AAF 02/07 Assurance Report and AAF 01/06 (Combined)

Internal controls for Master Trust Governance and Administration Report as at 29 February 2016
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C Summary of control objectives – AAF 01/06
1. Introduction

The Cheviot Trust (‘Cheviot’) has been providing pensions since 1930. It is an innovative not for profit organisation committed to providing straightforward and effective pension services to employers and members in defined contribution (the “Money Purchase Section” of the Cheviot pension), cash balance (the “With Profits Section” of the Cheviot pension) and defined benefit schemes (the “Final Salary Schemes”).

The Trustee

The Trustee is Cheviot Trustees Limited (‘the Trustee’). Trustee directors are drawn from employers and members. Directors with specialist skills are co-opted when required. The Trustee has five core Committees to which certain core functions are delegated: Investment, Finance, Strategic, Legal and Funding.

Employers

We understand that employers want to focus on their core business. We support employers through our strong governance, effective administration and engaging communications direct with members. Sponsors of final salary schemes can track funding levels, investment returns and other key information through accessible quarterly management reports which demonstrate the level of governance provided.

Members

Members find pensions difficult. Cheviot has always focused on member outcomes. It has introduced both pre and post retirement default options which take into account the new retirement flexibilities which are offered through the Money Purchase Section. It engages with members through its award winning simple, clear and engaging communications.

Investment approach

For both employers and members, Cheviot provides innovative and dynamic investment solutions which target both stability and absolute returns.

Audit and Assurance Framework 01/06 and 02/07

We have adopted the framework provided by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales entitled Assurance Reporting On Master Trusts (Master Trust Supplement to ICAEW AAF 02/07), ("the Master Trust Supplement"). Section 4 sets out the relevant controls.

Pensions and financial administration is undertaken in house. Section 5 of this report includes control procedures relevant to the pensions administration control objectives as set out in the framework also provided by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales entitled Assurance Reports on Internal Controls of Service Organisations Made Available to Third Parties (Technical Release AAF 01/06), ("the Internal Controls AAF").

By adopting both these frameworks, Cheviot can demonstrate the controls and procedures established and in operation at a Trustee governance level, as well as those that relate to the pensions and financial administration across Cheviot. Most controls set out in Section 4 apply to the whole Trust. If different controls apply to different sections of The Cheviot Trust (‘the Cheviot Pension and the Final Salary Schemes’), these are identified separately. Cheviot’s auditors have provided two opinions, one under the Master Trust Supplement and the other under the Internal Controls AAF.

Point in time

This report is at a point in time, dated 29 February 2016 in accordance with the Master Trust Supplement to AAF 02/07 and Internal Controls AAF 01/06.
2. Report of Cheviot Trustees Limited, the trustee of The Cheviot Trust

Control objectives

The Trustee is responsible for the identification of control objectives relating to clients' assets and liabilities, related transactions in the provision of pensions administration and governance in the operation of Cheviot. It is also responsible for the design, implementation and operation of the control procedures to provide reasonable assurance that the control objectives are achieved. Those objectives are derived from the Code of Practice for defined contribution schemes and regulatory guidance for defined benefit schemes.

In carrying out those responsibilities, the Trustee has regard to the interest of employers and members and also to the needs of Cheviot's business and the general effectiveness and efficiency of the relevant operations.

Evaluation

We have evaluated the effectiveness of Cheviot's control procedures having regard to the Master Trust Supplement and the Internal Controls AAF.

Control procedures

Sections 4 and 5 describe the control objectives and the relevant control procedures which operated as at 29 February 2016 to confirm that:

(a) the report describes fairly the control procedures that relate to the control objectives referred to above which were in place as at 29 February 2016; and

(b) the control procedures described were suitably designed such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily.

Signed on behalf of Cheviot Trustees Limited

Date 12 July 2016.
Reporting Accountant’s assurance report on the governance and administration control procedures of Master Trusts

To the Trustee of the Cheviot Trust

Use of report

Our report, subject to the permitted disclosures set out below, is made solely for the use of the Trustee of the Cheviot Trust ("the Trustee"), and solely for the purpose of reporting on the internal controls of the Cheviot Trust, in accordance with the terms of our engagement letter dated 30 March 2016 and attached in Appendix A.

Our work has been undertaken so that we might report to the Trustee those matters that we have agreed to state to it in our report and for no other purpose.

We permit the disclosure of our report, in full only, to verify to the recipient that a report by reporting accountants has been commissioned by the Trustee and issued in connection with the internal controls of the Cheviot Trust without assuming or accepting any responsibility or liability to the recipient on our part.

To the fullest extent permitted by law, we do not and will not accept or assume responsibility to anyone other than the Trustee as a body for our work, for our report or the opinions we have formed.

Scope

We have been engaged to report on the Trustee’s description and design of its governance and administration control procedures as at 29 February 2016.

Trustees’ responsibilities

The Trustee’s responsibilities and assertions are set out in Section 2 of your report. The control objectives stated in the description include those control objectives set out in the Master Trusts Supplement to AAF 02/07 that are considered relevant by the Trustee.

Our responsibilities

Our responsibility is to form an independent opinion, based on the work carried out in relation to the control procedures of the Cheviot Trust as described in Section 4 of the Trustee’s report and report this to the Trustee. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 and with ICAEW Technical Release AAF 02/07 including its Master Trusts Supplement. ISAE 3000 and AAF 02/07 require, among other things, that we comply with ethical and other professional requirements.

We planned and performed our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the control procedures were suitably designed. The criteria against which the control procedures were evaluated are the control objectives developed for the Master Trusts as set out within the Master Trusts Supplement to AAF 02/07 and identified by the Trustee as control objectives to be applied for the purpose of governance and administration.

Our work involved performing procedures to obtain evidence about the presentation of the Trustee’s description of the governance and administration control procedures and the design of those control procedures. Our procedures included assessing the risks that the description is not fairly presented, and that the controls procedures were not suitably designed. An assurance engagement of this type also included evaluating the overall presentation of the description and the suitability of the control objectives stated therein.
Inherent limitations

The Trustee’s description of control procedures was prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of control procedures that may be relevant to each employer company or member of the Cheviot Trust. Also, because of their nature, control procedures may not prevent or detect and correct all errors or omissions in performing governance or administration activities.

Our opinion is based on historical information. The projection of any evaluation of the fairness of the presentation of the description, or opinion about the suitability of the design or operating effectiveness of the control procedures to future periods would be inappropriate.

Opinion

In our opinion, in all material respects:

(i) Section 4 of the Trustee’s report fairly presents the control procedures that relate to the control objectives referred to above which were in place as at 29 February 2016; and

(ii) the control procedures described in Section 4 of this report were suitably designed to provide reasonable, but not absolute, assurance that the specified control objectives would have been achieved if the described control procedures were complied with satisfactorily.

Crowe Clark Whitehill LLP
Chartered Accountants
London

Date: 12 July 2016
Reporting accountants’ assurance report on internal controls of service organisations

To the Trustee of the Cheviot Trust

Use of report

This report is made solely for the use of the Trustee of the Cheviot Trust (“the Trustee”), and solely for the purpose of reporting on the internal controls of the Cheviot Trust, in accordance with the terms of our engagement letter dated 30 March 2016 and attached in Appendix A.

Our work has been undertaken so that we might report to the Trustee those matters that we have agreed to state to them in this report and for no other purpose. Our report must not be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances, without our express prior written permission.

We permit the disclosure of this report, in full only, by the Trustee at their discretion to customers of the Cheviot Trust using the Cheviot Trust’s pensions administration services and to the auditors of such customers, to enable customers and their auditors to verify that a report by reporting accountants has been commissioned by the Trustee of the Cheviot Trust and issued in connection with the internal controls of the Cheviot Trust, and without assuming or accepting any responsibility or liability to customers or their auditors on our part.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this report or for the conclusions we have formed.

