THE METAL BOX PENSION SCHEME

DC SECTION

Your DIY guide to investments

Using this guide

You should use this guide after reading information about how the Scheme works on the Scheme website and in the DC Section booklet.

Investing can seem complicated, especially when you're not familiar with it. We've developed some handy icons to help you when using this guide.

TOOLKIT

Toolkit information is what you need to know about to choose your options.

STRATEGY

This is advanced information for those who want to be more involved in choosing their funds.

Jargon buster

We've tried to keep the use of jargon to a minimum, but some use of technical terms is unavoidable. You'll find an explanation of these terms in the Jargon buster – on page 26.

Getting started

The choices you make about investments are important, as they will directly impact the value of your savings when you retire.

Although investment returns and the cost of buying a pension will change from time to time, the better your investments perform, the faster your savings will grow. So it makes sense for you to take an active role in deciding how the money you and the Company pay into the Scheme is invested and review your decisions regularly.

This may be the first time that you have made any investment choices and it may seem like a daunting task – or you may be comfortable with investing and just want to know what's on offer. Either way this step-by-step guide aims to help you understand the investment options available. After reading it we hope you will be able to make an informed decision and select an investment path that suits you.

Setting a goal

- Planning ahead will give you a better idea of how much you should be contributing now and the best way to invest your Contributions.
- Your retirement goal will be based on your answers to the following questions:
  - How much can you afford to contribute now?
  - What other sources of income will you have?
  - How much money will you need?
  - When do you want to retire?

What are your goals?

Before making a decision on how to invest your savings, it is important to consider your personal circumstances and retirement goals. You may want to start thinking about the age you would like to retire and lifestyle you hope to enjoy. Maybe you'll need less money than you currently earn as you plan to have paid off your mortgage or other debts. However, you may also have more free time to spend enjoying hobbies or taking holidays.

Think about how much money you will need in retirement...

Your retirement goal

How much can you afford to contribute now?

Quite simply the more you contribute the more your savings will grow.

In addition, as any returns you receive on your investments are re-invested, they also earn their own return (known as compounding).This means the earlier you start to save the quicker your Personal Account could grow.

What other sources of income will you have?

You might have other pensions, savings or property that will increase your income in retirement.

How much money will you need?

Consider setting a goal based on the income you think you'll need in retirement.

When do you want to retire?

The earlier you retire the more expensive buying a pension could be, as it is likely to be paid for longer. Also, the later you retire the longer you'll have to grow your savings.

Get to grips with risk

Knowing the basics of risk will help you to understand your attitude to investing and choose the right investments for you.

Risk
Different types of risk can often overlap each other.

Return
The type and amount of risk affects the potential amount of return your investments may make.

Timeframe
Your goals and the years you have to invest may affect your attitude to risk.

Your attitude
Your investment choices will depend on the level of risk you are comfortable with.

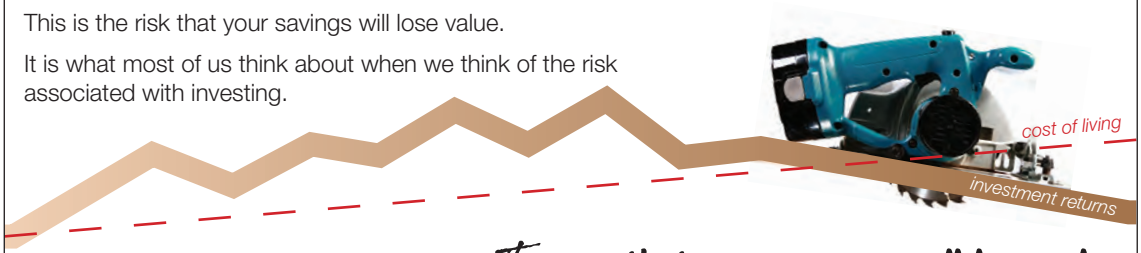
Types of risk

The investment choices you make will depend upon the level of risk you are comfortable with. Each type of investment has different levels of risk and return associated with it. There are two main types of risk to think about.

Capital risk…

This is the risk that your savings will lose value.

It is what most of us think about when we think of the risk associated with investing.

