

Annual statement regarding governance of the DC Section of the C-MAC Pension Plan ('the Plan')

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to prepare an annual statement regarding governance, which must be included in the annual Trustee report and accounts. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustee covers the period from 6 April 2020 to 5 April 2021. During the period a new professional sole corporate Trustee was appointed. The Trustee wishes to highlight that there were individual trustees in place for part of the period which this statement covers. The individual trustees all resigned as trustees of the Plan and it was agreed with the Company that a new professional sole corporate Trustee would be appointed in their place, namely Apex Pension Trustees Limited who are represented by Rosemary Kennell. The appointment of Apex Pension Trustees Limited was formally effective from 26 October 2020.

This statement covers governance and charge disclosures in relation to the following:

1. The default arrangement
2. Processing of core financial transactions
3. Member borne charges and transaction costs
 - i. Default arrangement
 - ii. Self-select funds
 - iii. Illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Trustee knowledge and understanding

1. The default arrangement

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee must set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Plan's membership.

The Plan does not have a default arrangement as defined by the Regulations as it closed to new entrants before April 2015 and is not used as a Qualifying Scheme for auto-enrolment purposes. The information in this section therefore relates to the investment strategy and any default investment strategy in more general terms.

The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the default investment strategy for the Plan. The default investment strategy is primarily provided for members who did not choose an investment option and is based on the assumption that members take 25% of their retirement savings as a tax-free cash lump sum and purchase an annuity with the remaining 75%.

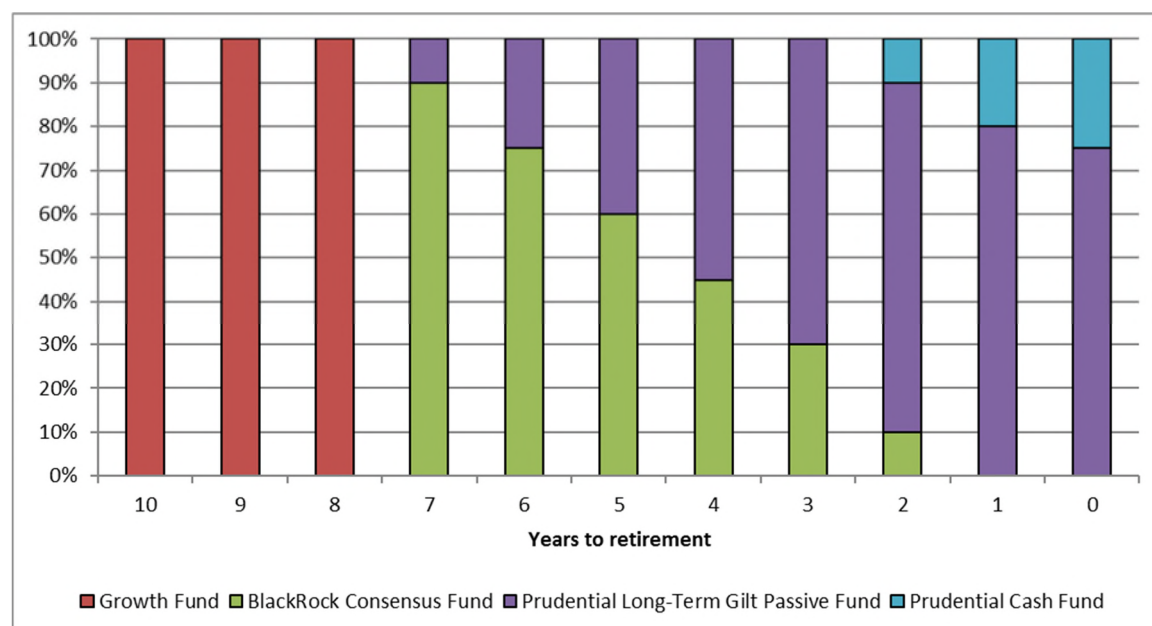
Details of the objectives and the Trustee's policies regarding the default investment strategy can be found in a document called the 'Statement of Investment Principles' (SIP). The Plan's SIP is attached.

