YOUR INVESTMENT OPTIONS

BlackRock Stakeholder Pension Plan for employees of Xerox

This booklet shows you the range of investment options available through the BlackRock Stakeholder Pension Plan for employees of Xerox (the 'Plan') and answers some of the questions you may have. It is designed to help you to make the decisions that are right for you and what you want in retirement.

You can be involved as much or as little as you want in choosing how your savings are invested.

We understand that it can be difficult for members to select the investment option that works best for them, so under the Plan there are LifePath Fund options. These options are explained further in the next section. If you do not indicate your investment choice, all contributions will be invested on your behalf in the LifePath Flexi Fund (used as the default option) although this is not a recommendation that the LifePath option will be right for you. You can also choose to select any other LifePath Fund option if you wish.

If you would like to take an active role in selecting your investment options, BlackRock offer a large choice of different funds, managed by a range of investment managers. Information on the full range of funds can be found on the website **blackrock.co.uk/targetplan**. Alternatively, if you are unable to access the internet, please contact BlackRock on **0345 601 7721** where you can obtain a full list of the available funds.

Don't worry about changing your mind about where you want to invest; you can switch your existing funds and/or redirect future contributions into different funds. If you have been automatically enrolled or have opted in under auto enrolment legislation, you may not switch between investment funds until the end of your opt out window which is one month from joining. An explicit fee is not applied when you switch your funds. However you should note there may be a cost if you choose to switch due to how the funds are priced. The funds are all single priced which means the price is affected by whether there are more cash inflows into or out of the fund.

1. LifePath

There are three LifePath options:

LifePath Flexi: for those planning to leave their DC fund invested and drawdown income from it.

LifePath Retirement: for those planning to buy an annuity at their target date.

LifePath Capital: for those planning to take their DC fund as a cash lump sum.

LifePath is a single fund choice that changes the way it invests based on the year that you expect to retire, your target retirement age. LifePath aims to provide you with an opportunity to grow your savings over the majority of your working life, whilst moving your savings into less volatile funds as you near your target year of retirement. It is important that you keep this under review – if you change your target retirement age we will automatically switch your fund to the appropriate LifePath Fund that matches your new chosen year of retirement.

Key features and benefits of LifePath

- Individual LifePath Funds that target your selected retirement period.
- Designed to provide an investment strategy appropriate to your expected retirement date.
- Automatically changes the mix of investments as your expected retirement date approaches.

How does LifePath work?

Early career phase (35+ years before retirement): invest for growth

In the early years, the goal of many members is often to obtain a high rate of return on their investments, as they build up their retirement savings. Over the longer term, equities (company shares) have been shown to provide returns in excess of inflation and often higher than those seen for other types of investments such as government bonds or cash savings. When you are more than 35 years from your target retirement age, LifePath provides such investments, but also aims to spread (or 'diversify') the risk. LifePath does this by investing in equities from a variety of regions and countries but also by investing in other types of assets such as commercial property and commodities. However, while diversification helps control investment risk, it does not remove it.

Mid-career phase (between 35 and 10 years before retirement): gradually reduces investment in growth assets and introduces a variety of gilts, corporate bonds and other fixed income investments

During their mid-career, many members may naturally lose some of their risk appetite and are more concerned with protecting their pension savings from the ups and downs of growth assets. As the years to retirement reduce, the LifePath Fund gradually reduces the amount invested in these growth assets and introduces bonds and gilts. The introduction of bonds and gilts helps to diversify and reduce investment risk within the LifePath Fund.

Approaching retirement phase (within 10 years of retirement): gradually transfers from growth assets into the final allocation which depends on which option you have selected.

The LifePath Fund range will provide you with the opportunity to select a LifePath Fund which automatically evolves its investments on approaching its target retirement date in a way that is more aligned to how you intend to access your DC savings. For example, someone looking to take their entire DC savings as a cash lump sum may want their LifePath Fund to invest 100% in cash by the time the LifePath Fund reaches its target retirement date in order to minimise risk to the capital value. Whereas someone looking to make regular income withdrawals (drawdown) will need their LifePath Fund to be invested very differently at and into retirement.

Important notes:

1. If you don't choose an investment, your contributions will be invested in LifePath Flexi based on a target retirement age of 65.

2. LifePath Fund has a different maturity vintage that coincides with your chosen or expected retirement year. Therefore, if your expected retirement age changes, please inform BlackRock who will automatically switch you to the appropriate LifePath Fund with a maturity year to coincide with your expected retirement age.

3. If you are invested in a LifePath Fund and your Account has not yet started the investment transfer process, we will write to you in the year before this commences to remind you.