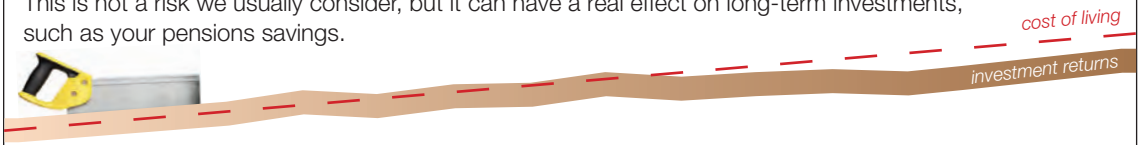


The risk that your savings will lose value

Inflation risk…

This is the risk that the value of your savings does not increase as much as the cost of living, where the things you need to buy get more expensive over time.

This is not a risk we usually consider, but it can have a real effect on long-term investments, such as your pensions savings.



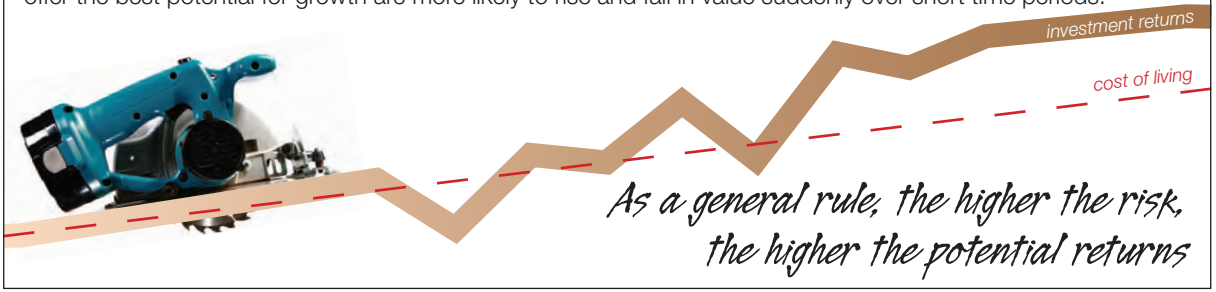
The risk that the value of your savings does not keep pace with inflation

Potential returns

The type and amount of risk affects the return (amount of money) your investments can make.

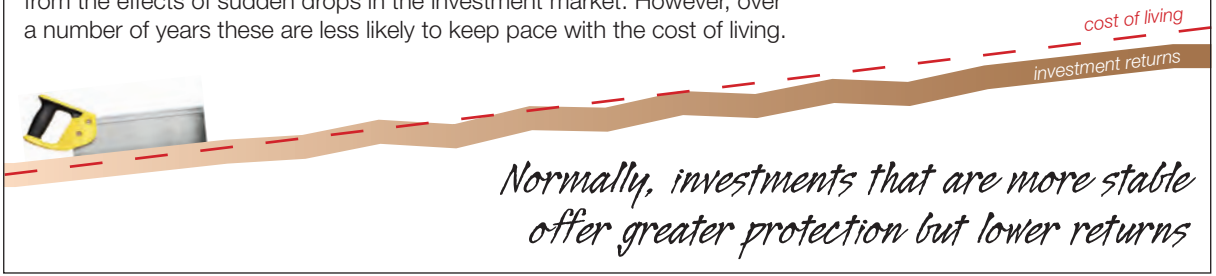
High growth…

As a general rule, the higher the capital risk the higher the potential returns. This means investments that offer the best potential for growth are more likely to rise and fall in value suddenly over short time periods.



Better protection…

Investments that are more stable offer a lower return. They offer protection from the effects of sudden drops in the investment market. However, over a number of years these are less likely to keep pace with the cost of living.

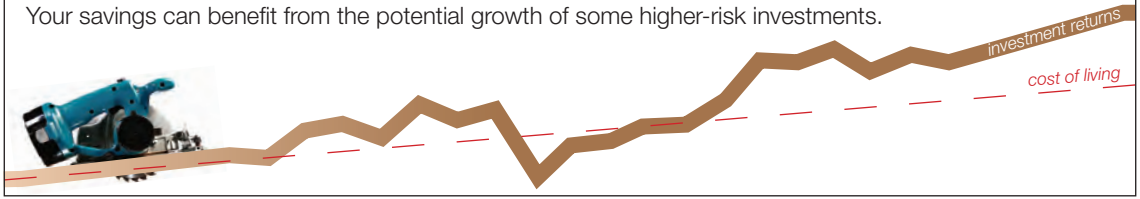


Time to invest

How long you have to invest is important because different types of investments perform better over different lengths of time.

