Chair's DC Governance Statement, covering 1 April 2020 to 31 March 2021

1. Introduction and members' summary

The Ikon Pension Plan (the "Plan") is an occupational pension scheme primarily providing defined benefits. A number of members have defined contribution ("DC") benefits in the Plan, and a there are a few members who have Additional Voluntary Contributions ("AVCs") in the Plan on a DC basis.

Statutory governance requirements apply to DC pension arrangements like the DC Section of the Plan and the AVCs in the Plan.

We have prepared this Statement in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (the "Administration Regulations") 1996 (as amended). It is signed by the Chair of the Trustee and describes how we have met the statutory governance standards in relation to:

- the investment options in which members can invest;
- the processing of core financial transactions (eg transfer payments and member benefit payments);
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- how the value members obtain from DC benefits in the Plan is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the investment options remain suitable for the membership. Following a DC performance and investment strategy review in December 2020, we are planning to implement changes to enhance the investment arrangements for members in late 2021. We will write to members with details of these changes.
- The administrator of the Plan, Capita, has processed core financial transactions promptly and accurately during the Plan year, and we remain comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain.
- We undertake training and receive advice to make sure that we have sufficient knowledge and understanding to look after your interests effectively.

2. Default arrangements

The Plan is not used as a Qualifying Scheme for automatic enrolment purposes.

Some pension schemes have a "default arrangement" that members' funds are invested in if they do not tell the trustees how they would like their pension savings to be invested or if certain other conditions are present (as set out in the Administration Regulations).

The Plan does not have a "default arrangement" for the purposes of the Administration Regulations. The Trustee can confirm that Plan was closed to future contributions with effect from 31 March 2013 and has never been used for auto-enrolment purposes. As such, the special governance standards required under regulation 23(1)(a) of the Administration Regulations relating to the preparation and regular review of default arrangements do not apply to the Plan.

All members' DC assets in the Plan are invested in the Legal & General ("L&G") Multi-Asset Fund ("MAF"). We are comfortable that over the Plan Year the L&G MAF has remained appropriate for the Plan's membership.

The Plan's investment strategy is reviewed at least every three years and was last reviewed on 9 December 2020.

The performance and strategy of the Plan's investment arrangement were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of the investment arrangement as stated in the SIP, and to check that the range of investment options available to members continues to be suitable and appropriate given the Plan's risk profiles and membership.

We are satisfied that the Plan's investment arrangement remains appropriate for majority of the members based on the review. The MAF is well managed and sensibly constructed to give exposure to a broad range of liquid assets at a low cost to members. However, the main conclusion from the investment review was that the MAF, which has a c. 40% allocation to equities, may not be appropriate for members close to retirement or for members who may wish to access their benefits early, especially if taking all or part of it as cash.

Our DC investment advisers, LCP LLP, carried some analysis of the Plan's DC membership at the time of the review in December 2020 which showed that a large number of members are projected to have relatively small DC pots at retirement. Based on this and the fact that most members also have DB benefits in the Plan, we would expect the majority of members to take their DC pots as a cash lump sum, using it in conjunction with their DB pension as the first source of Pension Commencement Lump Sum.

Following this review, we agreed to retain the L&G MAF as an available investment option for DC members, but to introduce two cash lifestyle strategies to help members manage risks as they approach retirement. It was agreed that these new strategies will be available as self-select options in the Plan, and are designed to help members automatically target a 100% cash allocation as they approach retirement age.

In addition, we have also agreed to make available a range of additional stand-alone self-select funds covering the main asset classes for members to choose.

These strategy changes are expected to be made available from late 2021.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Plan, Capita. Core financial transactions include (but are not limited to) processing transfers out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries.

As the Plan is no longer open to further contributions, the number of core financial transactions is low compared to a scheme that is still receiving new contributions.

We have received assurance from Capita that there are adequate internal controls to ensure that core financial transactions for the Plan are processed promptly and accurately.

We have a service level agreement ("SLA") in place with Capita which covers the accuracy and timeliness of all core financial transactions – this includes a 5-day working day turnaround time for processing transactions. The key processes adopted by Capita to help it meet the SLA are as follows:

- There are agreed checking and review procedures in place for payments from the Plan to, or in respect of, members and transactions to ensure the accuracy of processing.
- The agreed checking and review procedures include two individuals checking the accuracy of all core financial transactions.

To help us monitor whether service levels are being met, we receive quarterly reports about the administrator's performance and compliance with the SLA which we review and discuss at Trustee meetings. Any issues identified as part of our review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues. In addition, any material or systematic inaccuracies discovered by Capita in their checking and review procedures or in their AAF 01/06 assurance report on internal controls are reported to us as they occur and in these quarterly administration reports on an exceptions basis.