Subject matter

This report covers solely the internal controls of the Cheviot Trust as described in your report as at 29 February 2016. Internal controls are processes designed to provide reasonable assurance regarding the level of control over customers’ assets and related transactions achieved by the Cheviot Trust in the provision of pensions administration activities by the Cheviot Trust.

Respective responsibilities

The Trustee’s responsibilities and assertions are set out in Section 2 of your report. Our responsibility is to form an independent conclusion, based on the work carried out in relation to the control procedures of the Cheviot Trust as described in your report and report this to you as Trustee of the Cheviot Trust.

Criteria and scope

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3000 and ICAEW Technical Release AAF 01/06. The criteria against which the control procedures were evaluated are the internal control objectives developed for service organisations as set out within the Technical Release AAF 01/06 and identified by the directors as relevant control objectives relating to the level of control over customers’ assets and related transactions in the provision of pensions administration services. Our work was based upon obtaining an understanding of the control procedures as described in Section 5 of this report by the Trustee, and evaluating the Trustee’s assertions as described in Section 5 to obtain reasonable assurance so as to form our conclusion.

Inherent limitations

Control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such control procedures cannot guarantee protection against (among other things) fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, our conclusion is based on historical information and the projection of any information or conclusions in the attached report to any future periods would be inappropriate.
Conclusion

In our opinion, in all material respects:

(i) the accompanying report by the Trustee describes fairly the control procedures that relate to
the control objectives referred to above which were in place as at 29 February 2016;

(ii) the control procedures described in Section 5 were suitably designed such that there is
reasonable, but not absolute, assurance that the specified control objectives would have been
achieved if the described control procedures were complied with satisfactorily.

Crowe Clark Whitehill LLP
Chartered Accountants
London

Date: 12 July 2016
<table>
<thead>
<tr>
<th>Control Objective</th>
<th>Control Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAFETY OF ASSETS &amp; RECORDS</td>
<td>A Discontinuance Plan (“the Discontinuance Plan”) is maintained and reviewed at least every two years. It details how member assets are safeguarded. The governing documentation sets outs provisions for termination of one or more sections of Cheviot.</td>
</tr>
<tr>
<td>Business &amp; Disaster Recovery</td>
<td>Cheviot’s IT function is outsourced to a specialist third party provider with service level agreements in place. The IT provider is required to document Cheviot’s systems. Annual disaster recovery tests are carried out.</td>
</tr>
<tr>
<td>Money Purchase Section</td>
<td>The Trustee reviews the capacity of its administration systems quarterly to ensure it has sufficient resources to meet any new business requirements. Forecasts of potential new members from existing employers are reviewed by the Trustee annually.</td>
</tr>
<tr>
<td>Final Salary Schemes</td>
<td>The administration requirements for taking on a new final salary scheme will vary depending on the specifics/requirements of the scheme. The requirements are established and considered before any new business is approved.</td>
</tr>
<tr>
<td>With Profits Section</td>
<td>The With Profits Section does not accept new business.</td>
</tr>
<tr>
<td>Data Quality &amp; Security</td>
<td>The Trustee annually reviews the completeness and accuracy of the common and conditional data it holds for all members of Cheviot. The targets are agreed by the Trustee. Ensuring the accuracy of the member unit holdings in the Money Purchase Scheme is addressed through detailed reconciliations at least monthly.</td>
</tr>
</tbody>
</table>
Control Objective

6. Physical and logical access to computer systems, and member and Master Trust records and data, is restricted to authorised persons.

7. IT equipment is maintained in a controlled environment and the maintenance and development of systems, applications and software is authorised, tested, approved and implemented.

Protection of assets

8. Member assets or entitlements are safeguarded from loss, misappropriation and unauthorised use in accordance with a defined policy.

9. Cash is safeguarded and all payments are suitably authorised and controlled.

10. Financial protection available to members in the event of default is assessed and documented, and communicated to employers and members on request.

Control Procedure

A secure File Transfer Protocol (FTP) site is used for Employer data received according to a written policy which is reviewed biennially.

IT security for Cheviot is outsourced to a specialised third party provider. The security includes a firewall and deployment of licensed software that manages the roll out of antivirus updates on user computers and mail servers.

All electronic data is held on servers in a secure locked room, hosted by a specialist third party provider. Only authorised members of staff of both Cheviot and the third party IT provider can access the servers. An internal process manages the changes to data.

Members of staff are allocated user names and passwords to access servers and network devices by the third party IT provider. These passwords expire after a defined period and users are prompted to change them.

Functional groups of users are maintained, each with appropriate levels of access permissions based upon their job function. A procedure for leavers is in place.

All electronic data at the secure data facility is held on servers in a secure, locked room. This room is equipped with air conditioning and a system is in place to control the temperature and humidity. The room is protected by an inert gas fire suppressant system.

The IT provider controls upgrades and new software applications.

A Discontinuance Plan is maintained which details how member assets are safeguarded within the investment structure. It is reviewed by the Trustee at least biennially.

Changes to data and investments and disinvestments are controlled by explicit policies and authorisation protocols.

Cheviot ensures that its chosen bank is registered with the Financial Conduct Authority.

Authorisation limits are included in Cheviot’s governance policy (the “Governance Policy”). The Governance Policy is reviewed and agreed by the Trustee annually.

Financial protection for members is documented in the Discontinuance Plan. This information is available on request.
**Control Objective**

11. Investment decisions relating to the selection of investments on regulated markets and unregulated investments are researched, authorised and monitored.

**ASSESSING VALUE**

**Assessment of Value for Money**

12. A value for money review is undertaken and this review is documented, approved and findings actioned.

13. A complete and accurate list of the types of costs and charges incurred by members and employers is documented, monitored and approved.

**Control Procedure**

The Trustee’s investment governance framework sets out its policy in relation to the selection of investments, including any restrictions. The suitability of investments is monitored quarterly in a detailed investment governance report by the Investment Committee, in accordance with its terms of reference.

A value for money review has been completed by the Investment Committee in accordance with its Terms of Reference.

The review takes account of the Pensions Regulator’s regulatory guidance and is available to employers on request.

**Money Purchase Section** - Costs and charges for the Money Purchase Section include both internal and external costs and are approved by the Trustee.

Employers do not incur costs in relation to the Money Purchase Section other than for additional services.

**Final Salary Schemes** - Costs and charges incurred in respect of individual final salary schemes include both internal and external costs. The basis of charging is reviewed by the Finance Committee annually.

**With Profits Section** - Costs and charges in respect of the With Profits Section are incurred for the Section as a whole and include both internal and external costs. They are reviewed within the statutory accounts by the Finance Committee. The statutory accounts are available on Cheviot’s website for members and employers. The costs do not impact accrued members’ benefits.

**All sections** - External charges from professional advisers are authorised according to the financial authorities included in the Governance Policy. Internal costs which are shared between sections are reviewed within the management and statutory accounts by the Finance Committee. Assets are largely held on an investment platform. The accuracy of the platform provider’s systems is reviewed each year by Cheviot’s auditors. Investment costs are reviewed by the Investment Committee annually. Transaction costs are reviewed where possible.

**Money Purchase Section** - Charges are set out explicitly on the website.

**Final Salary Schemes** - Estimated costs for employers are provided in advance of a scheme joining Cheviot based on the previous available accounts.

**With Profits Section** - The With Profits Section does not accept new business.

**Communication of costs and charges**

14. Disclosure of information on costs and charges to employers at the point of selection and is complete and accurate.
## Control Objective

15. Disclosure of information to members of costs and charges (rates (%) and amounts (£)) are complete and accurate.

### ASSESSMENT OF INVESTMENT OPTIONS

#### Appropriateness of the Default Strategies

16. The design and on-going suitability of the default strategies is regularly reviewed and monitored. This review is documented and approved.

17. The performance of the default strategies and funds within the default strategies are regularly reviewed and monitored. This review is documented and approved.

18. The range and risk profile of other investment options are documented, approved and regularly reviewed for suitability. This review is documented.

#### Appropriateness of the other investment options (ie, non default strategy investment options)

19. The performance of other investments options is regularly reviewed against relevant investment objectives and (where available) industry benchmarks. This review is documented and approved.