Long timeframe…

You can usually take some more risks, as you have longer to recover from any drops in the market. Your savings can benefit from the potential growth of some higher-risk investments.



You can take some more risks

You may want to be more cautious

Short timeframe…

You may want to be more cautious when you are approaching retirement age, as you might not have enough time to make back any short-term losses.

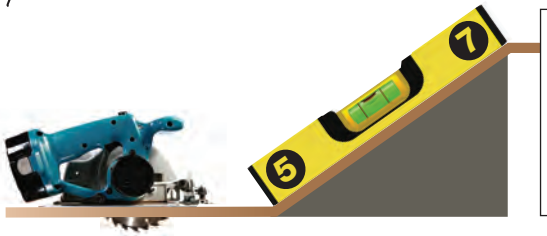
Your savings are less likely to be affected by the rise of inflation if you are only investing over a short timeframe.

The volatility scale

This will help you consider the risk involved in different investment funds.

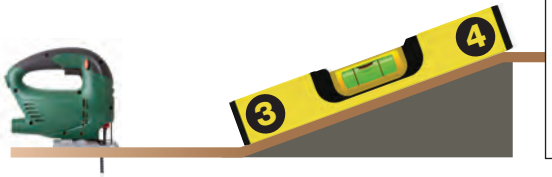
THE VOLATILITY SCALE

7
6
5
4
3
2
1



High risk – The higher the volatility rating the:

- more potential for growth,
- higher the capital risk,
- more suitable for long investment timeframes.



Medium risk – Funds around this volatility rating offer:

- a balanced approach to investing,
- a medium risk approach over the long term.

Low risk – The lower the volatility rating the:

- lower the capital risk,
- lower the potential for growth,
- more suitable for short investment timeframes and as you get closer to retirement.

USE THE VOLATILITY SCALE

The volatility scale, which is set by Standard Life, will help you understand the level of risk associated with each fund type.

WHAT ELSE SHOULD I CONSIDER?

Missed opportunity risk – is the risk that you are too cautious with your investments and don't give your savings the opportunity to grow.

Pension conversion risk – is the risk that the cost of buying a pension when you retire rises faster than the relative value of your pension account. This becomes more of a risk the closer you are to retirement.

Spreading the risk – choosing a mixture of funds can help to maximise growth whilst offering some protection against volatility in one fund.

What type of investor are you?

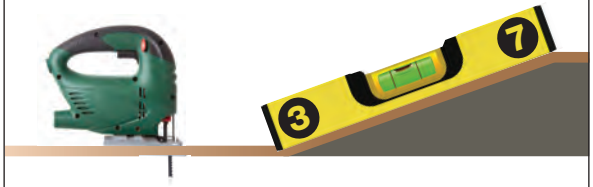
Now you know a bit more about the types of risk, it's worth taking some time to think about the type of investor you are. This may be influenced by your age and goals, and how comfortable you are taking risks.

Take at look at the three investors – Sarah, Mike and Adam – and see how their attitude to risk and time to retirement affects the investment decisions they make.

Sarah – starting out

Sarah has just joined the Scheme and is over 30 years from retirement. She doesn't like to take risks, so usually keeps her money in a bank savings account where she knows it will be safe. However, as she has so much time until retirement, if she is too cautious with her pension investment choices her savings might not have the opportunity to grow and keep up with inflation.

Sarah decides to spread her investments between medium and high risk funds with different volatility ratings.



Mike – mid career

Mike is 20 years from retirement and he has always been happy to take a few calculated risks. He has some money in a savings account, but also has shares. He still is some way from retirement, and he understands he has time to ride out the highs and lows of the market. He will review his investments as he gets nearer to retirement.

Mike decides that he still has time to keep investing in growth funds with higher volatility ratings.

