CompassPensions

COMPASS GROUP PENSION PLAN

Chair's Statement regarding DC Governance
for the year ended 5 April 2023

CHAIR'S STATEMENT REGARDING DC GOVERNANCE

Compass Group Pension Trustee Company Limited, the "Trustee" of the Compass Group Pension Plan (the 'Plan'), is required by law to include an annual statement regarding Defined Contribution ('DC') governance in its annual report and accounts.

This statement covers the Plan year from 6 April 2022 to 5 April 2023.

Although the majority of Plan members build up benefits on a defined benefit basis, the Plan does also have a DC section in which a small number of members have DC benefits. Throughout this statement we use the terms 'money purchase' and 'DC' to describe these benefits. The DC benefits comprise historic transfers of money purchase benefits into the Plan and members' additional voluntary contributions ('AVCs'). The money purchase benefits are no longer receiving contributions and there are currently no members making AVCs. This statement relates to these DC benefits.

The DC section provides both "pure" money purchase benefits and some benefits that are classed as "money purchase underpin benefits". "Money purchase underpin benefits" are different from "pure" money purchase benefits because they guarantee members will receive the greater of the money purchase benefits that have been built up and an "underpin". The underpin is in the form of a protected pension underpin, GMP underpin or Reference Scheme underpin. This is referred to in legislation as "a defined benefit minimum". This means that if, at the point when the benefit comes to be paid, the underpin is higher than the member's money purchase benefits, the member will receive a "defined benefit". Because this information is not known until the benefit comes into payment, we are treating these benefits as DC benefits for the purposes of this statement.

DC policies

Throughout the Plan year, the Plan's DC policies were held with Scottish Widows and Legal & General.

In addition, DC funds are invested within the Plan's defined benefit assets.

AVC policies

Throughout the Plan year, the Plan's AVC policies were held with Aegon, Aviva, Legal & General, Phoenix Life, Prudential, Scottish Widows, Standard Life and Zurich. The Aegon, Phoenix Life, Scottish Widows, Standard Life and Zurich policies hold either With Profits only, or a mixture of With Profits and unit-linked funds where it has not been possible to do a partial transfer of unit-linked funds to an alternative policy.

Default arrangement

The Plan is not used as a qualifying scheme for automatic-enrolment purposes and no contributions have been made to the DC policies since 6 April 2015 (i.e. before the relevant regulations came into force). However, as members previously invested in the Plan's DC policies with M&G and Prudential did not have to select where their funds were invested when they were transferred to Legal & General, the Legal & General Lifestyle Profile and the Legal & General Cash Fund may be considered to be default arrangements and are treated as such for the purposes of the disclosures in this statement regarding DC governance.

As required by law, the Trustee has included (as item A at the end of this statement) the latest copy of the Statement of Investment Principles ('SIP') prepared for the Plan's default arrangment, which was signed by the Trustee on 21 September 2021.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Default arrangement (continued)

The SIP covers the following key objectives in relation to the default arrangement:

- For the lifestyle strategy, the aim is to try to ensure that members' savings are invested in funds that are appropriate for them, based on the number of years until their selected retirement date i.e. to provide potential for capital growth in real terms whilst members are far from retirment to gradually reduce investment risk as members approach retirement and to have an asset allocation at retirement that is consistent with how most members are expected to take their retirement savings and/or which does not expose members' funds to volatility as they approach retirement.
- For the Cash Fund, to focus on preserving capital for those members who are close to retirement.

The Trustee engages its investment consultant, Aon Investments Limited, ('Aon') to carry out a review of the strategy and performance of the default arrangements for members at least every three years or immediately following any significant change in investment policy or the Plan's member profile. The Trustee carries out a formal assessment of the review results to evaluate the continuing performance and suitability of the default arrangements for members. The last review was presented to the Trustee on 5 September 2023. The review concluded that Aon had no major concerns over performance, as all the funds had performed in line with expectations. The review raised no concerns over suitability of the default arrangements, however the Trustee acknowledged that the lifestyle strategy used an Over 15 Year Gilt fund in the pre-retirement phase and this suffered significant losses over the Plan year as a result of market conditions. The Trustee is therefore reviewing whether one of the alternative lifestyle strategies available through Legal & General may be more suitable for members.

Requirements for processing core financial transactions

As required by law, the Trustee must ensure that core financial transactions relating to the DC benefits are processed promptly and accurately. These core financial transactions include (but are not limited to) the investment of any contributions, processing of transfers of members' assets into and out of the Plan, transfers of members' assets between different investments within the Plan and payments to, and in respect of, members.

The Trustee has delegated the administration of the Plan, including the processing of core financial transactions, to XPS Administration ('XPS'). The Trustee has a service level agreement ('SLA') in place with XPS which sets out agreed service levels regarding the accuracy and timeliness of processing all core financial transactions; for example, in relation to disinvesting in advance of member retirement, actioning requests to switch funds and providing statutory money purchase illustrations within agreed timescales.

The Trustee has an SLA in place with Legal & General, which covers the DC and AVC funds invested with them. Legal & General provide a quarterly governance report to the Trustee which includes performance against the SLA. Under the SLA, L&G aims to complete all core financial transactions within five working days.

The Trustee does not have SLAs in place with the other DC and AVC providers (this is typical of most legacy schemes) However, most of the providers operate to standard turnaround times of five to ten working days for core financial transactions. Furthermore, the Trustee expects any issues with the DC and AVC providers processing core financial transactions would be identified through XPS's reporting to the Trustee.

The Trustee receives a quarterly administration report from XPS to help monitor that SLAs are being met. The report is reviewed by the Trustee's Governance and Operations Committee ('GOC') at its quarterly meetings. The report sets out XPS's performance against the agreed service levels over the quarter and identifies if there have been any errors or delays, which XPS and the Trustee then work to resolve together. The Compass in-house pensions team also works with XPS in relation to any specific issues to ensure that they are satisfactorily resolved.

No issues were identified during the Plan year with respect to XPS's or Legal & General's processing of core financial transactions relating to the DC benefits.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Member-borne charges and transaction costs

The Trustee is satisified that over the Plan year covered by this statement, in relation to the DC benefits:

- XPS was operating appropriate procedures, checks and controls and operating within the agreed SLA; and
- core financial transactions relating to the DC benefits have been processed promptly and accurately by the Plan's DC/AVC provider.

