

2024 Chair's DC Governance Statement

Introduction

On behalf of the Trustee Board, I am pleased to present the Annual Governance Statement for the year ended 31 March 2024. This has been prepared to demonstrate how the Trustee Board has complied with the statutory governance regulations which are central to the running of the Defined Contribution sections of the Scheme. The governance standards were designed to help members achieve a good outcome from their pension savings and the Trustee seeks to work to meet these standards.

The Trustee Board is committed to having high governance standards and we have a number of dedicated sub-committees which, together with the overall Trustee Board, meet regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration.

Whilst the information set out below is focused on specific areas of scheme governance which we are required to disclose by law, the Trustee Board recognises the importance of good scheme governance and adopts appropriate governance standards across all areas of scheme management to ensure we meet the expectations as set out in the Pension Regulator's General Contribution Code.

If you have any questions about anything that is set out in this statement, or any suggestions about what can be improved, please do contact our Pensions Manager.

Investments – the default investment arrangement

The Scheme's default investment arrangement, which is designed by the Trustee Directors, is provided for members who join the Scheme and who do not choose another specific investment option for their contributions. We believe that the default investment fund will be suitable for the majority of the membership. This year, 95% of the membership had their contributions invested in the default arrangement.

Some members prefer to make their own investment choices to suit their individual circumstances. We therefore also offer a range of alternative investment options for such members.

Cash at Retirement Lifestyle Option

The Trustee Directors are responsible for investment governance. This includes setting and monitoring the investment strategy for the Scheme's default arrangement. We have chosen the Cash at Retirement Lifestyle Option as our default arrangement. A summary of the investment strategy and investment objectives of the default arrangement are set out below. However, full details are recorded in the Statement of Investment Principles which is appended to this Governance Statement.

The Scheme's default arrangement has been designed to provide a cash lump sum at retirement. The default arrangement is designed to take more risk, and thus the potential for greater returns, whilst members are younger but that the level of risk and volatility is reduced as members get nearer to their retirement date so that they have more certainty about the likely level of their potential pension savings at retirement. The default arrangement assumes, that a member's normal retirement date will be at age 65, although members can set their own target retirement date if they wish.

The default arrangement is structured so that changes in the underlying investments to meet the objectives described above happen automatically so that members do not need to make investment switches themselves. During the early period of each member's working life, all contributions are invested in an equity fund, the Aquila Life 30:70 Currency Hedged Global Equity Fund managed by BlackRock. Over time, starting 15 years before retirement, which was a change made from 26 years during the Scheme year, money is moved gradually from this equity fund into a diversified growth fund, managed by LGIM, the LGIM Diversified Fund.

This gradual transfer of funds continues until 10 years before retirement at which point there is a 50% allocation to both the Aquila Life 30:70 Currency Hedged Global Equity Fund and the LGIM Diversified Fund. This equal investment split is then maintained until 6 years prior to retirement at which point members' pension savings are moved gradually into the Cash Fund, which is the target end objective for the default arrangement.

By investing in this way, the Trustee expects to deliver real growth in members' pension savings over their lifetime within the Scheme whilst helping to manage risk and reduce volatility as members move towards retirement. The Trustee considers this strategic approach to be in the best interests of the membership.

Reviewing the default investment arrangement

The Trustee Directors are expected to review the investment strategy and objectives of the default investment arrangement at regular intervals (at least once every 3 years), considering the needs of the Scheme membership when designing the default arrangement.

The Scheme's Investment Sub Committee reviews the investment objectives and the performance of the default arrangement at its regular quarterly meetings and takes advice from Mercer, the Scheme's investment adviser, in this regard. In addition, the Trustee carried out the last triennial review of the investment strategy and objectives of the default arrangement in June 2021 and the review concluded in June 2022, having taken action to select a new investment manager for the DGF mandate.

This investment strategy review considered several factors including the Scheme's membership profile, forward looking projections, costs, historic performance and the choice of benefits taken at retirement. The review considered the suitability of the target for the default arrangement, the structure and underlying funds used within this arrangement and the range of self-select funds offered to members. The Trustee board in conjunction with professional advisers, has carried out a subsequent review of the Scheme's design and investment options due to concerns regarding the performance of the BlackRock Aquila Life Market Advantage Fund. As a result, during the Scheme year, the Trustee has decided to make a number of changes to the Cash at Retirement Lifestyle Option. Starting from November 2023, the length of the de-risking phase, during which members' savings transition to less volatile assets has been reduced from 26 years to 15 years prior to retirement. Additionally, the BlackRock ALMA Fund has been replaced with the LGIM Diversified Fund within the strategy.

