

C & J CLARK PENSION FUND

Guide

TO INVESTING YOUR

Plan 18 Account or AVCs



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Introduction

The money that is paid into your Pension Account – either Plan 18 or as Additional Voluntary Contributions (AVCs) – is invested. By investing your Pension Account, you're trying to make your pension savings work harder – so that you have a better standard of living when you stop working.

GETTING ADVICE

By law neither Clarks nor the Trustee can advise you on your investment choices. If you're not sure how to invest your Pension Account, want advice about choosing investments, or advice when considering your retirement options, you should consider talking to an independent financial adviser (IFA). You can find an IFA local to you at www.unbiased.co.uk. Please note that an IFA may charge for their service.



THIS GUIDE EXPLAINS THE OPTIONS AVAILABLE TO YOU – AND ALSO TELLS YOU HOW YOUR PENSION ACCOUNT WILL BE INVESTED IF YOU DO NOT MAKE A DECISION.

Overview

Everyone has a different idea of what they want in their later years. For many people, stopping work altogether will be the aim but for some people that may not be an option, but they would still like to gradually move away from full-time work. It makes sense that you are able to choose the investments you think will best help you achieve your long-term plans.



CHOOSE YOUR LEVEL OF INVOLVEMENT

The investment funds have been chosen by the Fund's Trustees, with help from their specialist advisers.

If you want, you can decide how to invest the contributions that are paid to your Pension Account and manage it yourself ('self-select'). A full list of the available investment funds appears on pages 13-16. Or, if you prefer to take a more hands-off approach, you can use the 'Lifestyle Fund', which automatically changes your investment mix depending on how long you have to go until you retire.

Overview continued

Whatever you choose to do, it's important that you review your investment choices from time to time. For example, if you plan to buy an annuity with your Pension Account, but you later decide you want to take it out as cash, you need to consider whether your Pension Account is invested in the right funds to support that.

You can change your investments whenever you want, by filling in a 'change form'. You can print off a copy of this form from the Clarks pension website:
WWW.CLARKSPENSIONS.CO.UK

PLEASE NOTE THAT THE VALUE OF YOUR INVESTMENT MAY FALL IN VALUE AS WELL AS RISE. THERE ARE NO GUARANTEES UNDER ANY OF THE FUNDS, INCLUDING THE CASH FUND.



FUND FACTSHEETS

Detailed factsheets, giving information about each fund's charges, make-up, historical performance and benchmark, are available on the Clarks pension website:
WWW.CLARKSPENSIONS.CO.UK

Investment basics

The Trustees have chosen Legal & General Investment Management (LGIM) to provide access to a range of investment options for you to choose from.

If you're new to pension saving and unsure how to choose the right investments for your needs, here's a brief guide to the basics.

WHY INVEST?

In brief, to grow your pension savings. Your Pension Account can grow through contributions and the aim of investment is to make your Pension Account grow further in value.

ISN'T INVESTING RISKY?

It can be, but it's important to remember that there are different kinds of 'risk' to consider. Capital risk is the risk that the value of your investments can fall. You have probably heard the phrase 'the value of your investments can go down as well as up', which is used in financial advertising. There is also inflation risk – the risk that, over the long term, the value of your investments can be eroded by inflation. Balancing these two types of risk is an important consideration when making investment choices.

Investment basics continued



HOW WILL CHARGES AFFECT MY INVESTMENTS?

You pay the Annual Management Charge (AMC) for your Pension Account. These will be deducted automatically, as a percentage of your total investment in a particular fund. So, for example, the AMC for the All World Equity Index Fund is 0.2%. If you have £10,000 invested in this fund, LGIM will deduct £20 a year as their fee for investing and managing it.

Charges reduce the potential growth of your investment. This, coupled with poor investment performance, means you could get back less than you paid in, particularly in the early years of your investment.