The Trustee is required by law to report on the charges and transaction costs Plan members have to pay and assess the extent to which these charges and transaction costs represent good value for members.

Where information about member charges and costs is not available, the Trustee has to make this clear, together with an explanation of what steps are being taken to obtain the missing information.

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

The following tables set out the charges and transaction costs that applied to the Plan's DC and AVC policies during the Plan year. All expenses associated with the DC funds invested within the Plan's defined benefit assets are paid by the Plan and members pay no charges from these funds.

The Total Expense Ratio ('TER') represents the total explicit cost of operating and managing the fund, including the published Annual Management Charge ('AMC') (the fee the manager charges to manage the fund) and additional expenses incurred in managing the fund that are not due to the fund manager which include, but are not limited to, custodial fees, legal fees and brokerage fees.

The TER does not include transaction costs. Transaction costs are additional costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are implicit and are reflected in the returns on the fund.

Providers calculate transaction costs quarterly. Transaction costs over the twelve month period to 31 March 2023, where available, are shown in a separate column in the tables below. The prescribed method for calculating transaction costs can result in a negative cost, or gain, to the fund. Where negative transaction costs have been provided, we have set these to zero to avoid potentially understating costs.

Missing information

At the time of writing this statement, despite regularly requesting transaction costs information, the Trustee has been unable to obtain the information set out below.

- The transaction costs for the twelve month period to 31 March 2023 for the Aviva, Phoenix Life and Prudential funds.
- Transaction costs for the Aviva Pension Assured Fund (PAF) are for the twelve month period to 31 March 2023. However, transaction costs for all other Aviva funds are for the twelve month period to 31 December 2022. Aviva has stated that the transaction costs for the twelve month period to 31 March 2023 for all other Aviva funds will not be available until towards the end of 2023 due to the length of time to get the data from the underlying fund managers.
- The transaction costs shown for the Phoenix Life With Profits Fund are for the twelve month period to 30 June 2022. Despite the Trustee requesting this information, Phoenix Life has not provided an explanation as to why transaction costs are not yet available for this reporting period.
- The transaction costs shown for the Prudential Deposit Fund are for the twelve month period to 30 September 2022. Prudential has explained that it is reliant on the underlying fund managers providing transaction cost data, as well as the third party it uses to calculate transaction costs in the prescribed format, and is therefore unable to report transaction costs more quickly.

The Trustee has been making, and will continue to make, regular requests to the providers for the missing information, engaging the support of its investment consultant where appropriate.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Member-borne charges and transaction costs (continued)

Money purchase policies

Fund name	TER % p.a.	TC % p.a.	Total costs % p.a.
Legal & General (L&G) Lifestyle	0.46- 0.51[1]	0.00 – 0.157[1]	0.46 – 0.625[1]
L&G All Stocks Gilts Index	0.45	0.15	0.60
L&G Asia Pacific ex Japan Equity Index	0.51	0.04	0.55
L&G Cash[2]	0.46	0.00	0.46
L&G Europe (Ex-UK) Equity Index	0.49	0.06	0.55
L&G Global Equity 30:70 Index Currency Hedged[2]	0.51	0.08	0.59
L&G Managed	0.50	0.10	0.60
L&G North America Equity Index	0.49	0.07	0.56
L&G Over 15 Year Gilts Index[2]	0.45	0.19	0.64
L&G Sustainable Property	1.65	0.00	1.65
L&G UK Equity Index	0.47	0.03	0.50
Scottish Widows With Profits Fund[3]	0.875	0.39	1.265

Source: Legal & General and Scottish Widows

[1] Depending upon term to retirement.

[2] Underlying fund of the Lifestyle Profile.

[3] Transaction costs for the Scottish Widows With Profits Fund are not available for 100% of underlying assets but are reported for 95% of underlying assets. As transaction costs are reported for more than 90% of underlying assets, Scottish Widows have stated that it is not their policy to provide an explanation as to why some transaction costs are not available.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Member-borne charges and transaction costs (continued)

AVC policies

Fund name	TER % p.a.	TC % p.a.	Total costs % p.a.
Aegon Cash Fund[4]	1.00	0.00	1.00
Aegon With Profit Endowment Fund[4]	1.00	0.02	1.02
Aegon Mixed Fund[4]	1.01	0.09	1.10
Aegon High Equity With Profit Fund[4]	1.00	0.12	1.12
Aviva Basic PAF (PM) Fund	1.25	0.04	1.29
Aviva Bonus PAF (PM) Fund	1.25	0.04	1.29
Aviva Pension Asia Pacific ex Japan Equities	0.50	0.10	0.60
Aviva Pension AXA Framlington Global Sustainable Managed (formerly Managed Balanced)	0.55	0.14	0.69
Aviva Pension Baillie Gifford Managed	0.48	0.18	0.66
Aviva Pension Cash	0.46	0.00	0.46
Aviva Pension Ethical Distribution	0.48	0.33	0.81
Aviva Pension Europe ex UK Equities	0.49	0.18	0.67
Aviva Pension Fixed Interest	0.48	0.09	0.57
Aviva Pension Global Distribution	0.48	0.04	0.52
Aviva Pension Global Equities	0.49	0.37	0.86
Aviva Pension Global Managed	0.48	0.09	0.57
Aviva Pension Higher Income	0.47	0.08	0.55
Aviva Pension Index-Linked	0.49	0.00	0.49
Aviva Pension Japan Equities	0.51	0.11	0.62
Aviva Pension JPM UK Equity Growth	0.55	0.58	1.13
Aviva Pension Managed	0.47	0.09	0.56
Aviva Pension My Future Consolidation	0.47	0.03	0.50
Aviva Pension Overseas	0.55	0.27	0.82
Aviva Pension Property	0.46	0.00	0.46
Aviva Pension Reserve	0.49	0.05	0.54
Aviva Pension Lifestyle Retirement 2030	0.46	0.13	0.59
Aviva Pension Lifestyle Retirement 2035	0.46	0.18	0.64
Aviva Pension Lifestyle Retirement 2040	0.46	0.18	0.64
Aviva Pension Retirement Distribution	0.48	0.48	0.96
Aviva Pension UK Equity	0.46	0.17	0.63
Aviva Pension UK Tracker	0.46	0.07	0.53

