Kurt Salmon Associates Limited Retirement Benefits Scheme (the "Scheme")

Chairman's Governance Statement

Introduction

New governance rules apply to defined contribution pension arrangements like the Kurt Salmon Associates Ltd Retirement Benefits Scheme (the 'Scheme') from 6 April 2018. These were designed to help members achieve a good outcome from their pension savings.

Atkin Trustees Limited (the "Trustee") acts as the sole professional Independent Trustee of the Scheme. This statement covers the period from 31 December 2019 to 31 December 2020.

Default arrangement

All members of the Scheme are currently invested in one or more of a selection of funds made available by the Trustees. Members may choose to change the funds in which they invest at any time.

There are no new contributions being paid into the Scheme for investment in member's accounts. Any contributions paid into the Scheme are used to cover the DB underpin that applies to members' benefits. These contributions are used to settle benefits and are not invested in DC accounts.

In the circumstances, there is no default arrangement since all managers are already invested according to member's choices.

The objective of this Scheme is to provide members with a range of different investment funds so that members may choose their own strategy to reflect their risk profile.

With the exception of the Property, Corporate Bond and Cash funds, the funds track an index relevant to the fund sector.

The principles noted above relating to the default arrangement were reviewed by the Trustees in December 2018 and are due to be reviewed every three years thereafter, or on the advice of the Scheme's investment advisers.

The December 2018 review covered:

1. Suitability of investment options for members given the membership profile
2. Suitability of the current default arrangement
3. Fund choices available to members
4. Performance of existing funds
5. Members' retirement options and process

No changes were made to the arrangements as a result of the review as it was felt that the default remained suitable for the members based on 5-point assessment noted above.

The Trustees regularly monitor the performance of the default arrangement and will formally review both this and the strategy at least every three years (the next review is intended to take place by December 2021) or immediately following any significant change in investment policy or the Scheme's member profile.

Management of the Funds is delegate to Aviva and Legal & General who have control over the monitoring and control of risk, the realisation of investments, and the extent to which social, environmental or ethical considerations are taken into account.

Growth: During the early years of saving for retirement, the primary focus is on achieving long-term investment growth and making the most of the contributions that have been paid in. This means investing in assets that generally involve taking more risk, but which have the potential to deliver higher rates of return.

Steady growth: Starting around 30-35 years before retirement, growth remains important but incorporates a broader asset diversification, to reduce short-term volatility. The portfolio is diversified across asset classes, countries, currencies, industry sectors and securities. It also reflects a preference for longer-dated and inflation-sensitive assets. This aim of maintaining a diversified portfolio is to continue growing investors' pension investments while reducing the effects of stock market downturns.

Preparing for retirement: During this phase, the asset allocation will be a balance between some continued investment growth and an increasing focus on aligning the Fund's asset allocation more closely with your individual retirement goals.

The actual asset allocation is managed by Aviva and Legal & General who have the discretion to invest in a wide range of asset classes.

By investing in this manner, the Trustee expects to deliver growth over the member's lifetime within the Scheme without excessive risk taking and provide stability as members reach retirement. The Trustee considers this approach to be in the best interests of members and their beneficiaries.

Risks

Credit Risk – The fund invests in bonds and other types of debt. There is a risk that the organisation that has issued the debt will default on the loan.

Currency Risk – The fund invests in overseas markets so its value will go up and down in line with changes in currency exchange rates.

Third party risk – In the event that the underlying investments which the fund invests in suspend trading, Aegon and Royal London may defer trading and/or payment to investors. The value ultimately payable will depend on the amount Aegon and/or Royal London receive from the underlying investments.

Derivate risk – The fund uses derivatives to achieve its objectives. Derivatives allow a manager to buy or sell an investment at a specified future date for a specified price. This means that the fund could be exposed to addition risk if the market moves up when the manager expected it to go down or vice versa.

Interest rate risk – Interest rate changes could affect the value of bond investments. Where long term interest rates rise, the value of bonds is likely to fall, and vice versa.

The investments held meet the requirements for environmental, social and governance considerations as set out in the Trustee's Statement of Investment Principles (SIP). A copy of the most recent SIP is appended to this statement. The SIP has been prepared in accordance with the Occupational Pension Schemes (Investment) Regulations 2005.

Core financial transactions

The Trustee has a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC section are processed promptly and accurately.

