Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023

Introduction

Governance standards apply to defined contribution pension arrangements like our pension scheme. These are designed to help members achieve a good outcome from their pension savings.

As Chair of the Trustees of the Cadogan Estates Limited 1995 Pension Scheme ('the Scheme'), I have to provide you with a yearly statement which explains what steps the Trustees (with guidance from our professional advisers) have taken to meet these standards within the Scheme. The information included in my statement is set out in law and regulation.

This statement covers the period from 1 February 2022 to 31 January 2023 and includes information about the return on investments (after the deduction of any charges and transaction costs paid for by members). These are included to help you, as members, understand how your investments are performing.

The Trustees are committed to having high governance standards and we hold regular meetings to monitor the controls and processes in place in connection with the Scheme's investments and administration.

Members will have noticed volatile investment returns over the year to 31 January 2023 across most investment funds. Disruption to supply chains following the Covid-19 pandemic, the war in Ukraine and the significant increase in energy prices have all contributed to a sharp increase in inflation, rising interest rates, global recessionary fears and increased volatility across investment markets. Following the mini budget announced by then Chancellor, Kwasi Kwarteng, in September 2022, the bond market was also significantly affected, with the value of government bonds in particular falling. Whilst this may be alarming, members should take into account that pensions are a long-term investment and so it is important not to take knee jerk reactions in response to short term market movements.

I welcome this opportunity to explain what the Trustees do to help to ensure the Scheme is run as effectively as it can be.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Summary of the annual governance statement by the Chair of Trustees
For the Scheme year to 31 January 2023, the Trustees of the Scheme have reviewed the following areas and our main conclusions are as follows:

The default investment strategy and self-select fund range	No changes or reviews of the default investment strategy were carried out for the Scheme year to 31 January 2023. The last review was carried out in 2021 and the resulting changes to the Scheme's default investment strategy and self-select fund range were completed in the last quarter of 2021. The next review will be due in the Scheme year to 31 January 2025. We believe the default investment strategy and self-select fund range remain appropriate.
Charges and transaction costs	The total ongoing charges that members pay to invest in the funds in the Scheme range from 0.12% to 0.78% per annum. The transaction costs ranged from 0% to 0.54% over the year. There are indirect property expenses of 0.72% within the Property Fund, which act to reduce the reported performance of this Fund. The Principal Employer pays for all other costs and charges.
Performance of the investment options	Tables showing information about the net return on investments (i.e. after the deduction of any charges and transaction costs paid for by Scheme members) have been included. This information is included to help Scheme members understand how their investments are performing.
Value for members	The Trustees have carried out a detailed assessment of value for members on a prescribed basis applicable to smaller pension arrangements. We're pleased to say that our assessment concluded that the Scheme represents good value for members in relation to charges and transaction costs, net investment returns, and governance and administration. Please note, though, that the value for members assessment may vary from year to year, as it is heavily influenced by investment performance, which can go down as well as up.
Core financial transactions	Overall, the Trustees are confident that the processes and controls in place within Buck, the Scheme administrator, are robust and will ensure that the financial transactions which are important to members are dealt with properly. We now receive more detailed reporting on core financial transaction processing and will continue working with Buck to review the Service Level Agreements and monitor the investment of monthly contributions.
Trustee knowledge and understanding	The Scheme has a training programme to ensure that Trustees meet legal knowledge and understanding requirements and understand the Scheme and its documents. For instance, all Trustees have completed the modules within The Pensions Regulator's Trustee Toolkit that are considered essential for running a defined contribution scheme like the Scheme. I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees to the Scheme. As possible improvements, the Trustees will consider evaluating the effectiveness of the Board at least annually.

Further information

Full explanations of each of the above can be found in the annual governance statement by the Chair of Trustees for the year ending 31 January 2023, which can be found in the "Company information" section of: https://www.cadogan.co.uk/the-estate/

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Default investment strategies

A default investment arrangement is set up by the Trustees and provided for members who do not choose an investment option for their contributions. Members can 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.

Setting an appropriate investment strategy

Details of the strategy and objectives of the default investment arrangement are recorded in a document called the Statement of Investment Principles (SIP). A copy of the latest Statement of Investment Principles, dated December 2021 and signed on 4 January 2022, is attached to this statement. The Trustees' evidence that the Scheme continues to follow and act on the principles outlined in the SIP is contained within a document called an Implementation Statement which can be found in the "Company information" section of:https://www.cadogan.co.uk/the-estate/

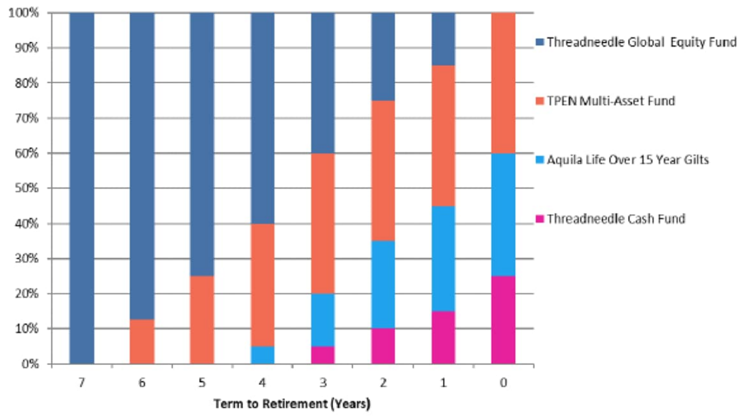
We continue to use the Lifestyle Option for Income Drawdown as the default strategy.

The Lifestyle Option for Income Drawdown is structured to provide the potential for a level of growth over and above inflation in the long term. As members approach retirement, the Lifestyle Option for Income Drawdown retains some exposure to growth investments, recognising the longer-term investment horizon, even at retirement.

The Lifestyle Option for Income Drawdown strategy allows for members to make use of pension flexibilities, leaving their benefits invested and drawing down income as it is required in a series of cash withdrawals.

The Lifestyle Option for Income Drawdown initially invests in the Threadneedle Global Equity Select Fund. At seven years before retirement, the Threadneedle Global Equity Select Fund allocation is phased out into Threadneedle Multi-Asset Fund, Aquila Life over 15 years UK Gilts Index Fund and Threadneedle Cash Fund (Sterling Fund).

At a member's selected retirement age, the allocation will be 40% in the Threadneedle Multi-Asset Fund, 35% in the Aquila Life over 15 years UK Gilts Index Fund and 25% Threadneedle Cash Fund (Sterling Fund), which allows members to take their tax-free cash allowance at retirement.



Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Setting an appropriate investment strategy (continued)

The Lifestyle Option for Income Drawdown is currently broadly meeting its objectives to reduce volatility as members approach retirement, whilst still achieving investment growth (notwithstanding the investment volatility seen over the year to 31 January 2023).

Lifestyle strategies targeting a cash lump sum and annuity purchase at retirement are also offered to members. These lifestyles share a common growth phase with the Lifestyle Option for Income Drawdown strategy, only deviating to their respective retirement targets from seven years to retirement.

Given the wide range of salaries of members within the Scheme, the Trustees believe that the Lifestyle Option for Income Drawdown provides the greatest flexibility as a default option.

Reviewing the default investment arrangement

The Trustees are expected to review the strategy and objectives of the default investment arrangement regularly, and at least once every three years, and take into account the needs of the Scheme membership when designing it. The Trustees review the investment objectives and the performance of the default investment arrangement on an annual basis, taking advice from the Trustees' investment consultant and the investment manager.

The Trustees last formally reviewed the default investment arrangement during the previous Scheme year – the review was completed on 9 June 2021 – considering at a high level the membership profile of the Scheme as part of the review, along with the risk profile and number of investment funds offered to members.

As a result of the default investment arrangement review, the following change was made to the default investment arrangement in the last quarter of 2021:

- the de-risking period was extended from five to seven years, allowing a smoother transition out of higher-risk investing, with the aim of reducing the risk of a period of poor returns negatively impacting the size of members' retirement pots;
- the Threadneedle Dynamic Real Return Fund was replaced within the default investment arrangement by the Threadneedle Multi-Asset Fund, with the aim of providing more reliable long-term returns, while retaining valuable diversification benefits and at lower charges.

The next formal review is due to take place in the Scheme year ending on 31 January 2025.

Self-select investment choices

In addition to the default lifestyle arrangement (the Lifestyle Option for Income Drawdown) and the two alternative lifestyle arrangements (the Lifestyle Option for Annuities and the Lifestyle Option for Cash Lump Sums), the Trustees allow members to self-select from a range of funds.

At the end of the Scheme year, the Threadneedle self-select funds were:

- Global Equity Select Fund
- Dynamic Real Return Fund
- Cash Fund (Sterling Fund)
- Corporate Bond Fund
- Multi-Asset Fund
- Property Fund
- UK Equity High Alpha Fund

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Self-select investment choices (continued)

- Sustainable Outcomes Global Equity Fund

as well as one Aquila Life self-select fund:

- Aquila Life Over 15 Years UK Gilts Index Fund

Members are expected to take independent financial advice before choosing between funds. Free impartial guidance is also available from MoneyHelper – their website can be found at https://www.moneyhelper.org.uk/en/pensions-and-retirement/ and they can provide guidance through live webchat or over the telephone on 0800 0111 3797 (Mon-Fri, 9am to 5pm).

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. Apart from bank charges and the total fund management charges paid by members, the employer pays all the other costs of running the Scheme (i.e. administration costs). The investment management and transaction costs can be explained like so:

- 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 ongoing charges figure for the default investment strategy is 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 or strategy. 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 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 are not compared against the 0.75% charge cap set by legislation – instead, the reported performance of the fund is typically net of these transaction costs. It should be noted that the transaction costs are likely to vary from fund to fund and from year to year.

- In addition, there can be switching costs incurred 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 between investment funds) 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.

- Finally, the Trustees would also like to note the presence of a "Property Expense Ratio" covering indirect property expenses for the Property Fund. These are expenses incurred indirectly when part of the portfolio is invested in one or more pooled funds with direct property exposure. These are also implicit costs which are not typically visible to members and are not compared against the 0.75% charge cap set by legislation – instead, the reported performance of the fund is also typically net of these costs.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Charges and transaction costs paid by members (continued)

The level of charges and transaction costs applicable to the funds during the Scheme year were confirmed by Columbia Threadneedle as being:

Investment manager Fund	Ongoing charges figure	Transaction costs	Indirect property expenses
Threadneedle			
Global Select Fund	0.43%	0.25%	-
Dynamic Real Return Fund	0.50%	0.23%	-
Cash Fund (Sterling Fund)	0.12%	0.00%	-
Corporate Bond Fund	0.35%	0.07%	-
Multi Asset Fund	0.35%	0.54%	-
Sustainable Outcomes Global Equity Fund	0.45%	0.00%	
Property Fund	0.78%	0.27%	0.72%
UK Equity High Alpha Fund	0.61%	0.24%	-
BlackRock			
Aquila Life Over 15 Years UK Gilts Index Fund	0.16%	0.00%	-

Completeness of transaction cost information

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

Threadneedle have confirmed the following:

- Transaction cost data was not available for 1.27% of the Dynamic Real Return Fund, and
- Transaction cost data was not available for 0.03% of the Multi Asset Fund.