The aim of the default investment strategy 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.

The Trustee has taken the following approach in order to help achieve this aim:

- In designing the default investment strategy for DC members, the Trustee has explicitly considered the risk and expected return characteristics of the funds used at different stages of the strategy
- Assets in the default investment strategy are invested in the best interests of members and beneficiaries, taking into account the profile of membership
- Assets in the default investment strategy are invested in a manner which aims to ensure the security, liquidity and profitability of members' portfolios as a whole
- Assets are invested in regulated products and regulated markets

The default investment strategy is invested predominantly in growth assets, such as equities (stocks and shares of companies) up until 8 years from a member's selected retirement age; from this point, members' assets are transferred into less risky assets, such as government bonds and eventually cash. Upon reaching selected retirement age, a member's assets will be invested 25% in a cash fund, matching the maximum tax-free cash percentage that the majority of members are anticipated to take, and 75% in a fixed income fund, which aims to protect the annuity-purchasing power of the member's fund. The default investment strategy moves members' funds as follows:



Members who were previously invested in the Prudential With Profits Fund are invested in the BlackRock Consensus Fund 8 years or more from their selected retirement age. For all other members the Growth Fund shown in the chart above is the Prudential Discretionary Fund.

Investment Strategy Review

The Trustee, with assistance from its investment advisers, undertook a review of the Plan's investments during the period, including formally reviewing the default investment strategy. The review concluded on 9 December 2020. It considered the suitability of the default investment strategy and other fund options with reference to performance of the strategy in relation to the membership demographics and how members access their benefits, as well as industry data and wider trends. The Trustee was satisfied that performance was in line with expectations and decided to maintain the current strategy whilst the future of the Plan is considered in further detail. This decision will be reviewed again once the future structure of the Plan has been considered further.

Performance monitoring

The Trustee also reviews the performance of the default investment strategy against its aims and objectives on a bi-annual basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance is reviewed against target benchmarks. The Trustee was satisfied that the default investment strategy performance over the year was in line with expectations and the aims and objectives of the SIP.

The annualised gross of fees performance of the component funds of the default arrangement over a 1 year, 3 year and 5 year period to 31 March 2021 is shown below:

Fund name (Benchmark)	Annualised performance gross of fees (% p.a.)		
	1 year	3 years	5 years
Prudential Discretionary Fund (Internal composite set by M&G Prudential T&IO)	28.1 23.9	6.5 6.4	9.5 7.4
Prudential BlackRock Consensus Fund (ABI mixed investment 40-85% shares)	25.2 20.9	7.9 6.9	9.0 8.5
Prudential Long-Term Gilt Passive Fund (FTSE over 15 year gilt index)	-10.3 -10.4	3.4 3.3	4.9 4.8
Prudential Cash Fund (London interbank LIBID 7 day deposit rate)	0.1 -0.1	0.5 0.3	0.4 0.3

Source: Prudential

2. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the transfer of member funds into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members/beneficiaries.

The bulk of the core financial transactions are undertaken on behalf of the Trustee by the Plan administrator, Prudential. Although this function is delegated to the administrator, the Trustee retains overall responsibility for core financial transactions and transactions are monitored by the Trustee in regular reports submitted by Prudential.

In order to determine how well the administrator is performing Prudential provide end to end service level reports with journeys broken down into bereavements, claims and servicing categories. The reports measure the period between the first and last point of contact until a case is closed, with target timescales based on historical performance, allowing the Trustee to monitor changes in performance levels. Prudential aim to complete 95% of cases within the upper and lower targets and no more than 1% in the tail target.

This is a change in approach to the start of the period where service level agreements ("SLAs") were in place for all core financial transactions. Under the SLAs, Prudential aimed to accurately complete all financial transactions within 5 working days.

For Q2 2020 (the first quarter of this reporting period) the SLAs were still in effect and 17% of items were completed within the 5 day SLA. These items included death claims, retirement claims and transfers out of the Plan. This is significantly below the standard the Trustee expects.

