THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 05 APRIL 2019

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Millennium & Copthorne Pension Plan ("the Plan") is meeting the governance standards that apply to occupational pension plans that provide money purchase benefits (i.e. Defined Contribution ("DC") plans).

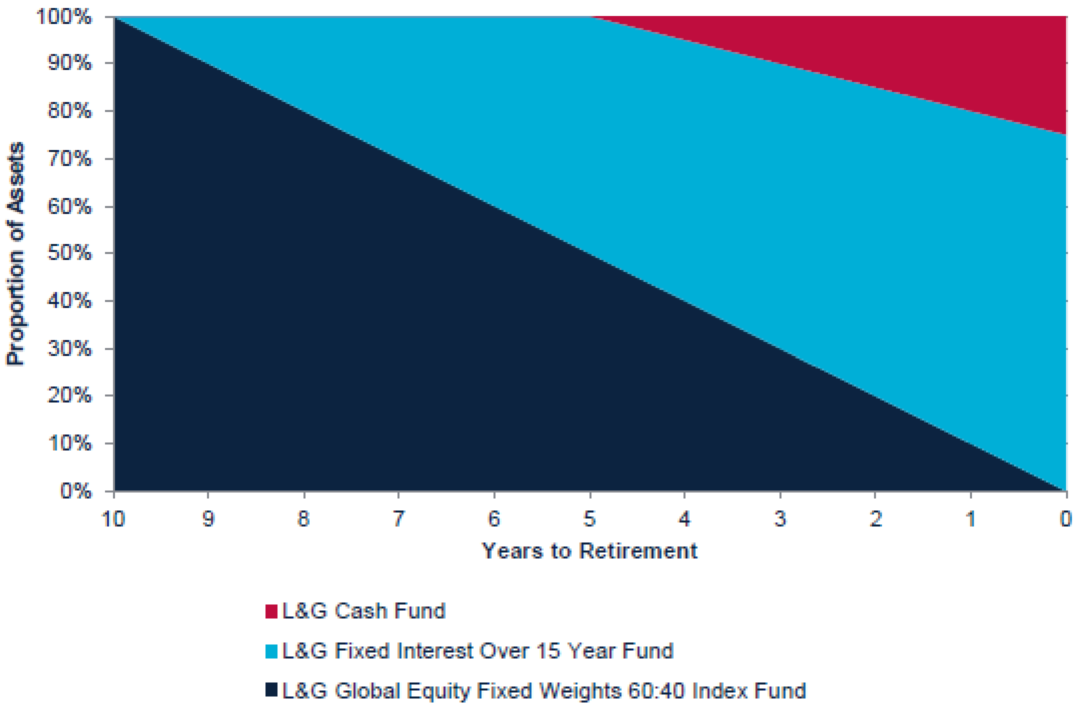
The Plan's DC benefits are subject to an Underpin at the point of retirement or transfer-out. When members draw their benefits (retire or transfer) they will receive the better of the value of their Retirement Account or the value of their Underpin.

Default arrangement

Members of the Plan who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee Directors with the advice of their Investment Consultant.

The default lifestyle strategy can be separated into two distinct phases. Initially, the lifestyle option aims to generate investment growth by investing in a Growth Fund – the L&G Global Equity Fixed Weights 60:40 Index Fund. 10 years prior to a member reaching the Normal Retirement Age ("NRA"), the Strategy enters a de-risking transitional phase; which involves a gradual switch of assets out of the Growth Fund into fixed interest bonds and cash. At the NRA, the Strategy returns an asset allocation of 75% L&G Fixed Interest Over 15 Year Targeted Duration Fund and 25% L&G Cash Fund.

The default arrangement targets long term growth whilst diversifying risks. The L&G Global Equity Fixed Weights 60:40 Index Fund is a passively managed fund which gains diversity through investing 60% of funds in the UK and the remaining 40% overseas. The 10 years leading up to the NRA are believed to be crucial by the Trustee Directors, therefore the transition from growth assets to protection assets are undertaken on a quarterly basis from this point, so that little reliance is placed on the market conditions on any one transition date. The graph below demonstrates the varying combinations of investment vehicles a member will hold approaching retirement.



