This approach also acknowledged that the Trustee has not received any specific views from any members of the

Plan in this area to date. The Trustee will keep this position under review as part of its overarching stewardship policy and intends to introduce a sustainability ‘tilted’ equity option for members to select during the next reporting period.

Further details on how the Trustee has enacted their new policies in this area are shown in a later section of this statement.

The updated SIP was formally adopted in September 2020 following consultation with the sponsoring employer.

Adherence to the SIP

The Trustee has implemented its investment policy as set out in the SIP over the reporting period. An overview of how this has been achieved is set out in the remainder of this section.

Overall investment objectives as set out in the SIP

The Trustee's primary objective is to make available appropriate investment options to members. In determining this, the Trustee considers the investment risks associated with DC pension investment (see ‘*Consideration of DC risks*’ section below) alongside factors such as the amount of contributions invested, the length of time that contributions are invested and a member’s likely choice of benefits at retirement.

The Trustee’s objective is therefore to provide several investment options which offer the opportunity of long-term growth and/or offers security of capital value, provide investment options which are expected to broadly align with members’ varying retirement objectives and to support members to make an informed choice through structured communication.

How does the Trustee meet its investment obligations?

The Trustee meets quarterly to conduct its DC investment business, which includes monitoring the Plan’s investment strategy and performance of the Plan’s fund range. The Plan’s investment adviser updates the Trustee in between meetings if a particular issue arises with Fidelity or one of the funds made available within the Plan.

Setting investment strategy

The current investment strategy was set in August 2018 with the most recent review initiating at the end of the reporting period in February 2021. The review followed the Regulator’s best practice guidance and included detailed Plan demographic analysis and an assessment of overall risk profile, as well as financial modelling to better understand how, proportionately, members were likely to take their benefits at retirement. The review concluded outside of the reporting period in May 2021.

Consideration of DC risks

The Trustee has considered and identified the key DC risks members are exposed to. These are shown on pages 4-6 of the SIP which can be accessed https://www.mypension.com/media/1826/avis-dc-sip-sept-2020.pdf.

The Trustee does not consider risk in isolation, but in conjunction with expected investment returns and outcomes for members. The impact of these risks is considered as part of the quarterly monitoring of investment performance and in detail as part of the triennial investment review. The Trustee recognises that investment risks will apply differently to different cohorts of the membership, based on their circumstances and retirement aspirations. These risks are managed by offering a variety of ‘lifestyle’ investment options and a range of ‘self-select’ funds.

Default strategy

For members that do not make an active investment choice, the Trustee has chosen a default strategy. The default strategy aims to generate a level of return that is expected to provide adequate retirement benefits for its target population. It also aims to manage a member's exposure to risk throughout their working life, ensuring that members are not unduly exposed to investment risk at any given point.

Self-select funds

The Trustee has selected a range of funds which attempt to address the key DC risks the Trustee has identified in respect of members (again, as set out on pages 4-5 of the DC SIP). In particular, the self-select fund range is made available to offer members an opportunity to design an investment strategy that best fits their needs, beliefs and risk appetite. The Trustee measures the effectiveness of the investment choices to address these risks on an ongoing basis.

Professional advice

The Trustee is aware of the requirement to take professional advice when setting and reviewing the investment strategy.

The Trustee has appointed Willis Towers Watson ('WTW') to provide such advice. In accordance with this engagement, WTW provides a triennial strategy review which includes recommendations in relation to the default investment strategy and wider fund range. WTW also attend each quarterly Trustee's meeting to provide ongoing investment support and advice.

Investment performance monitoring

The Trustee monitors the performance of the investment options and the Plan's investment managers against the performance targets as set out in Section 4 of the DC Section SIP.

Over the reporting period and in conjunction with its investment adviser, the Trustee considered the performance of the fund range at each of the quarterly Trustee meetings, including the performance of the underlying components of the default investment strategy. In doing this, the Trustee discussed the market context alongside assessing how closely each of the passively managed funds had tracked their respective indices. For the active funds, the Trustee considered how each of the funds had performed against their respective benchmarks.

The Trustee was satisfied that the investment options were performing in line with the agreed objectives over the reporting period. The Trustee noted that the Diversified Fund was well below its long-term global equity-based benchmark but well above its 'cash plus 3.5%' target. It also met its objective to manage volatility over the period. The Trustee will continue to keep this fund under close review but recognises that the long-term global equity based is designed to be monitored over a full market cycle.

Costs

During the reporting period and as part of its annual 'value for members' review, the Trustee commissioned it advisers to undertake a detailed benchmarking of the Plan's current Annual Management Charges (AMCs) (which is the only cost met by members). The weighted average of the Plan's assets carries an AMC of 0.26% as at 31 March 2021. This benchmarked favourably against other similar schemes of a similar size, where the average was 0.33%.

The Trustee's advisors also compared the Plan's aggregated transaction costs against the market average cost of funds in equivalent sectors. This comparison showed that the transaction costs are all reasonable, with the majority of funds recording lower costs than the survey benchmark. As the transaction cost comparison is a new assessment area, the Trustee is reluctant to draw definitive conclusions from this until data from several years can be analysed.