The Trustees do not consider this to be material.

Examples of the impact of costs and charges

We are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on members' savings.

We have prepared examples that can be found in Appendix i, having taken account of the updated statutory guidance effective from 1 October 2021 issued by the Department of Work and Pensions[1] in preparing this section of our statement.

Past performance of the investment options

We have calculated the return on investments after the deduction of any charges and transaction costs paid for by the members. We have done this for the default investment arrangement and for each self-select fund which members are now able, or were previously able, to select and in which Scheme members have been invested during the Scheme year.

[1] https://www.gov.uk/government/publications/reporting-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-pension-schemes/reporting-of-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-schemes-effective-from-1-october-2021

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Past performance of the investment options (continued)

The net returns to 31 December 2022 are shown in the tables below and have been included to help members understand how their investments are performing. Please note that past performance is no indicator of future performance.

We have prepared the following tables, having taken account of the statutory guidance issued by the Department of Work and Pensions[2].

Annualised net returns (%) for the default investment arrangement (the Lifestyle Option for Income Drawdown) over periods to 31 December 2022

Age of member at the start of the period*	20 years (2002-2022) [if available]	15 years (2007-2022) [if available]	10 years (2012-2022) [if available]	5 years (2017-2022)	1 year (2022)
Age 25				8.0	(14.7)
Age 45				8.0	(14.7)
Age 55				8.0	(14.7)

*As the default investment arrangement is a lifestyle strategy made up of different investment funds, the returns may vary with the age of the member, so we have shown the returns at three example ages in line with regulatory guidance.

Annualised net returns (%) for the self-select funds over periods to 31 December 2022

Investment Fund	20 years (2002-2022) [if available]	15 years (2007-2022) [if available]	10 years (2012-2022) [if available]	5 years (2017-2022)	1 year (2022)
Global Select Fund			12.8	8.0	(14.7)
Sustainable Outcomes Global Equity Fund					(13.8)
Dynamic Real Return Fund				1.7	-7.5
Cash Fund (Sterling Fund)			0.4	0.5	1.3
Multi-Asset Fund			6.1	4.1	(7.4)
Property Fund			6.5	2.8	(10.7)
UK Equity High Alpha Fund			6.1	0.2	(5,9)
Aquila Life Over 15 Years UK Gilts Index Fund			0.2	(6.7)	(40.2)

Notes for both tables:

1. Figures have been collected for the periods to 31 December 2022 rather than to the Scheme year end of 31 January 2023 as this facilitates comparison with the quarter-end data provided by the three comparison schemes – see Appendix ii.
2. Figures shown for the default lifestyle strategy are calculated based on changes to unit prices, given the unit prices incorporate all fees and charges, as well as the impact of price swings and hence switching costs. Please note that this is a different methodology from that used for the self-select fund range and hence there will be some differences between the figures shown here and those shown for the underlying self-select funds.

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Past performance of the investment options (continued)

Notes for both tables: (continued)

3. Composite performance figures for the lifestyle strategy assume allocations are in line with the switching matrix at each quarter end. We have not allowed for deviations due to market movements in the preceding period.
4. The Scheme updated its investment strategy in 2021. The figures shown reflect the historic performance of the current investment strategy (where available) as this is deemed to be of more relevance for making intra-scheme comparisons.
5. Net investment return figures for 15 years and 20 years to 31 December 2022 were not available.
6. Figures shown for the self-select investment options are calculated based on underlying investment manager performance. No Scheme members have been invested in the Corporate Bond Fund during the Scheme year.

Core financial transactions

The Trustees are required to report to you 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.

The Trustees must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme's administrator, Buck. 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.

There is a service level agreement in place between the Trustees and Buck which provides for Buck to ensure accurate and timely processing of the core financial transactions for which it is responsible. Where no specific service level agreement has been agreed, Buck adheres to its standard in-house service levels. Buck is also 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.

The following service standards apply to the core pension administration service:

Task	Transaction Type	Transaction Target (working days)
Death	Notification of Death	5
	Payment of Benefits	2
Leaver	Quotation	10
	Withdrawal form (final figures)	10
Retirement	Quotation	10
	Correspondence	10
	Payment of Benefits	2
Transfer Out	Initial Request	15
	Correspondence and Discharge Forms	15
	Correspondence and Certificates	5
	Payments of Benefits	2
Ad Hoc Queries	Member and Client Queries	10
	Third Party and NICO Queries	15

In order to monitor this service, the Trustees receive regular reports confirming the payment and allocation of contributions, as well as information on events such as cash management and pension payroll. The Trustees also monitor transactions made via the Trustees' bank account on a regular basis.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Core financial transactions (continued)

As administrator, Buck prepares a regular report (AAF 01/06) setting out its internal controls in respect of pensions administration which is independently audited.

Although Buck has targets in place within the Service Level Agreements ('SLAs') around such items as the monitoring of bank accounts, investment and banking transactions and investment switches, the Trustees have previously identified that improvements could be made to the statistics provided on the actual targets and timescales and the level of service that is provided in comparison to these targets and timescales.

Buck has taken on board our request, developed these improvements and has been recording 'core financial transaction' performance from the third quarter of 2020. Buck also introduced enhanced SLA reporting in their administration reports during the Scheme year to 31 January 2023.

In the previous Scheme year to 31 January 2022, the Trustees asked Buck to conduct a review of the SLA targets currently in place for the Scheme, with a view to shortening some of the targets where possible.

Buck have been undertaking an investigation to understand the touch points and processes involved in the main administration activities, in particular liaising with Columbia Threadneedle to explore 'straight-through processing' as a way of increasing efficiency. Unfortunately, Columbia Threadneedle have confirmed that they are unable to implement 'straight-through processing' for the Scheme. Buck has however proposed to identify and prioritise urgent and/or sensitive cases.

The Trustees are pleased to report that the majority of contributions during the Scheme year to 31 January 2023 were invested by Buck within 5 working days of the later date of the date when funds are received from each employer in each section or the date when the contribution allocation schedule has been received from each employer in each section. There were three instances of London section contributions being invested one day late and there was one instance of Scotland contributions invested days late.

There were no material administration service issues discussed in the last Scheme year which need to be reported here by the Trustees and the Trustees are satisfied that, over the period covered by this statement, all core financial transactions have been processed promptly and accurately.

Overall, the Trustees 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 properly.

Trustee knowledge and understanding

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 we 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.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Trustee knowledge and understanding (continued)

The Trustees are also aware that we 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 and seeking advice from the Scheme's legal advisers.

The Trustees have assessed the Scheme against the standards set out in the code of practice for trustees of pension schemes providing money purchase benefits (the DC code) and related guides and have established an action plan to ensure we can demonstrate that we are offering a quality scheme.

The Trustees take their training and development responsibilities seriously and the Trustees keep a record of the training completed by each Trustee. The training log is reviewed at each Trustee meeting to identify any gaps in the knowledge and understanding across the Trustee Board as a whole.

All Trustees have completed the essential modules within The Pensions Regulator's on-line trustee toolkit and the additional module relating to combatting pension scams. New Trustees are required to complete the toolkit within 6 months of becoming a member of the Trustee Board. Trustees must 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, our professional advisers attending the Trustee meetings will provide wider briefing notes and topical digests as well as training during the meeting, so that the Trustees may engage on such topics in an informed manner.

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

During the Scheme year, training and development on the following topics took place:

- Stronger nudge to Pension Wise
- Pension Dashboards
- Simplified benefit statements
- Partial transfers

As a result of the training activities which have been completed by the Trustees, 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 of the Scheme.

Assessing value for members

Introduction and main conclusions

As part of our assessment of the charges and transaction costs, the Trustees are required to consider the extent to which costs and charges within the Scheme represent good value for members when compared to other options available in the market.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Assessing value for members (continued)

Introduction and main conclusions (continued)

The Trustees have conducted three tests in assessing value for members for the Scheme year to 31 January 2023:

1. a comparison of our reported **costs and charges** with the three comparison schemes;
2. a comparison of our reported **net investment returns** with the three comparison schemes; and
3. a consideration of the Scheme against key **governance and administration** criteria.

Based on our assessment, we conclude that the Scheme offered good value for members over the year to 31 January 2023, when measured against the definition required by legislation, using the three comparison schemes selected by the Trustees and using our interpretation of the updated statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

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

Follow-on actions and investigations

Over the year to 31 January 2024, the Trustees plan to continue:

- finalising the Trustees' Cyber Risk policy and considering whether to evaluate the effectiveness of the Board at least annually and whether to introduce formal quarterly Trustees' meetings;
- working with Buck to review the Service Level Agreements and monitor the investment of monthly contributions;
- reviewing the at-retirement tools / guidance / advice provided to members, including implementing a new non-advised annuity guidance service to be provided by HUB Financial Solutions;
- taking advantage of technology developments to support members for example the introduction of an App to enhance members' online experience;
- considering which investigations to conduct to improve the Trustees' understanding of the characteristics / attitudes of members and how these feed into Trustee decision-making;

Feedback

If you have any questions about anything that is set out in this Statement, or any suggestions about what can be improved, please do let us know. The Trustees will also discuss this analysis with the Principal Employer to obtain their views and to again request that the bank charges are met by the Principal Employer in future, if possible.

Signed for and on behalf of the Trustees of the Cadogan Estates Limited 1995 Pension Scheme by Sanjay Patel, Chair of the Trustees.

Approved by the Trustees on: 29 August 2023

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix i – examples of the impact of costs and charges

Each table in this section shows the projected pension savings (or 'retirement pot') in today's money for a different representative member, using median statistics as at 31 January 2023 and using the Statutory Money Purchase Illustration ('SMPI') assumptions as at 1 February 2023 that will feature in the Scheme's 2023 annual benefit statements.

The only difference between the assumptions used for these projections and those used for the projections within the 2022 annual benefit statements is the average of the annual transaction costs over the period 1 January 2018 to 31 December 2022 being taken into account in the enclosed tables, when transaction costs are ignored within SMPI statements.

Please note that, within each table, there may be instances where the projected fund at age 65 is lower than the starting fund value. This arises when the projected return (before or after charges are deducted) is lower than the projected levels of inflation, as all values are shown in today's terms.