The vast majority of our members take their pension as a cash lump sum upon reaching retirement and the default arrangement is designed to facilitate this. The Scheme does not offer a drawdown arrangement as few members have pension pots of sufficient size at retirement for drawdown to be a realistic option.

The Trustee continues to monitor the use of the default investment arrangement, investment choices made by members and also the choices members make when benefits come into payment. This will help to inform us about changes which are appropriate in future. The next review is due in 2025, which will be three years since the full conclusion of the previous review.

Alternative investment options

We offer another lifestyle option in addition to the default arrangement, which is available to all members – this time targeting an income for life at retirement rather than a cash sum, called the Income at Retirement Lifestyle Option. If you were a member of the Scheme in October 2015 and at that time were less than 10 years away from your Target Retirement Date, then you will have remained in the Income at Retirement Lifestyle Option (unless you have selected a different investment option). In the last investment strategy review, 5% of members had their contributions invested in this lifestyle option. Following the subsequent review, the Trustee has also decided to implement the changes to the de-risking phase length and the fund change that are being made to the Cash at Retirement Lifestyle, to the Income at Retirement Lifestyle as well. These changes were also implemented in November 2023.

In addition, the Trustee Directors have continued to make available a range of ten self-select funds, which can be chosen by members as an alternative to the lifestyle options. These funds allow members to take a more tailored approach to managing their own pension investments based on their personal circumstances. On the self-select fund range, the BlackRock ALMA Fund was replaced with the LGIM Diversified Fund at the same time as the changes to the lifestyle options were made.

Additional Voluntary Contributions – Defined Benefit Section

A number of members remain invested with Aegon on a different platform as they held investments in with-profits policies and unit linked policies on that platform. The reason for maintaining their policies was due to Aegon being unable to detach the unit linked policies from the with-profits policies in their member record keeping system – meaning that both policies would need to be disinvested, not just the unit linked funds.

At January 2024, there were a total of 21 members invested, with some members invested in more than one fund. The total fund value excludes the value of any terminal bonuses from the With Profits policies, which are paid when the member retires. The Trustee has verified that the charging levels for these members are similar to the funds within the DC section. When the funds were consolidated, the Trustee negotiated charges with Aegon to ensure that members would not be penalised for having to keep assets on this platform, given that the member charges in the DC Section are much lower. Aegon has confirmed that the rebate of 0.76% p.a. from the standard charges has been applied to the funds to achieve the 0.24% p.a. charge that is applicable to this legacy policy.

Asset Allocations

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023 (“the 2023 Regulations”) introduced new requirements for trustees and managers of certain occupational pension schemes.

For the first scheme year that ends after 1 October 2023, trustees or managers of relevant occupational pension schemes, are required to disclose their full asset allocations of investments from their default arrangements.

The tables below set out the full asset allocations for the Scheme’s default arrangement and funds (for age 25, 45, 55 and 65) as at 31 March 2024.

Cash to Retirement Lifestyle (Default Lifestyle)

Asset Class	Percentage allocation – average 25 years	Percentage allocation – average 45 years	Percentage allocation – average 55 years	Percentage allocation – 65 years (NRD)
Listed Equities	100.0	100.0	66.0	0.0
Private Equity	0.0	0.0	1.4	0.0
Property/Real Estate	0.0	0.0	5.4	0.0
Infrastructure	0.0	0.0	2.7	0.0
Private Debt/Credit	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	15.8	0.0
Cash	0.0	0.0	0.0	100.0
Other	0.0	0.0	8.8	0.0

Source: Aegon

Default Lifestyle Funds

Asset Class	<u>DC Aquila (30:70) Currency Hedged Global Equity Index</u>	<u>LGIM Diversified Fund</u>	<u>Cash Fund</u>
Listed Equities	100.0	32.0	0.0
Private Equity	0.0	2.8	0.0
Property/Real Estate	0.0	10.7	0.0
Infrastructure	0.0	5.3	0.0
Private Debt/Credit	0.0	0.0	0.0
Bonds	0.0	31.6	0.0
Cash	0.0	0.0	100.0
Other	0.0	17.5	0.0

Source: Aegon

Notes:

Normal Retirement Age for the Scheme is age 65.

