Annual Governance Statement for the year to 5 April 2020

Prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Regulations")

Introduction

I am pleased to present the Chairman's statement in relation to the defined contribution (DC) arrangements of the Cadbury Mondelez Pension Fund (the "Fund"), covering the scheme year to 5 April 2020.

The Fund is a hybrid pension scheme which is closed to new joiners. It provides defined benefits (DB) for the majority of members and incorporates DC arrangements for certain members of the MRBP Section, including the Top Up Plan and Terry's Individual Pension Accounts (IPAs). The Fund's DC arrangements also include policies in respect of members who have made, or are making, additional voluntary contributions (AVCs) and members who have transferred benefits into the Fund from other registered pension arrangements.

The Fund is not used for auto-enrolment purposes.

Default investment arrangement

A copy of the Fund's DC Statement of Investment Principles (SIP), dated 26 August 2020, which was prepared in accordance with regulation 2A and 2B of the Occupational Pension Schemes (Investment) Regulations 2005, is appended to this statement.

A default investment arrangement is provided for members in the Top Up Plan. The Trustee has designated a lifestyle strategy as the default arrangement, targeting annuity purchase at retirement with allowance for maximum tax-free cash. The strategy aims to provide long term capital growth for member funds with a reduction in investment risk as members approach retirement. The default strategy is based on the Trustee's understanding of the member profile of the Top Up Plan and how the Trustee expects members to take their benefits at retirement.

During the year to 5 April 2020, the default invested 100% in UK and overseas equities until 10 years before a member's selected retirement age. During the 10 years to retirement, funds are gradually switched so that at the member's selected retirement age 75% is invested in a mix of fixed interest and index-linked gilts and 25% is invested in cash.

Default strategy review

A review of default strategy was not undertaken during the year to 5 April 2020 (although previously agreed changes were implemented on 22 March 2019, as described below).

Following the review of the default arrangement on 18 September 2016, some changes were agreed in order to reduce risk by increasing global diversification and currency hedging during the growth phase. These changes were subsequently implemented on 22 March 2019, having been delayed due to negotiations over charges.

The suitability of the default investment strategy for the Top Up Plan was reviewed again, on 28 September 2018 (which is the most recent review of the default strategy), prior to implementation of the changes previously agreed on 18 September 2016 and, with advice from their DC Consultant, the Trustee concluded that, subject to the changes agreed in September 2016, the strategy with a small refinement remained suitable for members in the Top Up Plan.

The Trustee concluded this because it maintained the target of an annuity purchase at retirement and offered better diversification within equities, with less exposure to the UK market. Currency hedging was also introduced to some of the overseas exposure and allocation to emerging market equities. Finally, the assets would be managed by State Street Global Advisers a manager who was rated "A" by Mercer, the DC Consultant at the time.

The Trustee reviews the default arrangement at least every 3 years, the next review will be completed by 31 March 2021.

Default performance review

The DC provider for the default arrangement (State Street) reports on performance on a quarterly basis, including performance against benchmark and these reports are monitored by the DC Committee. The Trustee also reviews performance as part of the investment strategy review (as summarised above) and on a regular basis (at least annually, as part of the value for members assessment) to ensure that this is consistent with the aims and objectives of the default arrangement. Based on the 2019/20 value for members assessment, undertaken by the Fund's DC Consultant on 15 July 2020, the Trustee believes that performance is in line with the aims and objectives for the Fund as set out in the statement of investment principles. The Trustee reached this conclusion because State Street performed in line with expectations and the Trustee had no concerns about their ability to track their relevant benchmark. Accordingly, no changes arose from the performance review undertaken in the year to 5 April 2020.

The IPAs are notional DC funds which increase in line with returns set by the Scheme Actuary with a view to matching Bank of England base interest rates, therefore there is no default investment strategy.

The AVCs and transferred in funds do not have a default as members are required to make their own decisions regarding where these are invested.