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Member-borne charges and transaction costs (continued)

AVC policies (continued)

Fund name	TER % p.a.	TC % p.a.	Total costs % p.a.
Aviva Pension With Profit[5]	0.87	0.03	0.90
Legal & General (L&G) Lifestyle	0.46- 0.51[6]	0.00 – 0.157[6]	0.46 – 0.625[6]
L&G All Stocks Gilts Index	0.45	0.15	0.60
L&G Asia Pacific ex Japan Equity Index	0.51	0.04	0.55
L&G Cash[7]	0.46	0.00	0.46
L&G Europe (Ex-UK) Equity Index	0.49	0.06	0.55
L&G Global Equity 30:70 Index Currency Hedged[7]	0.51	0.08	0.59
L&G Managed	0.50	0.10	0.60
L&G North America Equity Index	0.49	0.07	0.56
L&G Over 15 Year Gilts Index[7]	0.45	0.19	0.64
L&G Sustainable Property	1.65	0.00	1.65
L&G UK Equity Index	0.47	0.03	0.50
Phoenix Life London Life With-Profits Fund[5]	1.00	0.04	1.04
Prudential Deposit Fund[8]	Not applicable	0.00	0.00
Scottish Widows With Profits Fund[9]	0.875	0.39	1.265
Standard Life Pension Millennium With Profits Fund[5]	1.00	0.03	1.03
Standard Life Pension With Profits Fund[5]	1.00	0.05	1.05
Standard Life UK Equity Pension Fund	1.01	0.16	1.17
Zurich With-Profits 90:10 Fund	Not available	0.08	Not available

Source: Providers

[4] Typically, a fund will have a higher TER than AMC. However, if the underlying structure is a life fund, some managers have made a commercial decision to cap the TER at the same level as the AMC, with the additional expenses borne by the manager. This is the case for the Aegon funds. The transaction costs shown for the Aegon funds do not include any securities lending fees which are not available at the current time.

[5] The charges on the With Profits Fund are not explicit, the costs of running the fund are considered when the bonus rate on the fund is declared each year.

[6] Depending upon term to retirement.

[7] Underlying fund of the Lifestyle Profile.

[8] There are no explicit charges on the Prudential Deposit Fund. It aims to provide a net return in line with the Bank of England base rate.

[9] Transaction costs for the Scottish Widows With Profits Fund are not available for 100% of underlying assets but are reported for 95% of underlying assets. As transaction costs are reported for more than 90% of underlying assets, Scottish Widows have stated that it is not their policy to provide an explanation as to why some transaction costs are not available.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Illustrations to show the effect of costs and charges

The Trustee is required to illustrate the effect of the costs and charges paid by a Plan member on the value of their money purchase fund at retirement (as a "pounds and pence figure").

The Regulations allow the Trustee to exercise its discretion with regards to the illustrative examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the Plan's membership.

The Trustee has taken account of the statutory guidance when preparing these illustrations. The illustrations are based on several assumptions about the future, which are detailed under 'notes' below. 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 and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Plan, they are not a substitute for the individual, personalised illustrations provided to members in their annual benefit statements.

The Trustee has decided to illustrate four example members:

- Example member 1: the youngest Legal & General member (age 48) with a retirement age of 63 and a starting fund value of £550.
- Example member 2: the average Legal & General member (age 57) with a retirement age of 63 and a starting fund value of £4,200.
- Example member 3: the youngest Scottish Widows member (age 45) with a retirement age of 63 and a starting fund value of £400.
- Example member 4: the average Scottish Widows member (age 56) with a retirement age of 63 and a starting fund value of £6,500.

For the example members invested with Legal & General (example member 1 and example member 2), the Trustee has produced illustrations to demonstrate the effect of costs and charges for the Legal & General Lifestyle Profile, as this is the investment option most members are invested in. Illustrations are also included for the Legal & General Sustainable Property Fund (which has the highest charges) and the Legal & General Cash Fund (which has the lowest charges).

For the example members invested with Scottish Widows (example member 3 and example member 4), the Trustee has produced illustrations for the Scottish Widows With Profits Fund, as this is the only fund available to these members.

The tables below illustrate the effect of the costs and charges at different ages on these example members' projected fund values.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Illustrations to show the effect of costs and charges (continued)

Example member 1

For the youngest Legal & General deferred member, the estimated impact of charges on accumulated fund values is shown in the table below.

Member's age	Lifestyle Profile			Sustainable Property Fund			Cash Fund		
	Fund value		Impact of charges	Fund value		Impact of charges	Fund value		Impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
50	£600	£590	£10	£590	£580	£10	£560	£550	£10
55	£750	£720	£30	£720	£640	£80	£580	£560	£20
60	£860	£810	£50	£870	£720	£150	£600	£570	£30
63	£880	£820	£60	£980	£770	£210	£610	£570	£40

Example member 2

For the average Legal & General deferred member, the estimated impact of charges on accumulated fund values is shown in the table below.

Member's age	Lifestyle Profile			Sustainable Property Fund			Cash Fund		
	Fund value		Impact of charges	Fund value		Impact of charges	Fund value		Impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
60	£4,510	£4,440	£70	£4,710	£4,500	£210	£4,290	£4,230	£60
63	£4,640	£4,500	£140	£5,280	£4,810	£470	£4,380	£4,260	£120

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Illustrations to show the effect of costs and charges (continued)

Example member 3

For the youngest Scottish Widows deferred member, the estimated impact of charges on accumulated fund values is shown in the table below.

Member's age	With Profits Fund		
	Fund value		Impact of charges
	Before charges	After charges	
50	£460	£440	£20
55	£530	£470	£60
60	£610	£520	£90
63	£660	£540	£120

Example member 4

For the average Scottish Widows deferred member, the estimated impact of charges on accumulated fund values is shown in the table below.