The following describes the types of investments covered by the above asset classes:

- **Listed Equity:** Shares in companies that are listed on global stock exchanges. Owning shares makes the Plan a part owner of the company, entitled to a share of the profits (if any) payable as dividends.
- **Private Equity:** Unlisted equities that are not publicly traded on stock exchanges.
- **Property:** Real estate, potentially including offices, retail buildings which are rented out to businesses.
- **Infrastructure:** physical structures, facilities, systems, or networks that provide or support public services including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals, and prisons.
- **Private Debt:** Other forms of loan that do not fall within the definition of a 'Bond'.
- **Bonds:** Loans made to the bond issuer, usually a government or a company, to be repaid at a later date.
- **Cash:** Cash and assets that behave similarly to cash e.g. treasury bills.
- **Other:** Any assets that do not fall within the above categories.

Net return on investments

The tables below set out annualised net performance for the 1 and 5 year periods for the lifestyle arrangements (for age 25, 45, and 55) and for the self-select fund range.

Lifestyles

Lifestyle strategies Target Cash Strategy*	Annualised returns to March 2024 (%)	
Age of member	1 year	5 years
25	19.1	9.5
45	17.6	7.5
55	12.8	5.0

Source: Aegon and Mercer.

Lifestyle strategies Target Annuity Strategy*	Annualised returns to March 2024 (%)
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Age of member	1 year	5 years
25	19.1	9.5
45	17.6	7.5
55	12.8	2.7

Source: Aegon and Mercer.

*As the growth phase is equal between lifestyles, the expected returns are assumed to be the equal as well. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown.

Self-Select Funds

Self-select funds	Annualised returns to 31 March 2024 (%)	
	1 year	5 years
DC Aquila (30:70) Currency Hedged Global Equity Index	19.1	9.5
BlackRock World ESG Equity Tracker *	21.7	n/a
DC Aquila UK Equity Index Fund	6.9	4.8
HSBC Islamic Global Equity Index *	29.4	n/a
LGIM Diversified Fund**	n/a	n/a
DC Aquila Life Market Advantage Fund	6.0	0.9
LGIM Future World Annuity Aware Fund	3.3	-3.5
DC Aquila Over 15 Year Corporate Bond Index Fund	5.2	-3.6
DC Aquila Over 15 Year Gilt Index Fund	-4.8	-8.3
DC Aquila Over 5 Year Index Linked Gilt Index	-7.7	-6.8
DC Cash Fund	5.1	1.6

Source: Aegon and Mercer.

Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous page.

*Inception date: 30 November 2021** Performance data for Aegon LGIM Diversified Fund is only available starting from November 2023.

Charges and transaction costs

The employer currently pays many of the costs of running the Scheme. These include the administration costs and the other costs incurred by the Trustee in running the Scheme such as the costs of the advice the Trustee Directors take from their advisers to ensure the Scheme best meets members' interests. The only costs currently borne by members are the charges levied by the investment managers of the funds in which their pension monies are invested. These charges are automatically accounted for in the daily unit price of each fund the Scheme makes available to its DC members, which means that any valuation or statement a member receives will be shown after charges have been deducted.

We are required to explain both the investment charges (i.e. the underlying costs incurred by the investment managers in running the funds in which your money is invested) and the transaction costs (i.e. the costs of buying and selling investments).

In addition, we are required to assess whether we believe, given the investment charges and transaction costs incurred by members, the Scheme offers good value for members.

Investment charges

The Trustee Directors monitor the investment charges incurred by the different funds we make available to members by focusing on the Total Expense Ratio of each fund.

The individual funds within the default investment arrangement have total expense ratios between 0.13% p.a. to 0.41% p.a. of assets under management. Given that each member within the default arrangement is invested in more than one fund for much of their membership of the Scheme and the allocations to each of these funds will change as the member nears their target retirement date, the total expense ratio varies over time.

However, the total expense ratio for those in the default arrangement is not expected to exceed 0.29% per annum at any stage.

The alternative lifestyle option and the range of ten self-select funds have total expense ratios of between 0.11% p.a. and 0.43% p.a.

There have been no performance-based fees in respect of the DC investments being charged during the year.