Details of the current AMC for the various funds can be found on pages 13-16. Further variable charges may also apply to cover dealing costs, audit and custody charges, transaction costs on exit, etc.

Investment basics continued

WHAT ARE THE DIFFERENT TYPES OF INVESTMENT?

You will come across several types of investment options under the Fund. The major investment types are equities, property, bonds and cash.

EQUITIES

These are company shares that are traded on the stock market. Equities are potentially a volatile type of investment and can experience sudden falls or increases in the short term. In the long term, however, historically equities as a whole have grown consistently and have kept ahead of inflation.

The Fund also offers the option of investing in an 'Ethical Equity Fund'. Some equity funds specialise in 'ethical investments'. Some funds might define an ethical investment based on a specific set of religious beliefs, while others may link it to more general environmental issues. Some ethical funds will have strict exclusions e.g. alcohol, armaments and tobacco, while others may work by engaging with companies to encourage more ethical behaviour.

In addition, some of the funds offered by the Fund (such as the All World Equity Index Fund and the Retirement Income Multi-Asset Fund) invests in 'Emerging Market Equities'. These are typically investments in developing countries such as the 'BRIC' countries of Brazil, Russia, India and China and/or the 'MINT' countries of Mexico, Indonesia, Nigeria and Turkey. Investment in an emerging market equity fund is a high-risk investment (and can have the potential for significant gains and losses). If you pay AVCs, you have the option to invest directly into a Global Emerging Market Fund.

As equities are considered to have long-term growth potential, investing in them tends to be attractive to those in the early to middle part of their working life because they are some way from taking their pension savings and the fund has longer to recover from short-term falls in value.

Investment basics continued

PROPERTY

This is also considered to be a volatile investment, as it is sensitive to changes in the state of the economy. However, over the long term, it has historically delivered returns which have been ahead of inflation. Property may be included within the Retirement Income Multi-Asset Fund and the Diversified Fund (see page 15).

BONDS

Bonds are fixed-term loans to a company or the Government, with an agreement to pay regular interest payments and the principal amount at maturity of the loan. The interest rate can be fixed or indexed to protect against inflation. Government bonds are called 'gilts' and are considered to be more secure than equities, as the Government is normally considered to be unlikely to default on their borrowings. Investing in bonds can protect a fund against sudden movements on the stock market. Also, as gilts tend to move in line with the cost of buying an annuity, assets held in bonds can be more closely aligned to an annuity option.

CASH

This type of investment holds its capital value and earns interest, but in the long term inflation may erode its value. The Fund's Cash Fund invests in short-term money market instruments such as bank deposits and Treasury Bills with the aim of capital protection with growth at short-term interest rates. However, the capital value of the fund is not guaranteed.



Investment basics continued

OTHER ASSET TYPES

ALTERNATIVE ASSETS

Investment in alternative asset classes has traditionally only been available to institutional investors. Examples include private equity, venture capital, hedge funds and artwork. They help diversify an investment portfolio, as they normally tend to move less in line with developed stock markets. They tend to be generally less liquid (harder to buy and sell) than regular assets. Alternative assets may be included within the Retirement Income Multi-Asset Fund (see page 15).

COMMODITIES

A basic good that is interchangeable with other commodities of the same type, e.g. beef, gold, grains, oil and natural gas, zinc etc, and which is traded between parties, usually through future contracts (a type of derivative) on exchanges such as the London Metal Exchange. As the price of the commodity changes due to supply and demand, it is possible to profit (or incur losses) while trading in the market, i.e. buying and selling. Commodities may be included within the Retirement Income Multi-Asset Fund (see page 15).

DERIVATIVES

In investment terms, a contract that derives its value from the performance of any underlying asset e.g. interest rates, investment indices such as the FTSE All Share Index. Derivatives can be used to protect against price movements e.g. buying foreign currency at a known price, or speculatively. Derivatives may be one of a number of strategies used within the Diversified Fund and the Retirement Income Multi-Asset Fund.