'Typical' active Scheme member:

	Lifestyle option for income drawdown		Property Fund		Sterling fund	
	The default		Highest charging fund		Lowest charging fund	
Age	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
	£	£	£	£	£	£
46	42,000	42,000	42,000	42,000	42,000	42,000
50	72,061	70,540	69,262	65,687	64,137	63,889
55	116,820	111,832	107,743	96,810	92,297	91,588
60	170,933	160,169	151,775	129,706	121,011	119,667
65	224,986	207,129	202,159	164,476	150,289	148,132

'Typical' youngest active Scheme member:

	Lifestyle option for income drawdown		Property Fund		Sterling fund	
	The default		Only one fund is used throughout		Only one fund is used throughout	
Age	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
	£	£	£	£	£	£
22	1,400	1,400	1,400	1,400	1,400	1,400
30	29,629	28,814	28,137	26,282	25,495	25,370
35	52,271	49,930	48,024	42,991	40,940	40,620
40	79,754	74,759	70,779	60,652	56,689	56,078
45	113,113	103,956	96,817	79,319	72,748	71,749
50	153,604	138,288	126,611	99,049	89,122	87,636
55	202,753	178,659	160,703	119,903	105,819	103,740
60	262,072	225,820	199,713	141,945	122,844	120,066
65	317,258	268,146	244,350	165,243	140,203	136,615

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix i – examples of the impact of costs and charges (continued)

'Typical' deferred Scheme member:

	Lifestyle option for income drawdown		Property Fund		Sterling fund	
	The default		Only one fund is used throughout		Only one fund is used throughout	
Age	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
	£	£	£	£	£	£
44	18,000	18,000	18,000	18,000	18,000	18,000
45	19,451	19,205	18,997	18,403	18,141	18,098
50	23,609	22,583	21,737	19,452	18,498	18,347
55	28,657	26,556	24,873	20,560	18,861	18,599
60	34,739	31,183	28,461	21,731	19,232	18,854
65	39,968	34,884	32,567	22,969	19,610	19,113

'Typical' youngest deferred Scheme member:

	Lifestyle option for income drawdown		Property Fund		Sterling fund	
	The default		Only one fund is used throughout		Only one fund is used throughout	
Age	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
	£	£	£	£	£	£
23	3,500	3,500	3,500	3,500	3,500	3,500
30	4,591	4,391	4,227	3,782	3,597	3,567
35	5,572	5,164	4,836	3,998	3,667	3,616
40	6,763	6,072	5,534	4,225	3,740	3,666
45	8,210	7,140	6,332	4,466	3,813	3,716
50	9,965	8,396	7,246	4,721	3,888	3,768
55	12,095	9,872	8,291	4,989	3,965	3,819
60	14,662	11,593	9,487	5,274	4,043	3,872
65	16,870	12,968	10,856	5,574	4,122	3,925

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. Values shown are estimated and are not guaranteed, the actual fund values could be higher or lower.

2. Inflation is assumed to be 2.5% each year.

3. For active members only, future contributions are assumed to be paid from assumed age to 65 and increase in line with assumed earnings inflation of 2.5% each year.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix i – examples of the impact of costs and charges (continued)

Notes (continued)

4. Total contribution rates and pensionable salaries for the active member illustrations in the Scheme are assumed to be 12% and £45,000 respectively for the 'typical' active member and 12% and £25,000 respectively for the 'typical youngest' active member.

5. The starting pot sizes are assumed to be £42,000 for the 'typical' active member, £18,000 for the 'typical' deferred member, £1,400 for the 'typical youngest' active member and £3,500 for the 'typical youngest' deferred member.

6. Starting ages within the Scheme are assumed to be 46 for the 'typical' active member, 44 for the 'typical' deferred member, 22 for the 'typical youngest' active member and 23 for the 'typical youngest' deferred member.

7. The projected growth rate for each fund (before total expense ratio and transaction costs over the year to 31 January 2023 are deducted), projected total ongoing charges and projected transaction costs are as follows:

Fund	Projected growth rate	Projected total ongoing charges	Projected transaction costs
Default lifestyle (growth phase)	3.95% above inflation	0.43% per annum	0.24% per annum
Property Fund	2.73% above inflation	1.50% per annum	0.16% per annum
Cash Fund (Sterling Fund)	0.39% above inflation	0.12% per annum	0.00% per annum

8. The projected transaction costs are the average of the annual transaction costs over the period 1 January 2018 to 31 December 2022. Negative average transaction costs have been treated as zero, in line with how the FCA treats transaction costs for contract-based pension schemes.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members

The Trustees have carried out a prescribed value for members assessment which now applies to the Scheme, as a result of the Scheme holding total assets under £100 million as at the Scheme year-end.

In carrying out the assessment, the Trustees have had regard to the Department for Work and Pensions' updated statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns"[3].

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.

Our approach

Assisted by our advisers and in line with the statutory guidance, we have taken the following approach:

1. We have collated information on costs and charges and net investment returns within the Scheme, as well as key governance and administration criteria within the Scheme;
2. We have collated information on costs and charges and net investment returns within three comparison schemes, selected using clear rationale agreed by the Trustees;
3. We have assessed the value that Scheme members receive by comparing the Scheme's costs and charges and net investment returns relative to the comparison schemes and assessing the key governance and administration criteria on an absolute basis, having due regard to the updated statutory guidance; and
4. We have reflected on our key findings, before deciding whether the Scheme provides overall value for members and agreeing any actions that are required following the assessment.

For the avoidance of doubt, under the updated statutory guidance, trustees of occupational DC pension schemes who are not able to demonstrate that their pension scheme delivers value for members on all three areas (costs and charges; net investment returns; administration and governance) are expected to conclude that their pension scheme does not provide good value for members.

Such trustees should look to wind up their pension scheme and transfer the rights of their members into a larger pension scheme or set out the immediate action they will take to make improvements to the existing scheme (if the improvements identified are not made within a reasonable period, for example within the next scheme year, then those trustees would be expected to wind up and transfer members' benefits to another pension scheme).

Preparations for the assessment

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

A number of key decisions were made as part of these preparations, in two main areas:

1. Selecting the three comparison schemes
2. Interpreting the updated statutory guidance

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[3] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

Preparations for the assessment (continued)

1. Selecting the three comparison schemes

In order to carry out the value for members assessment, the Trustees' first step was to select three comparison schemes.

We took advice from our pension advisers in this regard to ensure that we conducted an appropriate selection process, as our pension advisers have the relevant market knowledge of defined contribution pension arrangements.

In line with the statutory guidance, the comparison schemes selected were all greater than £100 million in size and of a different structure to the Scheme, to ensure that a meaningful comparison was made with a larger pension arrangement.

As Trustees, we were required to set clear rationale for the schemes that we would select as comparators. On top of the statutory guidance requirements above, the Trustees selected the following criteria for the comparison schemes:

- The comparison schemes would all be Master Trusts, as these are schemes that differ in structure to the Scheme (a trust-based occupational pension scheme) and would be able to accept a bulk transfer of members' assets without member consent;
- The comparison schemes would support in-scheme drawdown (i.e. the ability for individuals to flexibly access their savings without changing pension schemes);
- The comparison schemes would support shared investment governance (i.e. the ability for an employer to design and use bespoke investment strategies);
- The comparison schemes would have comparable scheme profiles to the Scheme (i.e. a significant proportion – say, 10% – of schemes that are of comparable size to the Scheme);
- The comparison schemes would offer Tumelo[4] (or a similar alternative) that provides members with greater transparency on where their savings are invested and/or greater influence by allowing the members to vote on issues that they care about;
- The comparison schemes would be likely to offer terms to receive a bulk transfer of the assets and membership of the Scheme as part of a wind-up and bulk transfer;
- Finally, the comparison schemes would be able to provide the net investment return, charges and transaction costs required by the Trustees. From a practical point of view, the Trustees selected from a long-list of Master Trusts who have engaged with the 2022 round of our adviser's annual provider market data gathering exercise (i.e. the Trustees implicitly assumed that providers who did not engage with their advisers would not be able or willing to provide the data required).

By applying this clear rationale within the comparison scheme selection process, the Trustees selected the following comparison schemes:

- L&G Worksave Master Trust;
- Aviva Workplace Retirement Account Master Trust; and

[4] Tumelo is a financial technology provider whose software connects with pension schemes to give their members transparency over the companies that their pension savings are invested in. The software also allows members to exert influence on issues that matter to them, such as climate change, human rights, and gender equality.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

Preparations for the assessment (continued)

1. Selecting the three comparison schemes (continued)

- Fidelity Master Trust.

The updated statutory guidance states that "Trustees of specified schemes are of course at liberty to choose their own comparison schemes, each time they conduct the value for members assessment". The Trustees have retained the same comparison schemes as last year but reserve the right to select different clear rationale and choose different comparison schemes for future Scheme years.

2. Interpreting the updated statutory guidance

The Trustees made the following key decisions for this Scheme year (where this relates to a particular paragraph of the updated statutory guidance, the relevant paragraph number is shown in [square brackets]):

- The Trustees note that charges and transaction costs will only vary by age for Scheme members in the seven years prior to normal retirement date for the default investment arrangement. As the updated statutory guidance suggests that charges and costs are shown at 10-year intervals, no difference would be demonstrated if the Trustees followed this suggestion. As a result, the Trustees have shown a single figure for the charges and transaction costs relating to the period prior to seven years before normal retirement date [57];
- The Trustees have relied entirely on the data supplied by the providers of the comparison schemes [58/69];
- The Trustees have requested comparison data as at 31 December 2022 (as quarter-end data was more readily provided) and have compared this against Scheme data also calculated as at 31 December 2022;
- The Trustees have agreed that the charges and transaction costs over the year to 31 December 2022 are not unusually high for a reason that is unlikely to be repeated; therefore, the Trustees have used one-year data rather than an average of the last five years [61];
- Where the Trustees have performed comparisons using the Scheme's default investment arrangement, we have compared them against the default arrangement put forward by each comparison scheme, where these schemes have different options for default arrangements [62/72];
- In the absence of a clear definition in the updated statutory guidance, the Trustees have defined self-select funds as "popular" or "frequently invested" if more than 5% of members are invested in the self-select funds [63/73/76/77];
- The Trustees have given the total charges and transaction costs and net investment returns in the default lifestyle arrangement a weighting of 100%, given that no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the above definition [64/74];
- The Trustees have assumed that funds being compared that have charges and transaction costs with an absolute difference within 0.05% or that have net investment returns with an absolute difference within 0.5% are considered to be "closely comparable" [65/75];