Transaction costs

The Trustee has identified separately, the underlying transaction costs associated with each fund for the following;

- the trading of individual investments that goes on within the separate funds from both buying and selling
- ongoing switches to the underlying funds as part of the lifestyle investment options (i.e. made during a member's working life),
- Any taxation that is applied to the trading of investments, such as stamp duty,
- Any costs, and possible benefits, that have been incurred from the activity of lending securities within the funds, and
- Any costs that have been incurred from the payment of broker fees and commissions.

Transaction costs

The table below sets out the total expense ratios and total transaction costs of each individual fund. The Scheme access three investment managers, which are BlackRock (who manages the Aquila Funds), Legal & General Investment Management and HCBS Global Asset Management

Fund	Total Expense Ratio p.a.	Transaction Costs	Total Costs
DC Aquila (30:70) Currency Hedged Global Equity Index (a) (b)	0.17%	0.00%	0.17%
BlackRock World ESG Equity Tracker	0.20%	0.06%	0.26%
DC Aquila UK Equity Index Fund	0.11%	0.11%	0.22%
HSBC Islamic Global Equity Index	0.43%	0.01%	0.44%
LGIM Diversified Fund	0.41%	0.00%	0.41%
DC Aquila Life Market Advantage Fund (a) (b)	0.26%	0.04%	0.30%
LGIM Future World Annuity Aware Fund (b)	0.21%	0.00%	0.21%
DC Aquila Over 15 Year Corporate Bond Index Fund	0.17%	0.01%	0.18%

DC Aquila Over 15 Year Fixed Interest Gilt Index Fund	0.11%	0.02%	0.13%
DC Aquila Over 5 Year Index Linked Gilt Index	0.11%	0.00%	0.11%
DC Cash Fund (a)	0.13%	0.02%	0.15%

Source: Aegon,

(a) The Cash at Retirement Lifestyle option utilises the 30/70 Global Equity Fund, Market Advantage Fund and Cash Fund.

(b) The Income at Retirement Lifestyle option utilises the 30/70 Global Equity Fund, Market Advantage Fund, Future World Annuity Aware Fund and Cash Fund

Reporting of Costs and Charges

Using the charges and transaction cost data provided by Aegon and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in the following (with the Scheme's relevant funds/strategies listed in brackets):

- The fund or strategy with the most members invested (Default Lifestyle)
- The most expensive fund (Aegon HSBC Islamic Global Equity Index (BLK))
- The least expensive fund (Aegon BlackRock Over 15 Year Gilt Index (BLK))

The illustrations that follow take into account the following elements:

- Initial savings pot size;
- Contributions, where applicable;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To illustrate the impact of charges on a typical active member's pension pot, we have provided the below illustrations, which accounts for all estimated member costs, including the TER, transaction costs and inflation.

Illustration 1: A typical active member invested in the DC fund range

Age	Most popular fund: Default Lifestyle		Highest cost fund: Aegon HSBC Islamic Global Equity Index (BLK)		Lowest cost fund: Aegon BlackRock Over 15 Year Gilt Index (BLK)	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
45	£14 955	£14 925	£14,950	£14,886	£14,952	£14,934
50	£32 034	£31 727	£31,989	£31,337	£32,003	£31,820
55	£52 634	£51 633	£53,222	£51,401	£53,263	£52,748
60	£77 105	£74 817	£79,683	£75,872	£79,769	£78,686
61	£81 894	£79 310	£85,710	£81,376	£85,808	£84,575
62	£86 248	£83 381	£92,009	£87,104	£92,120	£90,722
63	£89 918	£86 807	£98,591	£93,063	£98,717	£97,140
64	£92 642	£89 352	£105,470	£99,264	£105,611	£103,838
65	£94 579	£91 173	£112,658	£105,716	£112,816	£110,831

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustees based this assumed member on data sourced from the administrator. The assumed member is age 44, with a normal retirement age of 65, using a starting pot size of £11,971 and a salary of £29,920. The member's total contributions (including those from the employer) are assumed to be £2,393 of the member's salary per annum, and is assumed to increase in line with inflation.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	Transaction costs	Growth rate assumptions
Default Lifestyle	0.17% p.a. for members 15 or more years from retirement, falling to 0.13% p.a. for members at retirement.	0.03% p.a. for members 15 or more years from retirement; an average of 0.01% for members at retirement.	7.00% p.a. before inflation for members 15 or more years from retirement, to 2.00% p.a. before inflation for members at retirement
Aegon HSBC Islamic Global Equity Index (BLK)	0.43% p.a.	0.00% p.a.	7.00% p.a. before inflation
Aegon BlackRock Over 15 Year Gilt Index (BLK)	0.11% p.a.	0.01% p.a.	7.00% p.a. before inflation

Charge and costs figures provided by Aegon; growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. The transaction costs shown above are an average of the costs provided for 5 year periods to 31/03/2024.