INFRASTRUCTURE

'Infrastructure' typically covers structures such as bridges, hospitals, roads and water supply networks. Depending on how they are financed, different investment opportunities may be available, such as the provision of finance (loans), buying equity in a project and sharing any income generated e.g. toll roads. Infrastructure may be one of a number of strategies used under the Diversified Fund.

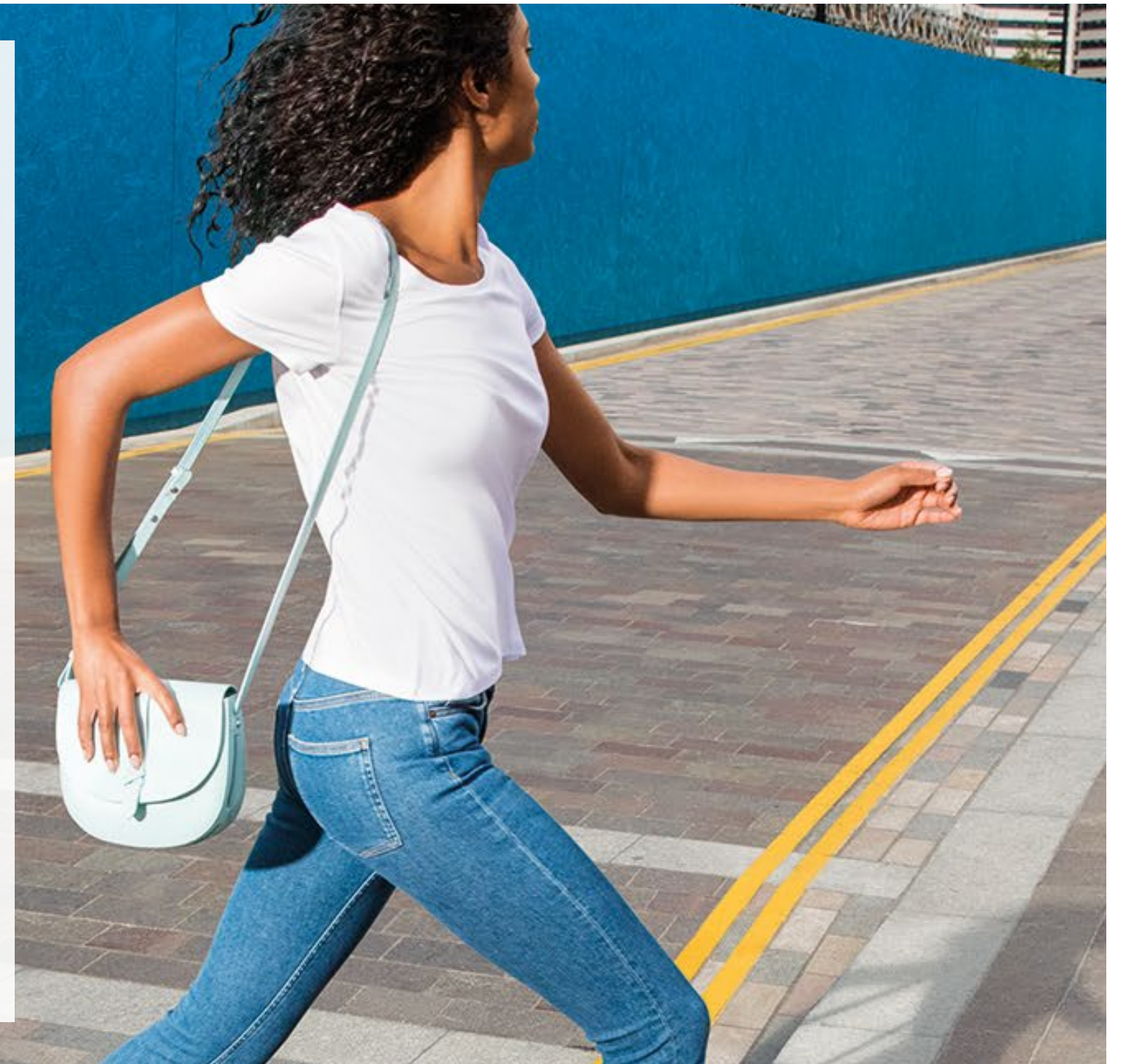
Investment basics continued

WHAT ARE 'ACTIVE' AND 'PASSIVE' FUNDS?