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

Preparations for the assessment (continued)

2. Interpreting the updated statutory guidance (continued)

- The Trustees consider that default investment arrangements or self-select funds that also have higher, not just "broadly comparable", average investment returns over a five-year period when compared to the nearest comparable default arrangements or funds respectively, are good value from a costs and charges perspective, even if the charges in the Scheme are higher than the same comparable default arrangements or funds respectively [65];
- The Trustees have placed more weight on the net investment returns over charges and transaction costs by weighting net investment returns by 80% and charges and transaction costs by 20% when assessing value for members [67];
- The Trustees have only been able to source and use five-year net investment returns to assess longer-term investment performance (10-year and 15-year data was not consistently provided) and have also placed more weight on the longer-term performance by weighting five-year net investment returns by 80% and short-term one-year returns by 20% [68];
- The Trustees were not provided with sufficient data by the comparison schemes to assess whether the demographic profile of the Scheme differed sufficiently to those of the comparison schemes to support a "clear strategic choice" that explains differences in performance [77];
- When assessing the value delivered by their governance and administration offering within the Scheme, the Trustees have considered and assessed the Scheme against the seven key metrics of Administration and Governance set out in the updated statutory guidance and note that the guidance also sets out an expectation that all [seven] of the metrics for administration and governance are satisfied for a pension scheme to be able to demonstrate satisfactory value for members [111/112]. In making this assessment, the Trustees have assumed the following:
  - I. When assessing the **promptness and accuracy of core financial transactions**, the Trustees have placed greater weight on the proportion of member transactions that have been completed accurately and within required timeframes set in legislation compared to the proportion of member transactions that have been completed according to any service level agreements (SLA) when assessing whether the Scheme would represent "satisfactory value" for members in this area [81-85];
  - II. When assessing the **quality of record keeping**, the Trustees have assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area. The Trustees have also assumed that the lack of any regulatory action by The Pensions Regulator in light of the data scores for common and scheme-specific data reported in the Scheme's historic annual scheme returns indicates that the Scheme's data scores are "satisfactory value" for members [86-96];
  - III. When assessing the **appropriateness of the default investment strategy**, the Trustees have considered all of the points within the updated statutory guidance and assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [97-99];

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

Preparations for the assessment (continued)

2. Interpreting the updated statutory guidance (continued)

IV. When assessing the **quality of investment governance**, the Trustees have considered all of the points within the updated statutory guidance and assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [100-101];

V. When assessing the **level of trustee knowledge, understanding and skills to operate the Scheme effectively**, the Trustees have assumed that satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [102-104];

VI. When assessing the **quality of communication with Scheme members**, the Trustees have assumed that concluding that they have met their statutory obligations and have also achieved satisfactory assessments for the majority of criteria set out in the updated statutory guidance would represent "satisfactory value" for members in this area [105-107];

VII. When assessing the **effectiveness of management of conflicts of interest**, the Trustees have assumed that having all four of the controls set out in the updated statutory guidance in place and being able to show how these have been followed and are effective in practice would represent "satisfactory value" for members in this area [108-110];

The Trustees also agreed to revisit these decisions in future Scheme years, allowing for emerging industry-wide practices or case studies, particularly around the approach that The Pensions Regulator ends up taking when assessing how trustees carried out the new detailed value for member assessments.

Process followed for the assessment, including key factors considered

The Trustees requested the required information from each of the comparison schemes in order to undertake the relative assessment of costs and charges and net investment returns against the Scheme. The Trustees also requested the assistance of advisers to assist in assessing the Scheme against the criteria set out in the updated statutory guidance.

The assessment then involved three tests:
1. a comparison of our reported **costs and charges** with the three comparison schemes;
2. a comparison of our reported **net investment returns** with the three comparison schemes; and
3. a consideration of the Scheme against key **governance and administration** criteria.

The Trustees have also had discussions with at least one of the comparison schemes about a transfer of the members' rights if the Scheme should ever be wound up (please note that this is a requirement of the statutory guidance, rather than a reflection of the future ambitions of either the Trustees or the sponsoring employers of the Scheme).

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

The outcomes from our assessment

Test 1: costs and charges

The Trustees have identified the costs and charges that members pay for directly, as well as the costs and charges that are paid for by the Principal Employer.

It is the current policy of the Trustees and the Principal Employer that the only costs and charges that are paid by members are fund management charges and transaction costs for the investment funds used within the Scheme (as well as bank charges that are also paid from the Scheme and not explicitly financed by the Principal Employer).

For all other costs and charges, the Principal 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. the costs of updating and maintaining member records, processing contributions and pension payments, dealing with member queries, producing annual financial statements, etc);
- member communications (e.g. the costs of producing and issuing member booklets, annual benefit statements, 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).

The Trustees have gathered information about costs and charges from the three comparison schemes and compared them with the costs and charges paid by the members directly in the Scheme.

As mentioned earlier in this section:

- The charges and transaction costs for the year to 31 December 2022 have been gathered for the analysis, rather than for the year to 31 January 2023, as quarter-end data was more readily provided by the comparison schemes; and
- The Trustees have agreed that the charges and transaction costs over the year to 31 December 2022 are not unusually high for a reason that is unlikely to be repeated; therefore, the Trustees have used one-year data rather than an average of the last five years.

Given that no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section, we have compared our default investment arrangement with the default investment arrangement in the three comparison schemes.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

The outcomes from our assessment (continued)

<u>Test 1: costs and charges (continued)</u>

A summary of the comparison is shown in the table below.

For the year to 31 December 2022	Ongoing charges figures	Transaction costs	Total of ongoing charges figures and transaction costs
The Scheme			
Our default investment arrangement (before seven years prior to normal retirement date*)	0.43%	0.24%	0.67%
Default investment arrangements proposed for the comparison schemes			
L&G Worksave Master Trust	0.24%	0.02%	0.29%
The Aviva Master Trust	0.25%	0.04%	0.30%
Fidelity Master Trust	0.37%	0.00%	0.37%
Average of the three comparison schemes	0.29%	0.02%	0.31%

* As noted earlier, the charges for the Scheme's default investment arrangement are at their highest in the period prior to seven years before normal retirement date and do not change at any point during the period prior to seven years before normal retirement date.

The Trustees have given greater weight in the comparison to the total charges and transaction costs in the default arrangement than self-select funds in which smaller numbers of members are invested. We have weighted 100% of the comparison to the default investment arrangement since no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section.

Our conclusion on costs and charges is that the majority of the total charges and transaction costs are higher than the average for the comparator schemes, but this is justified by higher investment returns when comparing the Scheme's longer term five-year net investment performance against the average of the five-year net investment performance of the 3 comparison schemes (as shown in the next section). As more weighting is given to longer term performance than short term performance, it is therefore reasonable to assume that the Scheme as a whole represents good value for members from the standpoint of costs and charges.

<u>Test 2: Investment returns (fund performance)</u>

The Trustees have gathered past performance of the investment options within the Scheme and included this in the earlier section entitled "Past performance of the investment options".

The Trustees have also gathered information about investment returns (after the deduction of any charges and transaction costs) for the investment options of the three comparison schemes and compared them with the net investment returns in the Scheme.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

The outcomes from our assessment (continued)

Test 2: Investment returns (fund performance) (continued)

The Trustees have given greater weight in the comparison to the net investment returns in the default investment arrangement than self-select funds in which smaller numbers of members are invested. We have weighted 100% of the comparison to the default investment arrangement since no self-select fund in the Scheme has sufficient members investing in it to be considered "popular" or "frequently invested" under the definition set out earlier in this section.

We have, therefore, compared our default investment arrangement with the default investment arrangement proposed for each of the three comparison schemes.
The Trustees have compared net investment returns:

- in the short term (i.e. over a one-year period to the year ending 31 December 2022) to give an immediate indication of performance trend; and
- over a longer, more sustained, period for which broadly comparable data could be found (i.e. over a five-year period to the year ending 31 December 2022).

The Trustees plan to include longer-term performance (e.g. over 10 years and over 15 years) when this data is available.

A summary of the comparison is shown in the table below.

For the period to 31 December 2022	One-year net investment return (annualised)	Five-year net investment return (annualised)
The Scheme		
Our default investment arrangement (before seven years prior to normal retirement date*)	(14.7%)	8.0%
Default investment arrangements proposed for the comparison schemes		
L&G Worksave Master Trust	(10.21%)	2.52%
The Aviva Workplace Retirement Account Master Trust	(7.10%)	3.40%
Fidelity Master Trust	(7.99%)	8.23%
Average of the three comparison schemes	(8.43%)	4.72%

Notes:
1. Figures have been collected for the periods to 31 December 2022 rather than to the Scheme year end of 31 January 2023 as this facilitates comparison with the quarter-end data provided by the comparison schemes.
2. Figures have been shown for the following strategies for each of the three comparison schemes:
   - L&G Worksave Master Trust: LGIM 2040-2045 Target Date Fund
   - The Aviva Workplace Retirement Account Master Trust: My Future Focus Growth
   - Fidelity Master Trust: FutureWise Target 2045 Fund

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

The outcomes from our assessment (continued)

Test 2: Investment returns (fund performance) (continued)

Taking account of the volatile returns over the short term one-year period (which have impacted the Scheme to a greater extent than the three comparison schemes due to greater asset diversity in the growth phase of the comparison schemes' default investment arrangement which can protect against short term volatility but can also detract from longer term performance) and the focus on long term performance, the five-year net return figures for our default investment arrangement is better than the average of the comparator default investment arrangements and closely comparable with the best of the comparison schemes (the Fidelity Master Trust), so it is reasonable to deduce that our default investment arrangement represents good value for members from the standpoint of investment returns for that arrangement.

Our conclusion on net investment performance is that longer term five-year net investment returns across a majority of the funds offered by the Scheme in which members are frequently invested are better than the comparator schemes. The Trustees have placed more weight on the longer term performance than short term one-year performance in line with statutory guidance, so it would be reasonable to assume that the Scheme as a whole represents good value for members from an investment returns perspective.

In addition, the Trustees also assume that the margin of longer term five-year outperformance of the default investment arrangement for the Scheme compared to the average of the three comparison schemes (8.0% for the Scheme compared with 4.72% for the average performance of the three comparison schemes giving outperformance of 3.28%) justifies our conclusion that the Scheme as a whole represents good value for members.

Test 3: Governance and administration

The Trustees have assessed the value delivered by our governance and administration offering as the third and final part of our assessment of value for members.

Effective scheme governance is essential for the operational and financial sustainability of the Scheme, for good outcomes from investment, and for the trust and confidence of our members.