Under the new end to end service level reports, Prudential joins all transactional activities together and measures from the first point of contact to last point of contact until the case is closed. The

following table illustrates targets and performance for the period from the start of Q3 2020 to the end of the reporting year.

Work type	Upper target days = 75% of cases completed	Lower target days = 95% of cases completed	Tail target days = no more than 1% of cases completed
Bereavements	< 29 days	< 77 days	> 154 days
Claims	< 10 days	< 22 days	> 43 days
Servicing	< 8 days	< 20 days	> 154 days
Performance for the period from Q3	24% of cases completed within upper targets	49% of cases completed within lower targets	23% of cases completed later than tail target

Prudential aims to complete 95% of cases within the upper and lower targets and so this target was not met. Prudential also aims for no more than 1% in the tail target and this target was also not met.

From the start of Q3 2020 to the end of the reporting year, the service performance against the new end to end reporting targets continued to be extremely disappointing and far below the level the Trustee would expect. In addition, provision of service level reporting to the Trustee from the administrator over this period has been slow.

The administration team and the Trustee recognise that recent service levels are not at the level that the Trustee and members would expect. The Trustee is working actively with the administration team to understand the reasons for this, which include the impact of the Covid-19 pandemic and an administration system migration, and the administrator has put in place a plan for improving service levels. The Trustee will continue to monitor service levels to ensure this improvement occurs.

The Trustee has also reviewed the key processes adopted by the administrator in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes in place to mitigate risks include:

- A full member and Plan reconciliation being undertaken annually as part of the annual preparation of the Trustee Report & Accounts
- Provision of regular end to end reports enabling the Trustee to monitor the time taken to complete cases
- Checks for all investment and banking transactions prior to processing, with a peer review process in place to ensure independent checks are completed
- Documentation and operation in line with Prudential's quality assurance policies and procedures
- Operation in line with Prudential's business continuity plan and confirmation that the administrator has prioritised core financial transactions over other tasks during the Covid period.

Despite poor service levels, Prudential have confirmed that no members have been disadvantaged as a result of errors or payment delays. However, over the period there were several instances where core financial transactions were impacted by these service issues. Therefore, the Trustee believes that the requirement to process core financial transactions promptly and accurately has not been met over the period. Prudential have implemented a recovery plan to restore service levels and the Trustee is working with Prudential to ensure delivery times become acceptable.

3. Member Borne Charges and Transaction costs

The Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- **Charges:** these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;
- **Transaction costs:** these are not explicit and are incurred when the Plan's fund manager buys and sells assets within investment funds.

The Trustee is also required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

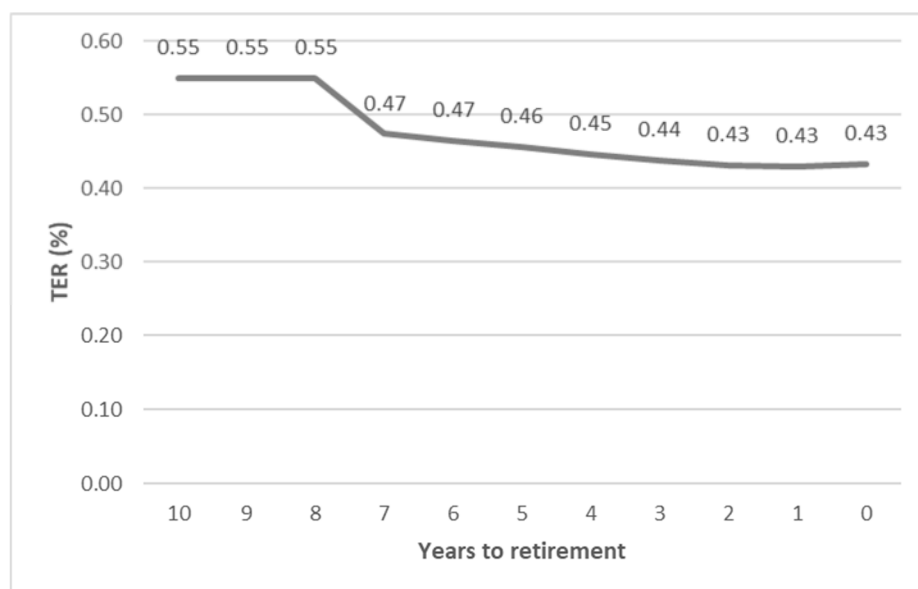
The Trustee has set out the costs and charges that were incurred by members over the Plan year in respect of each investment fund available to members. These comprise the TER and transaction costs.