Core financial transactions

The Trustee is required to ensure that core financial transactions relating to the Fund were processed promptly and accurately during the Fund year. Core financial transactions include the investment of contributions, processing of transfers in and out of the Fund, transfers of assets between different investments within the Fund, and payments to members and beneficiaries.

Core financial transactions are undertaken, on behalf of the Trustee, by the in-house Pensions Team at Bournville. The Fund investment platform providers (State Street, Legal & General and Utmost) also undertake certain administrative duties.

The Trustee has a service level agreement in place with the Pensions Team and the various providers. These agreements cover the accuracy and timeliness of the core financial transactions. Under the current agreement, the Pensions Team aims to accurately complete all financial transactions within 5 working days, with the exception of the investment of contributions, which is within 3 working days of receipt.

The Pensions Team is responsible for maintaining accurate data in respect of members of the Fund and the Trustee reviews the quality of the administration services on an annual basis.

Key administration processes include;

- A full member and Scheme reconciliation being undertaken annually as part of the annual preparation of the Trustee report & Accounts
- Monthly contribution checks and daily reconciliation of the Trustee's bank account
- Checks for all investment and banking transactions prior to processing
- Annual data reviews
- Documentation and operation in line with quality assurance policies and procedures Operation in line with the Business continuity plan and confirmation that the administrator has prioritised core financial transactions during this period.

The Trustee has reviewed the processes and controls used by the in-house Pensions Team and consider them to be suitable and likely to meet the required levels. Human Resources, Payroll and Pensions Teams maintain a close working relationship to ensure that instructions are processed in a timely and accurate manner. Contributions are monitored by the finance members of the Pensions Team and processes are in place for the review and authorisation of all financial transactions, which is further considered as part of the annual financial audit of the Fund. Controls around administration and the processing of transactions are also documented in the Fund risk register, which is regularly reviewed.

The Trustee receives quarterly reports from the Pensions Team on its performance against service level agreements (SLAs). This also enables the Trustee to check core financial transactions and review processes relative to any member complaints made. Since 1 November 2017 these reports were expanded to include "non-financial" AVC tasks (i.e. changes in AVC contribution rate) separately and since that date over 98% of these non-financial AVC tasks have been completed within 10 days. L&G provides quarterly reports on their performance against their own SLAs for the Fund. Performance against SLAs has also been provided in respect of the underlying funds in the Top Up Plan and for Utmost, although these are only provided annually on request and are not Fund specific.

There were no material administration issues in relation to processing core financial transactions during the year.

The Trustee has reviewed the information provided to it from the Pensions Team and DC providers and believes the requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately during the scheme year to 5 April 2020.

Member borne charges and portfolio turnover costs

DC charges usually comprise the following:

- Annual Management Charge (AMC) – an express explicit charge which is usually a fixed annual level
- Total Expense Ratios (TERs) - include annual management charges, investment management charges and any additional expenses disclosed by the fund manager.
- Portfolio turnover costs - the costs borne by the fund which are incurred in the management of the investment, such as the cost of buying and selling assets, which are not included in the above. These costs are not explicitly deducted from members'

funds, instead fund performance figures are expressed net of the effect of these costs. It is possible for these to be negative depending on how providers price units.

The requirement for fund managers to calculate and disclose portfolio turnover costs, using a method prescribed by the Financial Conduct Authority, was introduced on 3 January 2018. Fund managers calculate portfolio turnover costs at fund-level not scheme-level therefore the Trustee requested details of portfolio turnover costs for the period 6 April 2019 to 5 April 2020 from the Fund's providers. The Trustee has been able to obtain all the information it requires about portfolio turnover costs during this period.

The Trustee has taken account of relevant statutory guidance when preparing this section of the statement.

The Top Up Plan:

The AMCs for the underlying funds for the default arrangement during this period were between 0.49% p.a. and 0.91% p.a. The charges included in the AMC for the Top Up Plan are met by the Company, meaning that the member borne deductions for management on the default are zero. Members in the Top Up Plan do not have any self-select options available to them.