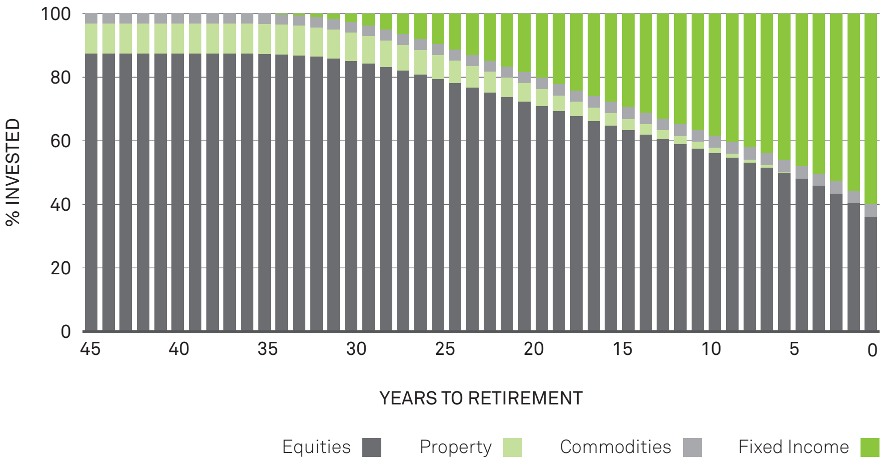
4. If you do not wish to use your fund in a drawdown arrangement, then the LifePath Flexi Fund may not be appropriate for you. For example, if you wish to take your fund to provide an annuity or as cash then an alternative investment strategy is likely to be more appropriate. You may wish to consult a financial adviser in such circumstances.

The following charts illustrate what the investment profile of each LifePath Fund option would be over the years towards your target retirement date.

LifePath Flexi (Default Option)

A LifePath Flexi Fund will glide (automatically change the investment mix) towards an asset allocation split of approximately 40% global equities and 60% fixed income by its target retirement date. When the relevant LifePath Flexi Fund reaches its target date, members will be invested directly in an undated LifePath Flexi Fund which will maintain the same 40%/60% asset allocation mix into retirement to support income drawdown.

LIFEPATH FLEXI (DEFAULT OPTION)



LifePath Retirement

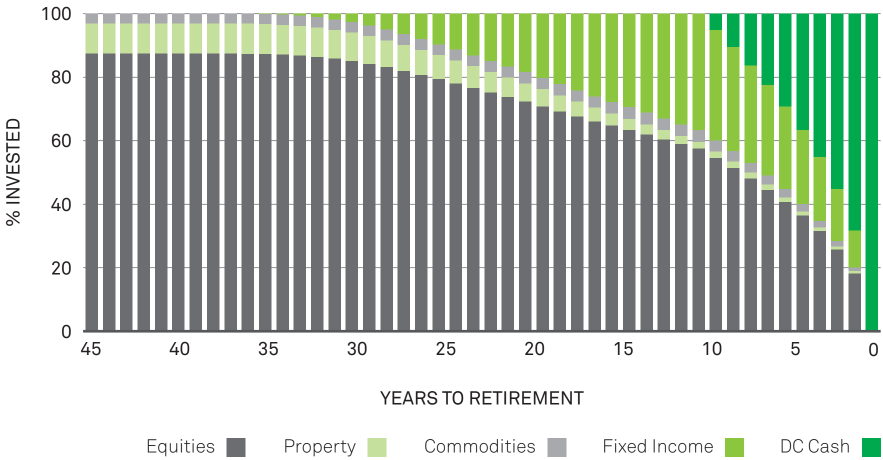
LifePath Retirement aims to track immediate annuity rates and is 75% invested in the DC Pre-Retirement Fund at its target retirement date. The DC Pre-Retirement Fund invests mainly in UK government bonds (gilts), UK corporate bonds and other fixed income securities and aims to produce a return in excess of a benchmark designed to reflect long-term changes in immediate annuity prices.

When each LifePath Retirement fund reaches its target retirement date it will also have a 25% allocation to cash-like investments as it is anticipated that many members selecting this option will want to take advantage of the current regulations allowing individuals to withdraw up to 25% of their DC savings tax free. If, for some reason, retirement is delayed beyond the target retirement date, their DC savings will continue to be invested in this way in an undated LifePath Retirement Fund until such time as the member wishes to access their DC savings.