The charges and transaction costs have been supplied by Prudential who are the Plan's platform and investment provider. Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustee to avoid potentially understating the total level of costs and charges.

(i) Default investment strategy

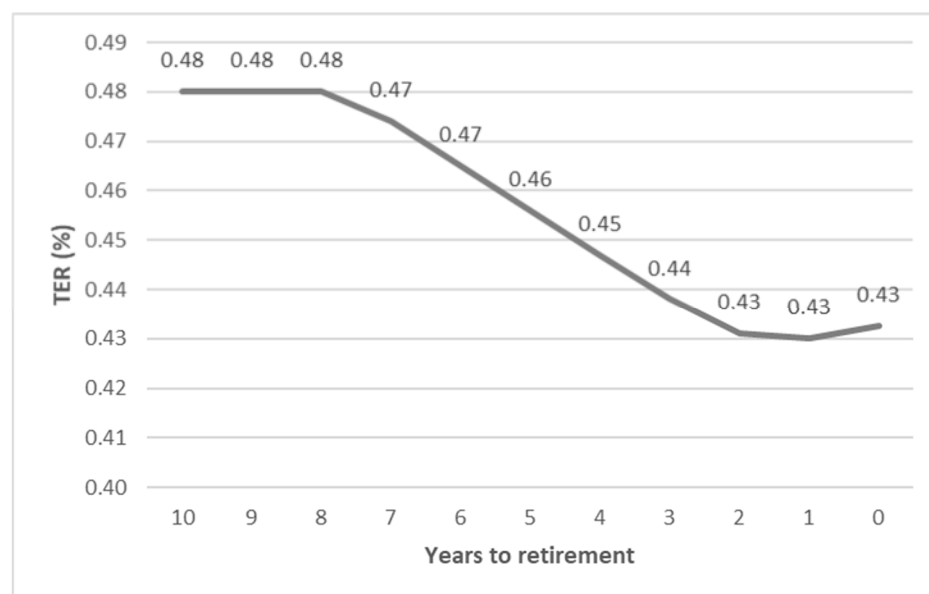
The default investment strategy has been set up as a lifestyle arrangement which means that each member's assets are automatically moved between different investment funds as they approach their target retirement date. This is illustrated in the bar chart earlier in this Statement.

As shown in the line charts below, the TER paid over the year depends on a members' term to retirement. For members that were not previously invested in the Prudential With Profits Fund, the TER ranges from 0.43% p.a. to 0.55% p.a. which is within the 0.75% p.a. charge cap for schemes that are used for auto-enrolling their employees, although this cap is not applicable to the Plan. Transaction costs ranged between 0.00% p.a. and 0.10% p.a. The total cost associated with the Plan's default investment strategy for members not previously invested in the Prudential With Profits Fund therefore being between 0.43% p.a. and 0.65% p.a. over the reporting year.



For members who were previously invested in the Prudential With Profits Fund, the TER range over the reporting year was 0.43% p.a. to 0.48% p.a. (since members are invested in the BlackRock Consensus Fund rather than the Prudential Discretionary Fund 8 years or more from a member's selected retirement age). Transaction costs ranged between 0.00% p.a. and 0.01% p.a. reflecting

the lower transaction costs of the BlackRock Consensus Fund. The total cost associated with the Plan's lifestyle arrangement for these members is between 0.43% p.a. and 0.49% p.a. over the reporting year.



(ii) Self-select investment funds

In addition to the default investment strategy members also have the option to invest in a further two lifestyle strategies, one targeting income drawdown and one targeting cash at retirement. There is also a range of additional individual funds that are available to members.