The TER for the Top Up Plan is an implicit charge not explicitly deducted from members' funds, instead fund performance figures are expressed net of the effect of these costs. The default arrangement for the Top Up Plan levied a TER of less than the current level of the Charge Cap, which is 0.75% p.a.

The TER members paid during this period was between 0.03% p.a. and 0.10% p.a. depending on where they fell in the default lifestyle strategy (term to retirement).

The actual portfolio turnover costs members paid during this period was between 0.01% p.a. and 0.03% p.a, depending on where they fell in the default lifestyle strategy (term to retirement).

These costs (TERs and portfolio turnover costs) were passed to members since they reduce the net performance of the respective funds.

Terry's IPA:

For the IPAs, the total cost of providing the benefit is met by the company. As the DC fund is notional, there are no charges deducted from members' funds.

AVCs and transferred-in funds:

For AVC and transferred in funds, the charges we have received from providers are as follows:

- L&G – TERs were 0.29% to 0.33% p.a. Portfolio turnover costs ranged from 0% to -0.04%. Where portfolio turnover costs have been negative during the year (i.e. a profit), a floor of 0% has been used to avoid potentially understating the level of costs and charges.

  Utmost Life and Pensions (formerly Equitable Life) There are members who had additional voluntary contributions invested in the Equitable Life With-Profits Fund. The TER and TCs for this Fund are shown in the table.

Fund	TER (% p.a.)	Portfolio turnover costs (% p.a.)	Total Cost (% p.a.)
Equitable Life (policy in place prior to 1 January 2020)			
With Profits	1.50*	1.04	2.54
Managed Fund	0.75	0.01	0.76

*includes a 0.5%pa charge for the provision of capital to meet the expected cost of guarantees

On 1 January 2020, the Equitable Life business transferred to Utmost Life and Pensions. With-profit members had their funds converted to 'uplifted' unit linked funds on the same day to take account of the loss of the investment guarantee. The uplifted unit linked funds were invested in the Secure Cash Fund for 6 months before being transitioned to the Investing by Age strategy.

Funds	TER (% p.a.)	Portfolio turnover costs (% p.a.)	Total Cost (% p.a.)
Utmost Life and Pensions (investment options available from 1 January 2020 onwards)			
Investing by Age strategy*	0.50 – 0.75	-	0.50 – 0.75
Secure Cash Fund*	0.50	-	0.50
Managed Fund	0.75	0.01	0.76

*Portfolio turnover costs are not available for the funds as these were new funds from 1 January 2020.

As at 5 April 2020, less than 3% of the funds held in the DC arrangements were subject to charges in excess of the 0.75% pa charge cap on the TERs of default funds, none of which were in respect of default funds.

A full listing of the TERs and portfolio turnover costs is included in Appendix 1.

Illustration of the cumulative impact over time of costs and charges on member fund values

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of charges and portfolio turnover costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs. As part of the changes, the Trustee is required to illustrate the cumulative effect over time of the application of portfolio turnover costs and charges on the value of a member's benefits.

We have produced the following illustrations to demonstrate the effect of the costs and charges set out above for investment funds and strategies available to members of the different sections of the Fund.

As projected fund values are dependent on investment strategy (i.e. investment returns) and whether members are actively contributing as well as the level of costs and charge, comparative figures have also been prepared.

The illustrations have been prepared having regard to statutory guidance and selecting suitable representative members. They are based on a number of assumptions about the future which are set out at the end of this section. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future. This means that the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members in their Annual Benefit Statements.

The Top Up Fund:

Members in the Top Up Fund only have implicit TERs and portfolio turnover costs levied against their fund values (as these costs are implicit in the fund returns). The Company pays the explicit AMCs in relation to these members.

Strawman 1:

The illustration below is based on the youngest active member in the default annuity lifestyle strategy 32 years from retirement, with a normal retirement age of 65 and a starting fund value of £10,500. Projections are shown in current money terms. Members in the Top up section do not have any self-select options available to them.