#### Identification of investment objectives and assessment against them

20. A complete and accurate description of all investment options is maintained and approved.

## Control Procedure

**Money Purchase Section** – Percentage charges in respect of the Money Purchase Section are shown on the benefit statement. Actual charges vary from member to member both through investment option choice and cash flows and are deducted by the investment platform provider. Members are provided with a worked example to show them how to calculate the charges on their account during the year.

**Final Salary Schemes** – Members can review costs and charges for the Final Salary Schemes in the statutory accounts but they do not affect their benefits.

**With Profits Section** - Members can review costs and charges for the With Profits Section in the statutory accounts but they do not affect their benefits.

The design and on-going suitability of the default strategy for the Money Purchase Section is reviewed annually by the Investment Committee and minuted.

Performance of the components of the default strategy is reviewed quarterly by the Investment Committee through the investment governance report and minuted.

The design and on-going suitability of each investment option offered under the Money Purchase Section is reviewed annually by the Investment Committee and minuted.

Performance of each investment option against the relevant investment objectives and benchmarks is reviewed quarterly by the Investment Committee through the investment governance report and minuted.

A complete and accurate description of all investment options in the Money Purchase Section is available on the Cheviot website. Performance information is updated quarterly.
<table>
<thead>
<tr>
<th>Control Objective</th>
<th>Control Procedure</th>
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<tbody>
<tr>
<td><strong>21.</strong> A Statement of Investment Principles (SIP) is documented, approved and regularly reviewed.</td>
<td>Separate SIPs are prepared for the Money Purchase Section, With Profits Section and each Final Salary Scheme. The SIPs are reviewed annually or if investment strategy changes require a review.</td>
</tr>
<tr>
<td><strong>PEOPLE</strong> Conflict of Interest</td>
<td>The Governance Policy includes conflicts of interest policies for trustees, key staff and advisers. A conflict register for trustee directors and managers is maintained and reviewed quarterly.</td>
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<tr>
<td><strong>22.</strong> Conflicts of interest are identified, recorded and managed in accordance with a defined policy which is regularly reviewed and approved.</td>
<td>The Governance Policy includes conflicts of interest policies for trustees, key staff and advisers. A conflict register for trustee directors and managers is maintained and reviewed quarterly.</td>
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<tr>
<td><strong>Fit and proper trustees</strong></td>
<td>The Governance Policy requires suitability checks to be completed in accordance with the detailed policy.</td>
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<tr>
<td><strong>23.</strong> Fitness and propriety requirements are recorded and managed in accordance with a defined policy which is regularly reviewed and approved.</td>
<td>The policy is reviewed when a new trustee director is appointed or at least every five years.</td>
</tr>
<tr>
<td><strong>24.</strong> The fitness and propriety of trustee directors is regularly reviewed and monitored prior to appointment and thereafter. This review is documented and approved.</td>
<td>Background checks have been completed for all trustee directors in accordance with a written policy which requires checks to be completed on appointment or at least every five years.</td>
</tr>
<tr>
<td><strong>25.</strong> Trustee skills and knowledge are managed and maintained in accordance with an approved training programme. The training programme is regularly reviewed and updated.</td>
<td>The Governance Policy includes training requirements and process. A training programme is conducted at most full trustee meetings and follows the Pensions Regulator’s trustee toolkit, including completion of the worksheets provided, amended for Cheviot’s specific structure. A booklet of all the completed worksheets is provided to each trustee. The training programme is reviewed each year.</td>
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<tr>
<td><strong>GOVERNANCE</strong> Resource Planning</td>
<td>A quarterly governance and operational report includes resource information and whether service standards are being met. Any negative impact on service standards would result in a review of resourcing.</td>
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<tr>
<td><strong>26.</strong> A plan is maintained and regularly reviewed to ensure that resources are properly allocated.</td>
<td>The Governance Policy sets out the roles and responsibilities of trustees and the Chief Executive and is reviewed annually. Terms of engagement are in place for all advisers and reviewed on a triennial basis. The terms of reference of each Committee are included in the Governance Policy and include any delegated powers.</td>
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<tr>
<td><strong>Scheme Management</strong></td>
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<tr>
<td><strong>27.</strong> Roles, responsibilities and duties of all trustees, advisers and service providers are documented, approved and regularly reviewed.</td>
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<tr>
<td>Control Objective</td>
<td>Control Procedure</td>
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<tr>
<td>28. Activities undertaken by all scheme advisers and service providers are</td>
<td>Management of advisers is delegated to the Chief Executive in the Governance Policy. The Chief Executive reports quarterly to the Trustee. The Trustee</td>
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<td>properly managed and subject to regular performance reviews which are</td>
<td>undertakes annual performance reviews of all key advisers.</td>
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<td>documented and approved.</td>
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<td></td>
<td><strong>Internal control framework</strong></td>
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<td>29. A risk management framework is established to identify, manage and monitor significant operational, financial, regulatory and compliance risks.</td>
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<td>A risk register is required under the Governance Policy. The relevant risks are reviewed at each Committee meeting. The register evaluates the likelihood</td>
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<td>and impact of risks and any mitigation in place. Risks identified as high risk are reviewed at the quarterly Board meetings.</td>
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<td></td>
<td><strong>Core scheme transactions</strong></td>
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<td>30. Contribution, benefit payments, investment transactions and calculations and related income and expenditure are completely and accurately</td>
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<td>processed in a timely manner and recorded in the proper period.</td>
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<td></td>
<td><strong>Money Purchase Section</strong> - Member contributions received are reconciled upon receipt and invested within 5 working days. Unit holdings are</td>
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<td></td>
<td>reconciled at least monthly.</td>
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<td></td>
<td><strong>Final Salary Schemes</strong> - Compliance reports are completed and reviewed monthly to ensure that contributions received are accurate. Employer</td>
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<tr>
<td></td>
<td>contributions are reconciled within 5 working days.</td>
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<td></td>
<td><strong>With Profits Section</strong> - No contributions are currently received.</td>
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<td></td>
<td><strong>All sections</strong> - Procedures are in place to ensure that core scheme transactions are dealt with promptly and accurately. This includes payment of</td>
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<td></td>
<td>benefits from all sections. Operational reports are provided to the Trustee each quarter which review financial transactions against agreed service</td>
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<td>standards. Investment transition reports are prepared by the Investment Consultant and reviewed by the Investment Committee.</td>
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<td></td>
<td>Procedures are in place to ensure the accurate investment of contributions in accordance with member instructions.</td>
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<td></td>
<td>A policy sets out the procedure when a transaction error is identified and is reviewed every three years.</td>
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<td></td>
<td>A process is in place to identify late and inaccurate contributions and what action should be taken to resolve it. Late transactions are reported to the</td>
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<td>Trustee each quarter.</td>
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<td>Trustee each quarter.</td>
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<td></td>
<td>A documented process manages the retirement process. This is reviewed internally at least annually and approved by CEO under delegated powers from the</td>
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<td>Trustee.</td>
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<tr>
<td></td>
<td><strong>Receipt of contributions</strong></td>
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<td>33. Late and inaccurate contributions are pursued and resolved.</td>
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<td>Trustee each quarter.</td>
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<tr>
<td></td>
<td><strong>Retirement process</strong></td>
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<tr>
<td></td>
<td>34. Retirements are managed in accordance with a documented process which is regularly reviewed and approved.</td>
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<tr>
<td></td>
<td>A documented process manages the retirement process. This is reviewed internally at least annually and approved by CEO under delegated powers from the</td>
</tr>
<tr>
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<td>Trustee.</td>
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</tbody>
</table>
**Control Objective**

35. Retirement products selected by members are monitored and the range of retirement products made available is reviewed regularly for ongoing suitability.

36. Members are regularly made aware of their investment choices, the importance of reviewing the suitability of their investment choices and that their level of contributions is a key factor in determining the overall size of their pension fund.

**Communications**

37. Scheme communications are accurate, clear and understandable and are produced in accordance with a documented communications plan. The plan is regularly reviewed and monitored.