HELPING YOU UNDERSTAND FUND RISK

To help you to decide which investments are suitable for your circumstances and your attitude to risk, we indicate both volatility scale and risk type in the description of investments available.

Adam – approaching retirement

Adam is 10 years from retirement. In the past, he has chosen funds with high volatility ratings, as he was keen to maximise growth potential. However, with getting closer to retirement, he realises this approach could be risky as he could lose a lot of the capital value of his savings if there was a sudden drop in the market. He starts to consider less volatile funds that offer better protection for his savings.

As he will need to protect his savings, Adam decides to gradually move his investments to less risky funds.

The right investments for you

- Different types of investment have different risks associated with them.
- Generally, investments that offer potentially higher rates of growth in the long term tend to offer lower protection against short-term losses.
- More stable investments generally offer lower rates of growth.
- All investments have the potential to rise and fall in value.

Different types of investment

Now you have got to grips with risk and your attitude to investing, it's time to have a look at the different types of investments (known as asset classes) and how they work.

For more details of the funds available and what they invest in please see the insert at the back of this guide.

The funds available for you to choose from will invest in one or more of these asset classes.

Low risk

Type (asset class)	How they work	Typical volatility	Risk type
Cash and money market instruments	These types of funds provide more security for savings. Cash funds are designed to provide similar returns to cash held in a savings account, while money market instruments invest in short-term loans (usually for no more than one year) to companies and governments which have high credit ratings. Some "cash funds" include both.	1	Low

Continued overleaf

Medium risk

Type (asset class)	How they work	Typical volatility	Risk type
Bonds or gilts	These are loans to a company or government. Return is through interest paid on the loan, either at a fixed rate (fixed-interest) or at a rate linked to inflation (index-linked). The rate of return is often linked to the level of risk that the loan will not be repaid.	2 – 3	Medium
Property funds	Investments in commercial property, such as retail, office and industrial premises. A return is generated through rent or capital gain on resale.	3 – 4	Medium

High risk

Type (asset class)	How they work	Typical volatility	Risk type
Equities or shares	These are stocks in UK and overseas companies. A return is generated from capital gain on resale or from a share of the company's profits (known as dividends).	5 – 7	High
Diversified investment funds	Diversified investment funds invest in a wide range of investments. This spreads the risk if one or more asset classes suffer from poor performance.	5 – 7	High

The Trustee, after taking appropriate advice, has appointed Standard Life to make available an appropriate range of different funds from which members can choose to invest. Please note these funds, as detailed in the insert at the back of this guide, may change from time to time. For the most up-to-date fund options and fund factsheets, please visit the website **www.metalboxpensions.co.uk**

HOW CLOSE ARE YOU TO RETIREMENT?