Age	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £
33	10,490	10,490	0
35	15,040	15,010	30
40	27,720	27,580	140
45	42,550	42,210	340
50	59,880	59,230	650
55	80,140	79,030	1,110
60	99,590	97,980	1,610
65	109,320	107,470	1,850

Strawman 2:

The illustration below is based on the average active member in the default annuity lifestyle strategy 14 years from retirement, with a normal retirement age of 65 and a starting fund value of £58,300. Projections are shown in current money terms. Members in the Top up section do not have any self-select options available to them.

Age	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £
51	58,297	58,297	0
55	85,130	84,850	280
60	118,850	118,110	740
65	141,590	140,560	1,030

Strawman 3:

The illustration below is based on the average deferred member in the default annuity lifestyle strategy 15 years from retirement, with a normal retirement age of 65 and a starting fund value of £20,000. Projections are shown in current money terms. Members in the Top up section do not have any self-select options available to them.

Age	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £
50	20,000	20,000	0
55	23,380	23,270	110
60	26,180	25,950	230
65	26,290	26,010	280

Terry's IPA:

For the IPAs, the total cost of providing the benefit is met by the company. As the DC fund is notional, there are no charges deducted from members' funds. No illustrations have been prepared for these members as costs and charges do not have an impact on member fund values.

AVCs and transferred in benefits:

Strawman 4:

The illustration below is based on the youngest active member in this section 34 years from retirement, with a normal retirement age of 65 and a starting fund value of £2,500. Projections are shown in current money terms. Illustrations are prepared for the 3 LGIM funds available to members in the section for comparative purposes.

Age	UK Equity Fund			Cash Fund			Global Equity 70:30 Fund		
	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £
31	2,470	2,470	0	2,470	2,470	0	2,470	2,470	0
35	4,050	4,040	10	3,300	3,290	10	3,990	3,960	30
40	6,450	6,410	40	4,270	4,240	30	6,240	6,170	70
45	9,430	9,330	100	5,150	5,110	40	8,970	8,810	160
50	13,110	12,940	170	5,970	5,900	70	12,270	11,990	280
55	17,690	17,390	300	6,720	6,630	90	16,270	15,810	460
60	23,350	22,890	460	7,410	7,300	110	21,120	20,390	730
65	30,380	29,660	720	8,040	7,910	130	26,980	25,890	1,090

Strawman 5:

The illustration below is based on the average active member in this section 12 years from retirement, with a normal retirement age of 65 and a starting fund value of £22,810. Projections are shown in current money terms. Illustrations are prepared for the 3 LGIM funds available to members in the section for comparative purposes.

Age	UK Equity Fund			Cash Fund			Global Equity 70:30 Fund		
	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £
53	22,810	22,810	0	22,810	22,810	0	22,810	22,810	0
55	31,810	31,760	50	28,610	28,560	50	31,540	31,450	90
60	58,000	57,700	300	42,280	42,090	190	56,540	56,040	500
65	90,460	89,720	740	54,850	54,470	380	86,810	85,570	1,240

Strawman 6:

The illustration below is based on the average deferred member in this section 13 years from retirement, with a normal retirement age of 65 and a starting fund value of £20,000. Projections are shown in current money terms. Illustrations are prepared for the 3 LGIM funds available to members in the section for comparative purposes.