For each of these, the TERs over the reporting year and transaction costs over the 12 months to 31 March 2021 are shown in the following tables:

Lifestyles	TER % p.a.	Transaction costs % p.a.	Total costs % p.a.
Drawdown strategy	0.49	0.01 – 0.07	0.50 – 0.56
Cash strategy	0.47 – 0.49	0.00 - 0.04	0.47 – 0.53

Individual funds	TER % p.a.	Transaction Costs % p.a.	Total costs % p.a.
BlackRock Aquila Consensus ¹	0.48	0.01	0.49
Prudential Cash ^{1 3}	0.47	0.00	0.47
Prudential Discretionary ¹	0.55	0.10	0.65
Prudential Long Term Gilt Passive ¹	0.42	0.00	0.42
BlackRock Aquila All Stocks Corporate Bond Index	0.49	0.02	0.51
BlackRock Aquila World ex-UK Equity Index	0.48	0.01	0.49
LGIM Ethical UK Index	0.50	0.03	0.53
Prudential Dynamic Growth II ^{2 3}	0.49	0.07	0.56
Prudential Dynamic Growth IV ^{2 3}	0.49	0.01	0.50
Threadneedle Property	2.07	Not available ⁴	Not available ⁴

¹ Funds underlying the default investment strategy (annuity strategy)

² Funds underlying the drawdown strategy

³ Funds underlying the cash strategy

⁴ Transaction cost information is not available for this fund from Threadneedle, the underlying fund manager. Prudential will continue to liaise with Threadneedle on the Trustee's behalf to obtain the missing information

(iii) Illustrations of the cumulative effect of costs and charges

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 costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided two illustrations of their cumulative effect on the value of typical Plan members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out below.

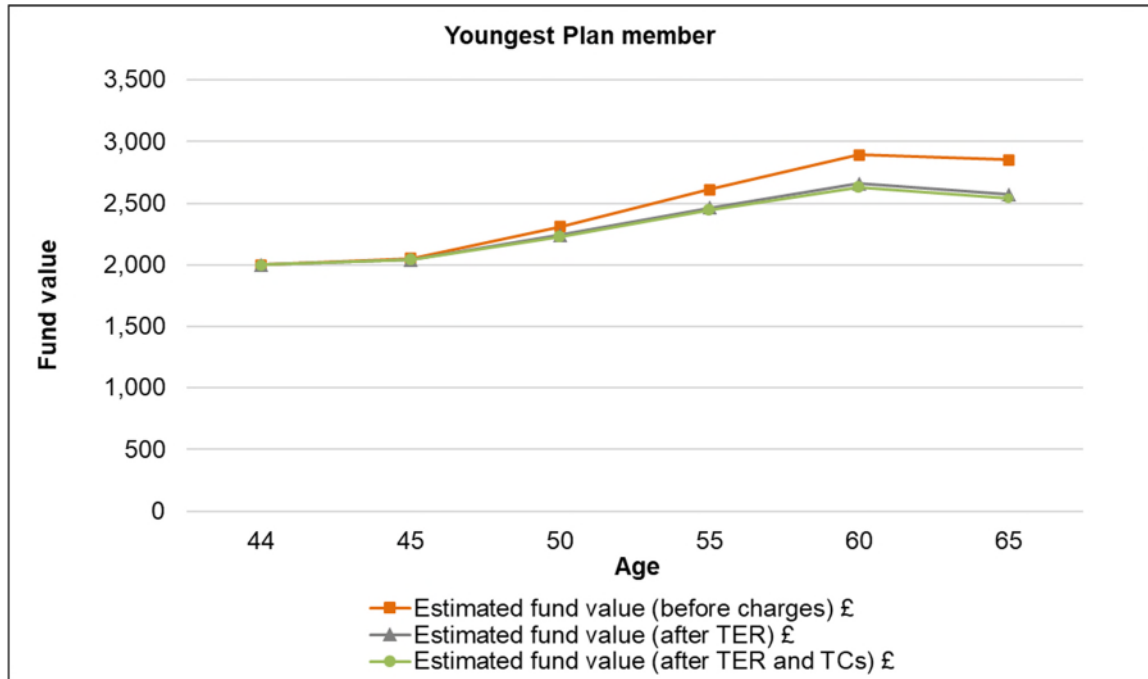
Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Plan they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