Member's age	With Profits Fund		
	Fund value		Impact of charges
	Before charges	After charges	
60	£7,270	£6,960	£310
63	£7,900	£7,330	£570

Notes and assumptions

1. The member ages and starting fund values used in the projections are representative of the Plan's DC membership as at 5 April 2023.
2. Fund values shown are estimates and are not guaranteed.
3. The illustrations assume no further contributions are paid.
4. The illustrations are shown in today's terms, and do not need to be reduced further for the effect of inflation, which is assumed to be 2.5% each year.
5. Where assumed growth rates are lower than the rate of inflation, the fund value will reduce over time in the illustrations above, even before allowing for costs and charges.
6. For the Legal & General Lifestyle Profile, the illustrations take into account the changing proportion invested in the different underlying funds, depending upon term to retirement.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Notes and assumptions (continued)

7. Transaction costs for the Scottish Widows With Profits Fund have been averaged over a four-year period in line with statutory guidance to reduce the level of volatility. Transaction costs for Legal & General funds have been averaged over a two-year period.
8. A floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.
9. The projected growth rates and costs and charges assumed for the illustrations are as follows:

Fund Name	Growth rate	Costs and charges
Legal & General Lifestyle Profile	3.2% p.a. – 6.5% p.a.[1]	0.46% p.a. – 0.56% p.a.[1]
Legal & General Sustainable Property Fund	6.5% p.a.	1.65% p.a.
Legal & General Cash Fund	3.2% p.a.	0.46% p.a.
Scottish Widows With Profits Fund	5.4% p.a.	1.13% p.a.

[1] Depending upon term to retirement.

Net investment returns

The Trustee is required to set out the investment returns, net of all costs and charges, for the funds in which Plan members with DC or AVC benefits are invested.

The net investment returns set out below have been prepared having regard to the statutory guidance. The guidance states that, where the net returns vary with age, they should be shown for members aged 25, 45 and 55 at the start of the period covered by this statement.

The net returns shown in the table below have been prepared having regard to statutory guidance. It is important to note that past performance is not a guide to future performance.

The net returns for the lifestyle strategy are based on a member having a retirement age of 63.

Money purchase policies

(i) Default arrangements

L&G lifestyle strategy

Net return to 31 March 2023 Age of member at the start of the reporting period:	1 year (%)	5 years (% p.a.)
25	-4.8	7.0
45	-4.8	7.0
55	-11.2	-1.9

Source: L&G (underlying returns) and Aon (age-related investment returns)

Individual Funds

Net return to 31 March 2023	1 year (%)	5 years (% p.a.)
L&G Cash Fund	1.9	0.4
Scottish Widows With Profits Fund	1.0	0.5

Source: L&G and Scottish Widows

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Net investment returns (continued)

Money purchase policies (continued)

(i) Default arrangements (continued)

Self-select funds

Net return to 31 March 2023	1 year (%)	5 years (% p.a.)
L&G All Stocks Gilts Index	-16.8	-3.5
L&G Asia Pacific ex Japan Equity Index	-4.9	6.1
L&G Cash	1.9	0.4
L&G Europe (Ex-UK) Equity Index	6.3	7.4
L&G Global Equity 30:70 Index Currency Hedged	-4.8	7.0
L&G Managed	-2.8	4.2
L&G North America Equity Index	-6.3	13.3
L&G Over 15 Year Gilts Index	-30.3	-6.8
L&G Sustainable Property	-14.3	1.6
L&G UK Equity Index	2.0	4.8

Source: L&G

(ii) AVC policies

For AVCs invested in the L&G Global Equity Market Weights 30:70 Index 75% Currency Hedged 10-Year Lifestyle Strategy please refer to the L&G lifestyle strategy returns shown in section (i).

Net return to 31 March 2023	1 year (%)	5 years (% p.a.)
Aegon Cash Fund	1.4	-0.1
Aegon High Equity With Profit Fund	2.3	1.9
Aegon Mixed Fund	-4.6	5.2
Aegon With Profit Endowment Fund	0.0	0.0
Aviva Basic PAF (PM) Fund	0.0	5.0
Aviva Bonus PAF (PM) Fund	0.0	5.0
Aviva Pension Asia Pacific ex Japan Equities	-3.3	3.9
Aviva Pension AXA Framlington Global Sustainable Managed (formerly Managed Balanced)	-4.0	6.0
Aviva Pension Baillie Gifford Managed	-7.9	6.7
Aviva Pension Cash	2.4	1.3
Aviva Pension Ethical Distribution	-9.2	1.6
Aviva Pension Europe ex UK Equities	9.2	7.5
Aviva Pension Fixed Interest	-12.9	-1.2
Aviva Pension Global Distribution	-4.6	3.0
Aviva Pension Global Equities	-1.6	9.8

Aviva Pension Global Managed	-2.2	5.6

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Net investment returns (continued)

(ii) AVC policies (continued)

Net return to 31 March 2023	1 year (%)	5 years (% p.a.)
Aviva Pension Higher Income	0.7	5.1
Aviva Pension Index-Linked	-25.8	-2.4
Aviva Pension Japan Equities	-0.7	1.6
Aviva Pension JPM UK Equity Growth	-0.7	4.7
Aviva Pension Managed	-2.3	4.9
Aviva My Future Consolidation	-4.1	Not available
Aviva Pension Overseas	0.0	8.3
Aviva Pension Property	-11.6	2.9
Aviva Pension Reserve	-5.3	2.0
Aviva Pension Lifestyle Retirement 2030	1.2	6.5
Aviva Pension Lifestyle Retirement 2035	2.8	7.2
Aviva Pension Lifestyle Retirement 2040	2.8	7.2
Aviva Pension Retirement Distribution	-4.7	3.1
Aviva Pension UK Equity	4.3	6.3
Aviva Pension UK Tracker	2.8	5.4
Aviva Pension With Profit	6.3	5.3
L&G All Stocks Gilts Index	-16.8	-3.5
L&G Asia Pacific ex Japan Equity Index	-4.9	6.1
L&G Cash	1.9	0.4
L&G Europe (Ex-UK) Equity Index	6.3	7.4
L&G Global Equity 30:70 Index Currency Hedged	-4.8	7.0
L&G Managed	-2.8	4.2
L&G North America Equity Index	-6.3	13.3
L&G Over 15 Year Gilts Index	-30.3	-6.8
L&G Sustainable Property	-14.3	1.6
L&G UK Equity Index	2.0	4.8
Phoenix Life former London Life With-Profits Fund	0.0	0.0
Prudential Deposit Fund	2.1	1.1
Scottish Widows With Profits Fund	1.0	0.5
Standard Life Pension Millennium With Profits Fund	1.3	0.8
Standard Life Pension With Profits Fund	4.0	4.0
Standard Life UK Equity Pension Fund	1.1	3.0
Zurich With-Profits 90:10 Fund	0.0	Not available

Source: Providers

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Net investment returns (continued)

AVC policies (continued)

Notes:

For a With Profits fund, the net returns shown are the bonus rates declared on the fund over the relevant period. Whilst in practice we would expect a terminal bonus to increase returns close to the returns on the underlying assets in the With Profits fund over the period held (after all costs of running the fund, including the cost of any guarantees), these amounts are unknown and are not guaranteed. Furthermore, a market value reduction which can reduce the return delivered to investors may be applied on exit at any time other than maturity date, or in the event of death before retirement.