Age	UK Equity Fund			Cash Fund			Global Equity 70:30 Fund		
	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs) £	Effect of charges (TER and TCs) £
52	20,000	20,000	0	20,000	20,000	0	20,000	20,000	0
55	22,750	22,690	60	19,020	18,970	50	22,430	22,320	110
60	28,200	27,990	210	17,500	17,370	130	27,170	26,810	360
65	34,960	34,540	420	16,090	15,910	180	32,900	32,200	700

Assumptions for illustrations:

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

1. The assumed growth rates (gross of costs and charges) are as follows:

Fund name	Return assumption (%)
State Street funds:	
UK Conventional Gilts over 15 years Index Sub-Fund	1.25
UK Index linked Gilts over 5 Years Index Sub-Fund	1.25
Sterling Liquidity Sub-Fund	1.00
Global Equity (50/50) Index Sub-Fund	5.75
Legal & General Funds:	
L&G Cash 3	0.80
Global Equity 70:30 Index (PMC) 3	6.50
UK Equity Index (PMC) 3	7.00

2. The TERs and portfolio turnover costs assumed for the self-select funds and the funds underlying the default strategy are as follows. Portfolio turnover costs have been averaged over a 2-year period and a floor of 0% has been used so costs are not potentially understated.

Fund name	TER (%)	Portfolio turnover costs (%)	Total (%)
State Street funds:			
UK Conventional Gilts over 15 years Index Sub-Fund	0.00	0.01	0.01
UK Index linked Gilts over 5 Years Index Sub-Fund	0.00	0.03	0.03
Sterling Liquidity Sub-Fund	0.03	0.00	0.03
Global Equity (50/50) Index Sub-Fund	0.10	0.00	0.10
Legal & General Funds:			
L&G Cash 3	0.09	0.00	0.090
Global Equity 70:30 Index (PMC) 3	0.14	0.035	0.175
UK Equity Index (PMC) 3	0.10	0.00	0.100

3. Inflation is assumed to be 2.5% p.a. with no allowance for real salary growth
4. Retirement is assumed at age 65.
5. For illustrations based on active members of the Fund, allowance has been made for initial future contributions as follows:
    a. Youngest member in Top Up fund: £1,900 p.a.
    b. Average member in Top Up: £4,533 p.a.
    c. Youngest member in AVCs: £260 p.a.
    d. Average member in AVCs: £3,372 p.a.

    Contributions are assumed to be payable until age 65
6. The projected fund values shown are estimates for illustrative purposes only and are not guaranteed.

Value for members assessment

During 2020 the Trustee, again, assessed the extent to which the charges set out above represent good value for members. There is no legal definition of "good value" and the process of determining this for members is a subjective one. Based on advice from the Fund advisors, the Trustee has established a cost-benefit analysis framework to assess whether the member borne charges deliver good Value for Members. The assessment is relevant to the current membership.

The Trustee has identified the following areas where they believe there is good value for members. These benefits can be financial or non-financial in nature.

- **Costs**

  The costs have been identified as the AMCs, TERs and portfolio turnover costs and are set out earlier in this statement.

  - Based on the profile of the Fund's DC/AVC arrangements, we believe that the explicit charges are competitive when compared to current market rates on a like for like basis.
  - The level of charges for the legacy AVC arrangements are generally higher than the other Fund options (which in broad terms is common for small legacy AVC arrangements).
  - Following the conversion of the Equitable Life With-Profits fund to a unit-linked fund with the removal of the investment guarantee and the subsequent transfer of the Equitable Life business to Utmost Life and Pensions, the Trustee is currently reviewing the arrangements with Utmost with their investment advisor.

- **Member communications and engagement (including support at retirement)**

  The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.

  - The Fund provides effective communications that are accurate, clear, informative and timely.
  - The use of a variety of communication media, including access to well-developed online tools and helpful information around retirement planning via access to an online planning tool provided by Aon.
  - Retirement letters were amended to take account of pension freedoms (although pension freedom choices are not all available from the Fund) and the flexible retirement option has been added with paid for financial advice with a Trustee appointed IFA.
  - Fund literature is available through the Company intranet, including the member booklet.
  - Any Fund-specific changes or announcements are issued by the Trustee when required.

- **Investment choices**

  The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.

  - The Top Up Plan has a default annuity lifestyle strategy. This currently targets the format in which members are expected to take their DC funds.
  - The Terry's Individual Pension Accounts (IPAs) are notional DC funds which increase in line with returns set by the Scheme Actuary with a view to matching Bank of England base interest rates, therefore there is no default investment strategy. Benefits are paid from DB assets.