The Trustee has chosen to illustrate the youngest member (example 1) and a member of average age (example 2). As a significant proportion of members are invested in the default investment strategy this has been chosen for the illustrations. Note that the default investment strategy for members who were not previously invested in the Prudential With Profits Fund has been illustrated i.e. the Prudential Discretionary Fund is used 8 years or more from a member's selected retirement age.

Each illustration is shown as a chart and a table as follows:

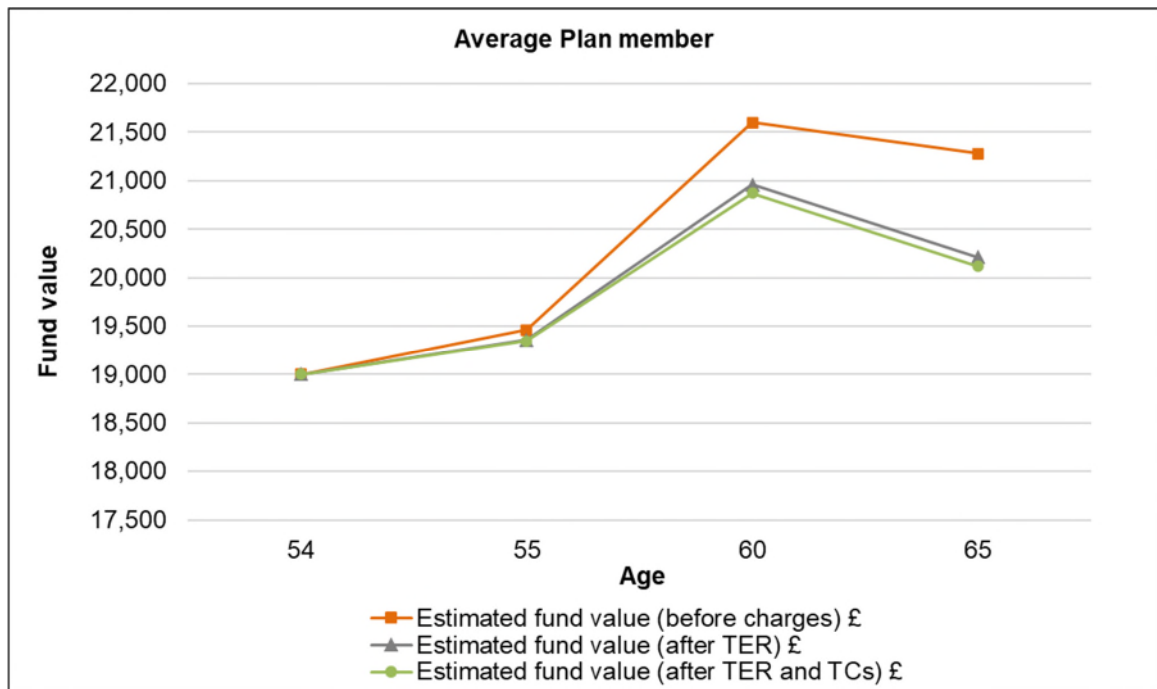
- The chart shows a projection of the member's retirement savings at retirement age, with and without costs and charges applied.
- As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures with other investments in the tables. For comparison purposes, we show the projected retirement savings if the typical member were invested in (i) the fund with the highest charges (where we have complete charges' information available) – the Prudential Discretionary Fund, which also has a higher expected return than the default investment strategy, and (ii) the fund with the lowest charges – the Prudential Long Term Gilt Passive Fund, which has a lower expected return than the default investment strategy.

Illustration A: is based on the youngest Plan member who is 44 and therefore has 21 years to go until their retirement at age 65. Projections are based on a current fund value of £2,000. No further contributions are received.