Our assessment for governance and administration is based on seven key metrics as prescribed by legislation. Unlike the assessments for costs and charges and for net investment returns, this assessment does not involve a comparison with other schemes.

We have, however, taken advice from our pensions advisers as a reference for "best practice" and used this to explain our interpretation earlier in this section of the requirements set out in paragraphs 78 to 110 of the updated statutory guidance.

A summary of the comparison is shown in the table below.

Metric	Description	Rating	Main reason
1.	Promptness and accuracy of core financial transactions	Metric satisfied	The Trustees believe that the requirements of this metric have been met
2.	Quality of record keeping	Metric satisfied but steps to be taken to strengthen	The Trustees should finalise their Cyber Risk policy and continue with any plans to improve the Scheme-specific data scores

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Appendix ii – assessing value for members (continued)

Test 3: Governance and administration (continued)

Metric	Description	Rating	Main reason
3.	Appropriateness of the default investment strategy	Metric satisfied	The Trustees believe that the requirements of this metric have been met
4.	Quality of investment governance	Metric satisfied	The Trustees believe that the requirements of this metric have been met
5.	Level of trustee knowledge, understanding and skills to operate the pension scheme effectively	Metric satisfied but steps to be taken to strengthen	The Trustees should consider evaluating the effectiveness of the Board at least annually and also consider formal quarterly Trustees' meetings
6.	Quality of communication with scheme members	Metric satisfied	The Trustees believe that the requirements of this metric have been met
7.	Effectiveness of management of conflicts of interest	Metric satisfied	The Trustees believe that the requirements of this metric have been met

Having considered all seven metrics within the theme of governance and administration, the Trustees have concluded that the overall governance and administration of the Scheme provides good value for members.

Appendix A – Annual governance statement by the Chair of Trustees for the year ending 31 January 2023 (continued)

Final conclusions and points to note

The Trustees have concluded that the Scheme offered good value for members over the year to 31 January 2023, as set out in detail above.

It should be noted, though, that the value for members assessment under the new detailed framework may vary from year to year, as it is heavily determined by short-term and long-term assessments of relative costs and charges and relative net investment returns, which in themselves are heavily influence by the choice of the three comparison schemes.

As a reminder, should the Trustees feel in any future year that we are not able to demonstrate that the Scheme delivers value for members on **all** three areas (costs and charges; net investment returns; administration and governance), then the updated statutory guidance – and The Pensions Regulator – would expect the Trustees to conclude that the Scheme does not provide good value for members under the updated statutory guidance.

If the Trustees were to conclude that the Scheme does not provide good value for members at any Scheme year end in the future, the updated statutory guidance – and The Pensions Regulator – would expect that the Trustees look to wind up the Scheme and either:

- transfer the rights of the Scheme members into a larger pension scheme; or
- set out the immediate action the Trustees will take to make improvements to the Scheme (if the improvements identified are not made within a reasonable period, for example within the next Scheme year, then the Trustees would be expected to wind up and transfer Scheme members' benefits to a larger pension scheme).

Appendix B – Statement of Investment Principles

The Cadogan Estates Limited 1995 Pension and Assurance Scheme

Statement of Investment Principles

December 2021

Appendix B – Statement of Investment Principles (continued)

Contents

The Cadogan Estates Limited 1995 Pension and Assurance Scheme
Statement of Investment Principles
December 2021

Appendix B – Statement of Investment Principles (continued)

1 Introduction

Scheme background

- This Statement of Investment Principles (the "Statement") details the principles governing investment decisions for The Cadogan Estates Limited 1995 Pension and Assurance Scheme (the "Scheme").
- The Scheme:
  - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries,
  - provides benefits calculated on a defined contribution (DC) basis,
  - is open to new members.
- Buck is the investment consultant to the Trustees.
- Contributions are directed to an occupational money purchase pension policy with Columbia Threadneedle Investments (the "platform provider").

Regulatory requirements and considerations

- This statement covers the requirements of, and the Scheme's compliance with, the provisions of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 as well as additional non-statutory information recommended to be included following the Myners review of "Institutional Investing in the UK", the results of which were first published in 2001 (referred to as the "Myners Principles").
- The Myners Principles require Trustee Boards to act in a transparent and responsible manner. The information set out in this document helps ensure that the Trustees are complying with this requirement.
- The Trustees have taken into account the requirements and recommendations within the Pension Regulator's DC code and regulatory guidance. Information on the Trustees' approach to investment matters within the Scheme, and in particular in setting the default arrangement, are included within this document.

Appendix B – Statement of Investment Principles (continued)

2 Statement of Investment Principles

Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.
- In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.
- The platform provider will prepare detailed quarterly reports on the Scheme's investments and the Trustees will meet with them periodically.
- The Trustees will review this Statement, in consultation with the investment consultant and the Sponsoring Employer, at least once every three years, or more frequently if there are any significant changes in the Scheme's circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

Key investment principles

Kind of investments to be held

- The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.
- The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, property and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustees have considered the attributes of the various asset classes, these attributes being:
  - security (or quality) of the investment,
  - yield (expected long-term return),
  - spread (or volatility) of returns,
  - term (or duration) of the investment,
  - exchange rate risk,
  - marketability/liquidity (i.e., the tradability on regulated markets),
  - taxation.
- The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Scheme.

Appendix B – Statement of Investment Principles (continued)

Investment Decisions

- All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.
- Investment decisions relating to the Scheme are under the Trustees' control without constraint by the Sponsoring Employer. The Trustees are obliged to consult with the Sponsoring Employer when changing this Statement.
- Day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. An insurance contract has been exchanged with the platform provider and is reviewed from time-to-time. In addition, the underlying managers accessed via the platform provider are reviewed regularly to ensure that the manner in which they make investments on the Trustees' behalf is suitable for the Scheme, and appropriately diversified.

Investment Objectives and Suitability of Investments

- The Trustees believe that fund selection is an important decision for all members since it is likely to have an important influence on the risk taken and return achieved on members' pension savings. The Trustees regularly communicate with members to enable them to understand the importance of this area and to provide them with education to help them to make informed choices about their selection of funds.
- However, the Trustees also recognise that in practice many members do not actively make an investment choice and are instead invested in the default option. The Trustees therefore recognise the importance of designing an appropriate default option for the Scheme's membership.
- Whilst the Trustees believe the chosen default option is a reasonable choice for a lot of the membership, ultimately each member should take into account their own personal circumstances when determining whether the default option or an alternative strategy would best meet their needs.
- 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.
- The objective of the default option is to provide a balanced investment strategy for members who do not make an active investment choice. The strategy aims to maximise the level of return (net of fees) that a member could expect to receive from the Scheme over the course of their working lifetime, while reducing the risk of them having income provision in retirement significantly below what may reasonably be expected.

Appendix B – Statement of Investment Principles (continued)

- The objective of the alternative investment options available is to allow members to tailor their investments based on their individual investment requirements, while avoiding complexity. The range should assist members in achieving the following:
  - maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement,
  - protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs, and
  - tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.
- The Trustees recognise that members using the default option are likely to be less financially aware than those using self-select options and have taken this into account in the strategy design.
- The Trustees' investment consultant provides advice regarding the suitability of both the default option and the self-select options available.
- Details of the default and self-select options chosen (including the investment objectives of the individual funds), are shown in the appendices.
- Members are advised to take independent financial advice before choosing between these funds.
- The Trustees make available a property fund which members can choose to invest in. If dealing in this fund is suspended for any reason, the Trustees will temporarily divert member contributions from the property fund to a cash fund. The objective of the cash fund is to provide capital stability and this fund would not generally be expected to be used for long-term investment.
- The Trustees are satisfied that the funds offered to members are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Risk

- The Trustees have considered risk from a number of perspectives. These are the risk that:
  - the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
  - investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,
  - investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit,
  - the default option is not suitable for members who invest in it, and
  - fees and transaction costs reduce the return achieved by members to an inappropriate extent.

Appendix B – Statement of Investment Principles (continued)

- The investment strategy for the default option has been chosen with the aim of reducing these risks. The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.

- To mitigate some of these risks, the Trustees have made available a range of lifestyle options, which transition members' investments from higher risk orientated investments to lower risk bond, DGF and cash investments as members approach retirement.

- To help address these risks, the Trustees also review the default option used, the alternative lifestyle strategies available and the fund range offered at least every three years, taking into account changes to the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

Expected Return on investments

- The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Scheme's membership and having taken into account the risk considerations set out above. The Trustees have also considered the return expectations of each of the alternative fund options and lifestyle strategies offered.

Balance between different types of investments

- The investment managers will maintain a diversified portfolio of stocks or bonds within each of the funds offered under the Scheme (both within the default and self-select options).

- In addition, the design of the default option, and of the alternative lifestyle strategies, provides further diversification through the use of multiple funds throughout a member's working lifetime.

Investment Manager Monitoring

- The Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

- All investment decisions, and the overall performance of the investment managers, are monitored by the Trustees with the assistance of the investment consultant.

- The platform provider will provide the Trustees with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to the portfolios. The investment managers will also report verbally on request to the Trustees.

- The investment managers or the platform provider will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

- The Trustees will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.

- Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

Appendix B – Statement of Investment Principles (continued)

Performance Monitoring

- Each of the funds in which the Scheme invests has a stated performance objective against which the performance is measured.
- The Trustees will review the performance of the investment managers from time to time, based on the results of their performance and investment process.
- The platform provider is expected to provide written reports on a quarterly basis.
- The Trustees receive an independent investment performance monitoring report from their investment consultant on a six-monthly basis.

Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers and platform provider to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue time to liquidate. This applies both to the default option and to the alternative fund options offered.

Financially material considerations

- The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.
- The Trustees will regularly review the investment managers' policies in respect of financially material considerations to ensure that they are consistent with the above approach.

Non-financial matters

- The Trustees' objective is that the financial interests of the Scheme members is their first priority when choosing investments. They have decided to engage with members and take members' preferences into account when considering secondary objectives for the Scheme.

Stewardship in relation to the Scheme's assets

- The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through their investment managers.

Engagement and monitoring

- The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term

Voting Rights attaching to Investments

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers

Appendix B – Statement of Investment Principles (continued)

are expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing such investment managers.

The Trustees' policy in relation to their investment manager

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager, and the platform provider, meets the Trustees' policies and provides value for money over a suitable timeframe.

How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies

- The Trustees have delegated the day to day management of the Scheme's assets to investment managers, accessed through an investment platform. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager and the platform provider, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term

- The Trustees, in conjunction with their investment consultant, choose their investment managers and the specific pooled funds to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon. They have decided to engage with members and take members' preferences into account when considering secondary objectives for the Scheme. Members preferences will be incorporated into the pooled funds chosen.