Capita's overall SLA performance was consistently above or around the 95% target throughout the Plan year, apart from in Q2 2020 when the SLA success rate dropped below 95% due to annual leave among Capita's staff. We discussed this with Capita at our meeting on 26 September 2020 and it was agreed that processes would be put in place to ensure this issue did not reoccur in future.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed to an acceptable level of promptness and accuracy during the Plan year.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The charges have been supplied by the Plan's investment managers, Legal & General Investment Management, and Santander (the Plan's AVC policy via Santander is administered by Equiniti).

The stated charges exclude costs relating to administration costs of running the Plan, since these are not met by members.

We are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs that applied during the Plan Year are set out in sections 4.1 and 4.2 of this Statement have been supplied by each relevant investment provider. Where we have been unable to obtain up to date charges or transaction costs, this is noted in sections 4.1 and 4.2.

When preparing this section of the Statement we have taken account of the relevant statutory guidance.

4.1. L&G Multi-Asset Fund

All members' DC assets in the Plan are invested in the L&G Multi-Asset Fund. During the Plan Year, the level of member-borne charge was **0.26% pa**. The transaction costs for the period covered by this Statement were **0.03%**.

4.2. AVC funds

A small number of members' AVCs in the Plan are invested in the L&G MAF. During the Plan Year, the level of member-borne charges was **0.26% pa**. The transaction costs were **0.03%**.

In addition, one member's AVCs in the Plan are invested in the Santander Deposit Account. The Santander Deposit Account is a simple deposit account, with no explicit charges. Members are invested in cash and receive no interest or investment returns on their AVC account.

4.3. Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the manager over the past three years. We have used the average annualised transaction costs over the past three years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Plan year.
- The illustration is shown for the L&G MAF, this being the investment arrangement with the most DC members invested in it.

Projected pension pot in today's money

	L&G Multi-Asset Fund	
Years invested	Before costs	After costs
1	£45,200	£45,000
3	£45,900	£45,500
5	£46,600	£46,000
10	£48,500	£47,200
15	£50,500	£48,400
20	£52,500	£49,600

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- As the Plan is closed to future contributions the illustration assumes that no further contributions are being paid.
- Future annual inflation is assumed to be 2.5%.
- The starting pot size used is £44,800. Capita has confirmed that this is the approximate average (median) pot size for the Plan's DC members whose DC assets are invested in the L&G MAF.
- The projection is for 20 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Pension Age.
- The projected annual return for the L&G Multi Asset Fund is 0.8% above inflation.
- No allowance for active management outperformance has been made.

5. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs, as set out in sections 4.1 and 4.2 of this Statement, represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

5.1. Member-borne costs value assessment

Most of the services provided to members, including Plan administration, communications and our governance activities, are paid for by the Plan. This means that members bear the cost of investment management services only.

We review all member-borne charges that are available from the relevant investment managers (including transaction costs) annually, with the aim of ensuring that members are obtaining good value given the circumstances of the Plan. We note that value for members does not necessarily mean the lowest fee, and the overall quality of the service provided has also been considered in this assessment. We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, which is expected to lead to greater investment returns net of costs over time.

Our assessment included a review of the performance of the L&G MAF (after all charges and transaction costs) in the context of its investment objectives. The date of the last review was 22 September 2021, and was discussed at the October 2021 Trustee meeting. The returns on the MAF during the period covered by this statement have been consistent with its stated investment objective. Performance over 1, 3 and 5 year periods shows that the L&G MAF has lagged its comparator (ABI 40 85% sector) over the short term but has outperformed over the longer term. In addition, our investment advisers have confirmed that the fund charges are competitive for the type of fund available to members. We have benchmarked the Plan's investment fees against similar sized schemes and concluded that the fees met by members are competitive (below the median for multi-asset funds available in smaller DC schemes within the LCP fee benchmarking pool).

The member-borne charges for the Plan's AVC policy is in line with Santander's standard charging structure. However, whilst there is no member charge on this account there is also no interest or investment return applied; although, the Trustee notes that members invested in this AVC policy are close to retirement and therefore might appreciate the low risk nature of this policy. Consequently, no action is proposed in order to try and improve value for members in relation to this AVC policy.

Taking into account the above points, we are satisfied that the member-borne charges and transaction costs in the Plan represent good value for members.