ESG considerations

The current SIP was updated to take account of the new requirements that came into force from 1 October 2020, particularly around ESG factors and sustainability.

During the reporting period, the Trustee undertook the following ESG monitoring activities:

- In August 2020, the Trustee discussed its ESG approach to DC and how this would be specifically integrated into future monitoring and investment manager/fund selection. This was supported by a five step plan of activity covering future monitoring, liaison with investment managers, SIP review and incorporating ESG factors into the 2021 triennial default investment review.

- In March 2021, the Trustee met with BlackRock to better understand and discuss its approach to sustainability and how it integrates ESG factors into its investment stewardship policy. In this presentation, BlackRock covered details of its stewardship team size and its voting and engagement priorities as well as how it has built sustainable portfolios and increased access to sustainable investing.

The Trustee continues to develop their approach to ESG monitoring to ensure it remains aligned to their principles and policies as shown in the SIP. Just outside of the reporting period, the Trustee agreed to introduce a global equity fund that has a tilt toward sustainability factors. More information will be provided on this during the next reporting period.

Voting policy and behaviour

The Trustee's equity holdings are all invested in pooled investment life funds through Fidelity's investment platform. The Trustee does not own the legal entitlement to the underlying portfolio of securities. The Trustee's rights pertain only to owning units in the pool.

Accordingly, the Trustee's policy is that day-to-day decisions relating to the investment of Plan assets is left to the discretion of their investment managers. This includes consideration of all financially material factors, including ESG-related issues where relevant.

When reviewing existing managers, the Trustee, together with their professional adviser, look to take account of the approach taken by managers with respect to sustainable investing, including voting policies and engagement where relevant. The Trustee's primary focus in this regard is on BlackRock and Legal & General Investment Management (LGIM), since over 99% of the Plan's equity assets, including those in the default investment strategy, are invested with these managers in pooled index-tracking funds.

BlackRock

BlackRock's latest stewardship report can be accessed using the link:

https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020-calendar-year.pdf.

BlackRock joined Climate Action 100+ in 2020, a group which engages with companies to improve climate disclosure and align business strategy with the goals of the Paris Agreement.

Wider engagement

BlackRock's Investment Stewardship team is comprised of more than 45 professionals across the world (with team members in New York, San Francisco, London, Tokyo, Singapore, Hong Kong and Sydney), taking a local approach with companies while benefiting from global insights. This team engaged 3,501 times with 2,110 companies in the reporting period up to 31 December 2020. BlackRock's stated aim is to promote sound corporate governance and business practices through engagement policies focussed on the following key areas 'Board Quality, Environmental Risks and Opportunities (including climate risk), Corporate Strategy and Capital Allocation, Compensation that Promotes Long-Termism and Human Capital Management.'

What is BlackRock's policy on consulting with clients before voting?

BlackRock recognise that some of their clients may want to express their views on how the companies they are invested in are responding to pressing ESG issues. BlackRock offers to all institutional clients who invest with them through a segregated mandate the choice to exercise proxy voting themselves using their own custom policies or to entrust this responsibility to BlackRock. Currently, BlackRock does not generally offer voting choice their clients in their pooled funds.

BlackRock is fully engaged with the ongoing market-level discussions in relation to client-directed voting in pooled funds, and support efforts to address the barriers that have been identified. However, doing so will require overcoming the technological, operational, and legal complexities that are embedded across the proxy ecosystem. Over time, BlackRock hopes to provide more of their clients, including investors in many of their pooled funds (where BlackRock has direct insight into unit holders and their pro rata ownership interests), with the ability to instruct their own votes.

How has BlackRock made use of any proxy voter services?

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS). While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, they do not blindly follow their recommendations on how to vote.

BlackRock use ISS' electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform their voting decision.

What process do BlackRock undertake to decide how to vote?

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure they take into account a company's unique circumstances by market, where relevant. BlackRock inform their vote decisions through research and engage as necessary. Their engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets.

BlackRock welcome discussions with clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in their Global Corporate Governance and Engagement Principles, BlackRock determines which companies to engage directly based on an assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive.

BlackRock's voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. They inform their vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

Is BlackRock currently affected by any of the five conflicts listed by the PLSA or any other conflicts across any of its holdings?

BlackRock maintains a compliance program for identifying, escalating, avoiding and/or managing potential or actual conflicts of interest. The program is carried out through their employees' adherence to relevant policies and procedures, a governance and oversight structure and employee training.

Among the various policies and procedures that address conflicts of interest is BlackRock's Global Conflicts of Interest Policy. This policy governs the responsibility of BlackRock and its employees to place their clients' interests first and to identify and manage any conflicts of interest that may arise in the course of our business.

Are there any additional comments which are relevant to BlackRock's voting activities or processes?

With regards to non-U.S. assets generally, BlackRock has approximately a 90% success rate in voting on their funds' assets. Of the remaining: 8% were uninstructed due to share blocking and 2% of the votes were unexecuted. This was as a result of either the fund's leverage or market-based impediments, such as, ballots received post cut-off date or post meeting date, meeting specific power of attorney requirements, special documentation, etc.

