MARSHALL MOTOR HOLDINGS DEFINED CONTRIBUTION PENSION SCHEME

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 5 APRIL 2020

INTRODUCTION

As Chairman of the Trustees of the Scheme, I am required to provide members with a yearly statement which explains the steps the Trustees (with guidance from our professional advisers) have taken to meet the required governance standards. The information included in my statement is set out in law and regulation. This statement will be published on a publicly available website – www.mmhplc.com.

Certain governance standards apply to Defined Contribution (DC) pension arrangements. These are designed to help members achieve good outcomes from their pension savings.

The Trustees are committed to having high governance standards and met three times during the Scheme year to monitor the controls and processes in respect of the administration relating to the Scheme's funds. This statement covers the period 6 April 2019 to 5 April 2020. The Scheme has the following DC elements:

• DC arrangement with Standard Life – this arrangement within the Scheme is open to new entrants and future contributions and is used for automatic enrolment purposes by the participating employers. This section is administered by Standard Life and offers investment funds managed by Standard Life and other external fund managers. Following the Marshall Group's (the Group) decision to restructure the pension arrangements, and having taken extensive advice from their legal and investment advisers, the Trustees transferred the funds of members employed by Marshall Thermo King Limited held with Standard Life to the Legal & General Master Trust (selected by the Group for future contributions for all employees) on a 'non-consent' basis in May and June 2019.

• Additional Voluntary Contributions (AVCs) with Standard Life – these are the Scheme's current AVC arrangements, used by members and invested in funds with Standard Life.

• DC arrangement with Aviva – this is a legacy arrangement and is closed to new members and new contributions. Members are invested in the Aviva With-Profits fund which has a guaranteed minimum investment return of 4.0% per annum. Some Scheme members with Aviva benefits also have benefits with Standard Life and these providers liaise when settling members' benefits.

• AVCs with Aviva – these are legacy holdings, from when Aviva was the AVC provider. This arrangement is closed to new entrants and future contributions.

• AVCs with Utmost Life & Pensions (Utmost) – these are legacy holdings within the Equitable Life With-Profits Fund which were transitioned to Utmost on 1 January 2020. This arrangement is closed to new entrants.

The majority of DC assets under management in the Scheme are invested in Standard Life and so the Trustees have applied a proportionate approach to meeting the relevant governance standards. In practice, this means that the Trustees have taken a more detailed quantitative approach to reviewing benefits with Standard Life, while the Aviva and the Utmost AVC arrangements have received more of a 'light touch' review, particularly in assessing value for members.

We welcome this opportunity to explain the steps the Trustees have taken to ensure the Scheme is run as effectively as possible. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please write to c/o Marisa Parfitt, HR Department, Marshall Motor Holdings, Quorum 3, Barnwell Drive, Cambridge, Cambridgeshire CB5 8RE.

DEFAULT INVESTMENT ARRANGEMENTS

A default investment arrangement was set up by the Trustees and provided for members who did not actively select an investment option for their contributions. Members could also choose to invest in this default investment arrangement.

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangements. We take professional advice from regulated investment advisers and have appointed fund managers to manage the DC funds.

Setting an appropriate default investment strategy
Details of the strategy and objectives of the default investment arrangement amongst other things are also recorded in a document called the Statement of Investment Principles (SIP). The SIP contained within this document was completed in September 2019 to reflect the Trustees' approach to financially material considerations including Environmental, Social and Governance as well as non-financial matters. A copy of the SIP is appended to this statement. The SIP has been reviewed before 1 October 2020 to meet further regulatory requirements and was approved by the Trustees on 21 September 2020.

The Trustees have chosen the Marshall Options Open Lifestyle with Standard Life as the default investment strategy for the Scheme.

When deciding on the investment strategy, the Trustees recognise that the majority of members do not make active investment decisions and instead invest in the default strategy. Therefore, the primary objective of the Trustees in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member. When choosing the default strategy, it is the policy of the Trustees to consider a range of asset classes, together with the need for diversification. The Trustees also recognise that there are various investment and operational risks and give considerations to such risks.

Members who joined the Scheme and did not make an active investment choice for their contributions are placed into the default investment strategy. The Marshall Options Open Lifestyle's pre-retirement investment mix represented a neutral option where the member has not made a specific choice to align their Member Account to either cash or annuity purchase. The Trustees therefore view it as being appropriate for the majority of members who have not made a decision on how they will want to take their benefits at retirement.

The default option has been designed having taken due regard to the membership profile of the Scheme, including consideration of:

- The size of members' retirement savings within the Scheme;
- Members' current level of income and hence their likely expectations for income levels post retirement;
- The fact that members may have other retirement savings invested outside of the Scheme; and
- The ways members may choose to use their savings to fund their retirement.