By investing in this manner, the Trustee Directors expect to deliver growth over the members' lifetime within the Plan without excessive risk taking, by increasing its focus on volatility reduction in the final 10 years. The aim of the default strategy is to target annuities and cash.

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

The Trustee Directors continually monitor the performance of the Plan's investments throughout the year and receive quarterly performance reports from their advisors.

For the year to 31 March 2019, the default performed as follows:

Fund	Fund Return (%)	Benchmark Return (%)
L&G Global Equity Fixed Weights 60:40 Index	6.8	6.9
L&G Fixed Interest Over 15 Year Targeted Duration	3.7	7.8
L&G Cash	0.5	0.5

Source: L&G and net of fees.

The growth fund had the strongest return over the year, with the bond and cash funds being used to reduce volatility as members approach retirement. This is in line with the Plan's objectives to provide members with an investment strategy that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

Overall, the Trustee Directors are happy with the performance over the period covered by this statement.

On 14 June 2018 the Trustee Directors reviewed the default investment strategy. The new default strategy will replace the L&G Global Equity Fixed Weights 60:40 Index Fund allocations with the L&G Diversified Fund, a diversified growth fund ("DGF"). The reason for this change, despite the strong performance of the current default fund over recent years, is that the DGF has significantly lower risk than the LGIM Global Equity 60:40 Index Fund and invests in a far more diverse basket of asset classes including equities, corporate bonds, government bonds, and alternatives, and so the returns are far less reliant on equity markets, and the UK equity market in particular. The L&G Diversified Fund is expected to produce an equity like return over a full market cycle and employs a degree of tactical asset allocation, that is the investment manager has discretion to allocate capital to different asset classes depending on the investment managers views of the relative return and risk characteristics at different points in time, in an attempt to satisfy the objectives of the fund. The default arrangement will continue to target annuities and cash given the existence of a Defined Benefit ("DB") underpin and the Trustee Directors expect the new strategy to be in place by the end of 2019.

The current default arrangement is described in further detail in the Plan's Statement of Investment Principles (SIP) dated September 2019, a copy of which is submitted alongside this governance statement. The SIP will be reviewed as a minimum every three years or as soon as any significant developments in investment policy or member demographics take place.

The Trustee Directors have set up processes to publish relevant information on the default arrangement online at the following URL: **https://www.millenniumhotels.com/en/corporate/uk-pension-plan/** and will notify members about this in their annual benefit statements.

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

Processing Plan transactions

The Trustee Directors have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members.

These transactions are undertaken on the Trustee Directors' behalf by the Plan administrator, JLT Benefit Solutions Limited (JLT) and its investment manager Legal and General Investment Management. The Trustee Directors periodically review the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustee Directors have a service level agreement (SLA) in place with the Plan administrator which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. JLT produce quarterly stewardship (administration) reports and these are presented as each Trustee meeting. The reports are reviewed in detail and discussed with JLT to ensure standards are consistently met. The principle areas of the report are listed below:

- Work completed over the period and in progress e.g. forthcoming retirements, deaths, transfers etc.
- Financials (contributions and transactions summary)
- Compliance (complaints, compliments and disclosure)

The processes adopted by the Plan administrator to help meet the SLA include dynamics checklists, a central financial control team separate to the admin team, peer checking and authorisation of payments, automated reporting of late contributions, daily monitoring of bank accounts, daily checking and reconciliation of member unit holdings, a dedicated contribution processing team, and a peer review of investment and banking transactions. During the period covered by this statement, 99% of work was completed within the agreed service. There were no issues during the period relating to the processing of Plan transactions. The Trustees receive an annual Assurance Report on Internal Controls (AAF 01/06) from JLT which provides additional independently audited information about JLT's control environment and highlights any exceptions identified as part of the audit.

The Trustee Directors will also perform periodic assessments of methods and efficiency of the Plan's administrators and will challenge them in terms of efficiency.

JLT has standard processes in place for reporting errors and omissions to clients where not already notified by the standard reporting routines.

Based on the information provided by the Plan administrator, the Trustee Directors are satisfied that over the period covered by this statement:

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Plan year.