Value for members assessment

The Trustee engaged its investment consultant, Aon, to carry out an assessment of the Plan's DC funds held with Legal & General and Scottish Widows, and the Plan's AVC arrangements held with Aegon, Aviva, Legal & General, Phoenix Life, Prudential, Scottish Widows, Standard Life and Zurich for the year ended 5 April 2023. The Trustee did this so that it could determine whether or not they provide good value for members in terms of costs and benefits when compared to other similar schemes. The assessment of benefits was carried out for the categories of governance, investment, administration and member communications as a cost-benefit analysis. The main sources of information used for benchmarking under the benefit categories were the standards required by the Pensions Regulator's DC Code of Practice and Aon's DC Surveys. Aon's findings and recommendations are set out according to the relevant category below.

<u>Costs and charges</u> – Aon assessed the charges (TERs) of the Plan's DC and AVC arrangements against market data. For both the DC policies and the AVC policies Aon concluded that the charges (where disclosed) were broadly in line with market rates, taking into account the structure (i.e. investment only or bundled), asset allocation and reporting methodology. and asset allocation. There is currently no publicly available benchmarking data for transactions costs; however Aon concluded that the transaction costs (where available) for the Plan's DC and AVC policies appeared reasonable when compared to transaction costs they have seen reported for other schemes.

<u>Governance</u> – In addition to the specific work that the Plan's administrators, XPS, do, the Trustee more generally receives advice in respect of actuarial, legal and investment matters and has an SLA in place with the Plan's administrators, XPS, which identifies the key activities and core financial transactions in relation to the Plan's DC and AVC arrangements. SLA performance for these tasks is included in XPS's quarterly administration reports that are presented at each of the Plan's quarterly Governance and Operations Committee meetings. The Trustee also has an SLA in place with Legal & General which covers the key administration processes and core financial transactions in relation to the DC and AVC arrangements held with them. Legal & General provide a quarterly governance and investment report which is discussed at the Plan's quarterly Governance and Operations Committee and Investment Committee meetings as relevant. The Trustee believes, therefore, that it has suitable governance processes in place.

<u>Investment</u> – The funds of members in the Plan's DC arrangements, with the exception of those members invested in the Scottish Widows With Profits Fund, are held in policies with Legal & General. The Legal & General arrangement provides a wide range of investment options offering funds with capital growth potential and a lifestyle strategy and members can also have online access to policy information and retirement planning tools.

The Trustee took the decision not to transfer the funds of members invested in the Scottish Widows With Profits Fund as it believes that this is in the best interests of these members as the With Profits guarantees applying to these funds would be lost on transfer.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Value for members assessment (continued)

Investment (continued)

As referenced under 'Governance' above, the Trustee has delegated oversight of the performance of the Legal & General DC and AVC funds to its Investment Committee. The Investment Committee reviews the performance of the default investment strategy and all self-select funds against the benchmarks set by Legal & General to monitor whether the funds are performing in line with their stated objectives.

A review of the performance of the Scottish Widows With Profits Fund and the non-Legal & General AVC funds is undertaken for the Trustee by Aon as part of the formal triennial review of the investment strategy for the DC and AVC funds. The last review was presented to the Trustee on 5 September 2023 and Aon concluded that they had no major concerns over the performance of these funds. Some actively managed funds under-performed against their sector average performance comparators over isolated periods, and one actively managed fund under-performed over the longer term. Therefore, the Trustee intends to issue a communication to members encouraging them to review the investment strategy they have chosen to ensure it remains suited to their investment objectives. The bonus rate on the Phoenix Life former London Life Conventional With Profits Fund remained at 0% over 2022, but the review concluded that there were no concerns that the Fund would not pay out the guaranteed benefits at retirement.

Administration – As noted under Governance, the Trustee has an SLA in place with the Plan's administrators, XPS, and SLA performance is monitored on a quarterly basis. This enables the Trustee to monitor the level of administration and turnaround times of the DC and AVC providers and to flag any major delays or service issues. No issues were identified during the Plan year. Also, as noted under Governance, the Trustee has an SLA in place with Legal & General which covers the key administration processes and core financial transactions in relation to the DC and AVC arrangements. The quarterly governance report from Legal & General presented at the Governance and Operations Committee meeting enables the Trustee to monitor performance against the SLA. Over the Plan year ended 5 April 2023, Legal & General achieved the timescales set out in the SLA for the majority (97.3%) of tasks, and for 100% of core financial transactions.

Retirement support – The Plan's rules allow members with DC funds to take their entitlement to tax free cash and use the remainder to buy a Plan pension or an annuity on the open market. At retirement, members are informed by the administrators, XPS, that they have the right to shop around and to buy an annuity from the provider of their choice. They are referred to Pension Wise at MoneyHelper and the online retirement adviser directory to find an independent financial adviser. Members are not assisted in a search of the open market option.

The Plan's Rules allow members to use their AVCs towards their tax-free cash. Members of the Plan's AVC arrangement with Legal & General are able to view their AVC policy via the Legal & General website, which also includes a number of modelling tools.

Member communications – If DC and AVC members' fund values are above a limit set by the Trustee, they receive an annual statutory money purchase illustration ('SMPI') from the administrators, XPS. They also receive tailored retirement warm-up communications from XPS. On an annual basis, all members receive the newsletter from the Trustee which flags any matter particularly of relevance to DC and AVC funds.