Illustration 2: The youngest active member invested in the DC fund range

	Most popular fund: Default Lifestyle		Highest cost fund: HSBC Islamic Global Equity Index (BLK)		Lowest cost fund: Aegon BlackRock Over 15 Year Gilt Index (BLK)	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
17	£2,270	£2,270	£2,270	£2,270	£2,270	£2,270
20	£8,614	£8,574	£8,609	£8,523	£8,610	£8,586
25	£21,255	£21,033	£21,223	£20,752	£21,233	£21,101
30	£37,032	£36,427	£36,944	£35,666	£36,971	£36,610
35	£56,723	£55,449	£56,534	£53,856	£56,593	£55,832
40	£81,300	£78,953	£80,947	£76,040	£81,058	£79,654
45	£111,327	£107,237	£111,370	£103,097	£111,560	£109,178
50	£146,059	£139,021	£149,282	£136,096	£149,590	£145,768
55	£178,721	£168,291	£196,528	£176,342	£197,005	£191,116
60	£187,889	£176,906	£255,406	£225,427	£256,121	£247,318
65	£197,289	£186,306	£328,777	£285,291	£329,826	£316,971

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustees based this assumed member on data sourced from the administrator. The youngest member is aged 17 (this has decreased from 18 years to 17 years between Scheme Year to 2022 and Scheme Year to 2023), with a normal retirement age of 65, using a starting pot size of £2,270 and a salary of £23,500. The member's total contributions (including those from the employer) are assumed to be £1,880 of the member's salary per annum, and is assumed to increase in line with inflation.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	Transaction costs	Growth rate assumptions
Default Lifestyle	0.17% p.a. for members 15 or more years from retirement, falling to	0.03% p.a. for members 15 or more years from retirement; an average of	7.00% p.a. before inflation for members 15 or more years from retirement, to

	0.13% p.a. for members at retirement.	0.01% for members at retirement	2.00% p.a. before inflation for members at retirement
Aegon HSBC Islamic Global Equity Index (BLK)	0.43% p.a.	0.00% p.a.	7.00% p.a. before inflation
Aegon BlackRock Over 15 Year Gilt Index (BLK)	0.11% p.a.	0.01% p.a.	7.00% p.a. before inflation

Charge and costs figures provided by Aegon; growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As Aegon is unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for 5 years period to 31/03/2024.

Illustration 3: A deferred member invested in the DC fund range

	Most popular fund: Default Lifestyle		Highest cost fund: Aegon HSBC Islamic Global Equity Index (BLK)		Lowest cost fund: Aegon BlackRock Over 15 Year Gilt Index (BLK)	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
45	£7 599	£7 584	£7,597	£7,564	£7,598	£7,589
50	£9 485	£9 371	£9,467	£9,226	£9,473	£9,405
55	£11 664	£11 373	£11,798	£11,252	£11,811	£11,656
60	£14 168	£13 605	£14,703	£13,723	£14,726	£14,446
61	£14 602	£13 982	£15,364	£14,279	£15,390	£15,079
62	£14 947	£14 275	£16,056	£14,857	£16,084	£15,741
63	£15 165	£14 450	£16,778	£15,459	£16,809	£16,431
64	£15 221	£14 475	£17,533	£16,085	£17,567	£17,151
65	£15 147	£14 384	£18,322	£16,737	£18,360	£17,904

Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustees based this assumed member on data sourced from the administrator. The assumed member is age 44, with a normal retirement age of 65, using a starting pot size of £7,270. No further contributions were assumed.
4. Inflation is assumed to be 2.5% per annum.
5. Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	Transaction costs	Growth rate assumptions
Default Lifestyle	0.17% p.a. for members 15 or more years from retirement, falling to 0.13% p.a. for members at retirement.	0.03% p.a. for members 15 or more years from retirement; an average of 0.01% for members at retirement	7.00% p.a. before inflation for members 15 or more years from retirement, to 2.00% p.a. before inflation for members at retirement
Aegon HSBC Islamic Global Equity Index (BLK)	0.43% p.a.	0.00% p.a.	7.00% p.a. before inflation
Aegon BlackRock Over 15 Year Gilt Index (BLK)	0.11% p.a.	0.01% p.a.	7.00% p.a. before inflation

Charge and costs figures provided by Aegon; growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As Aegon is unable to provide historic transaction costs for these funds, the transaction costs shown above are an average of the costs provided for 5 year periods to 31/03/2024.