- AVC members can access a range of funds available through L&G. We believe members have access to investment options that can meet their investment needs.

- **Sound administration**

  The Trustee believes that good administration and record keeping play a crucial role in ensuring that Fund members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.

  - The Fund is administered by an in-house Pensions Team, with some administration function provided by the DC Fund providers (State Street, L&G and Utmost (formerly Equitable Life)).
  - The Trustee has a service level agreement in place with the Pensions Team and the DC providers and service is monitored against this on an annual basis.
  - The quarterly reports provided by the administration team present performance statistics against these service levels, although these are not reported on separately for the DC items (although AVC items have been reported on since November 2017).
  - The Trustee reviews the Fund's internal controls and processes on an annual basis.
  - The Trustee concludes that there are processes in place to monitor standards of administration and record-keeping for the Fund, including the AVC arrangements.

- **Plan governance**

  The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.

  - Fund governance covers the time spent by the Trustee to ensure the Fund is run in compliance with the law and regulation, including taking account of the interests of its members.
  - The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet industry best practice.
  - Given the governance processes and procedures in place and the action taken by the Trustee, the governance arrangements for the Fund are considered appropriate based on the assessment undertaken.

- **Retirement support**

  The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.

  - The Trustee considers that the Fund has suitable retirement support in place which offers members access to support, guidance and information.
  - Members have access to paid for financial advice with a Trustee appointed IFA.
  - Members also have access to Aon's retirement options modeller to assist members with decision making.

Under the Trustee's assessment framework described above, the Trustee believes that the Fund delivers good value for its members relative to the benefits of Fund membership.

<u>Trustee knowledge and understanding</u>

All Trustee Directors are required to maintain a personal training log detailing all relevant training undertaken (both external and internal), which is reviewed annually by the Pensions

Team and combined with the results of an annual self-assessment of each Director's knowledge and understanding against the Pension Regulator's scope document, in order to establish a training agenda each year. This includes training from external specialists. During the period covered by this statement, the Trustee received training on the following topics:

- 8 April 2019 – DC Training (specifically on the Fund's DC arrangements and the governance requirements associated with them)
- 14 June 2019 – Investment Training day (full day of training, supported by external specialists, covering a wide range of topics such as investment strategy, the impending buy-in, incorporating future buy-ins into the investment strategy and Environmental, Social and Governance investing considerations)
- 12 July 2019 - The newly introduced Flexible Retirement process and communications (including training on Aon's Retirement Options Modeller and the new paid for financial advice process)
- 20 September 2019 – Trustee Discretions and Delegations (training on the powers and delegations set out in the Trust Deed and Rules and the schedule of delegations and discretionary practices)

New Trustee Directors are provided with externally provided induction training and are expected to complete this within 6 months of their appointment. There were no new Trustees during the year to 5 April 2020. In addition, the Trustee receives information and advice from professional advisers, including quarterly hot topics on all pension matters. The relevant skills and experience of the advisers is used to inform Trustee decisions.

The Trustee has established a DC Committee, which considers matters relating to the Fund's DC arrangements. Members of the DC Committee have received additional training from an investment consultant on the details of the DC arrangements within the Fund and relevant regulatory requirements. The DC Committee is chaired by an external independent consultant and made up of two Trustee Directors, a representative from the sponsoring employer and the Fund Secretary.