XPS's online member portal, MyPension, is available to all Plan members. At 30 June 2023, 30% of the membership across all categories – active, deferred and pensioner - had registered to go digitally. The Trustee is in the process of issuing targeted communications to different age groups of members to encourage them to register for MyPension to access their pension details online as part of its digital engagement strategy to make communicating with members more efficient and to reduce the Plan's carbon footprint. Each targeted communication focuses on the particular MyPension tools and resources that are relevant to the member at their particular life stage.

On the basis of the advice the Trustee has received during the current Plan year, and consideration of the needs of members, the Trustee's overall conclusion is that the Plan's DC and AVC policies do represent good value for members.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

Trustee knowledge and understanding

The comments in this section relate to the Plan as a whole and not solely the DC Section.

The law requires the Plan's trustee directors to maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the effective running of the Plan.

The trustee directors are conversant with, and have a working knowledge of, all relevant Plan documents and current policies, including the trust deed and rules, and maintain this working knowledge through legal updates on a quarterly basis.

The trustee directors also have an appropriate level of knowledge and understanding of the law relating to pensions and trusts, and the relevant principles relating to funding and investment of occupational pension scheme assets.

The trustee directors reassess their training needs on an annual basis to identify knowledge gaps by completing a training needs analysis based on the training areas covered by The Pensions Regulator's Trustee Toolkit. From the responses to the training needs analysis completed in December 2022, a training plan was developed for 2023 which reflected not only their feedback but also suggestions from the Plan's advisers on training in relation to regulations and legislation expected to come into effect in 2023. The training plan for 2023 also recognises the fact that following the results of the triennial actuarial valuation as at 5 April 2022, the trustee directors are considering the longer-term strategy for the Plan.

The trustee directors receive formal training from the Plan's advisers on designated training days, virtually between trustee meetings and at trustee meetings as appropriate on specific agenda items. At the training day in October 2022, the trustee directors had presentations and discussions around bulk annuities and preparing for a transaction to support them in their considerations around the longer-term strategy for the Plan following the results of the triennial actuarial valuation.

Training related to specific trustee meeting agenda items has included training on the Task Force on Climate-related Financial Disclosures ('TCFD') framework and cyber security.

Throughout the year, as the trustee directors have continued to develop their plans in relation to GMP equalisation, they have received further training on equalisation methodology to ensure that they are fully informed with respect to guidance issued and court rulings since the original judgment in 2018.

At each quarterly meeting of the Governance and Operations Committee, the trustee directors receive updates and training in relation to legal developments and their impact. Specific areas covered in the Plan year have included DWP's stronger nudge requirements, pensions dashboards, pension scams and diversity and inclusion. In addition, the trustee directors are made aware of, and are encouraged to attend, formal training conducted by professional pensions organisations. A record of training undertaken by the trustee board collectively and by each trustee director individually is maintained.

The Trustee also requires that all trustee directors complete the relevant parts of The Pensions Regulator's Trustee Toolkit. A formal induction training plan is in place for all new trustee directors which comprises training sessions from the Plan's administrators and advisers to provide them with an appropriate level of knowledge and understanding to enable them to exercise their duties in relation to the running of the Plan. No new member nominated trustee directors joined the trustee board during the Plan year.

The Board has two professional trustee directors, Philip Whittome (Chairman) and Christopher Clayton, who are both representatives of Capital Cranfield Pension Trustees Limited and have specific areas of expertise in addition to those held by all the trustee directors.

Philip Whittome has particular expertise from a background in investment, is a Diploma Member of the Pensions Management Institute (DipPMI), an Associate of the Society of Investment Professionals (ASIP) and holds the PMI (Pensions Management Institute) Trustee Certificate qualification.

CHAIR’S STATEMENT REGARDING DC GOVERNANCE (continued)

Trustee knowledge and understanding (continued)

Christopher Clayton has expertise from a background in corporate finance and is a member of the chartered Institute of Securities and Investment. Both are fully APPT (Association of Professional Pension Trustees) Accredited, complete ‘Continuing Professional Development’ requirements annually and attend Capital Cranfield’s quarterly training days.

Taking account of actions taken individually and as a trustee body, the two professional trustee directors’ expertise and the professional advice available to them, the trustee directors consider that they are properly

enabled to fulfil their duties as a board with a good working knowledge of the Plan’s trust deed and rules, current policies, pensions and trust law, and funding and investment principles. All the scheme documents are also available to the trustee directors in an easily accessible on-line database.

The Statement regarding DC governance was approved by the Board of the Trustee on
and signed on its behalf by:

Philip Whittome

Philip Whittome, Chairman

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

APPENDIX A

Compass Group Pension Plan

Statement of Investment Principles for Defined Contribution default arrangements

The Trustee is required to prepare a statement of the principles governing investment decisions for assets held in the Compass Group Pension Plan ('the Plan'). This document describes the investment principles followed by the Trustee in relation to the Plan's defined contribution default arrangements.

This document has been prepared having obtained appropriate written advice from the Plan's investment consultants, Aon Solutions UK Limited ('Aon').

This document will be reviewed regularly and, in particular, when there is a significant change in the Plan's circumstances.

The defined contribution default arrangements apply to the following funds, unless members specified their own fund choice:

- Additional Voluntary Contribution funds transferred from Utmost Life and Pensions to Legal & General; and
- Defined Contribution funds transferred from M&G and Prudential to Legal & General.

Aims and Objectives

The key aim for the default arrangements is to provide a strategy that is likely to be suitable for meeting members' long and short-term investment objectives, taking into account members' term to retirement.

When setting the default arrangements, the Trustee considered the following:

- The need for appropriate diversification of asset classes.
- The differing investment priorities for members, depending upon their term to retirement.

For members who had not yet reached normal retirement age at the time of their transfer, the default arrangement is the Legal & General (PMC) Global Equity Mixed Weights 30:70 Index 75% Currency Hedged 10 Year AVC Lifestyle Profile.