38. Communications contain information to support the decisions members need to make at retirement.

**Control Procedure**

- **35.** Retirement choices are monitored by the Trustee quarterly. Cheviot’s flexible retirement options are reviewed at least annually for suitability.

- **36.** The Members’ annual benefit statement shows the funds in which the member is investing and reminds them to review their choices and that they can increase their fund through a number of ways.

- **37.** A communication plan is in place, reviewed quarterly and updated annually. The net pay nature of Cheviot is highlighted to new members. Communications are regularly monitored for accuracy and accessibility. The Communication plan is reviewed by the Strategic Committee and an update provided to the Trustee.

- **38.** The administration process meets the disclosure requirements in relation to information at retirement. The Cheviot website includes a suite of pages which explain the new options and a modeller which demonstrates the financial implications of each option. The pages include links to Pension Wise.
## Control Objective

### 1. Accepting Clients

1.1 Accounts are set up and administered in accordance with client agreements and applicable regulations
   - Defined Benefit (Final Salary Schemes)
   - Defined Contribution (Money Purchase section)

1.2 Complete and authorised client agreements are operative prior to initiating administration activity.

1.3 Pension schemes taken on are properly established in the system in accordance with the scheme rules and individual elections.

### 2. Authorising and processing transactions

2.1 Contributions to defined contributions plans, defined benefit schemes, or both, and transfers of members’ funds between investment options are processed accurately and in timely manner

2.2 Benefits payable and transfer values are calculated in accordance with scheme rules and relevant legislation and are paid on a timely basis.

## Control Procedure

### Money Purchase Section

- Client agreements take the form of an application form which sets out the obligations of both the employer and the trust. The form has been reviewed by the Trustee’s lawyers to ensure compliance with applicable regulations.

### Final Salary Schemes

- The Trustee Board will approve the acceptance of a new final salary scheme only after it has considered professional advice. The documentation required to enable a final salary scheme to join Cheviot will include a deed of adherence and is tailored to the specific scheme.

### With Profits Section

- The With Profits Section does not accept new business.

### Control Procedure

These procedures cover control objectives 1.1, 1.2 and 1.3.

### Money Purchase Section

- Member contributions received are reconciled against the Profund administration system upon receipt and invested within 5 working days. Exception reports are generated and variances investigated.

### Final Salary Schemes

- Compliance reports are completed and reviewed monthly to ensure that contributions received are accurate. Employer contributions are reconciled within 3 working days and invested within 2 weeks.

### With Profits Section

- No contributions are currently received.

### All sections

- Procedures are in place to ensure that core scheme transactions are dealt with promptly and accurately. Operational reports are provided to the Trustee each quarter which review financial transactions against agreed service standards.

- The transfer value bases for each section are reviewed and agreed by the Funding Committee. The latest transfer value calculation policy was dated October 2015 and is reviewed annually.

- Operational reports are provided to the Trustee each quarter which include details of any payments outside the agreed service standards.
### Control Objective

<table>
<thead>
<tr>
<th>Control Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Money Purchase Section</strong>&lt;br&gt;The process includes reconciliation between the administration system and the unit holdings.</td>
</tr>
<tr>
<td><strong>Final Salary Schemes</strong>&lt;br&gt;Transfer value calculations are carried out internally by the Pensions Administration team using underlying factors provided by the Scheme Actuary.</td>
</tr>
<tr>
<td><strong>With Profits Section</strong>&lt;br&gt;With Profits members’ calculations are carried out internally by the Pensions Administration team using underlying factors provided by the Scheme Actuary.</td>
</tr>
<tr>
<td><strong>All sections</strong>&lt;br&gt;Benefits are calculated by the administration system or on a spreadsheet in accordance with agreed procedures and in compliance with the relevant legislation and scheme rules as set out in the policy dated January 2016. Benefit calculations are checked and authorised internally before issue.</td>
</tr>
</tbody>
</table>

### 3. Maintaining financial and other records

- **3.1** Member records consist of up to date and accurate information and are updated and reconciled regularly.

- **3.2** Contributions and benefit payments are completely and accurately recorded in the proper period.

<table>
<thead>
<tr>
<th>Control Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Trustee annually reviews the completeness and accuracy of the common and conditional data it holds for all members of Cheviot.</td>
</tr>
<tr>
<td>Money Purchase Section unit holdings are reconciled at least monthly.</td>
</tr>
<tr>
<td>Member data is reviewed for completeness before any calculations are undertaken.</td>
</tr>
<tr>
<td>Ensuring the accuracy of the member unit holdings in the Money Purchase Section is addressed through detailed reconciliations at least monthly against investment manager records.</td>
</tr>
<tr>
<td>All benefit payments are processed on the basis of a checklist following appropriate authorisation. Payment entries are recorded daily and regularly reconciled against the bank statement.</td>
</tr>
<tr>
<td><strong>Money Purchase Section</strong> – Member contributions received are reconciled against member records and then invested within 5 working days.</td>
</tr>
<tr>
<td>Unit holdings are reconciled at least monthly.</td>
</tr>
<tr>
<td><strong>Final Salary Schemes</strong> – Compliance reports are completed and reviewed monthly to ensure that contributions received are accurate and in accordance with the schedule of contributions. Employer contributions are reconciled within 5 working days and invested within 2 weeks.</td>
</tr>
</tbody>
</table>
Control Objective | Control Procedure
---|---
**With Profits Section** – No contributions are currently received.**All sections** - Procedures are in place to ensure that core transactions are dealt with promptly and accurately. These procedures include the investment and disinvestment of contributions, quarterly rebalancing and the posting and application of members’ contributions. This includes payment of benefits from all sections.

Operational reports are provided to the Trustee each quarter which review financial transactions within the quarter against Trustee agreed service standards.

Reconciliations of holdings are undertaken after every transaction, which compare investment manager records to the Sage accounting ledger.

All original documentation on site is held in the fireproof safe. All historic original deeds are held offsite at a secure storage facility in a fireproof area. This process is used across all sections.

Document boxes are updated for relevant Section/Scheme information. These documents are scanned and held on the electronic extranet system as part of risk management. The extranet server is offsite at a secure location which has been approved by the third party IT provider.

All electronic data is held on servers in a secure locked room, hosted by a specialist third party provider. Only authorised members of staff of both Cheviot and the third party IT provider can access the servers.

A System access matrix is maintained and reviewed annually to ensure that staff members’ access is appropriate for their role.

Member files are scanned and stored externally/offsite at a secure location.

Procedures protect against unauthorised or inadvertent amendments to data.

Cheviot only uses a registered bank which is regulated by the Financial Conduct Authority.

A bank mandate is in place, along with strictly controlled Internet banking access which ensures segregation of duties for payments. Signing authorities are reviewed by the Trustee on an annual basis. Bank reconciliations are completed at least monthly. This applies to all sections.