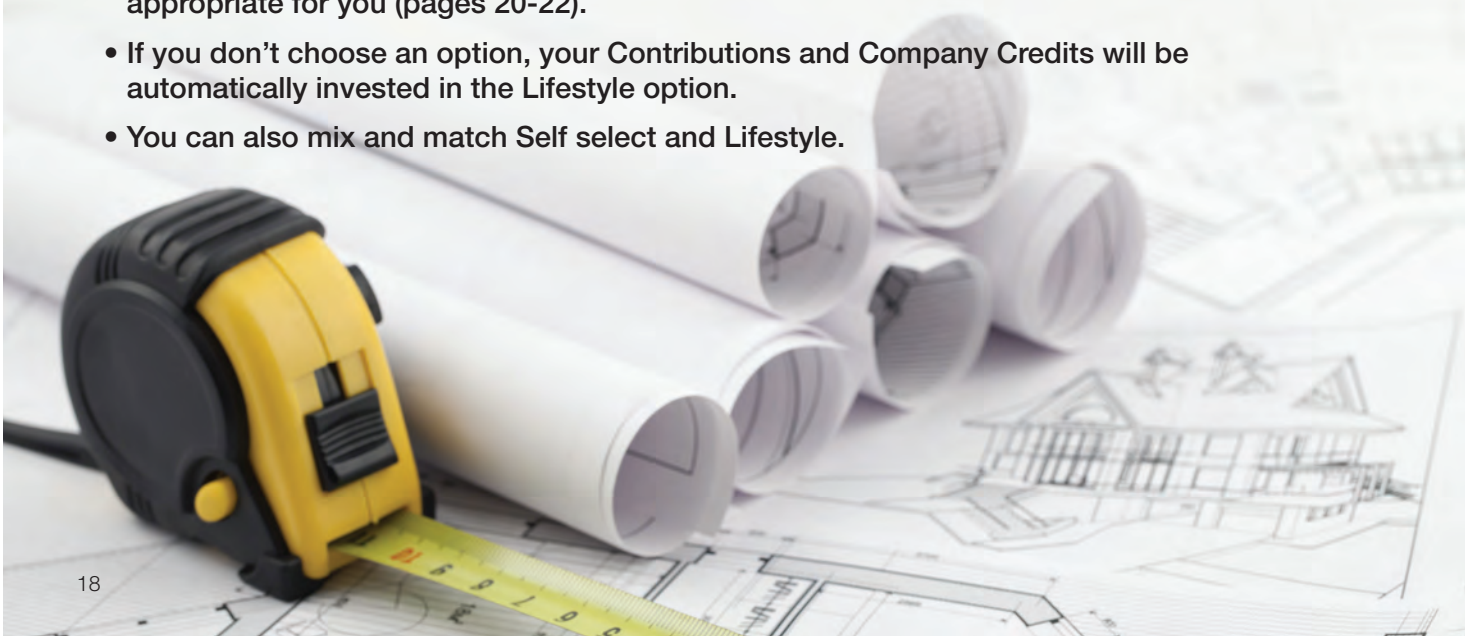
When you are a long way from retirement, you may want to choose funds that have typically higher capital risk, such as equities, as they tend to perform better over the longer term. As you get closer to retirement, you may want to protect your investments from sudden movements in value and choose funds with typically lower investment risk, such as cash and bond funds.

Choose how you want to invest

- You can choose and manage your investments in two different ways:

  Self select or Lifestyle

- If you feel comfortable setting your own investment strategy, the Self select option lets you decide which funds to invest in and when to switch between them (see page 19).
- If you don't feel confident making investment decisions, the Lifestyle option may be appropriate for you (pages 20-22).
- If you don't choose an option, your Contributions and Company Credits will be automatically invested in the Lifestyle option.
- You can also mix and match Self select and Lifestyle.



Self select

If you want to make more decisions about your investments, then Self select may be the choice for you.

Self select takes more active engagement and involvement than Lifestyle, as you need to review your decisions regularly to ensure that the funds are still relevant to your circumstances and retirement plans.

How does Self select work?

You can choose from any of the investment funds detailed in the insert at the back of this guide – or on the Scheme website – and select how much of your savings is invested in each one.

You also have the option to invest some of your money in Lifestyle and some in Self select. However, if you do this you cannot choose to invest in the individual funds which make up the Lifestyle option. These are highlighted on the insert.

The funds are explained in more detail on the fund factsheets, which can be downloaded from the Scheme website **www.metalboxpensions.co.uk**

FUND STYLES

Active funds – these aim to achieve a return over and above a market benchmark. To do this they are actively managed by an investment manager, who selects investments which they believe will outperform the market. As such they usually have a higher management charge. See page 23 for details about charges.

Passive funds – these aim to replicate the performance of an index, such as the FTSE, as such they do not require active management and therefore usually have a lower management charge.

Lifestyle

Lifestyle is designed for those who don't want to select their own investment strategy or feel less confident about making investment decisions.

Lifestyle is a pre-determined investment strategy which selects certain investment funds depending on how many years you have until your Target Retirement Age. In Lifestyle, the Trustee selects which funds your Personal Account is invested in and changes your investments for you as you approach retirement.