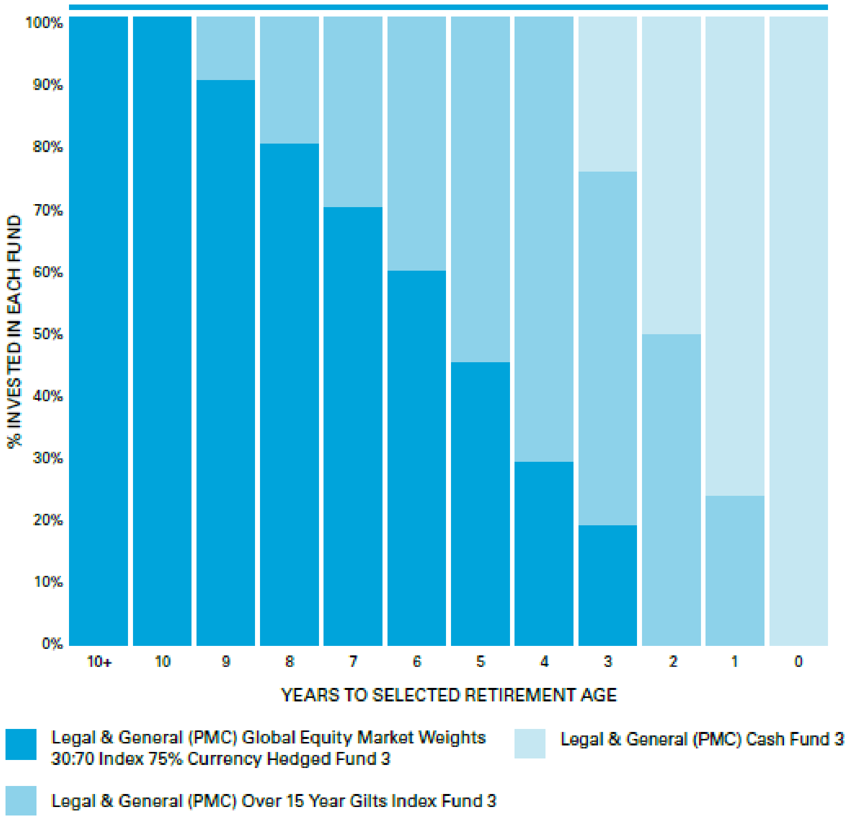
For members who were at or past normal retirement age at the time of their transfer, the default arrangement is the Legal & General (PMC) Cash Fund. This fund was chosen to minimise market volatility for members past retirement age, on the assumption they would take benefits in the very near future. Although the cash fund is not an ideal investment for members who intend to buy an annuity in the future, most of these members have a GMP underpin or are expected to take their funds as a cash lump sum.

The aim of the Lifestyle Profile is to provide members with potential for higher levels of growth during the accumulation of their retirement savings through exposure to equities. Members who are more than 10 years from retirement age can withstand the volatility associated with equity investment as their fund has sufficient time to recover stock market losses. Investments are then gradually switched to lower risk investments with the aim of reducing volatility. The gradual switch to lower risk funds means members have a greater chance of recovering losses if their fund starts to switch when markets are at a low point.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

APPENDIX A (continued)

The structure of the Lifestyle Profile is shown in the chart below.



Source: Legal & General

The aim of the Legal & General (PMC) Cash Fund is to preserve the defined contribution pension savings members have built up in the Plan, ready for when they take retirement benefits.

The investment objectives for each fund used in the default arrangements are set out below.

Fund	Benchmark	Investment objective
Legal & General (PMC) Global Equity Market Weights 30:70 Index 75% Currency Hedged	Composite benchmark	To capture the total returns of the UK and overseas equity markets as represented by the FTSE All-Share Index in the UK and the FTSE All World (ex UK) Index overseas while maintaining a fixed 30/70 weighting between the UK and the overseas assets. A total of 75% of the overseas assets (excluding emerging markets) will be currency hedged to sterling (exposure to emerging market currencies will be left unhedged).
Legal & General (PMC) Over 15 Year Gilts Index	FTSE A Government (Over 15 Year) Index	To track the performance of its benchmark index (before charges) to within +/- 0.25% each year for two years out of three.
Legal & General (PMC) Cash	IA Short Term Money Market	To provide capital protection with growth at short term interest rates.

Source: Legal & General

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

APPENDIX A (continued)

Governance

The Plan is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustee's investment powers. The investment powers do not conflict with this Statement.

The Trustee has set up a separate Investment Committee to monitor investment performance and to make recommendations on investment strategy and implementation to the full Trustee Board. The Investment Committee has certain limited decision-making powers which are set out in its Terms of Reference but these must then be reported in full to, and ratified by, the Trustee Board. Both the Trustee and the Company are represented at Investment Committee meetings.

However, the ultimate responsibility for deciding the Plan's investment policy lies solely with the Trustee, although it consults with the employer on these issues either direct or via discussions at Investment Committee meetings.

The Trustee is satisfied that it has sufficient expertise, information and resources, or access thereto, to carry out its role effectively.

Realising investments

The default arrangements are invested in liquid assets and funds are dealt daily. Members' pension savings can therefore be realised at short notice.

Risk

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the default arrangements for the Plan.

In particular, the Trustee has considered the following risks in respect of the default arrangements:

- **Suitability** - the risk that the default arrangement will be unsuitable for the requirements of some members. The Trustee has taken steps to mitigate this risk by:
    - (i) offering defined contribution members the option to choose how their transfer would be invested, from the investment options available through the Legal & General arrangement.
    - (ii) Providing members with online access to their Legal & General pension accounts so they can easily switch to an alternative investment option and
    - (iii) by reviewing the suitability of the default arrangements, in view of the format in which members can take their benefits, and investment options available at the time, every three years.

- **Market risk** – the value of policies allocated for member benefits fluctuate with the movement in the underlying asset values. This means that when a member takes retirement benefits, there is a possibility that the fund will have to be realised to provide retirement benefits at an inopportune time. The default arrangement for members who have not reached normal retirement age automatically switches into lower risk funds as members approach retirement with the aim of reducing volatility. The default arrangement for members at, or past, normal retirement age aims to minimise market risk by holdings funds in cash.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

APPENDIX A (continued)

- **Annuity purchase risk** – the Lifestyle Profile switches investments to gilts and then cash as members approach retirement. For members who purchase an annuity with their funds, more expensive annuity rates could coincide with a time when the members' DC funds have lost value due to market fluctuations. To help mitigate this risk, the Lifestyle Profile switches to cash over the 3 years to normal retirement age, however the Lifestyle Profile does not protect against the impact of annuity rate changes.
- **Credit risk** – the risk of the provider / manager being unable to meet its financial obligations. Although it has not been tested in practice, the funds held in the Legal & General policy would be protected by the Financial Services Compensation Scheme, if Legal & General were unable to meet its obligations. The Trustee seeks to mitigate this risk further by offering only internally managed Legal & General funds to members and by considering the financial strength of Legal & General in the review undertaken every three years.
- **Inflation risk** – the absolute return on investments, and hence the value of the members' pension savings may be diminished by inflation. To help mitigate this risk, the fund used during the growth phase invests entirely in equities with the aim of providing real growth (in excess of inflation) over the long term.
- **Manager risk** - the failure of the fund managers to meet their objectives. The Trustee has sought to minimise this risk by using passively managed funds wherever feasible in the default arrangements.
- **Operational risk** – i.e., the risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially).