How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies

- The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints of the pooled funds chosen. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

- If the Trustees determine that the investment managers are no longer managing the assets in line with the Trustees' policies they will make their concerns known to the investment managers and may ultimately disinvest.

Appendix B – Statement of Investment Principles (continued)

- The Trustees pay their platform provider a management fee which is a fixed percentage of assets under management. A portion of this is passed to the underlying investment managers.

- Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the platform provider and the investment managers.

How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

- The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Scheme from the investment manager on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Scheme.

- The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with investment managers

- The Trustees do not in general enter into fixed long-term agreements with their platform provider or underlying investment managers and instead retain the ability to change investment managers should the performance and processes of the investment managers deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Appendix B – Statement of Investment Principles (continued)

3 Appointments & Responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

Trustees

- The Trustees' primary responsibilities include:
  - preparation of this Statement, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment managers,
  - appointing investment consultants, a platform provider and investment managers as necessary for the good stewardship of the Scheme's assets,
  - reviewing the investment strategy on a regular basis, taking advice from the investment consultant,
  - assessing the processes (and therefore the performance) of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance),
  - monitoring compliance of the investment arrangements with this Statement on a regular basis, and
  - monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Scheme's equity holdings.

Investment Consultant

- The main responsibilities of the investment consultant include:
  - assisting the Trustees in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer,
  - undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees,
  - advising the Trustees on the selection and review of the investment managers and on the investment aspects of any review of the platform provider,
  - providing training or education on any investment related matter as and when the Trustees see fit.

Appendix B – Statement of Investment Principles (continued)

Investment Managers

- The investment managers' main responsibilities include:
  - investing assets in a manner that is consistent with the objectives set,
  - ensuring that investment of the Scheme's assets is compliant with prevailing legislation,
  - providing the Trustees (or platform provider) with quarterly reports including any changes to their investment process and a review of the investment performance,
  - attending meetings with the Trustees as and when required,
  - informing the Trustees (or platform provider) of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur, and
  - exercising voting rights on shareholdings in accordance with their general policy.

Custodian

- The custodians used are responsible for the safe-keeping of the Scheme's assets.
  - The custodianship arrangements are those operated by the investment managers for all clients investing in their pooled funds.

Administrators

- The administrator's primary responsibilities are the day to day administration of the Scheme and the submission of specified statutory documentation, as delegated by the Trustees.
- The Scheme's administrator is Buck.

Platform Provider

- The Investment platform provider's main responsibilities include:
  - Providing access to a range of funds provided by various managers.
  - Providing the Trustee with quarterly reports including any changes to the managers investment process and a review of the investment performance of their portfolio.
  - Informing the Trustee of any changes in fee structure, internal performance objectives and guideline of any pooled funds within their portfolio as and when they occur.
  - The Scheme's platform provider is Columbia Threadneedle Investments Limited.

Appendix B – Statement of Investment Principles (continued)

Signed on behalf of the Trustees of the Scheme:

Sanjay Patel
....

Name

4 January 2022
....

Date

Paul Loutit
....

Name

4 January 2022
....

Date

Appendix B – Statement of Investment Principles (continued)

Appendix 1– Fund Range and Objectives

Fund options

The funds available to members are included in the below table. Benchmark indices and relative performance objectives of each fund are also outlined below. All performance targets are gross of fees and relate to rolling three-year periods unless stated.

Manager	Fund	Benchmark Index	Objective
Threadneedle	UK Equity High Alpha Fund	FTSE All Share Index	To outperform the benchmark by 3.5% p.a.
	Global Equity	MSCI AC World Index	To outperform the benchmark by 3.0% p.a.
	Corporate Bond	iBoxx GBP Non-Gilt Index	To outperform the benchmark by 0.75% p.a. (net of fees)
	Property	AREF/IPD UK Quarterly Property Fund Index	To outperform the benchmark by 1.0 to 1.5% p.a.
	Dynamic Real Return Fund	UK CPI	To outperform benchmark by 4.0% p.a. over a 3 to 5 year time horizon
	Cash Fund	LIBID 7 days	To provide investors with an investment return similar to that of cash deposits
	Multi-Asset Fund	BofE Base Rate	To outperform the benchmark by 4.0% p.a. over economic cycle
	Sustainable Outcomes Global Equity	MSCI AC World Index	To outperform the benchmark over rolling 5 year periods (net of fees)
	Aquila Life Over 15 Year Gilts	FTSE UK Gilts Government Over 15 Years	To track the benchmark index

The Scheme's normal retirement age is set to age 65, but the Trustees allow members to select their own retirement age. The Trustees also allow members to opt-out of the default option and select from a range of alternative lifestyle options, or stand-alone funds that suit their individual circumstances.

To aid their decisions, information about the strategies available and the funds offered will be made available to members. Members are advised to take financial advice before choosing between these options.

Appendix B – Statement of Investment Principles (continued)

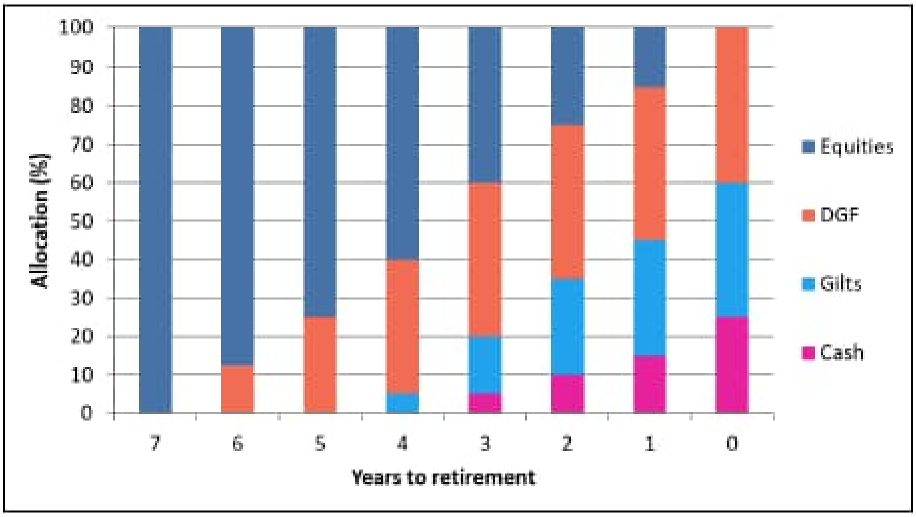
Lifestyle strategies

The lifestyle strategies entail members' assets being switched between funds as they approach their target retirement date.

There are three Lifestyle Plans used by the Scheme as described below. These progressively phase members' assets out of the Threadneedle Global Equity Fund into funds which may be more suitable for members as they approach retirement, depending on their stated goals. These lifestyle plans are Drawdown Lifestyle, Annuity Lifestyle and Cash Lifestyle Plans.

Drawdown Lifestyle Plan (Default option)

The chart below demonstrates how the transition under the Drawdown Lifestyle Plan will take place in the years leading up to a members' chosen retirement age:

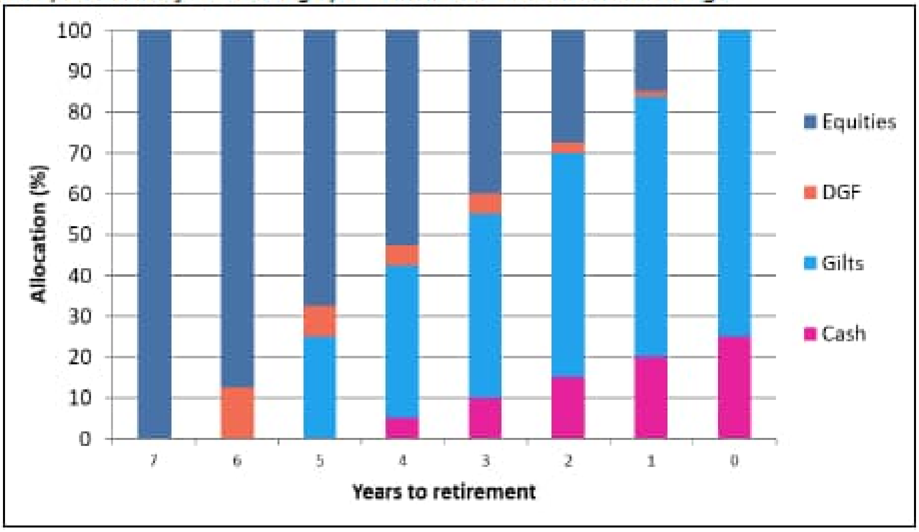


This plan is designed for members who wish to drawdown income at retirement. The Cash fund is the Threadneedle Cash fund; the Gilts fund is the BlackRock Aquilla Life Over 15 Year Gilts; the DGF fund is the TPEN Multi Asset Fund. These funds remain consistent throughout the additional lifestyle strategies.

Appendix B – Statement of Investment Principles (continued)

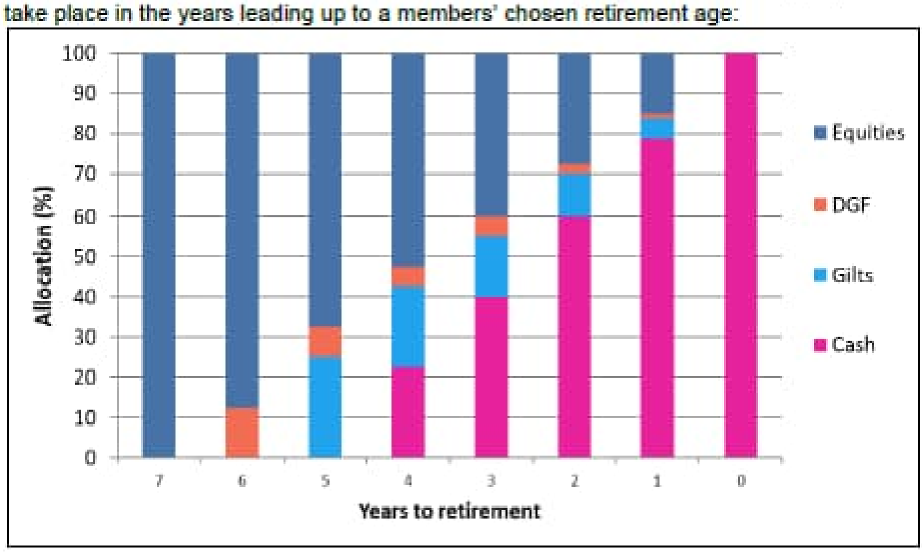
Annuity Lifestyle Plan

The chart below demonstrates how the transition under the Annuity Lifestyle Plan will take place in the years leading up to a members' chosen retirement age:



Cash Lifestyle Plan

The chart below demonstrates how the transition under the Cash Lifestyle Plan will take place in the years leading up to a members' chosen retirement age:



Appendix B – Statement of Investment Principles (continued)

Appendix 2 – Fees

Investment manager fees

Manager	Fund	Investment Style	Management Fee % p.a.
Threadneedle	UK Equity High Alpha Fund	Active	0.60
	Dynamic Real Return	Active	0.50
	Multi Asset Fund	Active	0.35
	Global Equity	Active	0.50
	Corporate Bond	Active	0.25
	Property	Active	0.75
	Cash Fund	Active	0.10
	Sustainable Outcomes Global Equity	Active	0.30
	Aquila Life Over 15 Year Gilts	Passive	0.15

Investment consultancy fees

The investment consultant provides agreed services on a fixed fee basis, with additional projects provided on a time cost basis subject to agreement in advance.