Most of the funds offered by the Fund are 'passive funds'. This means a fund manager may not make active decisions about which companies or assets to invest in. The funds may be run by computer, or a team of fund managers, that will buy all or most of the assets in a particular market or index, to give you a return that reflects how the whole market is performing.

Passive funds can provide a lower-cost way of accessing different types of investments than active funds. There are some investment types for which passive management does not exist (such as cash), or there may be advantages of using active management.

Active management is where the fund manager is actively involved in buying and selling the assets – so they would decide to invest in a particular company or when to sell an investment.



Investment basics continued

WHAT ARE MY INVESTMENT OPTIONS IN THE FUND?

When it comes to investing the contributions that are paid into your Pension Account, you can either make your own investment decisions ('self-select'), or you can use the 'Lifestyle Fund', which invests your Pension Account using an automatic, predetermined strategy.

SELF-SELECT is designed for the more confident investor. With self-select you choose how your Pension Account is invested from a range of different funds. There is more about self-select on pages 13-16.

The LIFESTYLE FUND invests your contributions for you and is designed for people who would prefer to have their investment choices made for them. You can find out more about the Lifestyle Fund on pages 17-20.

You can invest in any combination of self-select funds and the Lifestyle Fund. You can change your investments at any time – see page 21 for details on how to do this.

Whether you choose your own investment funds or use the Lifestyle Fund, it's important you understand how your investment choices might affect your pension savings and ultimately your options in later life. More information about your options can be found at WWW.CLARKSPENSIONS.CO.UK



REMEMBER, if you require financial advice, you can find an independent financial adviser local to you at www.unbiased.co.uk. Please note that an IFA may charge for their service.

Hands on: self-select

The Trustees have provided a range of investment funds in which you can invest your Pension Account. All but one of the funds offered through the Fund is managed by LGIM, which is one of Europe's largest institutional asset managers and a major global investor.

We have provided a brief overview of each of the funds, showing which ones are available to members with Plan 18 Pension Accounts and AVCs respectively. You can view more detailed fund factsheets, which give up-to-date performance figures and asset allocation, through the Clarks pension website: WWW.CLARKSPENSIONS.CO.UK

ALL WORLD EQUITY INDEX FUND

This fund invests mostly in shares that make up the FTSE All-World Index, so it invests in a wide range of company shares across many geographical regions and business sectors.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.20%

INVESTMENT STYLE: Passive

WORLD (EX-UK) EQUITY INDEX FUND

This passively managed fund aims to capture global equity market returns (excluding the UK). It tracks the FTSE World (ex-UK) Index and invests in units in Legal & General's North America, Europe (ex-UK), Japan, Asia Pacific (ex-Japan), Middle East/Africa and Advanced Emerging Markets (ex-Asia Pacific) pooled equity index funds.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.22%

INVESTMENT STYLE: Passive

Hands on: self-select continued

UK EQUITY INDEX FUND

This passively managed fund invests in the shares of UK companies and aims to deliver returns in line with the FTSE All Share Index.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.10%

INVESTMENT STYLE: Passive

ETHICAL GLOBAL EQUITY INDEX FUND

This fund tracks the FTSE 4Good Global Equity Index, and invests in companies listed across the world, in many regions and industries. Companies are included on the FTSE 4Good Index if they meet certain criteria relating to corporate social responsibility.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.30%