Good value for members

When assessing the charges and transaction costs which are payable by members the Trustee is required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for members compared to other options in the market.

There is no legal definition of “good value” and the process of determining good value for members is a subjective one. We have received advice on how to assess good value from our advisers and considered regulatory guidance.

As a starting point to assessing good value, we have compared the level of charges in each fund with the levels of return they have delivered to members. The passively managed funds we make available to our members are in line with their performance targets net of investment fees, for both the last one and three-year periods with the exception of the BlackRock Index-Linked Gilts which underperformed the benchmark on a net of fees basis by 0.9% over the one year period to 31 March 2024. Our only actively managed fund, the Market Advantage Fund, fell short of its performance target by 1.1% and 2.2% per annum, net of investment fees, over the one-year and three-year period respectively over period to 31 March 2024. However, the Market Advantage Fund was replaced by the LGIM Diversified Fund during the Scheme Year and the projections already include the new updated glidepath. The LGIM Diversified Fund underperformed the benchmark over 3 months to 31 March 2024.

The Future World Annuity Aware Fund has also underperformed the benchmark by 0.4%, per annum, net of investment fees, over the three-year period over period to 31 March 2024. However, it has outperformed the benchmark over the one year period.

We have also compared our fund’s total expense ratios with the Government charge cap of 0.75%. All our funds have total expense ratios that are significantly below this level. The Trustee has been advised that the Scheme’s charges are competitive with those applied to similar products in other pension funds of similar size and that they are also below charges levied for similar products which members might be able to purchase as individual savers.

The Trustee appreciates that low cost does not necessarily mean better value, so we have also considered how the investment charges and costs borne by members compare to the services and benefits provided by the Scheme. In the Trustee Directors’ view, the benefits of membership are considerable. These benefits include:

- The design of the default arrangement and how this reflects the interests of our members
- The range of investment options and strategies provided
- The flexible arrangements available to members on retirement including the extended benefit options the Scheme provides that enable members to take their entire pension fund as cash or as a series of cash payments
- The quality of communications delivered to members, including our Scheme web site providing members with 24-hour online access to their individual pension account and our Trustee newsletter
- The dedicated telephone helpline available to members
- The fact that many of the costs of running the Scheme are met by the Company and not by members.

Based on our assessment we have concluded that the Scheme *does* represent good value for members for the charges and cost that they incur.

Core financial transactions

The Trustee is required to report to you about the processes and controls in place in relation to the “core financial transactions”. The law specifies that these include the following:

- Investing contributions paid into the Scheme
- Transferring assets related to members into or out of the Scheme

- Transferring assets between different investments within the Scheme
- Making payment from the Scheme to or on behalf of members.

Your Trustee Board must ensure that these important transactions are processed promptly and accurately. In practice, we delegate responsibility for this to the Scheme Administrator, Capita and carry out regular reviews of their performance including regular monitoring of member feedback.

Capita collects contributions from the Company which is then allocated to individual member records. Contributions are usually invested within 3 working days of receipt. Straight through processing is in place, linking Capita with an investment platform operated by Aegon, for the investment of contributions, disinvestments and reconciliation of investment funds. The processes and controls adopted by the Scheme Administrator to help meet service level standards include having in place a dedicated contribution processing team, daily monitoring of bank accounts and at least two individuals checking all investment and banking transactions.

The Scheme Administrator provides quarterly reports to the Trustee Board, which enable us to assess how quickly and effectively the core scheme financial transactions are completed and whether they have met contractual service level standards. The reports include reconciliations of investment transactions and member units in each fund. Any mistakes, delays or complaints are investigated thoroughly and action is taken to put things right as quickly as possible.

I am pleased to report that this Scheme year there have again been no material administration service issues which need to be reported here by the Trustee. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with promptly.