The Trustee has met the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) during the year through the following measures:

- The Trustee Directors are conversant with and have a working knowledge of the Trust Deed and Rules, all current trustee policies and the Statement of Investment Principles for the Fund. In particular, the Statement of Investment Principles has been reviewed and updated by the Trustee during the course of the year and the Trustee has been required to consider the Trust Deed and Rules when dealing with individual member cases. The Trustee has also invested in a consolidation of the Trust Deed and Rules and up to date hard and soft copies are readily accessible. Training on the Fund's Trust Deed and Rules is regularly refreshed. Trustee policies, which are hosted centrally allowing all Trustee Directors to access them are reviewed regularly and are readily accessible to all Trustee Directors. The Trustee reverts to the legal advisor for any clarification if required.
- Working towards completion of the Pension Regulator's trustee toolkit, including the modules relating to running a DC occupational arrangement (including modules on pension and trust law). The Trustee receives and reviews regular legal updates from their advisors to support their knowledge and understanding of the law relating to pensions and trusts.
- Assessing training needs and addressing any gaps in individual Trustee Directors' knowledge and understanding by providing training after each Trustee Board meeting. Training is provided by the Pensions Team and/or the Fund's professional advisers Gaps identified during the Plan year include the Law relating to pensions, DC pensions,

- Assessing training needs and addressing any gaps in individual Trustee Directors' knowledge and understanding by providing training after each Trustee Board meeting. Training is provided by the Pensions Team and/or the Fund's professional advisers Gaps identified during the Plan year include the Law relating to pensions, DC pensions, Fund documentation and Statement of Funding Principles and these will be addressed by a combination of additional training sessions at the end of each Trustee Board meeting and, if required, an additional dedicated Trustee training day.
- Undergoing training in the period on investment strategy to support the Trustee's knowledge and understanding of the relevant principles relating to the funding and investment of the Fund.

In addition to the knowledge and understanding of the Trustee board, the Trustee has engaged with their appointed professional advisers regularly throughout the year to ensure that they run the DC Section and exercise their functions properly, including the following:

- Reviewing quarterly administration reports from the Pensions Team and stewardship reports from its providers to monitor service delivery against agreed service levels
- Reviewing regularly (at least annually) the reporting of each individual investment fund against its benchmark, to monitor performance of the Fund's funds against targeted benchmarks and overall Fund aim and objectives
- Ensuring that an audit of the Trustee's Report and Accounts was carried out for the Fund year ended 5 April 2019
- Holding 4 regular Trustee meetings (with additional ad-hoc meetings and conference calls) with providers and advisers who provided reporting and specialist advice before asking the Trustee to take relevant decisions as required. Minutes of each Trustee meeting document the information shared, and specialist advice given
- Maintaining a regime for proper governance (based on the Pension Regulator's DC Code of Practice) and using this as the basis for governance of the DC Section
- Undertaking a code of practice review to understand and correct any gaps in knowledge and understanding arising from the DC Code of Practice. No gaps were identified as part of this year's review.

Taking account of actions taken individually and as a trustee body, and the professional advice available to them, the Trustee believes that each individual has the appropriate knowledge and understanding for it to exercise its duties and functions effectively.

Greg Chick
Trustee Chairman
26 August 2020

Appendix 1 – Member borne Investment charges

A summary of the Total Expense Ratio (TER) and Portfolio turnover costs (TC) on the DC funds are shown in the tables below.

Fund name	TER (%)	Portfolio turnover costs (%)	Total (%)
State Street funds:			
UK Conventional Gilts over 15 years Index Sub-Fund	0.00	0.01	0.01
UK Index linked Gilts over 5 Years Index Sub-Fund	0.00	0.03	0.03
Sterling Liquidity Sub-Fund	0.03	0.00	0.03
Global Equity (50/50) Index Sub-Fund	0.10	0.00	0.10
Legal & General Funds:			
L&G Cash 3	0.09	0.00	0.09
Global Equity 70:30 Index (PMC) 3	0.14	0.04	0.18
UK Equity Index (PMC) 3	0.10	0.00	0.10
Equitable Life funds:			
With-profits fund	1.50*	0.036	1.536
Managed fund	0.75	0.019	0.769

* includes 0.5% in respect of the investment guarantee

Where portfolio turnover costs were reported as negative (i.e. a profit) a floor of 0% has been used to avoid understating the level of costs and charges.