---

3.3 Investment transactions, balances and related income are completely and accurately recorded in the proper period.

3.4 Scheme documents (deeds, policies, contracts, booklets etc) are complete, up to date and securely held.

---

4. **Safeguarding Assets**

4.1 Member and scheme data is appropriately stored to ensure security and protection from unauthorised use.

4.2 Cash is safeguarded and payments are suitably authorised and controlled.
<table>
<thead>
<tr>
<th>Control Objective</th>
<th>Control Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Monitoring Compliance</td>
<td>Financial authorities, detailing levels of authority internally and externally, are approved by the Finance Committee annually and operate to safeguard payments.</td>
</tr>
<tr>
<td>5.1 Contributions are received in accordance with schemes’ rules and relevant legislation.</td>
<td><strong>Money Purchase Section</strong> – Member contributions received are reconciled against the administration records at least monthly.</td>
</tr>
<tr>
<td>5.2 Services provided to pensions schemes are in line with service level agreement.</td>
<td><strong>Final Salary Schemes</strong> – Compliance reports are completed and reviewed monthly to ensure that contributions received are accurate and received in accordance with the Schedules of Contributions.</td>
</tr>
<tr>
<td>5.3 Transaction errors are rectified promptly and clients treated fairly.</td>
<td><strong>With Profits Section</strong> – No contributions are currently received.</td>
</tr>
<tr>
<td>6. Reporting to Clients</td>
<td>Services provided to members are agreed with the Trustee Board. These are reported to the Trustee in the quarterly Governance and Operational reports.</td>
</tr>
<tr>
<td>6.1 Periodic reports to participants and scheme sponsors are accurate and complete and provided within required timescales.</td>
<td>A policy sets out the procedure when a transaction error is identified and is reviewed every three years. The Internal Dispute Resolution Procedure is in place to provide members with a formal process in which to make a complaint if necessary.</td>
</tr>
<tr>
<td>6.2 Annual accounts are prepared in accordance with applicable law and regulations.</td>
<td><strong>Members</strong> - Money Purchase and With Profits members (non pensioners) receive annual benefit statements, including a statutory money purchase illustration, within the required timescale.</td>
</tr>
<tr>
<td>6.3 Regulatory reports are made if necessary.</td>
<td>Final Salary members who are still in active membership receive a benefit statement within the required timescale.</td>
</tr>
<tr>
<td></td>
<td>Summary funding statements are issued within required timescales to all members, including those in small schemes.</td>
</tr>
<tr>
<td></td>
<td>A report to members, including financial information, is issued to all members and pensioners each year.</td>
</tr>
<tr>
<td></td>
<td><strong>Employers</strong> - Statutory accounts are signed within the statutory timescales. They are made available to Money Purchase/With profits employers.</td>
</tr>
<tr>
<td></td>
<td>Statutory accounts are signed within the statutory timescales for Final Salary Schemes and issued to the relevant employers.</td>
</tr>
<tr>
<td></td>
<td>A policy is in place to ensure applicable law and regulations are adhered to.</td>
</tr>
<tr>
<td></td>
<td>The Trustee is kept informed by way of a quarterly Governance and Operational report.</td>
</tr>
</tbody>
</table>
Control Objective

7. Restricting access to systems and data

7.1 Physical access to computer networks, equipment, storage media and program documentation is restricted to authorised individuals.

7.2 Logical access to computer systems, programs, master data, transaction data and parameters, including access by administrators to applications, databases, systems and networks, is restricted to authorised individuals via information security tools and techniques.

7.3 Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles.

8. Providing integrity and resilience to the information processing environment, commensurate with the value of the information held, information processing performed and external threats

8.1 IT Processing is authorised and scheduled appropriately and exceptions are identified and resolved in a timely and secure manner.

8.2 Data transmissions between the service organisation and its counterparties are complete, accurate, timely and secure.

8.3 Appropriate measures are implemented to counter the threat from malicious electronic attack (eg, firewalls, anti-virus etc).

8.4 The physical IT equipment is maintained in a controlled environment.

Control Procedure

All electronic data is held on servers in a secure locked room, hosted by a specialist third party provider.

Only authorised members of staff of both Cheviot and the third party IT provider can access the servers.

The IT provider controls upgrades and new software applications.

Members of staff are allocated user names and passwords to access servers and network devices by the third party IT provider.

These passwords expire after a defined period and users are prompted to change them. Functional groups of users are maintained, each with appropriate levels of access permissions based upon their job function.

A procedure for leavers is in place.

IT processing for Cheviot is outsourced to a specialist third party provider.

A secure File Transfer Protocol (FTP) site is used for Employer data received according to a written policy which is reviewed biennially.

IT security for Cheviot is outsourced to a specialised third party provider. The security includes a firewall and deployment of licensed software that manages the roll out of antivirus updates on user computers and mail servers.

All electronic data at the secure data facility is held on servers in a secure, locked room. This room is equipped with air conditioning and a system is in place to control the temperature and humidity. The room is protected by an inert gas fire suppressant system.
<table>
<thead>
<tr>
<th>Control Objective</th>
<th>Control Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>9. Maintaining and developing systems hardware and software</strong></td>
<td>The IT provider controls upgrades and new software applications.</td>
</tr>
<tr>
<td>9.1 Development and implementation of new systems, applications and software, and changes to existing systems, applications and software, are authorised, tested, approved and implemented.</td>
<td></td>
</tr>
<tr>
<td>9.2 Data migration or modification is authorised, tested and, once performed, reconciled back to the source data</td>
<td>A project plan is agreed between relevant departments. This sets out the objective, method, testing, responsibilities and conclusions. User acceptance testing is carried out.</td>
</tr>
<tr>
<td><strong>10. Recovering from processing interruptions</strong></td>
<td>The Disaster Recovery Plan sets out the controls.</td>
</tr>
<tr>
<td>10.1 Data and systems are backed up regularly, retained offsite and regularly tested for recoverability.</td>
<td>The agreement with the IT third party provider sets out service standards.</td>
</tr>
<tr>
<td>10.2 IT hardware and software issues are monitored and resolved in a timely manner.</td>
<td>Disaster Recovery Plan is in place and is tested annually.</td>
</tr>
<tr>
<td>10.3 Business and information systems recovery plans are documented, approved, tested and maintained</td>
<td>An agreement is in place with the third party IT provider which sets out service standards and disaster recovery testing takes place annually.</td>
</tr>
<tr>
<td><strong>11. Monitoring Compliance</strong></td>
<td></td>
</tr>
<tr>
<td>11.1 Outsourced activities are properly managed and monitored.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix A – Letter of Engagement

Crowe Clark Whitehill LLP
Chartered Accountants
Member of Crowe Horwath International
St. Bride's House, 10 Salisbury Square
London EC4Y 8EH, UK
Tel: +44 (0)20 7842 7100
Fax: +44 (0)20 7863 1720
DX: 0014 London Chancery Lane
www.croweclahorwath.co.uk

30 March 2016
Our ref: LOC02982/JH/GJ

Cheviot Trustees Limited
Kingswood House
58-64 Baxter Avenue
Southend-on-Sea
Essex
SS2 6BG

Dear Sirs,

This letter sets out the basis on which we are to act for you and includes your and our respective responsibilities.

1. Scope of our work

1.1 You have asked us to act as reporting accountant to deliver services to you in connection with the internal control procedures of The Cheviot Trust (“the Trust”) as at 29 February 2016.

2. Responsibilities of Trustee

2.1 The Trustee of the Trust (Cheviot Trustees Limited – “the Trustee”) in relation to which the reporting accountants’ assurance report is to be provided shall be responsible for the design, implementation and operation of the internal control procedures at the Trust. The Trustee’s responsibilities are and shall include:

a) acceptance of responsibility for internal controls;

b) evaluation of the effectiveness of the Trust’s control procedures using suitable criteria; and

c) supporting their evaluation with sufficient evidence, including documentation.

2.2 The Trustee acknowledges and accepts its responsibility for providing a written assertion about whether in all material respects, and based on suitable criteria:

a) The Trustee’s description of the Trust’s procedures fairly represents the control procedures that relate to the control objectives which were in place as at 29 February 2016; and

b) The control procedures stated in the Trustee’s description, relating to those control objectives, were suitably designed to achieve those control objectives as at 29 February 2016.

2.3 This written assertion will be included in, or attached to, the Trustee’s description of the control procedures, and provided to user entities as part of the final report issued by the Trustee.
2.4 In drafting this report the Trustee has regard to, as a minimum, the criteria specified within TECH 07/14AAF, Assurance reporting on master trusts (Master Trust Supplement to ICAEW AAF 02/07) and the Technical Release AAF 01/06 issued by the Institute of Chartered Accountants in England and Wales (ICAEW), but they may add to these to the extent that this is considered appropriate.

3. Responsibilities of reporting accountants

3.1 It is our responsibility to form an independent conclusion, based on the work carried out in relation to the control procedures of the Trust as described in the Trustee’s report and report this to the Trustee.

4. Scope of the reporting accountants’ work

4.1 We conduct our work in accordance with the procedures set out in AAF 01/06, AAF 02/07 and TECH 07/14AA7 (as amended from time to time or as set out in any replacement framework documents and technical releases). Our work will include enquiries of key individuals at the Trust.