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustee Directors to disclose the charges and transactions costs borne by DC Plan members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. The Trustee Directors have taken account of statutory guidance when preparing this section of the statement.

In this context, "charges" means (subject to some specific exemptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. "Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

Transaction costs have been provided by the Plan's investment manager and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

Default Arrangement		
Fund	**TER (%)**	**Transaction Cost (%)**
L&G Global Equity Fixed Weights 60:40 Index	0.18	-0.01
L&G Fixed Interest Over 15 Year Targeted Duration	0.15	-0.07
L&G Cash	0.12	0.00

Source: L&G

This is lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustee Directors also make available a range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

Non-default Arrangements/Self-select Funds		
Fund	**TER (%)**	**Transaction Cost (%)**
L&G Global Equity Fixed Weights 60:40 Index	0.18	-0.01
L&G Fixed Interest Over 15 Year Targeted Duration	0.15	-0.07
L&G Cash	0.12	0.00
L&G Managed Property	1.05	-0.21
L&G Over 5 Year Index-Linked Gilts Index	0.10	0.03
L&G Ethical UK Equity Index	0.20	0.01

Source: L&G

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

The Trustee Directors note that the L&G Managed Property Fund has a TER of more than the 0.75% fee cap (noting that the fee cap of 0.75% does not apply to non-default arrangements such as this fund). Nevertheless, they are comfortable with the TER for the L&G Managed Property Fund because property funds typically carry additional fund expenses due to the fund's nature of directly investing in property rather than shares of property companies.

Overall, the Trustee Directors are comfortable that the costs for the default arrangement and self-select funds represent good value for members and are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies. More information on value for members is provided in the section of the statement headed "Value for members".

Cumulative effect of charges

Given the Plan has a significantly higher proportion of deferred members versus active ones, the compounding effect of charges on both sets of members' funds are illustrated below. The Trustee Directors have taken account of statutory guidance when preparing this section of the statement.

Illustrations for an "Average Active" member										
	Default Strategy **(most popular)**		**L&G Global Equity Fixed Weights 60:40 Index** ***(highest expected return fund)***		**L&G Over 5 Year Index-Linked Gilts Index** ***(lowest expected return fund)***		**L&G Managed Property** ***(most expensive fund)***		**L&G Cash** **(cheapest fund)**	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£51,915	£51,826	£51,915	£51,826	£49,418	£49,355	£51,243	£50,726	£49,514	£49,456
3	£59,245	£58,947	£59,245	£58,947	£51,307	£51,118	£57,031	£55,367	£51,598	£51,422
5	£66,895	£66,351	£67,157	£66,609	£53,153	£52,835	£63,116	£60,147	£53,643	£53,346
10	£82,852	£81,605	£89,803	£88,399	£57,582	£56,937	£79,732	£72,733	£58,581	£57,975
13 (retirement)	£88,754	£87,106	£105,624	£103,518	£60,117	£59,273	£90,748	£80,743	£61,430	£60,633
Total Fees	£1,504		£1,709		£902		£8,689		£843	

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

Illustrations for a "Deferred" member										
	Default Strategy (most popular)		**L&G Global Equity Fixed Weights 60:40 Index *(highest expected return fund)***		**L&G Over 5 Year Index-Linked Gilts Index *(lowest expected return fund)***		**L&G Managed Property *(most expensive fund)***		**L&G Cash (cheapest fund)**	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£13,855	£13,831	£13,855	£13,831	£13,179	£13,162	£13,673	£13,533	£13,205	£13,189
3	£14,958	£14,880	£14,958	£14,880	£12,872	£12,822	£14,376	£13,938	£12,949	£12,902
5	£16,148	£16,008	£16,148	£16,008	£12,572	£12,491	£15,114	£14,356	£12,697	£12,622
10	£18,423	£18,112	£19,555	£19,216	£11,854	£11,701	£17,131	£15,455	£12,090	£11,946
14 (retirement)	£18,968	£18,534	£22,790	£22,240	£11,308	£11,105	£18,936	£16,394	£11,625	£11,432
Total Fees	£387		£434		£219		£2,162		£205	

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

To put the above investment returns and charges into context, if a member's funds were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of an "Average Active" and "Deferred" member's pot at retirement would be £52,253 and £9,438 respectively in today's money.