The requirements of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Appointing a professional third-party administrator, Atkin & Co, and its investment managers, Aviva and Legal & General. It is noted that Atkin & Co has been audited for compliance with ISO9001/27001 and AAF01/06.
- Having in place service level agreements (SLAs) with the administrator which cover all core administration processes. These SLAs are monitored on an annual basis.
- Ensuring that disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.
- Maintaining a Risk Register which outlines the risks to members and the scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is monitored and reviewed at least annually.
- Appointing a professional firm to undertake an annual audit.
- An SLA is in place with the administrator and covers timescales for all key transactions, including investment, disinvestment, processing of retirements and transfers. The administrator monitors the bank account daily. All transaction instructions are subject to a 'do, check, review & authorise' procedure. Release of payments is also subject to a robust three-stage checking procedure.
- The administrator provides reports which are reviewed and discussed by the Trustee at their meetings. The administrator indicates any matters which have failed to meet SLAs and the reasons for these, together with any implications for processing transactions and service improvements are discussed by the Trustees and the administrator.
- The Trustee receives annual administration reports which give details on performance and compliance with SLAs. The auditors review all key financial transaction reports that take place during the scheme year and report their findings to the Trustee annually. The Trustee is satisfied that over the period covered by this statement:
    - The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
    - There were no material administration errors in relation to processing core financial transactions
    - All core financial transactions have been processed promptly and accurately during the Scheme year.

In the last scheme year there has been no material administration services issues which need to be reported here by the Trustee. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

Transaction costs

The Administration Regulations require the Trustee to make an assessment of charges and transaction costs borne by DC section members and the extent to which those charges and costs represent good value for money for members.

The Scheme holds investments in funds managed by Aviva and Legal & General. These funds have the following annual management charges;

AVIVA Property Fund:	0.70%
AVIVA Corporate Bond Fund:	0.30%
LGIM Global Equity (50:50) Index:	0.17%
LGIM UK Equity Index:	0.10%
LGIM World (ex UK) Index:	0.22%
LGIM AAA-AA-A Bonds All Stocks Index:	0.10%
LGIM All Stocks Index-Linked Gilts Index:	0.10%
Cash:	0.13%

The investment manager provides information about their dealing costs as part of their quarterly reporting. These reports are reviewed by the Trustee and the dealing costs are typically less than 0.5%.

Over time, the charges that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below an illustration of the impact of charges and transaction costs on the default investment fund. As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below.

The 'before charges' figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The 'after all charges & costs deducted' figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

ILLUSTRATIVE EXAMPLE – Paid Up

Projected pension pot in today's money		
Years	Before charges	After all charges + costs deducted
1	**100,000**	**100,000**
3	**106,121**	**105,187**
5	**110,408**	**108,794**
10	**121,899**	**118,361**
15	**134,587**	**128,770**
20	**148,595**	**140,094**
25	**164,061**	**152,414**
30	**181,136**	**165,817**

Notes

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
2. It is assumed that the member is aged 35 at the start of the projection and retires after 30 years at age 65.
3. The starting pot size is assumed to be £100,000.
4. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are paid.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rate used is 2% above inflation.
8. As an illustration, the impact of expenses of 0.3% p.a. is shown.

Trustee's knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07. The comments in this section relate to the Trustees as a body in dealing with the whole scheme and are not restricted to the DC section.

The Trustee is aware of The Pension Regulator's Trustee Knowledge and Understanding (TKU) requirements. The Manager responsible for this Scheme is a Fellow of the Pensions Management Institute (PMI) and meets the annual Continuous Professional Development requirements of the PMI.

In order to be able to properly carry out its responsibilities, the Trustee of the Scheme needs to have a working knowledge of the following documents relating to the Scheme:

- the Scheme's trust deed and rules;
- the Statement of Investment Principles; and
- any other document recording policies adopted by the Trustee in relation to managing the Scheme.

The Trustee Director has a working knowledge of the above documents.

The Trustee also needs to have an appropriate level of knowledge and understanding of matters such as the law relating to pensions and the principles of investing pension scheme assets.

The Trustee believes this requirement has been met during the reporting period through the following:

- The Trustee is a professional trustee company that has significant pensions knowledge, skills and experience; and
- The Trustee has taken investment, legal and other professional advice as and when specialist knowledge and expertise has been required.

The Trustee considers that its knowledge, skills and understanding, together with the advice available to it, enables it to properly exercise its trustee functions in relation to the Scheme's DC arrangements.

Statement of DC Governance

As Trustee of the Kurt Salmon Associates Limited Retirement Benefits Scheme, we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes.

These are underpinned by the DC quality features.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features which we believe will help deliver better outcomes for members at retirement.

Signed on behalf of the Trustee of the Kurt Salmon Associates Limited Retirement Benefits Scheme:

December 2020