LifePath Capital

LifePath Capital is designed to glide towards cash-like investments and will invest in the DC Cash Fund on reaching its target retirement date. The DC Cash Fund aims to produce a return in excess of its benchmark principally from a portfolio of sterling denominated cash, deposits and money-market instruments. When each LifePath Capital Fund reaches its target date, members will be invested directly in the DC Cash Fund and remain invested in this way until such time as they decide to access their DC savings.

LIFEPATH CAPITAL



2. Self Select

If you do not want to invest in LifePath Fund, you can create your own investment strategy by investing in one or more funds offered.

There are a range of funds available to members. Some of these are managed by BlackRock, whilst others are managed by external Fund Managers. Details of these can be found on the website **blackrock.co.uk/targetplan** or call **0345 601 7721**.

Balancing risk and reward

Any investment involves some sort of risk, but what do we mean by risk? When most people think about risk, they think of it in terms of danger and potential loss. Of course, taking a risk can be dangerous, but it can also be rewarding (racing drivers, mountain climbers and other extreme sports enthusiasts will agree with this). Risk can mean uncertainty too – not being able to predict exactly what might happen in the future is a risk we live with every day.

All these concepts of risk can be applied to investments. It is certainly difficult to predict exactly what will happen over time – share prices fluctuate, interest rates vary – and some investments are more rewarding (and more risky) than others.

Understanding these different types of investment risks is important if you are to make the decisions that are right for you.

What risk means when you are saving for retirement and what you need to consider

There are three main risks you need to be aware of when you are choosing how to invest your pension contributions:

Capital risk

Is the risk of your pension savings falling in value.

Inflation risk

Is the risk that your investments may grow at a rate less than the rate of increases in the cost of living (inflation). For example if inflation is, let's say, 4% p.a. over time and your investments are only growing at 2% p.a. rising prices will erode the value of your pension savings.

Pension conversion risk

You may decide to use some or all of your built-up savings to buy a pension via an annuity, which will provide you with an income in retirement. The amount you will get depends on a number of factors, including interest rates, the level of inflation when you retire and your anticipated life expectancy. Pension conversion risk is the risk that your investments don't protect you against the cost of buying an income in retirement.

Risk rating:

We have classified each fund option with a risk rating from 1 to 6 in the fund table below. In this case, the rating refers to Capital risk.

1 (Very Low), 2 (Low), 3 (Low-Medium), 4 (Medium), 5 (Medium-High), 6 (High).

Remember that the higher the risk rating, the greater the potential for good long-term growth. However, the higher risk funds are also likely to display greater volatility over the shorter term.

What kind of investor are you?

Having identified the main risks, the next stage is to determine your attitude to those risks. Are you prepared to live with some degree of capital risk if it means a better chance of achieving higher returns? Are you totally 'risk averse' and don't want to risk your capital under any circumstances? Or are you somewhere in between? Try our simple investor questionnaire to help you to find out what kind of investor you may be and to help you decide on the investment choices that are right for you.

Please note: how close you are to retirement should be an important factor in your decision-making. Generally, the longer you have until retirement, the higher the capital risk you may be prepared to take in return for the potential of greater rewards as you have time to ride out the ups and downs from riskier investments.

Investor Questionnaire

1. What best describes your outlook?

A I'm aiming to live 'the high life' when I retire and I'm willing to take a higher level of capital risk to get it

B I want my retirement days to be enjoyable but I'll settle for a little less to spend if that means less capital risk

C I want to keep my investment risks as low as possible, even if that means a smaller pension fund

2. How long will it be before you retire?

A More than 10 years

B 5 to 10 years

C Less than 5 years

3. What do you expect to happen to your pay/salary?

A My salary should increase substantially over the years

B My salary should increase in line with price rises but I'm not expecting it to get much higher

C I don't think my salary will increase. In fact it might even decrease as I may reduce my working hours

4. If you wanted to increase your chances of improving the size of your pension fund, would you?

A Take a big capital risk with a small amount of money

B Take a small capital risk with a bigger amount of money

C I wouldn't be happy taking any capital risk

5. Investing in company shares is generally acknowledged as the best way of providing growth that beats the effects of inflation over the long-term. Are you happy to put your money in funds that invest in company shares?

A Yes, for me the risks are worth it

B Yes, but I also want some investments that provide less capital risk

C No, the capital risk makes me nervous

6. Just two months after you put money into a long-term investment, it falls by 20%. You still think it's a good investment. What do you do?

A Buy more. It was always a good investment and now it's a cheap one too!

B Hold tight and wait for it to bounce back

C Sell it. It would worry me too much to hold onto it.