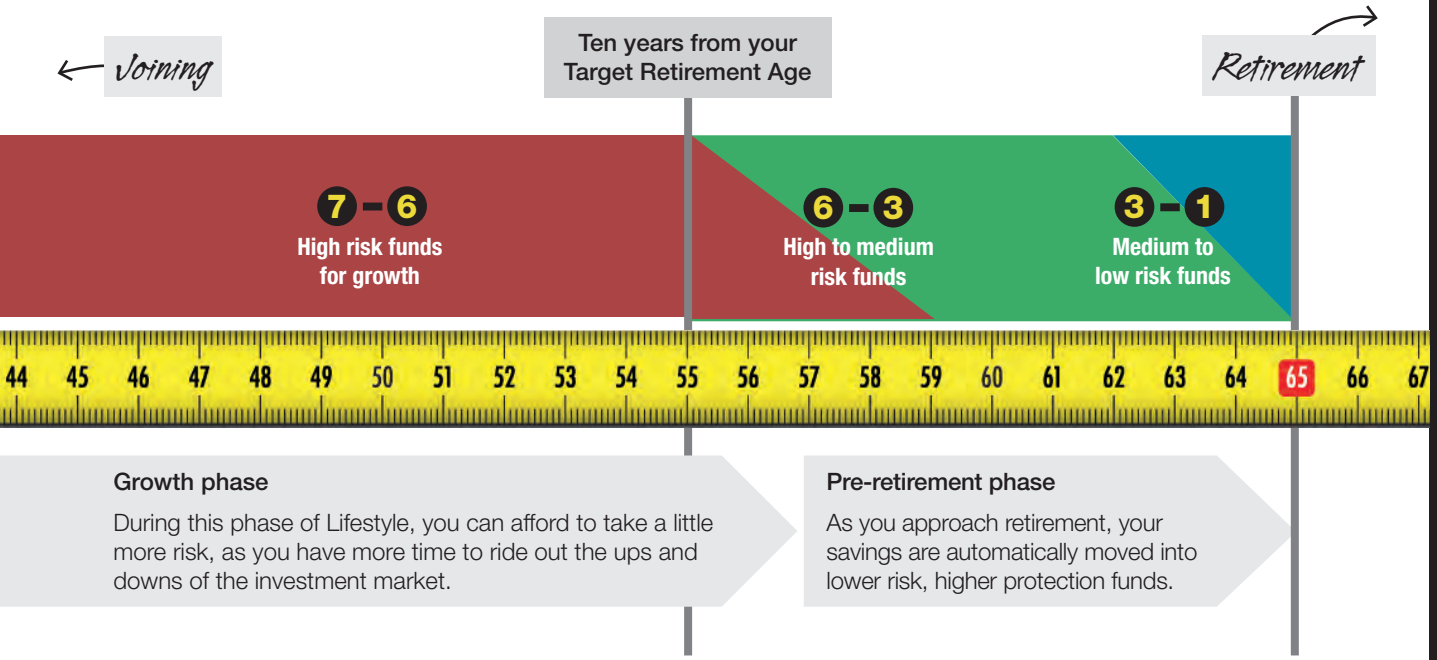
How does Lifestyle work?

Growth phase

- If you are more than 20 years from your Target Retirement Age, all your savings will be invested in an equity-based fund.
- Your savings will then gradually move into a diversified fund, including bonds, equities and property funds, until you are 10 years away from your Target Retirement Age.

Pre-retirement phase

- In the last 10 years before your Target Retirement Age, your savings will gradually move into a combination of bonds and cash investments to aim to protect their value.



Growth phase

During this phase of Lifestyle, you can afford to take a little more risk, as you have more time to ride out the ups and downs of the investment market.

Pre-retirement phase

As you approach retirement, your savings are automatically moved into lower risk, higher protection funds.

CHOOSE A TARGET RETIREMENT AGE

If you select the Lifestyle option you need to choose a Target Retirement Age, so we know when to start moving your investments. If you do not specify an age, it will be set to age 65.

Please remember that the earliest age at which you can retire will be age 55, unless you joined the Scheme before 6 April 2006, in which case it is age 50.

Benefits of the Lifestyle option

- Your investments have the opportunity to grow while you have time to ride out the ups and downs of investment performance.
- Moving out of high-risk funds as you approach retirement means that you are less exposed to any sudden drops in investment values.
- The cost of buying a pension varies from time to time and depends partly on the price of bonds. Moving your savings into bond funds as you approach retirement can help protect the buying power of your investments.
- Moving some of your savings into a cash fund as you approach retirement helps protect the value of any tax-free cash lump sum you may wish to take.
- The investment manager switches and rebalances the Lifestyle strategy on a monthly basis. This helps to smooth out the potential volatility of investments – in other words, there are no large movements to contend with.
- Everything happens automatically – all you need to do is choose when you would like to retire. This is your Target Retirement Age.