INVESTMENT STYLE: Passive

GLOBAL EMERGING MARKETS FUND

This fund invests in developing countries such as the 'BRIC' countries of Brazil, Russia, India and China and other countries, including South Africa and Malaysia.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.45%

INVESTMENT STYLE: Passive

Hands on: self-select continued

MANAGED PROPERTY FUND

This fund invests in a range of freehold and leasehold interests in commercial and industrial property. This includes industrial warehouse buildings, shopping units and office blocks.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.70%

INVESTMENT STYLE: Passive

DIVERSIFIED FUND

This is a multi-asset fund that aims to achieve equity-like returns, by investing in a broad range of asset classes. This will include equities, bonds, property, commodities and infrastructure.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.30%

INVESTMENT STYLE: Passive

RETIREMENT INCOME MULTI-ASSET FUND

This fund focuses on providing a low risk approach to multi-asset investing. It invests in a wide range of assets, including developed and emerging markets equities, corporate and government bonds and alternative assets such as commodities, property and infrastructure.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.35%

INVESTMENT STYLE: Passive

Hands on: self-select continued

CORPORATE BOND OVER 15 YEAR INDEX FUND

The Fund aims to capture the return of the Markit iBoxx £ Non-gilt (ex-BBB) Index and invests primarily in long-dated Sterling-denominated AAA, AA and A rated corporate bonds but also holds some gilts - all paying a fixed rate of interest.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.15%

INVESTMENT STYLE: Passive

OVER 5 YEAR INDEX-LINKED GILTS FUND

The investment objective of the Fund is to track the performance of the FTSE A Index-Linked (Over 5 Year) Index to within +/-0.25% p.a. for two years out of three.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.10%

INVESTMENT STYLE: Active

CASH FUND

The Cash Fund aims to provide protection with growth at short-term interest rates. The fund invests in short-term money markets such as bank deposit and treasury bills. Although investing in the Cash Fund can be attractive in times of heightened market uncertainty, or provide capital protection when approaching retirement, it is generally not considered a suitable long-term investment. Historically it has not kept pace with inflation over the longer term.

PLAN 18



AVCS



ANNUAL MANAGEMENT CHARGE: 0.125%

INVESTMENT STYLE: Active

Hands off: Lifestyle Fund

Many people are happy to pay into a pension, but they don't like the idea of having to make decisions about where to invest their contributions.

The Trustees and their advisers have set up the Lifestyle Fund to make it easy for you. This is an investment strategy that automatically changes the way your contributions are invested as you approach your retirement age.