Projected fund value in today's money									
Age	Default investment strategy			Prudential Discretionary Fund			Prudential Long Term Gilt Passive Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
44	2,000	2,000	0	2,000	2,000	0	2,000	2,000	0
45	2,050	2,040	10	2,050	2,040	10	1,980	1,970	10
50	2,310	2,230	80	2,310	2,230	80	1,860	1,810	50
55	2,610	2,440	170	2,610	2,440	170	1,750	1,670	80
60	2,890	2,630	260	2,940	2,670	270	1,640	1,540	100
65	2,850	2,540	310	3,320	2,920	400	1,550	1,420	130

Illustration B: is based on the average Plan member who is 54 and therefore has 11 years to go until their retirement at age 65. Projections are based on a current fund value of £19,000. No further contributions are received.



Projected fund value in today's money

Age	Default investment strategy			Prudential Discretionary Fund			Prudential Long Term Gilt Passive Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
54	19,000	19,000	0	19,000	19,000	0	19,000	19,000	0
55	19,460	19,350	110	19,460	19,350	110	18,770	18,690	80
60	21,600	20,870	730	21,960	21,170	790	17,650	17,220	430
65	21,280	20,120	1,160	24,770	23,170	1,600	16,600	15,860	740

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) when making investment decisions.

Assumptions and data for illustrations:

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

- All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.
- Inflation is assumed to be 2.5% p.a.
- The projected annual returns on assets are:
 - BlackRock Aquila Consensus Fund 4.75% p.a.
 - Prudential Cash Fund 0.25% p.a.
 - Prudential Discretionary Fund 5.00% p.a.
 - Prudential Long Term Gilt Passive Fund 1.25% p.a.

For the default investment strategy the projections take into account the changing proportion invested in the different underlying funds. All funds shown above are underlying funds.

The projected pension fund shown in the illustrations in today's money will decrease if the expected annual return on assets is lower than the inflation assumption of 2.5% per annum, which is the case in respect of the Prudential Long Term Gilt Passive Fund and the Prudential Cash Fund.

- *The transaction costs have been averaged over a 3-year period in line with statutory guidance to reduce the level of volatility.*
- *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.*
- *Retirement is assumed at age 65.*
- *Data used is as at 31 March 2020 and is the most recent provided by the administrator.*

4. Value for Members assessment

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

There is no legal definition of "good value" or the process of determining this for Plan members. Therefore, working in conjunction with our advisers, Aon, the Trustee has developed its cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Plan relative to the costs and charges they pay.

The costs have been identified as TER and transaction costs and are set out in section 3 of this statement. The Trustee has considered the benefits of membership under the following 4 categories: Plan governance, investments, administration and member communications. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

The Trustee's beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

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.**
- The Trustee obtains regular advice from its advisers regarding best practice in this area and has adopted a framework which is reasonable and proportionate given the size and nature of the Plan.
- The governance review which was prepared alongside the 2020 Chair's statement suggested a number of actions which the Trustee is working to address.

Investments

- **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 Plan offers lifestyle strategies that target the ways in which members can access DC funds at retirement and individual funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind.
- The default investment strategy was formally reviewed during the period covered by this statement and the Trustee was satisfied that performance was in line with expectations. The Trustee decided that retaining the existing default arrangement would best meet the needs of

the membership whilst the future of the Plan is considered in further detail. The next review is due to take place no later than 9 December 2023, although the default arrangement will be reviewed again once the future of the Plan has been considered further.

- Six monthly performance reviews are carried out on the funds within the Plan.

Administration

- **The Trustee believes that good administration and record keeping play a crucial role in ensuring that Plan 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 Trustee obtains information to assess the member experience through reports provided by Prudential. These are discussed at Trustee meetings, with the Trustee and its advisers engaging with Prudential in between meetings.
- The Trustee is reviewing the transactional information provided by Prudential to ensure it continues to allow regular monitoring of core financial transactions. The Trustee is working actively with the administration team to understand the reasons for poor service levels, which include the impact of the Covid-19 pandemic and an administration system migration, and the administrator has put in place a plan for improving service levels.