LGIM

LGIM's latest stewardship report can be accessed using the link:

https://www.lgim.com/uk/en/capabilities/corporate-governance/

During 2020, LGIM voted on over 138,600 proposals at over 14,000 company meetings. LGIM has implemented its own custom policies, and relies on the service of ISS Proxy Exchange voting platform to vote electronically and to ensure, in markets where it has unimpeded voting rights, that no votes remain unexercised.. LGIM's custom voting policy requires companies, amongst other things, to have a higher level of independence and diversity on the board, or to provide more in-depth disclosure regarding executive compensation.

LGIM's Investment Stewardship team engaged 891 times in respect of 665 companies during 2020, often collaborating with industry peers. Climate change was the single most frequent engagement topic (407 times), and the UK was the second biggest engagement market (275) after North America (283). The most frequently engaged companies were BP (9 engagements), Tesco (7) and Rio Tinto (5).

LGIM holds an annual stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration of LGIM's voting and engagement policies and define strategic priorities in the years ahead. LGIM also considers client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

An overview of the investment managers' votes cast over the reporting period is set out below.

BlackRock

Fund name	Voting activity	Example of one of the most significant votes cast during the period
BlackRock 30/70 Global Equity Fund	Number of eligible votes: 59,781 Percentage of eligible votes cast: 95.19% Percentage of votes with management: 92.68% Percentage of votes against management: 7.22% Percentage of votes abstained from: 1.51%	Company: Volvo AB Resolution: Approve remuneration policy and other terms of employment for executive management Decision: Voted against the resolution Rationale for decision: BlackRock voted against this resolution due to concerns about progress on climate-related risks reporting and about the long-term incentive plan measures being set over three one-year periods rather than three to five year periods and the measures not being disclosed until the start of each one year period.

BlackRock World (ex UK) Fund	Number of eligible votes: 27,246 Percentage of eligible votes cast: 92.04% Percentage of votes with management: 93.71% Percentage of votes abstained from: 0.34%	Company: Exxon Mobile Corporation Resolution: Require Independent Board Chair Decision: Voted for the resolution Rationale for decision: the shareholder proposal requests that the company establish an Independent Board Chair position by appointing one of the independent members of the Board to the Chair position. BlackRock's view is that the current structure is not currently working, and it remains concerned about the Board's responsiveness to shareholder feedback and concerns regarding climate risk management. BlackRock also voted against the election of both Anegela F Braly and Kenneth C. Frazier to the Board due to insufficient progress on TCFD (Task Force on Climate-related Financial Decisions) reporting and related action.
BlackRock UK Equity Index Fund	Number of eligible votes: 11,044 Percentage of eligible votes cast: 100% Percentage of votes with management: 94.87% Percentage of votes abstained from: 0.65%	Company: Royal Dutch Shell plc Resolution: Request Shell to Set and Publish Targets for greenhouse Gas (GHG) Emissions Decision: Voted against the resolution Rationale for decision: The shareholder resolution refers to Shell's previous climate commitments, which are now out of date and have been superseded by renewed and stronger commitments. BlackRock has engaged with Shell throughout the process of this latest upgrading of its commitments. BlackRock's opinion is that Shell already has some of the most ambitious climate targets in the industry and that the company already makes strong TCFD disclosures.

LGIM

L&G Diversified Fund	Number of eligible votes: 115,604 Percentage of eligible votes cast: 98.98% Percentage of votes with management: 81.72% Percentage of votes abstained from: 0.56%	Company: Whiteheaven Coal Resolution: 6. Approve capital protection. Decision: Voted for the resolution Rationale for decision: Shareholders asked Whitehaven Coal for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being

		returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. The resolution did not pass, as a relatively small number of shareholders (4%) voted in favour. Nevertheless, the Company's environmental profile continues in the spotlight as in late 2020 it pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environment harm.

BMO

BMO Responsible UK Equity Growth Fund	Number of eligible votes: 1,401 Percentage of eligible votes cast: 100% Percentage of votes with management: 96.79% Percentage of votes abstained from: 0%	Company: CRH Plc Resolution: 3. Approve Remuneration Report Decision: Voted against the resolution Rationale for decision: BMO has taken issue with the level of pension contribution and generally high quantum of package in prior years. Whilst the pension contributions of both the CEO and CFO have being reduced, BMO still considers the level of contribution to be excessive. We encourage further significant reductions.

HSBC

HSBC Islamic pension Fund	Number of eligible votes: 1,597 Percentage of eligible votes cast: 91.6% Percentage of votes with management: 87.8% Percentage of votes abstained from: 0%	Company: Abbott Laboratories Resolution: Reduce Supermajority Vote Requirement Decision: Voted for the resolution Rationale for decision: HSBC favour one share, one vote and support measures to reduce or remove supermajority requirements. HSBC consider this vote to be relevant on the basis it was cast against the management recommendation and covered a relevant shareholder right.