4.2 In reaching our conclusion, the criteria against which the control procedures are to be evaluated are the internal control objectives developed for service organisations as set out within AAF 01/06 and TECH 07/14AA7 (as amended from time to time or as set out in any replacement framework documents and technical releases).

4.3 Any work already performed in connection with this engagement before the date of this letter will also be governed by the terms and conditions of this letter.

4.4 We may seek written representations from the Trustee in relation to matters on which independent corroboration is not available. We shall seek confirmation from the Trustee that any significant matters of which we should be aware have been brought to our attention.

4.5 Our objective will be to conduct an examination that will include procedures to obtain reasonable assurance, in all material respects and based on suitable criteria, to enable us to express an opinion (Type I Reporting Accountant’s Assurance Report) as to whether:

a) The Trustee’s description of controls fairly presents the control procedures that relate to the control objectives specified by the Trustee which were in place as at 29 February 2016; and

b) The controls procedures described in the Trustee’s Report were suitably designed to provide reasonable, but not absolute assurance, that the specified control objectives would have been achieved if the described control procedures operated effectively as at 29 February 2016.

4.6 The control objectives for this examination are specified by the Trustee. In conducting the examination we will examine on a test basis, evidence supporting the Trustee’s description of controls and perform other procedures as we consider necessary in the circumstances to provide a reasonable basis for our report. Our examination will not include other systems, controls, operations or services not specified herein including internal control at user organisations and, accordingly, we will express no opinion on such items.

5. Inherent limitations

5.1 The Trustee acknowledges that control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such procedures cannot guarantee protection against fraudulent collusion, especially on the part of those holding
positions of authority or trust. Furthermore, the opinion set out in our report will be based on historical information and the projection of any information or conclusions in our report to any future periods will be inappropriate.

6. Use of our report

6.1 Our report will, subject to the permitted disclosures set out in this letter, be made solely for the use of the Trustee and solely for the purpose of reporting on the internal controls of the Trust, in accordance with these terms of our engagement.

6.2 Our work will be undertaken so that we might report to the Trustee those matters that we have agreed to state to them in our report and for no other purpose.

6.3 We permit the disclosure of our report, in full only, to verify that a report by a reporting accountant has been commissioned by the Trustee and issued in connection with the internal controls of the Trust without assuming or accepting any responsibility or liability to the parties to whom it has been disclosed on our part.

6.4 To the fullest extent permitted by law, we do not and will not accept or assume responsibility to anyone other than the Trustee as a body for our work, for our report or for the opinions we will have formed.

OTHER MATTERS

7. Limitation of liability

7.1 We will perform the foregoing services with reasonable skill and care and acknowledge that we will be liable to you for losses, damages, costs or expenses ("losses") caused by our negligence, breach of contract, fraud or wilful default. However, Crowe Clark Whitehill LLP will not be liable if such losses are due to the provision of false, misleading or incomplete information or documentation, unless such false, misleading or incomplete information or documentation is manifest, or due to the acts or omissions of any person other than Crowe Clark Whitehill LLP.

7.2 Where any damage or loss is suffered by you for which Crowe Clark Whitehill LLP would otherwise be jointly and severally liable with any third parties, the extent to which such loss shall be recoverable by you from Crowe Clark Whitehill LLP, as opposed to the third party, shall be limited so as to be in proportion to Crowe Clark Whitehill LLP's contribution to the overall fault for such damage or loss, as agreed between the parties, or in the absence of agreement, as finally determined by the English court.

7.3 The aggregate liability, whether to you or any third party, of whatever nature, whether in contract, tort or otherwise, of Crowe Clark Whitehill LLP for any losses whatsoever and howsoever caused by or arising from this engagement shall not exceed (including interest) £1 million.

7.4 Nothing in this section shall exclude or restrict the liability of Crowe Clark Whitehill LLP for fraud or dishonesty or otherwise to the extent that it cannot do so by law.

7.5 In this section, "Crowe Clark Whitehill LLP" refers to Crowe Clark Whitehill LLP, and any successor or assignee.

7.6 You agree that you have fully considered the provisions of this section and all the other provisions of this letter (including the General Terms and Conditions of Business) and that they are reasonable in the light of the factors relating to the Engagement.

7.7 You agree (to the extent such agreement is enforceable under applicable laws) that you will not bring any claim in respect of or in connection with the engagement whether on the basis of contract, tort (including negligence), breach of statutory duty
or otherwise against any member or employee of Crowe Clark Whitehill LLP whether or not that person is described as a "partner".

7.8 The advice we give you is for your sole use subject to the ability to disclose the report to third parties as set out in clause 6.

8. Fees

8.1 Our fees will be agreed with the Trustee prior to the commencement of the engagement.

8.2 Our fees and disbursements, together with any applicable VAT, will be billed at approximately monthly intervals during the course of the year, or once a particular assignment has been completed. We may from time to time render bills together with applicable VAT on account of or in advance of services. Our fees and disbursements will be agreed with the Trustee before they are issued.

8.3 If we need to do work outside the responsibilities outlined in our engagement letter, we will advise you in advance. This will involve additional fees. Accordingly it is in your interest to ensure that your records etc. are completed at the agreed stage.

9. Communicating with you

9.1 We may communicate with you by email. As with other means of delivery this carries with it the risk of inadvertent misdirection or non-delivery. The recipient is responsible for carrying out a virus check on attachments.

9.2 Internet communications may be corrupted, and, we accept no responsibility for changes to such communications after their despatch. It may therefore be advisable to obtain hard copy confirmation of advice in an email. However, we accept responsibility for any errors, problems and risks that may arise in connection with our sending of commercially sensitive information relating to you through our negligent use of the Internet, or failure to maintain reasonable Internet security.

10. Improving our service

10.1 Our aim is to provide a high standard of service, reliability and skill. If at any time you would like to discuss with us how we could improve our service to you or you are dissatisfied with the service you are receiving, please let us know by telephoning or writing to Judith Hetherington or Nigel Bostock, the Managing Partner of this office. Alternatively you may contact the Chief Executive of the firm, David Mellor, at Crowe Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH.

10.2 Should our service be less than satisfactory we will take all reasonable steps to correct the situation. We undertake to investigate any complaints carefully and promptly and to report our findings to you.

10.3 If you are still dissatisfied you may take the matter up directly with the ICAEW at:

Professional Conduct Department
ICA EW
Level 1, Metropolitan House
321 Avebury Boulevard
Milton Keynes MK9 2FZ

11. Professional rules and practice guidelines

11.1 We will observe the bye-laws, regulations and ethical guidelines of the Institute of Chartered Accountants in England and Wales and accept instructions to act for you on the basis that we will act in accordance with them. We are registered to carry on
audit work in the UK by the Institute of Chartered Accountants in England and Wales and details about our audit registration can be viewed at www.auditregister.org.uk, under reference number C001095468. The Audit Regulations and Guidance and APB Ethical Standards that we are required to adhere to can be found at icaew.com/auditnews and http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Ethical-standards-for-auditors.aspx.

11.2 Details of our professional indemnity insurer can be found on our internet web site (www.croweclarkwhitehill.co.uk) on the Disclosures page, in accordance with the requirements of the Provision of Services Regulations 2009.

11.3 We reserve the right during our engagement with you to act for other clients whose interests are or may be adverse to yours, subject to the further provisions with regard to confidentiality below. We confirm that we will notify you immediately should we become aware of any conflict of interest involving us and affecting yourselves.

11.4 We confirm that where you give us confidential information we shall at all times keep it confidential, except as required by law, regulatory or other professional requirements.

11.5 Our files are periodically reviewed by an independent regulator or quality controller as part of our ongoing commitment to providing a quality service. The reviewers are bound by the same rules of confidentiality as our partners and staff.

11.6 You agree that we will be complying sufficiently with our duty of confidence if we take steps that we in good faith think fit to keep appropriate information confidential during and after our engagement.