These factors have also been considered when setting the range of alternative investment options from which members can choose.

Reviewing the default investment arrangement
The Trustees are expected to review the strategy and objectives of the default investment arrangement regularly, at least once every three years, and take into account the needs of the Scheme members when designing it. In practice, the Trustees review the investment objectives and the performance of the default investment arrangement regularly at Trustees' meetings, taking advice from the Trustees' investment consultant.

During the Scheme year, the Trustees undertook a high-level review of the default investment arrangement. This included taking advice from the Trustees' investment consultant. The Trustees considered the membership profile and the risk profile of the members, key characteristics of a successful default fund and the changing pension landscape (in particular, the changes in work patterns and reduction in fixed age retirement and developing trends in the ways that members take their retirement benefits). As a result of this review, the Trustees have concluded no further changes to the strategy for the time being.

A further, more detailed review is being undertaken within the next year.

Performance of the Scheme's funds, including those underlying the default investment arrangement, are monitored and reported to the Trustees on a regular basis. The Trustees also receive information from our investment consultant of their views on the managers' suitability for their mandates. As a result of this ongoing review, the Trustees decided

to replace the Standard Life Global Absolute Return Strategies Fund with the Invesco Global Targeted Returns Fund in December 2019 as a component of the blended funds offered to members.

Self-select investment choices
In addition to the default investment arrangement, the Trustees have made available three alternative lifestyle strategies under the Standard Life arrangement (Marshall Lump Sum Lifestyle, Marshall Drawdown Lifestyle and Marshall Annuity Lifestyle) as well as the following range of funds:

Standard Life	SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund SL iShares UK Equity Index Pension Fund SL Stewart Investors Global Emerging Markets Leaders Pension Fund SL HSBC Islamic Global Equity Index Pension Fund SL Vanguard SRI Global Stock Pension Fund SL BNY Mellon Real Return Pension Fund Standard Life Marshall Growth Pension Fund Standard Life MMH Diversified Growth Pension Fund Standard Life Marshall Pre-Retirement Pension Fund SL iShares UK Gilts All Stocks Index Pension Fund SL Vanguard UK Inflation Linked Gilt Index Pension Fund Standard Life Long Corporate Bond Pension Fund Standard Life Deposit and Treasury Pension Fund Standard Life Property Pension Fund
Aviva (closed to new entrants and future contributions)	Aviva FP With Profits Fund (Main Series 1)
AVCs with Equitable Life (to 31 December 2019)	Equitable Life With-Profits Fund
AVCs with Utmost Life and Pensions (from 1 January 2020)	The fund used by members at the end of the Scheme year was the Secure Cash Fund (members' funds previously held in the Equitable Life With-Profits Fund were initially transitioned to the Secure Cash Fund before being transferred to a multi-asset lifestyle strategy (the "Investing by Age" strategy) over the second six months of 2020) or a fund chosen by the member. Members can also choose from three different funds available from Utmost.

Members may wish to take independent financial advice before choosing between these alternative lifestyle strategies and any of the funds above.

Further explanation of the With-Profit arrangements
Members with Utmost AVC funds were, prior to 1 January 2020, invested in the Equitable Life With-Profits Fund, which had no explicit annual management charge, but Equitable Life allowed for a charge of 1% p.a. when declaring With Profits bonus rates. With-Profits policyholders also incurred an annual charge of 0.5% p.a. in order to provide Equitable Life with sufficient capital to meet the expected cost of guaranteed benefits on all of their With-Profits policies.

The Trustees have taken a pragmatic approach to reviewing these investments based on the size of the funds invested compared to the overall value of benefits that the members hold within the Scheme. In addition, the Trustees also note that Aviva has a With Profits Committee for their With-Profits funds (as did Equitable Life), who consider matters affecting the interests of the policyholders within each fund respectively, including fair pay-outs.

The Trustees periodically review these arrangements to ensure they continue to be fit for purpose and will continue to write directly to members who have such investments if there is anything of significance to make members aware of.

The Trustees reviewed the Equitable Life With-Profits holdings following Equitable Life's proposal to transfer these to Utmost on 1 January 2020. This transfer had the impact of increasing the capital distribution of the Equitable Life With-Profits holdings but in turn removing future guarantees and bonuses before converting them into unit-linked policies. The Trustees issued a communication to all affected members, ahead of the transition.

CHARGES AND TRANSACTION COSTS PAID BY MEMBERS

The Trustees are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Scheme that are paid by members rather than the employer). In the Scheme, members typically pay for investment management and investment transactions, while the employer pays all the other costs of running the Scheme such as some administration services as well as governance.