The basis of remuneration is kept under review.

Appendix C – Implementation Statement for the year ending 31 January 2023

Introduction

This implementation statement has been prepared by the Trustees of the Cadogan Estates Limited 1995 Pension and Assurance Scheme (`the Scheme`). The statement:

- sets out how, and the extent to which, the policies set out in the Statement of Investment Principles (`the SIP`) have been followed during the year;
- describes any review of the SIP, including an explanation of any changes made; and
- describes the voting behaviour by, or on behalf of, the Trustees over the same period.

The Trustees' policies contained in the SIP are underpinned by their investor beliefs, which have been developed in consultation with their investment consultant.

Trustees' overall assessment

In the opinion of the Trustees, the policies as set out in the SIP have been followed during the year ending January 2023.

Review of the SIP

The Trustees' policies have been developed over time by the Trustees in conjunction with their investment consultant and are reviewed and updated periodically and at least every three years.

The SIP was last reviewed and updated in December 2021 as a result of changes to the investment arrangements.

Investment strategy

The Scheme provides members with a range of funds in which to invest together with lifestyle strategies from which to make their investment choices. These aim to allow members to achieve the following:

- maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement;
- protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs; and
- tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.

The Trustees also provide a default strategy to provide a balanced investment strategy for members who do not make an active investment choice.

A review of the default investment strategy and objectives was carried out in January 2021. This also included a review of the alternative lifestyle strategies and fund range.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Investment strategy (continued)

As part of this review exercise, the Trustees:

- Considered market information around member investment and retirement behaviour and how this may translate to their particular scheme's membership
- Considered changes which could be made to the glidepath of the default investment strategy
- Considered alternative asset classes to incorporate into the default strategy and alternative lifestyle strategies and wider fund range
- Considered the fees and expenses payable to members and the effect that any changes in investment strategy would have on these
- Considered the possibility of allowing the members the option to invest in a sustainable investment fund
- Considered adopting a longer de-risking period

In considering these factors, the Trustees believe they have complied with their SIP regarding investment strategy considerations.

The next such review will be undertaken in 2024.

Policies in relation to the kinds of investments to be held, the balance between various kinds of investments and the realisation of investments

The Trustees have given full regard to their investment powers as set out in the Trust Deed and Rules and have considered the attributes of the various asset classes when deciding the kinds of investments to be held. The Scheme invests in pooled funds to manage costs, diversify investments and improve liquidity.

During the year, the Trustees discussed the performance of the asset classes invested in and the attributes of the asset classes that contributed to that.

The investment managers maintain a diversified portfolio of stocks or bonds within each of the funds offered under the Scheme (both within the default and self-select options). In addition, the design of the default strategy provides further diversification through the use of multiple funds throughout a member's working lifetime.

As part of the review of the investment strategy and the appointment of the investment managers the Trustees discussed the degree of diversification within the strategy.

Under normal market conditions the Trustees expect to be able to realise investments within a reasonable timescale although there remains the risk that certain assets may become less liquid in times of market stress.

No funds in which the Trustees invest experienced any liquidity issues that had any impact on members during the year.

Property funds and illiquid assets, such as private equity, have been excluded from the current default option investment strategy to help ensure the Scheme is able to meet potential liquidity demands.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Policy in relation to the expected return on investments

The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Scheme's membership and having taken into account the risk considerations set out in the SIP.

The expected return of the default option was assessed as part of the investment strategy review. The expected return of both the default option and the self-select options were considered during the year as part of the statutory money purchase illustrations ('SMPI') calculations.

Policy in relation to risks

The Trustees have considered risk from a number of perspectives. These are the risk that:

- the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
- investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,
- investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit,
- the default option is not suitable for members who invest in it, and
- fees and transaction costs reduce the return achieved by members by an inappropriate extent.

The investment strategy for the default option has been chosen with the aim of reducing these risks.

The Trustees monitor these risks through the semi-annual performance monitoring reports and cost disclosure documents provided by and discussed with the investment consultant.

Two monitoring reports were received during the year. These did not highlight any significant concerns over the level of risk being run within the Scheme.

The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.

The risks inherent in the default option and self-select options were assessed during the year as part of the investment strategy review.

Policies in relation to their investment manager arrangements

The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, set by the investment manager, for their services. The Trustees have very limited to no influence over the objectives of these funds or the fees they charge (although fee discounts can be negotiated in certain circumstances).

There have been no changes to the benchmark objectives of the funds in which the Scheme invests over the year.

The Trustees, in conjunction with their investment consultant, have introduced a process to obtain and review the investment holding turnover and the associated costs incurred on the pooled funds used by the Scheme on an annual basis. The Trustees have received a report detailing the turnover costs incurred for each pooled fund used by the Scheme for 2019.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Policies in relation to their investment manager arrangements (continued)

Trading costs are incurred in respect of member switches (including within the lifestyle strategy), and wider (Trustee-led) asset transfer work. The Trustees receive information on the expected costs of Trustee-led exercises as and when they occur, and the exercise is only undertaken if the expected benefits outweigh the expected costs. Information on potential ongoing member switching costs is included within the Chair's Statement.

No such analysis was undertaken during the year.

The investment managers have invested the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. In return, the Trustees have paid their investment managers a fee which is a fixed percentage of assets under management.

The investment consultant has reviewed and evaluated the investment managers on behalf of the Trustees, including performance reviews, manager oversight meetings and operational due diligence reviews.

The Trustees and the investment consultant considered the alignment of the investment manager's arrangements with the Trustees' policies as part of the January 2021 review and are satisfied that these are appropriate.

Investment manager monitoring and changes

During the year, the Trustees received 2 reports from the investment consultant examining the performance of the pooled funds made available to members. The Trustees also received reports directly from the investment managers / platform provider.

The following changes to the investment manager arrangements were made during the year:

Opening of the Sustainable Outcomes Global Equity Fund.

The reasons for these changes were:

To offer members an ESG option in the self-select fund range.

Appropriate written advice was provided by the investment consultant prior to these changes, in a paper dated January 2021.

Stewardship of investments

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

The Trustees, in conjunction with their investment consultant, choose their investment managers and the specific pooled funds to use in order to meet specific policies. They expect that their investment managers make decisions based on assessments about the financial impacts of underlying investments and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Stewardship - monitoring and engagement

The Trustees recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees' also delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

Links to each investment manager's engagement policy or suitable alternative is provided in the Appendix.

These policies are publicly available on each investment manager's websites.

The latest available information provided by the investment managers (for mandates that contain public equities or bonds) is as follows

Engagement	UK Equity High Alpha Fund	Global Equity Fund
Period	01/01/2022-31/12/2022	
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.	
Number of companies engaged with over the year	148	15
Number of engagements over the year	177	177

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Investment manager engagement policies (continued)

Engagement	Sustainable Outcomes Global Equity Fund	Corporate Bond Fund
Period	01/01/2022-31/12/2022	
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.	
Number of companies engaged with over the year	148	148
Number of engagements over the year	177	177

Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment managers publish online the overall voting records of the firm on a regular basis.

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management and believe this to be an important (but not the only) consideration of investor behaviour. The latest available information provided by the investment managers (for mandates that contain public equities) is as follows:

Voting behaviour	UK Equity High Alpha Fund	Global Equity Fund	Sustainable Outcomes Global Equity Fund
Period		01/01/2022-31/12/2022	
Number of meetings eligible to vote at	61	68	40
Number of resolutions eligible to vote on	1,403	972	569
Proportion of votes cast	100%	95.2%	100%
Proportion of votes for management	95.8%	88.4%	93.5%
Proportion of votes against management	2.9%	9.1%	4.0%
Proportion of resolutions abstained from voting on	1.3%	2.6%	2.5%

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Trustees' engagement

The Trustees have undertaken a review of the investment manager's engagement policy including their policies in relation to financially material considerations.

The Trustees have considered the environmental, social and governance rating for each fund/investment manager provided by the investment consultant, which includes consideration of voting and/or engagement activities. This also includes those funds that do not hold listed equities.

The Trustees may also consider reports provided by other external ratings providers.

The Trustees have reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix

Links to the engagement Policies for the investment manager can be found here:

Investment manager	**Engagement policy**
Columbia Threadneedle Investments	https://www.columbiathreadneedle.co.uk/uploads/2020/10/4c45b3de68db9d1e74df186b80d004b5/en_frc_compliance_statement.pdf

Information on the most significant votes for the equity fund is shown below:

UK Equity High Alpha Fund	**Vote 1**	**Vote 2**	**Vote 3**
Company name	Informa Plc	Whitbread Plc	Standard Chartered Plc
Summary of the resolution	Approve Remuneration Report.	Approve Remuneration Report.	Approve Remuneration Report.
How the fund manager voted	Abstain.	Against.	Against.
Rationale for the voting decision	Remuneration concerns.	Remuneration concerns.	Remuneration concerns.
Outcome of the vote	Fail	Pass	Pass
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.		
Why is this vote significant?	Vote against management & >20% dissent.		

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix (continued)

Global Select Fund	**Vote 1**	**Vote 2**	**Vote 3**
Company name	General Motors Company	Alphabet Inc.	Alphabet Inc.
Summary of the resolution	Report on the Use of Child Labor in Connection with Electric Vehicles.	Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms.	Report on Climate Lobbying.
How the fund manager voted	For	For	For
Rationale for the voting decision	Supporting better ESG risk management disclosures.		
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.		
Why is this vote significant?	Vote against management on certain environmental or social proposals & >20% dissent.		

Sustainable Outcomes Global Equity Fund	**Vote 1**	**Vote 2**	**Vote 3**
Company name	NextEra Energy, Inc.	NextEra Energy, Inc.	Microsoft Corporation
Summary of the resolution	Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics.	Disclose a Board Diversity and Qualifications Matrix.	Report on Tax Transparency.
How the fund manager voted	For	For	For
Rationale for the voting decision	N/A	N/A	N/A
Outcome of the vote	N/A	N/A	N/A
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.		