More information

You can find out which of the individual funds make up the Lifestyle option in the enclosed insert at the back of this guide.

If you would like more information about the Lifestyle option, you can download a factsheet from the Investments section of our website **www.metalboxpensions.co.uk**

COMPLETE AN INVESTMENT CHOICES FORM

Once you have made your choices, you need to complete an Investment Choices form available to download from our website **www.metalboxpensions.co.uk** or on request from your Human Resources Department.

If you are a deferred member, you can request a form from Equiniti using the contact details on the back page or download one from the website.

Management charges

Each of your payments will have an allocation rate of 100%. This means that for each £100 you and the Company pay, Standard Life will invest £100 to buy units in the funds you have chosen based on the price of units at that time.

However, using investment managers to look after your savings has associated costs and some funds have further costs, such as trustees', auditors' and regulators' fees.

There are a number of different charges applied to your Personal Account:

Annual Management Charge (AMC) – This is the fee paid to the investment manager. It is deducted on a daily basis, which has the effect of reducing the unit price for the funds. Each fund has its own management charge and it varies from fund to fund. You can find the charge on the fund factsheets.

Rebate – You receive a rebate equivalent to 0.55% a year on the core AMC. This rebate is given to you as additional units in your fund each month.

Discounted Annual Management Charge (DAMC) – This is the AMC minus the 0.55% rebate.

Additional expenses – Some of the funds hold investments in other underlying funds, as such there are additional costs which are paid to the underlying funds.

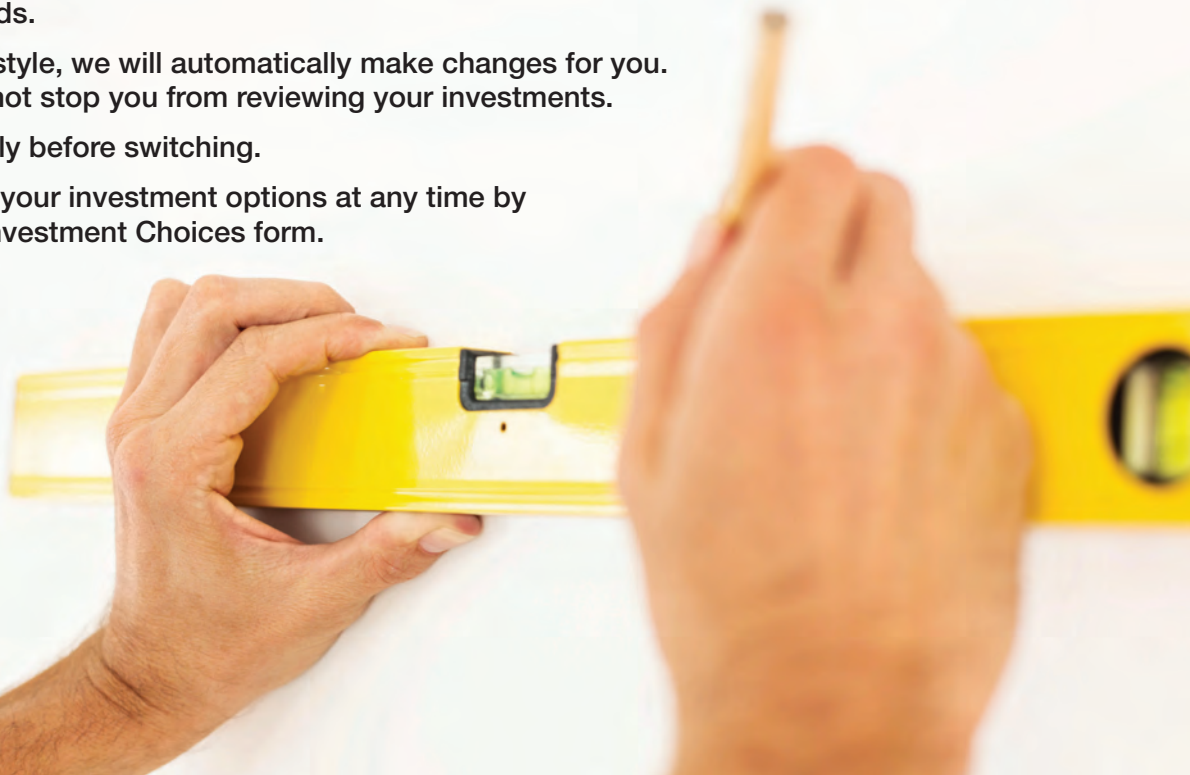
Total Expense Ratio (TER) – This is the total cost to you of investing in a particular fund. It is the AMC minus the rebate plus any additional costs.