In addition, noting that we need accurate member data to process contributions and payments correctly, we are continuously taking steps to review and correct any issues with the member data which is held by the Scheme administrator. The Trustee takes its data seriously and has implemented a Continuous Data Improvement Plan that sets out: clear objectives aimed at improving member data; detailed outputs driven by our obligations to our members; and an operational plan setting out the activities required in order to achieve our objectives.

The latest audit of our data was carried out by Capita and we achieved a 96.8% accuracy score for the data held.

We will continue to carry out scheme data audits regularly to ensure our data meets the very high standards to which we aspire.

In order to meet the EU General Data Protection Regulation (or “GDPR”), the Trustee reviewed its controls and those of its suppliers that hold information about you. The Trustee is satisfied that the controls in place meet the GDPR requirements. For more detailed information on how we use and disclose your personal information, the protections we apply, the legal basis for our use of your information and your data protection rights, please visit the Scheme website www.wincantonpensions.co.uk to obtain a copy of the Scheme's privacy notice.

Trustee knowledge and understanding

The law requires the Trustee Board to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. Your Trustee Board recognises the importance of having the right mix of skills and competencies amongst the Trustee Directors to ensure that the Scheme is well governed and properly managed and we seek to ensure that new appointees to the Board bring the skills we need. We also recognise that we are responsible for a large, complex and challenging scheme. For all these reasons the Board requires that each Trustee Director demonstrably attain a high standard of relevant knowledge and understanding. Specifically:

- All the Trustee Directors are required to complete the Trustee Toolkit made available by the Pensions Regulator within six months of joining the Board. I confirm that all the Trustee Directors as at 31 March 2024 were completely up to date having completed all the modules of the Toolkit relevant to our Scheme; and
- All Trustee Directors appointed or reappointed to the board after 1 April 2016 are required to complete the Pensions Management Institute's Award in Pension Trusteeship within 18 months of joining the Board or hold such other relevant professional qualifications as the Board considers appropriate to the role. I confirm that five of the six Trustee Directors are compliant with this policy, with the remaining Trustee Director due to sit the exam later this year.

The Trustee has access to the services of a range of professional advisers. All Trustee decisions are supported by professional advice where required, and this includes attendance of professional advisers at Trustee meetings. The Trustee's legal adviser attends each Trustee meeting (supporting a working knowledge of the trust deed and rules and the law relating to pensions and trusts) and the investment adviser attends all Investment Committee meetings (supporting a working knowledge of the relevant principles of funding and investment of occupational pension schemes).

The Board has a policy on Trustee Appointments, Responsibilities and Requirements to help ensure that the Board is fully compliant with the most recent regulations and legislation. In addition, the policy clearly sets out the arrangements on how the Scheme complies with Member Nominated Director (MND) legislation.

All Board members are required to undertake at least 15 hours of additional relevant training each year some of which we provide during Board meetings and some via dedicated Board training away days, often led by one or more of our advisers. We also encourage Trustee Directors to participate in other training events that they believe are relevant to them personally. We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Board and organise training sessions as and when necessary. This training record is reviewed to identify gaps in knowledge and understanding across the Board as a whole. This allows us to work with our professional advisers to fill any gaps.

In the Scheme year, all Trustee Directors met or exceeded their specified training requirement to undertake a minimum of 15 hours Trustee training within the Scheme year. The Trustee has received confirmation from each Trustee Director that they have completed the required amount of training during the year.

At least every three years the Board also carries out an evaluation of its performance and effectiveness measured, in part, against the objectives of the Scheme's business plan.

During the Scheme year, the Trustee Directors received the following specific training:

- Pension Dashboards
- Legal responsibility of the Trustee in a buy in / buy out scenario

The combined knowledge and understanding of the Trustee and its advisers enabled the Trustee to properly run the Scheme, in the Scheme year, as follows:

- Trustee Directors are able to challenge and question advisers, committees and other delegates effectively
- Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties
- Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements

As a result of all the training and other developmental activities which have been completed by the Trustee Directors individually and collectively as a Board and taking in to account the professional

advice available to the Trustee, I am confident that the combined knowledge and understanding of the Board enables us to exercise properly our functions as the Trustee of the Scheme.

Signed: _____ **Dated:** _____ **2024**

Dinesh Visavadia, Independent Trustee Services Limited, Chair, Wincanton plc Pension Scheme