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix (continued)

Sustainable Outcomes Global Equity Fund	Vote 1	Vote 2	Vote 3
Why is this vote significant?	Vote against management on certain environmental or social proposals.	Vote against management on certain environmental or social proposals.	Vote against management & >20% dissent.

Information on the most significant engagement case studies for each of the funds/managers containing public equities or bonds is shown below.

UK Equity High Alpha Fund	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	Rentokil Initial	Imperial Brands	N/A
Topic	Human Capital Management - R&D	Carbon Disclosure Project (CDP)	N/A
Rationale	Long-term holding, top 10 holding	Long-term holding	N/A
What the investment manager has done	Visited Rentokil's R&D site, the Power Centre, in Crawley.	Meeting with RI team.	N/A
Outcomes and next steps	Rentokil has strong human capital management. The site houses Europe's only scenario-based pest control training centre, with various rooms set up for situation-based training. The site also has its own certified lab for testing chemicals, reducing development time, and minimising outsourcing risk. Most of the company's projects now have a 'connected' or sustainability angle, which is increasingly important to its customers. The company's R&D approach is unique among peers, which adds to our strong view of Rentokil's competitive advantage.	We participated in the Carbon Disclosure Project (CDP) 2022 Non-Disclosure Campaign to engage with those companies that have not submitted responses to the CDP survey. It is key that companies disclose detailed information on their exposure to and management of environmental factors to enable investors to understand and manage risks, to prepare for regulation, and identify performance improvements. The 2022 campaign targeted almost 1,500 companies that are yet to disclose to CDP by having investors co-sign letters to board members or senior executives. We co-signed a request for the company to submit a response to the 2022 CDP survey, and will follow up on this request in any one on one engagement we have with the company.	N/A

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix (continued)

Global Select Fund	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	Eli Lilly	TotalEnergies	LVMH
Topic	Social and Governance	Environmental Concerns	Governance concerns
Rationale	We wanted to engage with Eli Lilly about a range of material social and governance issues. More specifically, we wanted to discuss the prices of their products and services. We also wanted to better understand Eli Lilly's initiatives to increase access to insulin in the United States, and the challenges which still need to be overcome. We also questioned them on how access strategies are incorporated into new product launches and how sales representatives' compensation incentivises increased access to the company's products and disincentivises unethical conduct. As it is one of the biggest holdings in the Global Select Strategy, it was important to engage with the company to better understand any issues we had.	Whilst we believe that TotalEnergies is one of the leading players in the energy transition, we had some concerns around Total's East Africa Crude Oil Pipeline Project (EACOP project). We wanted to engage with TotalEnergies to discuss and better understand their EACOP project.	After LVMH was flagged internally for its governance, we wanted to meet them to discuss some of the concerns we have around their management and board structures.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix (continued)

Global Select Fund	Case Study 1	Case Study 2	Case Study 3
What the investment manager has done	Our RI team had a call with Eli Lilly's Head of ESG. The call was highly informative. We concluded the call by highlighting the importance of disclosing, where possible, the real-world impact of access to medicine initiatives, in addition to information about strategies to tackle antimicrobial resistance (AMR) and manage supply chain risk and disruption.	TotalEnergies is leading the EACOP project, which is building a crude oil pipeline through a National Park in Uganda. We wanted to engage with the company to better understand how they are leading the project and how they are managing the environmental and social issues the project raises. We were encouraged by the company's well researched case for the project, how it is aligned with their climate goals and their commitment to a range of projects and funding to address biodiversity and community issues. Total also spoke about how they are treating the project as a lesson on how they should improve transparency and communication in future.	In our engagement with the firm, we wanted to understand why the average age of the board was increasing, the risk management of the CEO's dual role of CEO and Chair, the succession of management and the CEO's pay. We feel positive about the mitigating factors that the firm are taking to address some of the issues with the board. The lead director made a particularly good impression, and he provided us with confidence in the firm's direction.
Outcomes and next steps	We are encouraged by Eli Lilly's positive progress and engagement and plan to monitor their progress.	We were encouraged by the engagement and plan to monitor the firm's progress with the project and any future projects they may have.	We plan to have a follow up meeting with the lead director to gain an additional understanding of board dynamics.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix (continued)

Sustainable Outcomes Global Equity Fund	**Case Study 1**	**Case Study 2**	**Case Study 3**
Name of entity engaged with	Croda	Eli Lilly	Schneider Electric
Topic	Environment - Natural resource use/impact (e.g. water, biodiversity)	Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying)	Environment - Climate change
Rationale	We wanted to receive a business update from the chemical manufacturer, Croda. We also wanted to visit one of their sites to gain a better understanding on how the company is aligned with their sustainability goals in terms of management and innovation.	We wanted to engage with the pharmaceutical giant, Eli Lilly, about a range of material social and governance issues. More specifically, we wanted to discuss the prices of their products and services. We also wanted to better understand Eli Lilly's initiatives to increase access to insulin in the United States, and the challenges which still need to be overcome. We also questioned them on how access strategies are incorporated into new product launches and how sales representatives' compensation incentivises increased access to the company's products and disincentivises unethical conduct.	We wanted to meet Schneider Electric's CFO for an update on the business. Schneider Electric provides energy and automation solutions for efficiency and sustainability addressing homes, buildings, data centres, infrastructure and industries.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix (continued)

Sustainable Outcomes Global Equity Fund	Case Study 1	Case Study 2	Case Study 3
What the investment manager has done	From the site, we gained real insight to the firm's goals and we could clearly see how sustainability was at the core of the business. Its innovation and sustainability could be seen through all levels of their operations and management. Key takeaways from the site visit included: - The accelerating pace of innovation and how their innovation could fuel faster sales growth. - The consumer and agriculture segments stand to benefit from increased customer demand for more sustainable ingredients, which supports their own decarbonisation and environmental ambitions. - Increasing demand for more innovative solutions and advances in technology are allowing Croda to deliver this faster pace of product innovation for its customers.	Our engagement call with Eli Lilly's Head of ESG was highly informative. In the call, we highlighted the importance of disclosing, where possible, the real-world impact of access to medicine initiatives, in addition to information about strategies to tackle antimicrobial resistance (AMR) and manage supply chain risk and disruption.	Even though we had concerns around the impact of an economic downturn on demand for Schneider's products, the update from the company was upbeat. Management ensured that the structural demand for energy efficient solutions remains robust given the energy crisis. The meeting highlighted the crucial role that Schneider plays in helping customers achieve both their energy security and decarbonisation targets. As such, management have been able to increase their growth outlook for the year despite a weakening macro environment.
Outcomes and next steps	We were encouraged by Croda's site visit, as it reinforced our investment thesis in the firm. We plan to continue to monitor and continue our engagement with the firm.	We are encouraged by the engagement with Eli Lilly and we plan to monitor their progress with disclosing data and their other initiatives.	The engagement with the company reinforced our investment thesis on the stock. We plan to monitor the firm and will continue to engage with them.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix (continued)

Corporate Bond Fund	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	Vonovia	Volkswagen	Orsted
Topic	Climate Change	Human and Labour Rights	Renumeration, Senior Exec Changes, Supply Chain Challenged
Rationale	In December 2022, we had engaged with Investor Relations about Vonovia's climate change strategy. We were particularly focused on how the rising cost of living and gas prices have affected Vonovia's climate strategy. We were also interested in assessing whether the company had a good governance framework.	In June 2022, MSCI downgraded VW on its labour practices, specifically with respect to Uyghurs in Xinjiang, China. Consequently, VW has failed MSCI's 'interpretation' of the Global Compact MSCI claims that VW has a direct role in employing Uyghur minorities at the Urumqi plant who may have been transferred from state-sponsored "Vocational Education and Training Centres" (VETCs).	Content from two meetings: Responsible Investment Team Engagement call; Fixed Income Investor roadshow with the group's new CFO. We were seeking an update on group remuneration, senior executive changes, and supply chain challenges.
What the investment manager has done	Increased costs have made it more economical for residents to accept energy efficiency measures, however, due to the tight housing market & the high demand for flats, green-premiums are not evident yet. Vonovia uses carbon monitoring tools in assessing energy upgrades & investment decisions across its portfolio. While encouraging, we would like to see more disclosure of the assumptions used in the modelling. We also engaged on the issue of embodied carbon.	United Nations Global Compact have confirmed that they are not investigating Volkswagen for forced labour and there are no plans to de-list the company from the UNGC. VW issued a public statement in response to MSCI's analysis, arguing that it is "factually incorrect and potentially misleading" and is in dialogue with MSCI in order to "rectify the incorrect assessment". It is possible that forced labour could have occurred. Primarily by inference as discussion highlighted how forced labour is deemed a systemic issue in the region.	Remuneration plan had a 60% weighting towards non-financial metrics, with an increasing proportion of ESG related areas. Translating this into KPIs is work in progress. Creation of regional CEOs and CFOs to be closer to local governments, legislation and local content in the development of on- and offshore windfarms. A degree of uncertainty around the delayed conversion of a coal-fired heating plant to biomass, scheduled for 2024. Impairments related to supply chain costs in the US.

Appendix C – Implementation Statement for the year ending 31 January 2023 (continued)

Appendix (continued)

Corporate Bond Fund	Case Study 1	Case Study 2	Case Study 3
What the investment manager has done	While Vonovia have relatively progressive targets in place for scope 1 & 2 emissions, they lag peers. We also discussed carbon pricing, with Vonovia stating that new carbon regulation will come in, which penalizes landlords for low energy efficiency ratings.	However, to the above point, hard evidence may not be forthcoming. Having also engaged with independent experts regarding China and labour, we are unlikely to find tangible evidence of forced labour.	Acknowledged due diligence process in place for sourcing coal from South Africa as well as biomass fuel from other regions. Biodiversity challenges in offshore development in the US.
Outcomes and next steps	Our review of the governance framework was satisfactory. We agreed on a follow up conversation with Vonovia's climate and energy specialist, to dig into more details about integrating climate risks (transition and physical) into management practices.	Factoring in the current information available to us, we do not think that MSCI's placement of VW on its Global Norms Fail List is justified at this time. We believe that further engagement with VW is necessary to understand its approach to managing the risks posed by operating in Xinjiang and conducting assessments of potential supply chain exposure to Uyghur forced labour.	Move to Underperform on valuation and increasing potential headline risk: (1) The split into regional management teams coupled with the loss of a well-regarded CFO is a departure from a past conservative approach; track record yet to be established. (2) US offshore wind development challenges are increasing.