Review and Control

The Trustee is satisfied that it has adequate resources to monitor the investment arrangements.

The Trustee receives, on a quarterly basis, a written report on the returns of the default arrangements together with supporting analysis such as benchmark returns.

The Trustee reviews from time to time the services provided by Aon, Legal & General and other service providers as necessary to ensure that the services provided remain appropriate for the Plan.

Some areas of review and control are delegated to the Investment Committee. The areas in which this committee can act are set out in its Terms of Reference.

Cost and Transparency

The Trustee recognises the importance of monitoring the level of investment costs incurred in the management of their assets and the impact these can have on the value of the assets. Although 'net of all costs' performance assessments provide an incentive on investment managers to manage these costs the Trustee believes that regular and consistent monitoring of the costs will help to reduce any inefficiencies in the cost structure.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

APPENDIX A (continued)

Cost and Transparency (continued)

Cost Transparency

Investment management fees are determined as fixed percentages, which do not include performance elements. The Trustee believes that this is the most appropriate way in which to remunerate Legal & General.

The investment consulting fees payable to Aon are invoiced separately and are not borne by members.

The Trustee expects Legal & General to provide full cost transparency in line with industry standard templates.

The Trustee assesses the remuneration of Legal & General on an annual basis. This involves asking Legal & General to provide details of the costs incurred in managing the defined contribution default arrangements, using industry disclosure templates. These costs include portfolio turnover costs (transaction costs). Where the disclosed costs are out of line with expectations, Legal & General will be asked to explain the rationale, including why it is consistent with their investment strategy.

Portfolio Turnover

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a reasonable level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

Evaluation of Performance and Remuneration

The Trustee undertakes analysis of the Plan's costs and performance for their active managers on at least a triennial basis by receiving benchmarking analysis comparing the Plan's specific costs and performance of the underlying managers relative to those of the wider market. This is in line with the Trustee's policies on reviewing the kinds and balance of investments to be held.

Responsible Investment

The Trustee believes that in order to fulfil its commitment to act in the best financial interests of the Plan and its beneficiaries, it must act as a responsible steward of the assets in which the Plan invests.

Environmental, social and governance considerations

The Trustee further acknowledges that an understanding of financially material considerations including environmental, social and corporate governance ("ESG") factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

APPENDIX A (continued)

Responsible Investment (continued)

Environmental, social and governance considerations (continued)

As part of its delegated responsibilities, the Trustee expects the Plan's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Plan's defined contribution default arrangements.
- As part of ongoing monitoring of Legal & General, the Trustee will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of integration of ESG on a periodic basis.
- Regarding the risk that ESG factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk that ESG factors including climate change negatively impact the value of investments held if not understood and evaluated properly by taking advice from Aon when monitoring Legal & General's performance and suitability.
- The Trustee will include ESG-related risks, including climate change, on the Plan's risk register as part of ongoing risk assessment and monitoring.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately this creates long-term financial value for defined contribution members.

The Trustee regularly reviews the suitability of Legal & General and takes advice from Aon with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by Legal & General. If Legal & General is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with Legal & General and seek a more sustainable position but may look to replace Legal & General.

The Trustee reviews the stewardship activities of Legal & General on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of Legal & General and ensure Legal & General uses its influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

APPENDIX A (continued)

Stewardship – Voting and Engagement (continued)

The defined contribution default arrangements are invested in pooled funds, which may result in indirect exposure to sectors or companies with higher ESG risks. The Trustee's expectation is that Legal & General will actively engage with companies it invests in to improve standards and influence behaviours.

The Trustee, through Aon, will engage with Legal & General as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

The transparency for voting should include voting actions and rationale with relevance to the defined contribution default arrangements, in particular, where: votes were cast against management; votes against management generally were significant and votes were abstained. Where voting is concerned the Trustee expects its asset managers to recall stock lending, as necessary, in order to carry out voting actions.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with Legal & General and other stakeholders. This may be on matters concerning an underlying asset, including its performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Arrangements with Legal & General

The Trustee monitors the defined contribution default arrangements to consider the extent to which the investment strategy and decisions of Legal & General are aligned with the Trustee's policies. This includes monitoring the extent to which Legal & General:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by Aon.

The Trustee receives annual stewardship reports on the monitoring and engagement activities carried out Legal & General, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year. This is incorporated into the Plan's Implementation Statement.

The Trustee shares the policies, as set out in this SIP, with Legal & General, and requests that Legal & General reviews and confirms whether its approach is in alignment with the Trustee's policies.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the defined contribution funds are to be invested in a collective vehicle, then the Trustee will express its expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at meetings).

CHAIR'S STATEMENT REGARDING DC GOVERNANCE (continued)

APPENDIX A (continued)

Arrangements with Legal & General (continued)

The Trustee believes that having appropriate governing documentation, setting clear expectations to Legal & General by other means (where necessary), and regular monitoring of Legal & General's performance and investment strategy, is in most cases sufficient to incentivise it to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where Legal & General is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with Legal & General but could ultimately replace it where this is deemed necessary.

There is no set duration for arrangements with Legal & General, although its continued appointment will be reviewed periodically, and at least every three years.

The Trustee believes it has a duty as institutional investors to invest in a responsible manner and where appropriate will query managers on the rationale for holding positions in companies who contribute significant negative externalities to society.

Non-Financial Factors

In setting and implementing the Plan's investment strategy for the defined contribution default arrangements, the Trustee does not explicitly take into account the non-financial factors.

P N Whittome 21/09/2021

Signed on behalf of the Trustee **Date**