11.7 To enable us to discharge the services agreed under our engagement, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance, we may obtain, use, process and disclose personal data about you or your entity, its officers and employees, as applicable. We confirm when processing data on your behalf we will comply with the relevant provisions of the Data Protection Act 1998.

11.8 The personal data we may hold about you will principally relate to your contact details, including your company's contact information if applicable. We may also retain details of events or functions to which you have been invited, or your expressions of interest in events, functions and mailings. If you wish to change any of your preferences with regard to this information, please advise us.

11.9 Your personal data is only available within the Crowe Clark Whitehill group of entities and details of these can be found in the Disclosure section of our website. We will not share your personal data or make it available to any third party without your prior consent.

12. **Retention of records**

12.1 During our work we will collect information from you and others acting on your behalf and will return any original documents to you when our work is complete.

12.2 We will not hold copies of these documents, so you need to keep them safely.

12.3 Unless you tell us not to, we intend to destroy correspondence and other papers that are more than six years old (from the end of the relevant period). You must tell us if you wish us to keep any documents.
13. **Applicable law**

13.1 Only someone who is a party to this Agreement has the right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms. This clause does not affect any right or remedy that exists independently of that Act.

13.2 Our engagement with you is governed by, and interpreted in accordance with, English law. The Courts of England shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning our engagement letter and terms of business and any matter arising from them. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction.

14. **Confirmation of your agreement**

14.1 Once agreed, this letter will remain effective from the date of signature until it is replaced. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing. The period of termination will be immediate if both of us agree, otherwise the termination period will be a month.

14.2 You have the right to cancel this contract within 14 days of the date of your signature without giving any reason.

14.3 Please confirm your agreement to the terms of this letter and the attached terms of business by signing and returning one of the enclosed copies.

14.4 If this letter and the attached terms of business are not in accordance with your understanding of our terms of appointment, please let us know.

14.5 This letter and the attached terms shall override any inconsistent terms that have been agreed between us and the Trustee insofar as they apply to the work covered by this letter.
Yours faithfully

Crowe Clark Whitehill LLP

AGREEMENT OF TERMS

We acknowledge receipt of this letter which together with the terms of business fully records the agreement between us concerning your appointment to carry out the work described in it.

Name  
Position  
Signed  
Date  

For and on behalf of Cheviot Trustees Limited
TERMS AND CONDITIONS

1. DEFINITIONS
   In these Terms and Conditions, "We" means Crowe Clark Whitehill LLP, "You" means the person or company with whom the Contract is agreed, "Contract" means the terms of engagement agreed between Crowe Clark Whitehill LLP and you to which these terms and conditions relate, "Services" means the services we agree to provide you with under the Contract.

2. SERVICES
   2.1 We shall provide Services as agreed with you and in doing so we shall observe the Ethical Guidelines issued by the Institute of Chartered Accountants in England and Wales.
   2.2 We shall provide Services for your exclusive benefit and you agree not to disclose or supply to any other party written or verbal advice, reports or other information provided by us without our specific written agreement.

3. FEES
   3.1 We shall charge fees on the basis set out in our proposal or engagement letter or as otherwise agreed in writing.
   3.2 From time to time we shall bill you for Services together with any applicable VAT.
   3.3 We may from time to time render bills together with applicable VAT on account of or in advance of Services.
   3.4 You agree to pay our fees within 30 days from the date of the invoice.
   3.5 Payment of our fees from a bank based outside the UK must be made via transfer to our bankers and must quote our invoice details.
   3.6 We will claim for relief for any fees falling within the scope of the VAT Regulations 1995 (SI 1995/2518).

4. NON-PAYMENT OF FEES
   4.1 If you fail to pay our fees within 30 days from the date of the invoice we reserve the right:
      - to charge monthly Interest on the unpaid amount at 8% APR over the Barclays Bank plc Base Rate in accordance with the Late Payment Legislation,
      - to suspend the Services and any other work which we are carrying out for you,
      - to take whatever legal remedy exists in order to obtain payment, and
      - claim cost of debt recovery.
   4.2 If you consider the fees which we have charged are excessive or unfair, you may within a period of 30 days from the date of receipt of the bill complain in writing to us, specifying the cause of complaint. If you do not make such complaint within 30 days of the receipt of the bill, our rights specified in 4.1 will apply.
   4.3 If you make such complaint:
      -- we shall investigate it. If we agree with you we shall make an appropriate reduction in the amount invoiced and interest will not be charged on the amount of the reduction but may be charged on the balance,
      -- we shall still have the right to suspend the Services and any other work we are carrying out for you and to take whatever legal remedy exists in order to obtain payment.

5. VARIATION
   Any variation to the Contract shall only be effective if it is agreed in writing between you and a member in Crowe Clark Whitehill LLP.

6. TERMINATION
   In relation to Services as Auditor under any statutory provisions, you or we may terminate the Contract only in accordance with the provisions of the relevant Act or regulation. In relation to any other Services, you or we may terminate the Contract at any time by giving not less than 30 days notice in writing.

7. ENGLISH LAW
   The Contract is governed by English Law.

THE ABOVE TERMS OF TRADE WILL APPLY UNLESS SPECIFICALLY VARIED BY A LETTER OF ENGAGEMENT
### SAFETY OF ASSETS & RECORDS

<table>
<thead>
<tr>
<th>Commercial &amp; Business Risks</th>
<th>1. Discontinuance plans, which address how member assets or entitlements are safeguarded in the event of the Master Trust or any key service provider failing, are documented, approved and maintained.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business &amp; Disaster Recovery</td>
<td>2. Data and systems are backed up regularly, retained off site and regularly tested for recoverability. Business and information systems recovery plans are documented, approved, tested and maintained.</td>
</tr>
<tr>
<td></td>
<td>3. The capacity of an administration system to take on new business is regularly assessed and approved.</td>
</tr>
<tr>
<td></td>
<td>4. New schemes are taken on only after the Trustee has considered relevant professional advice. New Schemes are incorporated in accordance with Cheviot’s governing documentation and any contractual arrangements.</td>
</tr>
<tr>
<td>Data Quality &amp; Security</td>
<td>5. Common member data(^1) is complete and accurate and is subject to regular data evaluation. The Trustee has established targets for conditional data and progress against these targets is monitored. A policy is established to secure data transmissions. External IT consultants are responsible for implementing appropriate measures to counter the threat from malicious electronic attack.</td>
</tr>
<tr>
<td></td>
<td>6. A policy setting out the requirements for individual access to computer systems is in place.</td>
</tr>
<tr>
<td></td>
<td>7. IT equipment is maintained in a controlled specialist environment and the maintenance and development of systems, applications and software is authorised, tested approved and implemented.</td>
</tr>
<tr>
<td>Protection of assets</td>
<td>8. Member assets or entitlements are safeguarded from loss, misappropriation and unauthorised use in accordance with a defined policy.</td>
</tr>
<tr>
<td></td>
<td>9. Cash is safeguarded and all payments are suitably authorised and controlled.</td>
</tr>
<tr>
<td></td>
<td>10. Financial protection available to members in the event of default is assessed and documented, and communicated to employers and members on request.</td>
</tr>
<tr>
<td></td>
<td>11. Investment decisions relating to the selection of investments on regulated markets and unregulated investments are researched, authorised and monitored.</td>
</tr>
</tbody>
</table>

\(^1\) As defined by the Pensions Regulator
## ASSESSING VALUE

<table>
<thead>
<tr>
<th>Assessment of Value For Money</th>
<th>12. A value for money review is undertaken and this review is documented, approved and findings actioned.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13. A complete and accurate list of the types of costs and charges incurred by members and employers is documented, monitored and approved.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Communication of costs and charges</th>
<th>14. Disclosure of information on costs and charges borne by members is provided to employers at the point of selection and is complete and accurate.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15. Disclosure of information to members of costs and charges (rates (%) and amounts (£)) are complete and accurate.</td>
</tr>
</tbody>
</table>