The investment management and transaction costs can be explained as follows:

- The total ongoing charges figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge (direct charges) and any additional fund expenses (indirect charges). The charges for the default investment strategy are compared against the 0.75% charge cap set by legislation.
- Transaction costs are the costs incurred as a result of the buying, selling, lending or borrowing of investments *within* each fund. They include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and the costs of borrowing or lending securities, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the funds invested in, the transactions that took place within each fund and the date at which the transactions took place. Unlike the ongoing charges figures, transaction costs cannot be compared against the 0.75% charge cap set by legislation. The reported performance of the fund is typically net of these transaction costs.
- In addition, there can be switching costs occurred as a result of the buying and selling of funds. This may relate either to member-driven trades (e.g. a self-select member switching their investment arrangements) or to automatic trades (e.g. those associated with fund switches resulting from progression along a lifestyle glidepath). These costs relate to the difference between the fund price used to place the trade and the price which would have applied to that fund on that day had the trade not been placed. These are implicit costs which are not typically visible to members.

During the Scheme year the annual management charge in respect of the Standard Life arrangement has increased by 0.16% following the Group's decision to restructure the pension arrangements and the transfer of assets of two other Marshall DC schemes (with which the Scheme has been historically associated) held with Standard Life to the Legal & General Master Trust.

The level of ongoing charges (after the Scheme rebate of 0.52% has been applied) applicable to the Scheme's default investment arrangement during the last Scheme year were confirmed by Standard Life as being:

	Total charges		Transaction costs for the period 1 April 2019 to 31 March 2020	
	% p.a. per the amount invested	£ p.a. per £1,000 invested	% p.a. per the amount invested	£ p.a. per £1,000 invested
Standard Life Marshall Growth Pension Fund	0.56%	£5.60	0.02%	£0.20
Standard Life MMH Diversified Growth Pension Fund	1.30%	£10.30	0.32%	£3.20
Standard Life Marshall Pre-Retirement Pension Fund	0.50%	£5.00	0.03%	£0.30
Standard Life Deposit and Treasury Pension Fund	0.49%	£4.90	0.06%	£0.60

The level of charges and transaction costs applicable to the Scheme's self-select funds under the Standard Life arrangement, and AVCs with Utmost, during the last Scheme year were confirmed by the providers in the table below.

Some members remain invested in the Aviva With-Profits fund. This is a legacy arrangement and is closed to new members and new contributions. Aviva have confirmed there is no scheme charge and therefore only the administration cost is applied.

	Total charges		Transaction costs for the period 1 April 2019 to 31 March 2020	
	% p.a. per the amount invested	£ p.a. per £1,000 invested	% p.a. per the amount invested	£ p.a. per £1,000 invested
Standard Life				
SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund	0.50%	£5.00	0.00%	£0.00
SL iShares UK Equity Index Pension Fund	0.50%	£5.00	0.10%	£1.00

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	Total charges		Transaction costs for the period 1 April 2019 to 31 March 2020	
	% p.a. per the amount invested	£ p.a. per £1,000 invested	% p.a. per the amount invested	£ p.a. per £1,000 invested
SL Stewart Investors Global Emerging Markets Leaders Pension Fund	1.38%	£13.80	0.17%	£1.70
SL HSBC Islamic Global Equity Index Pension Fund	0.79%	£7.90	0.05%	£0.50
SL Vanguard SRI Global Stock Pension Fund	0.50%	£5.00	0.00%	£0.00
SL BNY Mellon Real Return Pension Fund	1.29%	£12.90	0.22%	£2.20
Standard Life Marshall Growth Pension Fund	0.56%	£5.60	0.02%	£0.20
Standard Life MMH Diversified Growth Pension Fund	1.30%	£13.00	0.32%	£3.20
Standard Life Marshall Pre-Retirement Pension Fund	0.50%	£5.00	0.03%	£0.30
SL iShares UK Gilts All Stocks Index Pension Fund	0.50%	£5.00	0.01%	£0.10
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	0.50%	£5.00	0.00%	£0.00
Standard Life Long Corporate Bond Pension Fund	0.49%	£4.90	0.18%	£1.80
Standard Life Deposit and Treasury Pension Fund	0.49%	£4.90	0.06%	£0.60
Standard Life Property Pension Fund	0.51%	£5.10	0.19%	£1.90
Aviva				
Aviva FP With Profits Fund (Main Series 1) Pensions	0.30%	£3.00	0.11%	£1.10
AVCs with Utmost				
Secure Cash (from 1 January 2020)	0.50%	£5.00	0.07%	£0.70

In terms of switching costs, the funds used by the Scheme operate on a single-swinging price basis with no explicit switching costs charged to members. However, members may experience implicit switching costs whenever assets are sold (as is the case throughout the lifestyling phase).

These costs will vary between members depending on what switches took place for each member and the date at which these occurred. The Trustees are not able to track what costs have been incurred in practice for particular members.