5.2. Wider value assessment

In carrying out a wider assessment, we also considered and ranked as **very good**, **good**, **fair** or **poor** other benefits members receive from the Plan but do not pay for:

- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards. This was ranked as **good** and considered Capita's service levels and performance over the Plan year, as detailed in section 3 of this Statement.
- our oversight and governance. This was ranked as **good** and included factors such as ensuring the Plan is compliant with relevant legislation, holding regular meetings to monitor the Plan and addressing any material issues that may impact members, the Trustee Board composition and experience and the extent to which we use our external advisers and service providers to ensure good governance practice is adopted;
- the range of investment options and strategies. This was ranked as **fair** in 2020 and we continue to rank this as **fair** but expect to improve this rating to good once the agreed investment options are implemented later in 2021.
- the quality of communications delivered to members. This was ranked as **good** and included a review of areas like annual DC SMPI statements, retirement letters and pre-retirement 'wake up packs.' It also considered the range of communication channels used and the appropriateness of communications to members at various stages of their Plan membership; and
- the quality of support services available to members, including the level of at-retirement support provided in-scheme. This was ranked **fair** on the basis that there are limited in-scheme options available to members at retirement, albeit our advisers confirmed that the provisions of the Plan are not out of line with other DC schemes of similar size in this respect.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

Overall, we believe that members of the Plan are receiving **good** value for money for the charges and cost that they incur, for the reasons set out in this section.

We aim to improve value for members in future through by taking the following steps:

- Continuing to monitor the costs borne by members;
- Continuing to monitor the member experience with Capita, the Plan administrator, to ensure the level of service remains at current levels, or is improved;
- Working with Capita and LCP to implement the agreed changes to the Plan's investment arrangements; and
- Continuing to ensure that we keep up to date with training needs, including developments in both DB and DC matters.

6. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively.

We have measures in place to comply with the legal and regulatory requirements regarding conversance with the Plan's core governing documents and knowledge and understanding of pensions and trusts law and principles relating to the investment of assets. These measures include:

- All Trustee Directors have completed the Pension Regulator's trustee training toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law).
- Providing each new Trustee Director with a bespoke induction programme – this includes a meeting with the Chair of the Trustee (at which, among other things, knowledge gaps are assessed), an introduction to ongoing matters and Trustee business by the Plan Secretary, a day's induction training with an external provider and support with completing the Pensions Regulator's ("TPR") trustee training toolkit which is completed within 6-months from commencement in the role as a Trustee Director. Additionally, prior to each new Trustee Director's first Trustee board meeting, the Chair of the Trustee takes them through the meeting papers and discusses each item to be considered along with relevant background so that all new Trustee Directors are fully up to speed and can contribute fully in their role as a member of the Trustee Board.
- Maintaining appropriate and relevant Trustee training – a training log setting out the training undertaken by each Trustee Director is maintained and updated regularly by the Trustee Secretary. The training programme is reviewed annually to ensure it is up to date.
- With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment adviser (LCP LLP) and legal adviser (Sacker & Partners LLP) proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings.

During the period covered by this Statement, we received training on, or participated in detailed discussion on, the following topics:

Training topic	Delivered by	Date
Value for Members	LCP	June 2020
Conflicts of interest	Sackers	August 2020
IRM framework and dashboard	LCP	August 2020
Completion of new pension scams module on the Pensions Regulator's toolkit	Completed by individual trustees	Throughout the Plan Year
Ongoing dialogue and Trustee updates on Actuarial Valuation matters, company dividend payments, company covenant	Various advisors depending on nature of discussions/ training topics	Throughout the Plan Year

- The Chair of the Trustee Board attended a wide range of external events (conferences or similar) over the course of the Plan Year, all of which contribute to verifiable Continuous Professional Development ("CPD") across a range of both DB and DC pension topics which the Chair is required to complete by virtue of his accreditation to the Association of Professional Pension Trustees (minimum requirements are 25 hours of CPD activity over each calendar year).
- We also received regular briefings from our actuarial and legal advisers on developments in the pensions industry and legal and regulatory frameworks for pension schemes.

We are familiar with and have access to copies of the Plan's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan's investments.

We are supported by a team of professional advisers and service providers. These include Capita as administrator, LCP LLP as actuarial, DC and investment consultants, RSM as auditor and Sacker & Partners LLP as legal advisers.

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues as they arise to be considered.

In addition to the training and development activities carried out during the Plan Year, we used our combined skills and experience in exercising our function as Trustee of the Plan. There were six Trustee Directors in place during the Plan Year each with some years' experience of acting as a Trustee Director of the Plan and 4 of us have held our position on the Trustee Board for over 6 years.

The composition of the Trustee Board means we have been through investment reviews, updates to SIPs, legal changes, DB valuation processes and changes to the Plan's trust deed and rules a number of times during our terms of office. The skills of the Trustee Directors include many areas relevant to pension scheme trusteeship, including legal, finance, governance and investment.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we have sufficient levels of knowledge and understanding to exercise our functions as Trustees Directors of the Plan properly and effectively.

_______Max Graesser______________________ Date: _29 October 2021___

Signed by the Chair of Trustee of the Ikon Pension Plan