7. Which would you choose?

A 20% chance of winning £50,000

B 50% chance of winning £15,000

C £2,000 guaranteed cash

If you answered:

Mostly 'A'

You appear to be an Adventurous Investor. You appear to want your capital to grow as much as possible and seem to be prepared to risk your capital in order to achieve your financial goals, to ride out the ups and downs of the market over the long term.

The fund range available to you is risk-rated from 1 (very low risk) to 6 (high risk) in terms of capital risk so you may wish to avoid funds that are rated 1 or 2.

Mostly 'B'

You appear to be a Balanced Investor. You seem to be comfortable taking some risks to help your capital grow but you don't want to see your investments going up and down like a rollercoaster. This suggests that you may prefer investment options which don't rise and fall too sharply.

The fund range available to you is risk-rated from 1 (very low risk) to 6 (high risk) in terms of capital risk so you may wish to avoid funds that are rated 1 or 6.

Mostly 'C'

You appear to be a Cautious Investor. You appear to want your investments to grow but you do not seem to be willing to take many risks to help make this happen. Protecting the value of your investments seems to be more important to you than trying to grow them in the long term.

The fund range available to you is risk-rated from 1 (very low risk) to 6 (high risk) in terms of capital risk so you may wish to avoid funds that are rated 4 (medium risk) or above.

What does this mean for you and your pension account?

The range of investment options caters for different attitudes to risk and the requirement to balance risk with reward according to an individual's needs and goals. The funds invest in a wide range of asset classes (types of investment), which carry different levels of risk, including: cash, bonds and equities (company shares).

Dealing with the main asset sectors in order of risk:-

- **Cash** is the safest but is likely to generate comparatively lower investment returns over the long-term; and historically cash savings have struggled to beat inflation.
- **Fixed Interest and Index Linked Gilt Funds** invest in a portfolio of fixed interest and/or index-linked securities issued by the UK Government. The underlying Gilts pay a fixed income or inflation-linked income over a fixed term.
- **Corporate Bond Funds** invest in a range of fixed interest securities issued by companies.
- **Multi-Asset Funds** invest in a mix of UK and global equities, fixed Income, cash and alternative investments such as commercial property and commodities. Given the diversity in assets, a Multi-Asset Fund offers more fund stability than a fund of pure equities but, as a result, may reduce the potential for higher returns.
- **Equity Funds** are invested in shares of companies, which can be based in the UK or overseas. They can be 'actively' managed with an aim to beat index returns or they can be 'passively' managed (for less cost) with an aim to track the index. There is greater volatility than the other funds described above, but improved long term growth prospects. Where the fund invests in overseas equities, exchange rates may also impact on the overall returns.

Active and passive management

When investing in funds you can choose between active or passive fund management.

Passive funds are based on portfolios which are constructed to track the performance of a chosen benchmark. Passive fund managers can use a number of different techniques in order to track the benchmark. These techniques tend to be automated therefore reducing the costs of managing the fund. However it is not always possible to track a benchmark exactly, as the fund may not be able to invest in all the equities included in the benchmark.

An active fund is where the fund manager will strive to beat their chosen benchmark. An active fund manager is employed to actively pick stocks that will ensure that the fund beats the benchmark. There are a number of different techniques that can be used to achieve this, but this process requires a significant amount of research and fund manager skill in order for the fund manager to achieve this objective. This is why the fees for active funds tend to be slightly more expensive.

What is an objective and benchmark?

Every fund has got an objective and benchmark. The objective determines what the fund should aim to do. For example an active fund's objective would be to outperform a benchmark. A passive fund objective would be to track a benchmark.

A benchmark is the Index that the fund will try to out perform or track. It also helps to specify where the fund should invest. For example a UK Equity Fund could have a benchmark of the FTSE All Share. This is the index of the share prices of over 800 leading companies and investment trusts on the London Stock Exchange. The UK Equity fund will therefore mainly invest in stocks that are listed under the FTSE All Share.

The objective and benchmark for each fund can be found on the fund factsheets which you can find on **blackrock.co.uk/targetplan** or via the BlackRock helpline on **0345 601 7721**.

Fund charges

There are no initial charges for the funds. So if you contribute £100 to your pension, £100 is invested in your chosen fund.

The Annual Management Charge ('AMC') is a fixed percentage applied to each fund. The AMC represents the percentage BlackRock will deduct from the fund's value each year. Your account value reflects the amount of money in your account after charges have been deducted. The AMC includes the cost of managing the investments of the fund and the costs of administration and other services such as maintaining a record of your savings and calculating the value each day.

Making a choice

The Company hopes that you are able to choose an investment strategy which meets with your own personal preferences and circumstances.