Completeness of charges and transaction cost information
Where information about the member costs and charges is not available, we have to make this clear together with an explanation of what steps we are taking to obtain the missing information.

We were not provided with transaction costs prior to 1 January 2018 for any of the funds, whether managed by Standard Life, Aviva or Utmost. As the reporting of transaction costs is a new statutory requirement, not obtaining full transaction cost data is a difficulty faced by many pension schemes. It should be noted that the transaction costs are likely to vary from fund to fund and from year to year.

Illustration of the impact of charges and transaction costs
Over a period of time, the charges and transaction costs that are taken out of a member's retirement savings can reduce the amount available to the member at retirement. Standard Life have provided illustrative examples of the cumulative effect over time of the impact of the charges and transaction costs on the value of a member's retirement savings, having taken account of the statutory guidance issued by the Department of Work and Pensions in preparing this section of our statement. A website address and details on how members can locate relevant costs and charges information has been made available to members in the Trustees' annual newsletter issued in May 2020.

We were unable to obtain examples for the Aviva arrangement or the Utmost AVC arrangement. Ongoing contributions are not made to the Aviva arrangement.

Each table in this section shows the projected pension savings in today's money for a representative member of the Standard Life arrangement using:

- The median starting age and pot size by type of member ('typical' active, 'typical' youngest active member, 'typical' deferred, and 'typical' youngest deferred);
- The regular contribution for active members contributing 5% employee and 4% employer contributions; and
- The 'Before charges' column shows the projected fund without any transaction costs and charges being applied. The 'After all charges' column shows the projected fund after transaction costs and charges have been applied.

'Typical' active member of the Standard Life arrangement

Year	Options Open Lifestyle (default)		Standard Life Marshall Growth Pension Fund		Standard Life MMH Diversified Growth Pension Fund		Standard Life Deposit and Treasury Pension Fund	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£8,360	£8,310	£8,430	£8,390	£8,290	£8,180	£8,140	£8,110
3	£13,300	£13,100	£13,600	£13,400	£13,000	£12,600	£12,500	£12,300
5	£18,600	£18,000	£19,200	£18,800	£17,900	£17,000	£16,800	£16,500
10	£33,400	£31,800	£35,500	£34,200	£31,600	£28,700	£28,100	£27,200
15	£50,600	£47,000	£55,300	£52,500	£46,700	£40,800	£39,600	£37,900
NRD	£66,000	£60,300	£73,900	£69,300	£60,000	£50,800	£49,000	£46,400

Source: Standard Life

'Typical youngest' active member of the Standard Life arrangement

Year	Options Open Lifestyle (default)		Standard Life Marshall Growth Pension Fund		Standard Life MMH Diversified Growth Pension Fund		Standard Life Deposit and Treasury Pension Fund	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£4,290	£4,270	£4,300	£4,290	£4,180	£4,170	£4,180	£4,170
3	£9,150	£9,020	£9,270	£9,170	£8,620	£8,540	£8,610	£8,520
5	£14,200	£13,900	£14,500	£14,300	£13,000	£12,800	£13,000	£12,800
10	£29,000	£27,800	£30,100	£29,200	£24,400	£23,800	£24,400	£23,700
15	£46,500	£43,600	£49,200	£46,900	£36,200	£34,700	£36,200	£34,600
20	£67,000	£61,500	£72,300	£67,800	£48,400	£45,900	£48,400	£45,800
25	£91,100	£81,900	£100,000	£92,500	£61,000	£57,300	£61,100	£57,100
30	£118,000	£104,000	£133,000	£121,000	£74,200	£69,000	£74,300	£68,700
35	£151,000	£130,000	£172,000	£154,000	£88,000	£81,000	£88,100	£80,600
40	£189,000	£159,000	£220,000	£194,000	£102,000	£93,500	£102,000	£92,800
NRD	£223,000	£185,000	£264,000	£229,000	£113,000	£103,000	£113,000	£102,000

Source: Standard Life

'Typical' deferred member of the Standard Life arrangement

Year	Options Open Lifestyle (default)		Standard Life Marshall Growth Pension Fund		Standard Life MMH Diversified Growth Pension Fund		Standard Life Deposit and Treasury Pension Fund	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£2,030	£2,020	£2,050	£2,040	£2,010	£1,980	£1,970	£1,960
3	£2,130	£2,080	£2,170	£2,140	£2,050	£1,960	£1,940	£1,910
5	£2,220	£2,140	£2,300	£2,240	£2,090	£1,930	£1,900	£1,850
10	£2,480	£2,290	£2,670	£2,520	£2,190	£1,870	£1,800	£1,710
15	£2,760	£2,450	£3,080	£2,830	£2,300	£1,810	£1,710	£1,580
20	£3,070	£2,620	£3,570	£3,180	£2,430	£1,760	£1,640	£1,470
NRD	£3,280	£2,730	£3,880	£3,400	£2,490	£1,720	£1,580	£1,400