Assumptions

The above illustrations have been produced for an "Average Active" member and a "Deferred" member of the Plan based on the Plan's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Plan retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Age	
• "Average Active" member	52 *(the average age of the Plan's active membership)*
• "Deferred" member	51 *(the average age of the Plan's deferred membership)*
Plan Retirement Age	65
Starting Pot Size	
• "Average Active" member	£48,456 *(the median pot size of the Plan's active membership)*
• "Deferred" member	£13,335 *(the median pot size of the Plan's deferred membership)*

THE CHAIRMAN’S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

Starting Salary • “Average” member	 £17,872 *(the median salary of the Plan’s membership)*
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Employer annual contributions	6.5% p.a.
Employee annual contributions	2.0% p.a.

Expected future nominal returns on investment:
• Default Strategy
  ○ L&G Global Equity Fixed Weights 60:40 Index
  ○ L&G Fixed Interest Over 15 Year Targeted Duration
  ○ L&G Cash
• L&G Global Equity Fixed Weights 60:40 Index
• L&G Over 5 Year Index-Linked Gilts Index
• L&G Managed Property
• L&G Cash
	
	4.0% above inflation
	0.2% below inflation
	1.0% below inflation
	4.0% above inflation
	1.2% below inflation
	2.6% above inflation
	1.0% below inflation

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

Value for members

The Trustee Directors have a good understanding of the membership demographics of the Plan and as such have a view as to what good member outcomes should look like for the Plan's members in aggregate and monitor value for members on an ongoing basis. The relevant legislation does not prescribe how the Trustee Directors should assess value for members; it is up to the Trustee Directors to develop their own assessment.

Whether something represents "good value" is not capable of being precisely defined, but for these purposes, the Trustee Directors consider that charges and transaction costs may be viewed as representing "good value" for members where the combination of costs and the quality of what is provided in return for those costs is appropriate for the Plan membership as a whole, when compared to other options available in the market.

The Trustee Directors understand that value for members does not necessarily mean selecting the cheapest offer and in their ongoing reviews of value for members they consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of Plan governance, fund management and performance of the funds. The Trustee Directors focus on good governance ensuring the Plan is compliant with relevant legislation and holding at least quarterly meetings to monitor the Plan, ensure good governance and address any material issues that may impact members. The Trustee Directors also ensure that administration is carried out efficiently. Members receive clear and concise member communications that set out the details of the benefit options available to them).

All of the funds used by the Plan are generally highly rated by the Trustee director's investment advisors as having good prospects of achieving their objectives, and the performance of funds are reviewed quarterly. With this in mind, the Trustee Directors have assessed the fees disclosed above and are satisfied that they have negotiated a good deal for members and that the stated explicit charges for the Plan's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of plans with a similar membership profile. The Trustee Directors believe that members have received good value with the fund performances against their objectives. With member outcomes being the heart of the investment strategy review carried out over the year, the Trustee Directors will be formally assessing value for members in 2020.

The Trustee Directors have set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds publicly online and will notify members about this in their annual benefit statements.

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

Additional Voluntary Contributions (AVCs)

The Trustee Directors also make available a facility to members to pay in additional contributions to boost DB and DC benefits. The facility is provided via Prudential, Equitable Life Assurance Society, Friends Provident Life and Pensions, and Zurich Assurance. Below are the available funds together with associated fees:

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
Prudential Deposit	0.75*	n/a
Equitable Life With-Profits	1.01**	0.04
Equitable Life Managed	0.75	0.13
Zurich With-Profits	0.50***	n/a
Aviva Pension BlackRock Over 15 Year Corporate Bond Index Tracker	0.65	0.05
Aviva Pension BlackRock Over 5 Year Index-Linked Gilt Index Tracker	0.65	0.01
Aviva Pension BlackRock UK Equity Index Tracker	0.65	0.05
Aviva Pension Cash	0.65	0.00
Aviva Pension Global Equity	0.68	0.16
Aviva Pension Pacific Basin	0.65	n/a
Aviva Pension Pre-retirement Fixed Interest	0.65	0.08
Aviva Pension UK Equity	0.67	-0.05

*Runs in line with the Bank of England base rates. Therefore the current interest rate is 0.75%.