All the charges are reviewed regularly and may be changed to take account of changes in costs.

Please note that the investment charges on literature issued by Standard Life will not take account of the rebates described above. However, the rebates will still be credited to your Personal Account. Details of the charges are on the fund factsheets available from the Investments section of **www.metalboxpensions.co.uk**

Regular maintenance

- You should review your investments regularly to ensure they are still appropriate for your circumstances.
- As you approach retirement, you might want to consider switching to lower-risk funds.
- If you are in Lifestyle, we will automatically make changes for you. But this should not stop you from reviewing your investments.
- Consider carefully before switching.
- You can change your investment options at any time by completing an Investment Choices form.



Reviewing your investment options

When investment markets are volatile and the news is full of scare stories, it can be tempting to switch your investments to whichever fund is performing the best, especially if you see your investments losing value.

Changing your investments too often can be a risky strategy...

You could make your losses worse

By moving investments as soon as they start to perform poorly you risk 'locking in' any losses.

Past performance is not a guarantee

Investments that have performed well in the past aren't guaranteed to continue to do well in the future.

You could miss out on further growth

Poor performance isn't always a bad thing. When investments aren't performing well, you can often buy more units at a lower price. Then, if investments regain their previous value, your savings could get a real boost.

But you should review your choices regularly

Changing your investment choices

You can change your investment choices at any time by completing an Investment Choices form, which is available to download from **www.metalboxpensions.co.uk** or on request from your HR Department.

Deferred members can also request a form from Equiniti (details on the back page).

Helping you keep track

You'll receive an annual benefit statement, which will show your Contributions and the Credits made in the year, and their value.

You can also check the value of your Personal Account by logging into 'Employee Zone' on the Scheme website **www.metalboxpensions.co.uk/employeezone**

When should you switch?

Rather than watching investment performance and moving your investments to the best performing option, you should review your choices regularly, and particularly at certain points in your investing career. If you've chosen the Lifestyle option, the Trustee will make these changes for you automatically, but you should still review your investments.

Jargon buster

AMC: Annual Management Charge – see page 23.

Company: Your employer, being a company in the Crown Group of Companies in the United Kingdom that participates in the Scheme.

Contributions: The contributions paid to your Personal Account by you.

Credits: The Matching Credits and Extra Credits paid to your Personal Account by the Company.

DC Section: The Defined Contribution Section of the Scheme.

Lifestyle: A pre-determined investment strategy – see pages 20-22.

Normal Retirement Age: Age 65.

Personal Account: The total accumulated assets invested from your Contributions and Company Credits to provide benefits for you. This is also sometimes called a fund value.

Scheme: The Metal Box Pension Scheme.

Self select individual funds: See page 19 and insert.

Target Retirement Age: The age to which Lifestyle operates.

Trustee: Metal Box Pension Trustees Limited.

CONTACTS

Standard Life

For information about the investment funds, including current unit prices, contact:

Standard Life – 0845 278 5641

Please note that the Standard Life team is not authorised under financial services legislation to give you financial advice on the different investment funds available. So while they can give you information about the funds, they cannot tell you which to choose.

Equiniti

Equiniti administration team – 01905 613133

metalboxpensions@equiniti.com

Legal note

The terms of this guide are subject to the Trust Deed & Rules of the Scheme as amended from time to time (the rules). The rules override any inconsistent provision in this guide.

The Trustee is not authorised under financial services legislation to advise you on what funds to choose.

Following this guide is not a substitute for speaking to a financial adviser who is able to recommend what fund choices are best for you. You can find details of independent financial advisers near you at www.unbiased.co.uk

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