Source: Standard Life

'Typical youngest' deferred member of the Standard Life arrangement

Year	Options Open Lifestyle (default)		Standard Life Marshall Growth Pension Fund		Standard Life MMH Diversified Growth Pension Fund		Standard Life Deposit and Treasury Pension Fund	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£1,010	£1,010	£1,020	£1,020	£1,000	£993	£989	£984
3	£1,060	£1,040	£1,080	£1,070	£1,020	£981	£970	£955
5	£1,120	£1,080	£1,150	£1,120	£1,040	£968	£951	£926
10	£1,260	£1,170	£1,330	£1,260	£1,100	£938	£905	£857
15	£1,400	£1,260	£1,530	£1,410	£1,150	£908	£861	£794
20	£1,590	£1,370	£1,780	£1,590	£1,210	£880	£821	£736
25	£1,780	£1,480	£2,058	£1,780	£1,270	£852	£780	£681
30	£2,010	£1,610	£2,381	£2,000	£1,330	£826	£743	£631
35	£2,250	£1,740	£2,756	£2,250	£1,400	£800	£707	£584
40	£2,540	£1,890	£3,180	£2,520	£1,470	£775	£673	£541
NRD	£2,660	£1,950	£3,371	£2,640	£1,500	£765	£661	£525

Source: Standard Life

The following assumptions have been made for the purposes of the above illustrations:

- Values shown are estimates and are not guaranteed;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Inflation is assumed to be 2.0% each year;
- For 'typical' active members only, future contributions are assumed to be paid from assumed age 46 to normal retirement age 65. Future contributions are assumed to increase by 3.5% each year;
- Total contribution rates and pensionable salaries for the 'typical' active member and 'typical youngest' active member illustrations are assumed to be 9% and £25,000 respectively;
- The starting pot sizes are assumed to be £6,000 for the 'typical' active member, £2,000 for the 'typical' deferred member, £2,000 for the 'typical youngest' active member and £1,000 for the 'typical youngest' deferred member;

- Starting ages are assumed to be 46 for the 'typical' active member, 42 for the 'typical' deferred member, 21 for the 'typical youngest' active member and 23 for the 'typical youngest' deferred member; and
- The projected growth rate for each fund (before inflation, total expense ratio and transaction costs are deducted) are as follows:
    - Options Open Lifestyle 'growth' phase (the default investment strategy) (Standard Life Marshall Growth Pension Fund: 5.0%, Standard Life MMH Diversified Growth Pension Fund: 3.0%, Standard Life Marshall Pre-Retirement Pension Fund: 1.5%, Standard Life Deposit and Treasury Pension Fund: 1.0%)
    - Standard Life Marshall Growth Pension Fund (the highest returning fund): 5.0%
    - Standard Life MMH Diversified Growth Pension Fund (the most popular fund): 3.0%
    - Standard Life Deposit and Treasury Pension Fund (the lowest returning fund): 1.0%

ASSESSING VALUE FOR MEMBERS

As part of our assessment of the charges and transaction costs, the Trustees are required to consider the extent to which the investment options and benefits offered to members represent good value for members when comparing this to other options available in the market.

This section sets out the approach that the Trustees have taken, the conclusions we have reached and an explanation of how and why we have reached those conclusions.

Categorising costs/charges and how these impact on our assessment
There is no legal definition of 'good value' and so the process of determining good value for members is a subjective one. We note that value for members does not necessarily mean the lowest fee, and the overall quality of the service received has been taken into account in the assessment of value to members.

In line with our legal duties and guidance issued by The Pensions Regulator, our first step has been to identify the services that members directly pay for, either through costs that only members pay, or costs that are shared with the employer.

As indicated, the costs that are paid by members are not only fund management charges and transaction costs for the investment funds used within the Scheme but also the costs of the services provided to members by Standard Life, Aviva and Utmost such as:
- The costs of reviewing and updating funds available to members on their platforms.
- Administration costs for the providers (e.g. the costs of updating and maintaining member records, processing contributions and pension payments, dealing with member queries, etc.).
- Member communications (e.g. the costs of producing and issuing annual benefit statements, etc.).

For all other costs and charges, the employer bears the full cost. This covers such areas as:
- Wider investment support and governance (e.g. the costs of regularly reviewing and updating funds available to members, etc);
- Administration of the Scheme (e.g. producing annual financial statements, etc);
- Member communications (e.g. the costs of producing and issuing member booklets, newsletters etc); and
- The management and governance of the Scheme (e.g. the expenses of the Trustees, the costs of legal/actuarial advisers and annual audit, etc.).