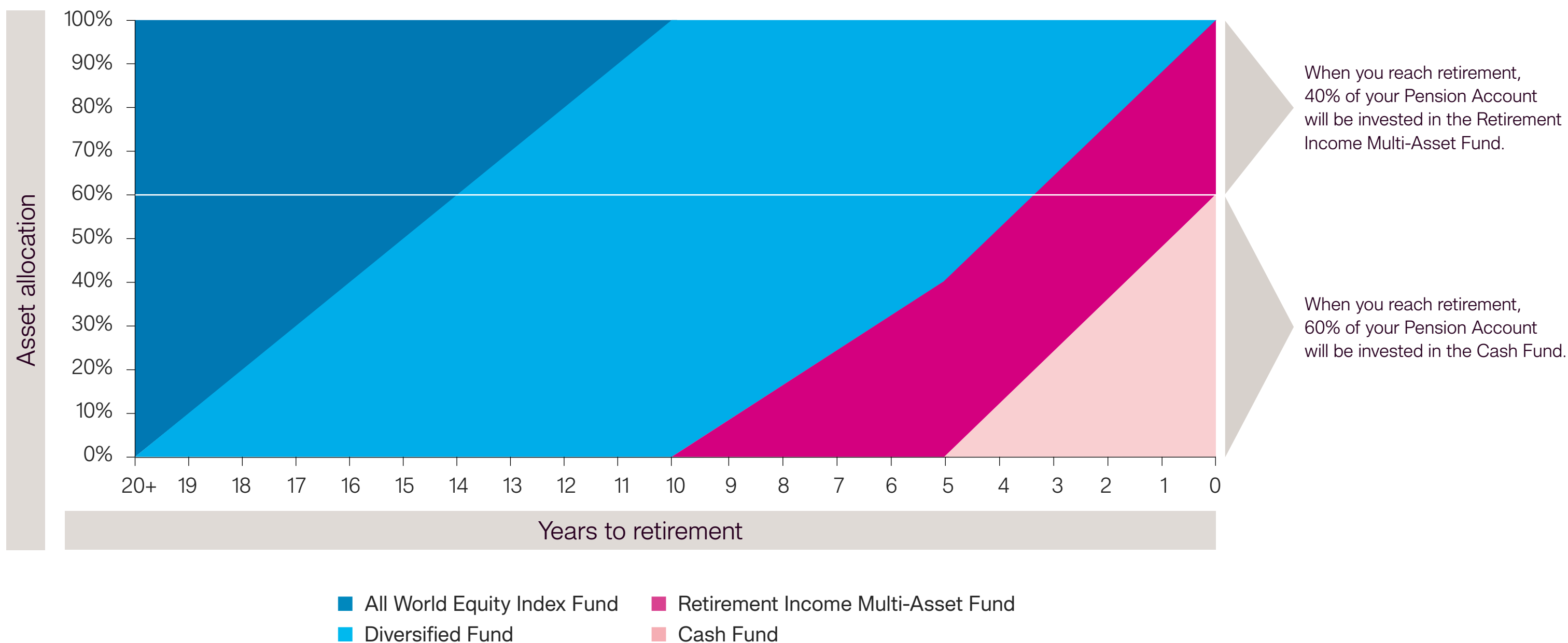
THE IMPORTANCE OF CHOOSING A RETIREMENT AGE

It's important that you tell us at what age you think you'll want to take your benefits. If you don't, we will assume that you retire at 65. The Lifestyle Fund changes investments as you get closer to your retirement age, switching into less volatile funds the closer you get. If you plan to work later than 65, you may miss out on potential growth by switching too early, or if you're planning to retire early you may leave your Pension Account exposed to more risk by switching too late.



Hands off: Lifestyle Fund continued

HOW THE LIFESTYLE FUND WORKS



Hands off: Lifestyle Fund continued

EARLY CAREER

During your early career (say, up to 20 years before retirement), your Pension Account will be invested in company shares (through the All World Equity Index Fund). Over the long term, shares have been shown to provide higher growth than other types of investments, but they are more volatile and can go up and down in value. However, there would be more time to recover from any potential drop in market values experienced in your early career.

MID-CAREER

When you enter your mid-career phase (say, between 20 and 10 years from retirement), the Lifestyle Fund will gradually reduce its investments in company shares and move into the Diversified Fund. This fund invests in a mix of different assets, such as commercial property and commodities, to help spread the risk of a sudden fall in one area.



Hands off: Lifestyle Fund continued

APPROACHING RETIREMENT

Then, when you get to within 10 years of your retirement date, the Lifestyle Fund will start to switch into the Retirement Income Multi-Asset Fund. This is a 'lower volatility' fund that invests in bonds and gilts. When you are five years from retirement, your Pension Account will start to switch into the Cash Fund.

When you reach retirement, 60% of your Pension Account will be invested in the Cash Fund and 40% will be invested in the Retirement Income Multi-Asset Fund. This will give you the option to take most of your pension savings as cash, and then potentially keep the rest invested and take it out as and when you need it.

THINGS TO CONSIDER

The Lifestyle Fund aims to use different types of investments in the most appropriate way at different stages of your working life. It is a strategy that can accommodate different retirement options. However, it may not be suitable for everyone.