**As at 31/12/2018.

***Approximation for the 2018 calendar year.

Prudential, Zurich and Aviva were unable to provide the transaction costs applicable to some of the funds above but the Trustee Directors will continue to challenge them to obtain the required information.

Trustee Directors' knowledge and understanding

The Plan's Trustee Directors are required to maintain appropriate levels of knowledge and understanding. The Trustee Directors have measures in place to secure compliance with the legal and regulatory requirements regarding their knowledge and understanding including funding and investment matters, pensions and trust law. This, together with the professional advice available, enables the Trustee Directors to exercise their functions and run the Plan properly and effectively.

All the Trustee Directors have a working knowledge of the Plan's trust deed and rules, Statement of Investment Principles (SIP) and other documents setting out the Trustee's current policies. Regular reference is made to these documents in managing the Plan and at trustee meetings. Trustee meetings are attended by advisers and the Trustee Directors consult advisers (such as legal and investment advisers) where appropriate on technical issues.

The Trustee Directors are all experienced and long-serving and so have good knowledge of the operation and governing documentation of the Plan. A number of Trustee Directors currently hold or have held senior positions within the Principal Employer and bring experience in financial, legal and business-related matters to the trustee board.

All of the existing Trustee Directors have completed the Pension Regulator's Trustee Toolkit. A self-assessment of training needs to help identify any knowledge gaps is due to be scheduled for Q2 2020. No knowledge gaps were identified during the year.

THE CHAIRMAN'S STATEMENT REGARDING DEFINED CONTRIBUTION (DC) GOVERNANCE: 6 APRIL 2018 – 5 APRIL 2019 (CONTINUED)

New Trustee Directors are required to complete the Pension Regulator's Trustee Toolkit in its entirety within six months of taking up office. No new Trustee Directors were appointed during the period covered by this statement.

A Trustee training log is maintained in line with best practice and the training programme is reviewed regularly to ensure it is up to date and that the Trustee Directors have the appropriate knowledge and understanding. Over the last year, the Trustee Directors have received training and guidance from their advisers on:

- the new SIP requirements, to incorporate responsible investment considerations into the SIP by 1 October 2019,
- their DC investment strategy to consider suitability of default arrangement in the context of pension freedoms; and
- the Plan's AVCs, including an assessment of the considerations around charges, value for money and suitability

Throughout the Plan year the Trustee Directors have demonstrated a working knowledge of the trust deed and rules when receiving advice from professional advisors to support them in governing the Plan in line with the trust deed and rules, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. The Trustee Directors took advice on unclaimed benefits for a death, DC Code of Practice and AVCs. The Trustee Directors also include legislative updates and Trustee Knowledge and Understanding on their agenda for each of their meetings.

Throughout the year the Trustee Directors demonstrated that they are conversant with and have a working knowledge of all documents setting out the Trustee Directors' current policies by dealing with issues as they arose with the exercise of Trustee discretions being one example. The DC governance checklist is in place and reviewed at meetings, together with a risk register for the Plan. Regarding demonstrating sufficient knowledge and understanding of the law relating to pensions and trusts, the Trustee Directors receive documents covering current pension issues at meetings, attend webinars and conferences on an ad hoc basis and reviewed whether the AVCs provided are still suitable for members. Legal issues are discussed at meetings where the Plan's legal advisor is in attendance.

By reviewing the DC strategy and DGF managers over the year, and with the Plan's investment advisers attending every meeting to support the decision making, the Trustee Directors have demonstrated that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustee Directors consider that they are well placed to properly exercise their functions as Trustee Directors of the Plan. While most pension schemes simply focus on trustee training and use of advisers, the Trustee Directors believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour, otherwise trustees cannot be certain that a pension scheme remains fit for purpose.

The Chair's statement regarding DC governance was approved by the Trustee Directors and signed on their behalf by:

Jonathan Grech

Mr Jonathon Grech
Chair of the Millennium & Copthorne Pension Trustee Limited, Trustee of the Millennium & Copthorne Pension Plan
Date: 4 November 2019