As a result, the Trustees have undertaken two analyses:
- First, we have assessed the 'value for members' arising from the benefits that members receive from the charges and transaction costs that they directly pay – this assessment is required by legislation but, for the Scheme; and
- We have also assessed the overall 'value for money' offered to members of the Scheme, with the aim of capturing not only the value from member-borne costs but also the broader elements of value that members receive from the employer-financed costs, as well as wider factors such as the generosity of the employer contribution rates above the automatic enrolment minimum contribution levels.

For the Aviva arrangement and the Utmost AVC arrangement, the Trustees have applied a pragmatic approach to assessing value for members given the value of their holdings relative to their overall benefits in the Scheme.

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Overall approach and conclusion
Assisted by our advisers and in line with The Pensions Regulator's guidance, we have taken the following approach:

- We have collated information on services that members receive and the total costs that members pay, including transaction costs (where available);
- We have assessed the scope and quality of the services that members receive, in line with criteria agreed by the Trustees;
- We have compared the value members receive from the services against the cost of those services; and
- We have reflected on our key findings and suggested courses of action to maintain areas of good value and improve areas where value could be better.

Overall, the above approach ensures that we are comparing the level of charges in each fund with the levels of return they have delivered to members, as well as comparing the costs of membership (i.e. the charges) against the benefits of membership (i.e. the services provided by the Scheme).

In attempting to compare these against other options available in the market, the Trustees have found that there are limited industry-wide benchmarks for each service area and so the Trustees have relied on the market knowledge of its advisers.

The Trustees are keen to ensure 'value for money' is continually improved for members and plans to perform further investigations into these areas, taking action in some, over the year to 5 April 2021 – details are included later in this section.

Preparation for the assessment
The Trustees received support from advisers around how to undertake a value for members assessment and also considered the statutory guidance.

A number of key decisions were made as part of these preparations:

- The Trustees will use different approaches for the different sections, with the assessment for the members of the Aviva arrangement and Utmost AVC funds being of a smaller scale than the assessment for the members of the Standard Life arrangement, proportionate to the members' fund holdings relative to their overall benefits in the Scheme;
- For the Standard Life arrangement:
    - The Trustees will use a scoring system for each of the 'value for members' and 'value for money' assessments;
    - Individual elements of service were given scores by considering the scope and quality of the services under those areas;
    - Two overall weighted scores ranging from 0% to 100% were produced, one for 'value for member' and one for 'value for money';
    - The Trustees agreed that any score between 50% to 75% represented satisfactory value and a score of 75% or over represented good value; and
    - Scores will be compared from year to year from now on, with a view to measuring and monitoring changes to the 'value for members' and wider 'value for money'.

Process followed for the assessment, including key factors considered
The Trustees, assisted by their advisers, then considered the services provided by the Scheme in the areas where costs are borne (whether by members or by the employer), such as investment, communications, scheme management and governance, and administration. The scores for these areas were assessed by considering the scope and quality of the services in each area.

For the Aviva arrangement and the Utmost AVC arrangement, the Trustees have performed a high-level review of these arrangements against other arrangements available in the market and similar funds available. In particular, the Trustees considered factors such as:

- The ways that members can access their savings at retirement and how this compares to other options available in the market;
- The ability for members to access their savings;
- The level of charges paid on savings; and
- Costs borne by the employer.

For members within the Standard Life arrangement, for each of the 'value for members' and wider 'value for money' assessments, different weighting factors were applied to reflect the different services being assessed.

For the 'value for members' analysis, we have assessed the services paid for by the members.

For the wider 'value for money' analysis, the assessment covers a larger set of services paid for by both members and the employer, including (but not limited to) the following:

Area	Examples
Investments / charges	The quality / governance of the default fund and alternative choices, the historic return and volatility of the default fund, charges and transaction costs versus benchmark, etc
Communications / member support	Whether bespoke / tailored or event-driven communications are used, at-retirement communications / guides / modellers / support, access to pension freedoms, etc
Scheme management and governance	Understanding of membership characteristics / attitudes / needs, compliance with The Pensions Regulator's Codes of Practice, Trustee Knowledge and Understanding practices, use of expert advisers, etc
Administration / online services	Online fund values / switching, use of service level agreements, core administration team / helpline, etc
Employer contribution to member funds	The generosity of the employer contributions over and above the automatic enrolment minimum.

While all of the factors above contribute to whether the Scheme is well run, the Trustees believe that two of the biggest factors that can influence retirement outcomes are the level of contributions paid into the Scheme and the level of investment performance net of fees.