Member communications

- **The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.**
- The Trustee provides members with regular communications through an annual newsletter, benefit statements and a retirement wake-up pack.

The Trustee's assessment concluded that the Plan offers good value for members given it is a legacy arrangement. The Trustee is aware that online functionality does not exist and communications are limited, but this is balanced by good fund performance and reasonable charges and transaction costs borne by Plan members. The Trustee will continue to monitor the service levels received by members from Prudential, and fully expects these to improve.

5. Trustee 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 7.

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

The Trustee has processes and procedures in place to meet the Pension Regulator's Trustee Knowledge and Understanding requirements (as set out in their Code of Practice No 7).

The resignation of the former trustees in April 2020 was taken as an opportunity to review the trustee arrangements and, as mentioned above, a new sole independent corporate Trustee was formally appointed on 26 October 2020.

The previous individual trustees had arrangements in place for ensuring they took personal responsibility for keeping themselves up-to-date with relevant developments. In addition, one of the previous individual trustees completed several modules from the Pension Regulator's Trustee toolkit, which is an online learning programme. There has been no requirement for a formal induction programme for new trustees over prior years due to the lack of new appointments.

The new corporate Trustee is an independent professional firm, Apex Pension Trustees Limited, which acts as a trustee across a number of different pension schemes. Employees are experienced

pension trustees with many years of pensions experience and on taking on a new scheme, they spend time becoming conversant with documentation in a timely manner and did this for the Plan. Anyone representing Apex Pension Trustees Limited undertakes continuous professional development throughout the year in line with the requirements of their professional organisations and Apex Pension Trustees Limited. As part of the take-on historic documents and Plan knowledge were disseminated to aid the Trustee's understanding of the Plan and its key documents. The Trustee identifies and addresses any scheme-specific knowledge gaps on an ongoing basis.

The Trustee has engaged with its professional advisers regularly throughout the year to ensure that it exercises its functions properly and takes professional advice where needed. In exercising its functions this has required knowledge of key Plan documents such as the Trust Deed & Rules, Trustee Report & Accounts and SIP.

The new Trustee held one meeting over the period with its advisers who provided specialist advice. The new Trustee expects one annual meeting with advisers going forward, with regular dialogue and correspondence in the interim.

A few of the areas that support the Trustee exercising its functions properly and taking specialist advice where needed during the Plan year are set out below:

- The Trustee is conversant with the Plan's legal documents, including the Trust Deed and Rules and the SIP, along with the wider law relating to pensions and trusts through its professional experience and regular updates from its advisers. The Trustee reverts to its legal advisers for any clarification where necessary.
- During the year the Trustee amended the SIP in line with regulatory requirements demonstrating a working understanding of the SIP. Updates to the SIP incorporated how arrangements with asset managers are aligned with Trustee policies (including those on non-financial matters), how the Trustee monitors costs and policies in relation to the stewardship of investments.
- Signing off the Trustee Report and Accounts.
- Review of administration reports to monitor service levels and engaging with Prudential where necessary.
- Reviewing bi-annual investment reports to assess fund performance against benchmarks, and funds against overall Plan aim and objectives, as set out in the SIP.
- Maintaining a regime for proper governance – reviewing and updating the Trustee governance framework for the Plan.

As a result of the Covid-19 pandemic, the Trustee's business continuity plan and that of its advisers was invoked. A communication was placed on the Plan website to update members on the position in relation to the Plan. The Trustee remains in regular contact with its advisers and service providers to ensure their business continuity plans are in place and working. All functions of the Trustee and its advisers are working as expected in a remote way and the Trustee continues to have meetings in a virtual setting.

The Trustee considers it meets the Pension Regulator's Trustee Knowledge and Understanding requirements and is confident that its knowledge and understanding, together with the support of its advisers, enables it to properly exercise its functions as the Trustee of the Plan.

Signed on behalf of the Trustee of the C-MAC Pension Plan

Name	Rosemary Kennell
Signature	<i>Rosemary Kennell</i>
Date	4 November 2021