What you need to know

CHANGING YOUR INVESTMENTS

You can change your investment choices at any time, by completing a change form. Please show the percentage of your Pension Account you want to invest in each fund. Your choices must add up to 100%. If they do not add up to 100%, or if you do not fill out this section of the form, then your Pension Account will be invested 100% in the Lifestyle Fund. Please return your completed form to the Clarks Pensions Department in Street.

Changes will be made as soon as practicable after your form has been received.

This instruction will remain in force until a further change form is received by the Pensions Department, or you receive notification of any fund changes that will affect your investments.

CHANGING YOUR RETIREMENT AGE

Please remember to tell us at what age you plan to retire. If you don't, we will assume that you will take your benefits at age 65. You can use the 'change form' to tell us if your retirement age changes.



Getting more information

You can find more information about your investment options through the Clarks pension website: WWW.CLARKSPENSIONS.CO.UK

The Clarks pension website has links to the latest fund factsheets, so that you can find out more about each investment fund's charges, historical performance and benchmark.

LGIM also has a website with lots of information about pensions: www.lgim.com/microsites/lgim



Getting guidance and advice

If you are not sure whether to choose the Lifestyle Fund or make your own investment choices (self-select), or if you want any advice about investments, you should consider talking to an independent financial adviser. You can find details of advisers in your area online at www.unbiased.co.uk

By law neither Clarks nor the Trustees can advise you on your investment choices.

PENSION WISE

Pension Wise is a free and impartial guidance service set up by the Government that aims to help you understand how you can use the savings in your Pension Account. When you get close to taking your pension savings, you will be able to get help on the Pension Wise website (www.pensionwise.gov.uk), over the phone, or face to face with guidance specialists from the Pensions Advisory Service and Citizens Advice about:

- what you can do with your pension savings
- the different pension types and how they work
- what's tax free and what's not.

The guidance provided by Pension Wise will be generic and not specific to your individual circumstances, so we recommend that you seek independent financial advice before taking any decisions on your pension.

Security of the Fund's assets

The funds we offer for you to invest in are currently provided through an insurance policy with Legal & General Assurance (Pensions Management) Limited (L&G). We don't invest in the assets directly, but L&G arranges this for us. In practice the investment funds provided through L&G are managed either by another company in the L&G group or by other companies L&G have agreements with. This is a common way for UK pension schemes to invest and helps us give you easy access to a range of investment funds.

The Trustees' policy with L&G is currently covered by the Financial Services Compensation Scheme (FSCS). The FSCS is a compensation fund of last resort for customers of financial services firms. In the unlikely event that L&G is unable to meet its financial obligations the Trustee would be able to make a claim to the FSCS. The claim would be for 100% of the value of the policy with L&G, although the FSCS rules do not set out how they would

value the policy in these circumstances (i.e. the FSCS might decide the value of the policy is not the same as the value of the assets in the investment funds under the policy). As an alternative and in the first instance, we would also expect the industry regulator to seek to find another insurer to take on the policy.

In addition, L&G has put in place arrangements within its own group of companies, and the other companies it has agreements with, which have the aim of minimising the risk that the assets of the underlying funds you are invested in might be used to meet other liabilities on insolvency. Also, the underlying investment funds are subject to their own financial regulation. We take all these factors into account when deciding how to provide your investment choices, and we keep this under regular review. We are satisfied our current arrangements are in line with good market practice.

A final word

The Trustees will keep the investment managers and the funds (including those that are used in the Lifestyle Fund) under review. The Trustees may in the future decide to change investment managers, or introduce a new manager alongside existing ones. The Trustees may also decide to change the funds on offer.

Also, from time to time, the investment managers may decide to change the funds they offer. They may introduce new funds, or stop offering existing funds. The Trustees will also keep under review the way the Lifestyle Fund works and may make changes to its constitution from time to time. If any of this happens, the Trustees will let you know.



PLEASE NOTE that the value of your investment may fall in value as well as rise. There are no guarantees under any of the funds including the Cash Fund.