As a result, 40% of the overall 'value for money' score is allocated to the generosity of the employer contributions and other categories including whether the communications support good savings behaviours, whether the governance and oversight identifies and prioritises member interests and whether efficient processes are in place to carry out member instructions or transactions to a suitable quality and timescale, whilst 40% was allocated to the quality and governance of the investment options and the remaining 20% to the competitiveness of fees and transaction costs.

Explanation of the results of the assessment

Standard Life
Overall, the Trustees have determined that:

- The Standard Life arrangement offered satisfactory 'value for members' over the year to 5 April 2020, when measured against the definition required by legislation; and
- When we take into account wider elements of value that members receive as a result of costs paid by the employer, we have concluded that the Standard Life arrangement offered satisfactory 'value for money' overall over the Scheme year.
- The Trustees are going to conduct further investigations to determine a course of action that should improve the value to members.

Our conclusion that the Standard Life arrangement offers satisfactory value for members over the year to 5 April 2020 is based on aspects such as:

- Members are able to receive a wide range of administration / online services including a helpline, online fund values / switching, modellers around future investment strategies and contribution rates as well as access to tools and guidance at retirement which compares well to other options in the market. Having said that, members do not have access to in-scheme flexibilities at retirement, which does not compare favourably to options available in the market;
- Members receive communications that aid member decision-making (including section-specific member booklets, newsletters etc).
- Total charges for the growth phase of the default fund remain above the 0.4% average charge for default funds within trust-based DC schemes that feature in surveys that are available within the market. However, some of the investment funds used within the default fund are actively managed and these are typically more expensive than

the passive funds. The expectation is that they will provide better returns in the longer term and, where appropriate, a focus on downside protection.
- The Trustees met three times during the Scheme year, discussing DC-related matters at each meeting, with ad-hoc training received before major decisions.

Our conclusion that the Standard Life arrangement offers satisfactory 'value for members' and the wider 'value for money' over the year to 5 April 2020, taking into account employer-borne costs, is based on factors such as the default investment strategy which was designed with reference to the membership profile of the Scheme and has its performance reviewed on a regular basis.

Aviva
The Trustees concluded that although it was not straightforward to assess 'value for members' invested in the Aviva With-Profits Fund due to the lack of transparency / influence on how with-profits arrangements are run, they were able to establish that the With-Profits Fund provided reasonable 'value to members' and would not be in the members' best interests to transfer these to unit-linked funds elsewhere. This is based on the following:

- The financial stability of Aviva's With-Profits Fund gives Aviva greater flexibility in setting the Fund's investment strategy;
- It is diversified and has delivered healthy gross investment returns (which drives long term bonus returns);
- There are guaranteed minimum regular bonuses of 4% a year to normal retirement date attaching to the Aviva arrangement plus Aviva may pay a terminal bonus;
- However, there is a lack of transparency with regards the charges levied;
- The platform, with the Standard Life arrangement offering access to a more modern platform, does not provide online access that enables members to view and manage their own funds;
- Members do not have the same level of flexibility around accessing or using with-profit funds as they would do in other unitised DC funds in the market (for instance, due to the potential for the funds being reduced by a Market Value Adjustment should savings be accessed other than, for example, normal retirement date, that is to say the amount may be reduced to reflect the current market value of the current underlying assets); and
- The value that members may place on the smoothing of returns and any guarantees may differ from member to member and from year to year for each member, particularly when compared against the value they may receive from unitised funds.

Utmost
The Trustees concluded that the AVC arrangements with Utmost may no longer offer 'value to members' in the long term although in the year to 5 April 2020 on transition from Equitable Life to Utmost members did receive an uplift of between 60% to 70% to compensate for the loss of guarantees attaching to their With-Profits holdings and the Trustees communicated with affected members before the transition to encourage them to take action if they felt it appropriate to do so. The Trustees' conclusion was based on other factors such as:
- The charges, particularly as some of the self-select funds have a charge of 0.75% meaning that these do not compare favourably in the main to the charges for the Standard Life funds;
- The range of unit-linked funds brings a flexibility advantage about investment choice, but most choices will lead to a more uncertain retirement outcome than under the previous Equitable Life With-Profits fund which had a 3.5% annual performance guarantee; and
- The platform with Utmost does not provide online access that enables members to view and manage their own funds and access other additional information to help them better understand their benefits and options (unlike that for Standard Life).

Follow-on actions and investigations
The Trustees' focus is on maintaining the 'value for members' in the Standard Life arrangement and identifying if further improvements can be made. Over the year to 5 April 2021, the Trustees plan the following:
- Review the at-retirement tools / guidance / advice provided to members, as well as the options available within or outside the Scheme;
- Continue to regularly review funds and monitor performance;
- Prepare an implementation statement, in line with statutory regulations, explaining how the Trustees have followed and acted on the investment policies outlined in the SIP;
- Continue to monitor developments in ESG considerations;

- Review how analysis or understanding of members (and their views) feeds into Trustee decision-making;
- Review whether to tailor communication messages/approaches to different segments of the membership, utilise alternative media, etc;
- Liaise with the fund managers to ensure better disclosure of transaction costs is provided, in line with FCA rules;
- Considering whether the review the investments offered, including the charges and transaction costs on the default in particular; and
- Discuss this analysis with the employer to obtain their views.