If you are unable to make a choice, then the LifePath Flexi Fund will be used for your investments.

If you require further advice or assistance, then it is strongly suggested you seek independent financial advice from an Independent Financial Adviser (IFA). IFA Promotion have a website **unbiased.co.uk** where, just by inputting your home post code, you can find out details of IFAs in your local area. Alternatively you can call them on **0800 085 3250**.

Keeping a check on your pension

Whichever option you choose, it is important that you monitor your pension account from time to time. There's every chance that your circumstances and attitude to risk are likely to change as you progress through your working life, which means you might want to adjust your investment choices over time.

How to find out more

If you would like to find out more about your investment options, then please go to **blackrock.co.uk/targetplan**

You can also call the BlackRock helpline on **0345 601 7721**. The office is open Monday to Friday 9.00 a.m. to 5.00 p.m., except Bank Holidays. Alternatively you can send an email to **blackrock.pensionsuk@blackrock.com**

LIFEPATH FUND TABLE

Fund name	Fund objectives and policies	Investment charges		Risk rating
		Annual Management Charge (AMC % p.a.)	Additional Expenses (% p.a.)	
LifePath Retirement	The Fund objective is to provide retirement funds with an asset allocation that changes over time. The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may also invest in other permitted assets. Each DC LifePath Fund will automatically adjust its investment strategy as it progresses towards its maturity date, on or around 30 June in the middle year of the Fund. From 10 years prior to its maturity date the Fund's investment allocation changes over time towards a portfolio of mainly sterling denominated fixed income and cash. This portfolio is designed for members who wish to use all or the majority of their DC pot to purchase an annuity at retirement. Exchange rate movements can affect the value of investments that are in foreign currencies and therefore the DC LifePath strategy will use specific instruments with the aim of hedging out the majority of the foreign currency exposures.	0.41	The AMC is inclusive of any Additional Expenses	6-1

Fund name	Fund objectives and policies	Investment charges: Annual Management Charge (AMC % p.a.)	Investment charges: Additional Expenses (% p.a.)	Risk rating
LifePath Flexi	The Fund objective is to provide target date retirement funds with an asset allocation that changes over time. The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may also invest in other permitted assets. Each DC LifePath Fund will automatically adjust its investment strategy as it progresses towards its maturity date, on or around 30 June in the middle year of the Fund. From 10 years prior to its maturity date the Fund's investment allocation changes over time towards a portfolio of predominantly fixed income assets and some equities. This portfolio is designed for members who wish to stay invested post-retirement and draw down an income from their DC pot. Exchange rate movements can affect the value of investments that are in foreign currencies and therefore the DC LifePath strategy will use specific instruments with the aim of hedging out the majority of the foreign currency exposures.	0.41	The AMC is inclusive of any Additional Expenses	6-3
LifePath Capital	The Fund objective is to provide target date retirement funds with an asset allocation that changes over time. The Fund will gain exposure to global equities, fixed income instruments, property and commodities and may also invest in other permitted assets. Each DC LifePath Fund will automatically adjust its investment strategy as it progresses towards its maturity date, on or around 30 June in the middle year of the Fund. From 10 years prior to its maturity date the Fund's investment allocation changes over time towards a portfolio of mainly sterling denominated short-duration fixed income and cash-like assets. This portfolio is designed for members who wish to take their DC pot as cash at retirement. Exchange rate movements can affect the value of investments that are in foreign currencies and therefore the DC LifePath strategy will use specific instruments with the aim of hedging out the majority of the foreign currency exposures.	0.41	The AMC is inclusive of any Additional Expenses	6-1

'The AMC is inclusive of any Additional Expenses' means that the AMC rate includes the cost of actual additional expenses incurred in the fund.

For more information on funds please refer to the Fund Fact Sheets which can be accessed on the website address which can be found at the end of this booklet.

The information has been provided by BlackRock and the risk rating shown in the table is an indication of each fund's exposure to Capital Risk (which is the risk of your pension fund falling in value). Generally speaking, funds with a higher proportion of equity investment have a higher capital risk rating, whereas funds investing mainly in bonds or cash have lower capital risk. But remember, equity funds tend to offer better protection against inflation risk, which is an important long-term consideration.

The risks shown in this table should be used only to compare funds within the Plan range.

By highlighting certain funds neither the Company, their pension advisers, nor BlackRock are recommending that these particular funds may be more suitable for you than any others available.

Want to know more?

0345 601 7721 blackrock.pensionsuk@blackrock.com blackrock.co.uk/targetplan

BLACKROCK®