## ASSESSMENT OF INVESTMENT OPTIONS

<table>
<thead>
<tr>
<th>Appropriateness of the default strategies</th>
<th>16. The design and on-going suitability of the default strategies is regularly reviewed and monitored. This review is documented and approved.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17. The performance of the default strategies and funds within the default strategies are regularly reviewed and monitored. This review is documented and approved.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Appropriateness of the other investment options (ie, non default strategy investment options)</th>
<th>18. The range and risk profile of other investment options are documented, approved and regularly reviewed for suitability. This review is documented.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19. The performance of other investments options is regularly reviewed against relevant investment objectives and (where available) industry benchmarks. This review is documented and approved.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Identification of investment objectives and assessment against them</th>
<th>20. A complete and accurate description of all investment options is maintained and approved.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21. A Statement of Investment Principles (SIP) is documented, approved and regularly reviewed.</td>
</tr>
</tbody>
</table>

## PEOPLE

<table>
<thead>
<tr>
<th>Conflicts of interest</th>
<th>22. Conflicts of interest are identified, recorded and managed in accordance with a defined policy which is regularly reviewed and approved.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fit and proper trustees</td>
<td>23. Fitness and propriety requirements are recorded and managed in accordance with a defined policy which is regularly reviewed and approved.</td>
</tr>
</tbody>
</table>
24. The fitness and propriety of trustees is regularly reviewed and monitored prior to appointment and thereafter. This review is documented and approved.

25. Trustee skills and knowledge are managed and maintained in accordance with an approved training programme. The training programme is regularly reviewed and updated.

### GOVERNANCE

<table>
<thead>
<tr>
<th>Resource planning</th>
<th>26. A plan is maintained and regularly reviewed to ensure that resources are properly allocated.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme Management</td>
<td>27. Roles, responsibilities and duties of all trustees, advisers and service providers are documented, approved and regularly reviewed.</td>
</tr>
<tr>
<td></td>
<td>28. Activities undertaken by all scheme advisers and service providers are properly managed and subject to regular performance reviews which are documented and approved.</td>
</tr>
<tr>
<td>Internal control framework</td>
<td>29. A risk management framework is established to identify, manage and monitor significant operational, financial, regulatory and compliance risks.</td>
</tr>
<tr>
<td>Core scheme transactions</td>
<td>30. Contributions, benefit payments, investment transactions and calculations and related income and expenditure are completely and accurately processed in a timely manner and recorded in the proper period.</td>
</tr>
<tr>
<td></td>
<td>31. Contributions are invested in accordance with member instructions or the default policy.</td>
</tr>
<tr>
<td></td>
<td>32. Transaction errors are rectified and members are treated fairly as a result of that rectification.</td>
</tr>
<tr>
<td>Receipt of contributions</td>
<td>33. Late and inaccurate contributions are pursued and resolved.</td>
</tr>
<tr>
<td>Retirement process</td>
<td>34. Retirements are managed in accordance with a documented process which is regularly reviewed and approved.</td>
</tr>
<tr>
<td></td>
<td>35. Retirement products selected by members are monitored and the range of retirement products made available is reviewed regularly for ongoing suitability.</td>
</tr>
<tr>
<td></td>
<td>36. Members are regularly made aware of their investment choices, the importance of reviewing the suitability of their investment choices and that their level of contributions is a key factor in determining the overall size of their pension fund.</td>
</tr>
<tr>
<td>Communications</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td>37. Scheme communications are accurate, clear and understandable and are produced in accordance with a documented communications plan. The plan is regularly reviewed and monitored.</td>
<td></td>
</tr>
<tr>
<td>38. Communications contain information to support the decisions members need to make at retirement.</td>
<td></td>
</tr>
<tr>
<td>Appendix C. Summary of principles and control objectives – AAF 01/06</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>1. Accepting Clients</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Accounts are set up and administered in accordance with client agreements and applicable regulations.</td>
<td></td>
</tr>
<tr>
<td>1.2 Complete and authorised client agreements are operative prior to initiating administration activity Defined Benefit.</td>
<td></td>
</tr>
<tr>
<td>1.3 Pension schemes taken on are properly established in the system in accordance with the scheme rules and individual elections.</td>
<td></td>
</tr>
<tr>
<td><strong>2. Authorisation and processing transactions</strong></td>
<td></td>
</tr>
<tr>
<td>2.1 Contributions to defined contribution plans and transfers of members' funds between investment options are processed accurately and in a timely manner.</td>
<td></td>
</tr>
<tr>
<td>2.2 Benefits payable and transfer values are calculated in accordance with scheme rules and relevant legislation and are paid on a timely basis.</td>
<td></td>
</tr>
<tr>
<td><strong>3. Maintaining financial and other records</strong></td>
<td></td>
</tr>
<tr>
<td>3.1 Member records consist of up to date and accurate information and are updated and reconciled regularly.</td>
<td></td>
</tr>
<tr>
<td>3.2 Contributions and benefit payments are completely and accurately recorded in the proper period.</td>
<td></td>
</tr>
<tr>
<td>3.3 Investment transactions balances and related income are accurately recorded in the proper period.</td>
<td></td>
</tr>
<tr>
<td>3.4 Scheme documents (deeds, policies, booklets etc) are complete, up to date and securely held.</td>
<td></td>
</tr>
<tr>
<td><strong>4. Safeguarding assets</strong></td>
<td></td>
</tr>
<tr>
<td>4.1 Member and scheme data is appropriately stored to ensure security and protection from unauthorised use.</td>
<td></td>
</tr>
<tr>
<td>4.2 Cash is safeguarded and payments are suitably authorised and controlled.</td>
<td></td>
</tr>
<tr>
<td><strong>5. Monitoring compliance</strong></td>
<td></td>
</tr>
<tr>
<td>5.1 Contributions received in accordance with schemes’ rules and relevant legislation.</td>
<td></td>
</tr>
<tr>
<td>5.2 Services provided to pension schemes are in line with service level agreement.</td>
<td></td>
</tr>
<tr>
<td>5.3 Transactions errors are rectified promptly and clients treated fairly.</td>
<td></td>
</tr>
<tr>
<td><strong>6. Reporting to clients</strong></td>
<td></td>
</tr>
<tr>
<td>6.1 Periodic reports to participants and scheme sponsors are accurate and complete and provided within required timescales.</td>
<td></td>
</tr>
<tr>
<td>6.2 Annual reports and accounts are prepared in accordance with applicable law and regulations.</td>
<td></td>
</tr>
</tbody>
</table>
### Information Technology

#### 7. Restricting access to systems and data

- **7.1** Physical access to computer networks, equipment, storage media and program documentation is restricted to authorised individuals.

- **7.2** Logical access to computer systems, programs, master data, transaction data and parameters, including access by administrator to applications, databases, systems and networks, is restricted to authorised individuals via information security tools and techniques.

- **7.3** Segregation of incompatible duties is defined, implemented and enforced by logical security controls in accordance with job roles.

#### 8. Providing integrity and resilience to the information processing, commensurate with the value of the information held, information processing performed and external threats

- **8.1** IT processing is authorised and scheduled appropriately and exceptions are identified and resolved in a timely manner.

- **8.2** Data transmissions between the service organisation and its counterparties are complete, accurate, timely and secure.

- **8.3** Appropriate measures are implemented to counter the threat from malicious electronic attack (e.g. firewalls, anti-virus etc).

- **8.4** The physical IT equipment is maintained in a controlled environment.

#### 9. Maintaining and developing systems hardware and software

- **9.1** Development and implementation of new systems, applications and software, and changes to existing systems, applications and software, are authorised, tested, approved and implemented.

- **9.2** Data migration or modification is authorised, tested and, once performed, reconciled back to the source data.

#### 10. Recovering from processing interruptions

- **10.1** Data and systems are backed up regularly, retained offsite and regularly tested for recoverability

- **10.2** IT hardware and software issues are monitored and resolved in a timely manner.

- **10.3** Business and information systems recovery plans are documented, approved, tested and maintained

#### 11. Monitoring Compliance

- **11.1** Outsourced activities are properly managed and monitored.