For the Aviva arrangement, and the Utmost AVC arrangement, the Trustees plan the following over the year to 5 April 2021:

- Liaise with Aviva to ensure that better disclosure of charges and transaction costs is provided, in line with FCA rules;
- Continue to review the charges and other features of the Utmost AVC arrangement and advise members to consider whether to transfer these AVCs to the main scheme arrangement with Standard Life;
- Consider communicating further with members with Utmost AVC holdings around reviewing their AVC funds to ensure that their investment fund choices remain appropriate for their circumstances.

TRUSTEE KNOWLEDGE AND UNDERSTANDING

The Scheme is overseen by a board of individual trustees. The Trustees are drawn from a variety of backgrounds with skills and knowledge which complement each other and provide a diverse Trustee Board.

The law requires the Trustees to be conversant with the Scheme's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relevant to funding and investment to be able to run the Scheme effectively.

The Trustees meet all the knowledge and understanding requirements and understand the Scheme and its documents. The Trustees are aware that they must have a working knowledge of the trust deed and rules of the Scheme, the statement of investment principles and the documents setting out the Trustees' current policies. They are also aware that they must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustees do this by regularly reviewing the relevant Scheme documents.

Training and development responsibilities are taken seriously and a record kept of the training completed by each Trustee.

The Trustees continue to consider the requirements set out in The Pensions Regulator's code of practice for trustees of pension schemes providing DC benefits (the DC code) in their activities.

All of the Trustees have completed, or made good progress in completing, The Pensions Regulator's on-line trustee toolkit. New Trustees are required to complete the toolkit within six months of becoming a Trustee. Trustees are encouraged to review the toolkit on an on-going basis to ensure their knowledge remains up to date.

The Trustees also receive 'on the job' training. This means that as new topics arise, the professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests, as well as training so that the Trustees may engage in an informed manner.

Relevant advisers are in attendance at meetings and in frequent contact with the Trustee Board to provide information on topics under discussion, either specific to the Scheme or in respect of pension or trust law.

Training is regularly reviewed to identify gaps in the knowledge and understanding across the Trustee Board as a whole. The training carried out during the Scheme year included: background to DC pension schemes, trusts and trustees, saving for retirement, DC governance, member engagement, investment training, the 21st Century Trusteeship initiative, changes to the Statement of Investment Principles, Equitable Life closure, and investment consultant objectives.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 5 APRIL 2020

The Trustees held a training day during the year (in addition to the regular Scheme meetings), which included a number of the training topics set out above.

The Trustees are also provided with Buck's Topical Digest which is discussed at every meeting. This covers recent and ongoing developments including legal and regulatory matters relevant to the trustees of defined contribution pension schemes.

As a result of the training activities which have been completed by the Trustee Board individually and collectively, and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees.

CORE FINANCIAL TRANSACTIONS

The Trustees are required to report about the processes and controls in place in relation to 'core financial transactions'. The law specifies that these include the following:

- Investing contributions paid into the Scheme;
- Transferring assets relating to members into and out of the Scheme;
- Transferring assets between different investments within the Scheme; and
- Making payments from the Scheme to, or on behalf of, members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to our administrator. Our Scheme administration was delivered in the year by Standard Life, Aviva and Utmost.

During the COVID-19 pandemic the Scheme administrators have continued to operate as normal and responded quickly to the changing situation.

There is a service level agreement in place between the Trustees and their administrators to ensure accurate and timely processing of the core financial transactions for which they are responsible. The administrators are required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustees and in accordance with the Scheme's trust deed and rules. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

This administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances.

In order to monitor this service, the Trustees receive quarterly reports from Standard Life and Aviva providing statistics on the level of service that is provided in comparison to agreed targets and timescales. The Trustees monitor transactions made via the Trustees' bank account on a regular basis. Standard Life, Aviva and Utmost have in place a service standard of 10 working days.

The Scheme Auditor tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

We are pleased that, in the last Scheme year, there have been no material administration service issues which need to be reported here by the Trustees and all core financial transactions have been processed within an agreed time. Overall, we are confident that the processes and controls in place with the administrators are robust and will ensure that the financial transactions which are important to members are dealt with properly.

Signed: **Date:** 24 Sep 2020

WCM Dastur Bill Dastur (Sep 24, 2020, 6:05am)
(Chairman of Trustees)