THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 06 APRIL 2020 – 05 APRIL 2021

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 Plans – DC).

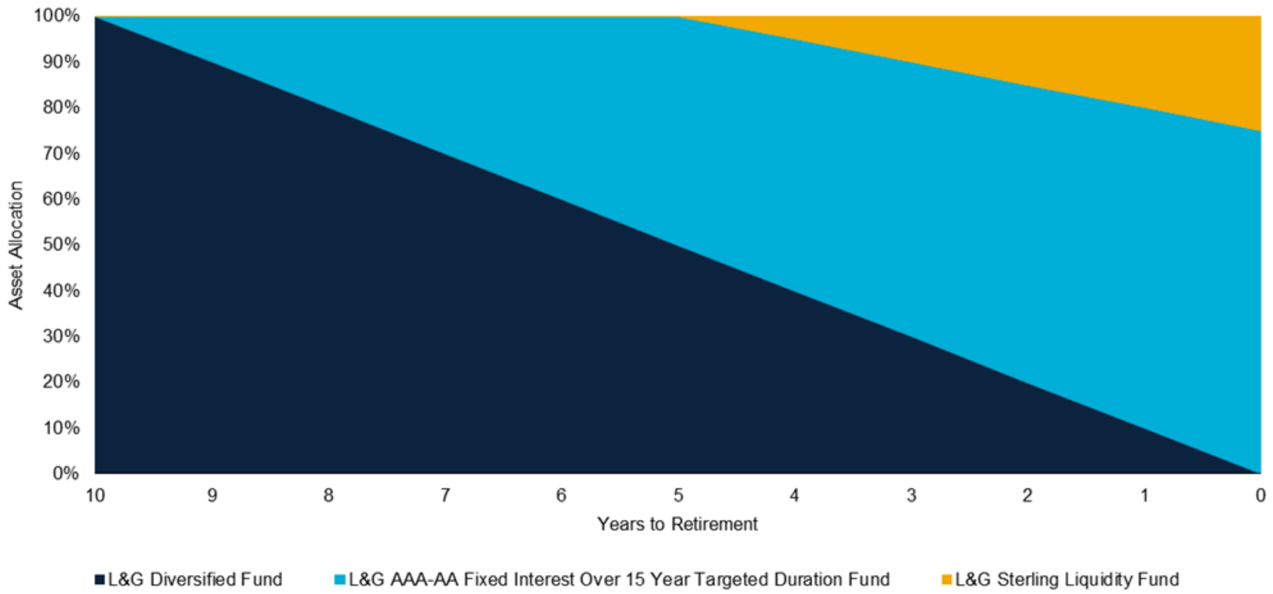
Default arrangement

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 with the advice of their Investment Consultant.

The default investment strategy was last reviewed by the Trustee along with its investment consultants on 12th October 2018, with the new strategy being implemented with effect from November 2020. In determining the investment strategy, the Trustee undertook extensive investigations and explicitly considered the demographics of the Plan as well as the trade-off between risk and expected returns when establishing the balance between different kinds of investments.

The new default lifestyle strategy can be separated into two distinct phases. Initially, the lifestyle option aims to generate investment growth by investing in the L&G Diversified Fund. 10 years prior to a member reaching their Target Retirement Age ("TRA"), the strategy enters a de-risking transitional phase; this involves a gradual switch of assets out of the L&G Diversified Fund into the L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund and then the L&G Sterling Liquidity Fund. When a member reaches their TRA they will have 75% and 25% of their savings invested in each of these funds respectively. The default continues to target annuity purchase given the existence of a Defined Benefit ("DB") underpin.

The default arrangement targets long-term growth whilst diversifying risks. The L&G Diversified Fund is a multi-asset fund which invests in a diverse array of passively-managed asset classes including equities, corporate bonds, government bonds, and alternatives and aims to produce an equity-like return but with reduced volatility over a full market cycle. The 10 years leading up to the TRA are believed to be crucial by the Trustee, therefore the transition from growth assets to more defensive 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 lifestyle strategy can be illustrated using the following chart:



By investing in this manner, the Trustee expects 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 annuity purchase.

The Trustee continually monitors the performance of the Plan's investments throughout the year and receive quarterly performance reports from their advisors. The Trustee is happy with the performance of the default strategy over the period covered by this statement.

As well as the changes to the default strategy, the Trustee also added some further funds to the list of self-select options to give members greater choice when self-selecting. These included the L&G All World Equity Index Fund, the L&G World Emerging Market Equity Index Fund, L&G Diversified Fund and the L&G Sterling Liquidity Fund.

The current default arrangement is described in further detail in the Plan's Statement of Investment Principles (SIP) dated December 2020, a copy of which is submitted alongside this governance statement. As outlined in the SIP, the Trustee's main objective is to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement. The default investment strategy and 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 has set up processes to publish relevant information on the default arrangement online and will notify members about this in their annual benefit statements.

Processing Plan transactions

The Trustee has 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, switches between different investments within the Plan and payments to and in respect of members.

These transactions are undertaken on the Trustee's behalf by the Plan administrator, Mercer Limited, and its investment manager Legal and General Investment Management. The Trustee periodically reviews the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustee has 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. 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 four eyes checking of investment and banking transactions. During the period covered by this statement, approximately 90% of work was completed within the agreed service, an improvement on previous years. The Trustee will continue to monitor the performance of the administrator closely.

We continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer.

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

In light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Plans (Plan Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustee 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. We have taken account of statutory guidance when preparing this section of the report.

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 the 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:

Fund	TER (%)	Transaction Cost (%)
L&G Diversified Fund	0.32	0.001
L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	0.15	-0.061
L&G Sterling Liquidity Fund	0.14	-0.149

Source: L&G. Transaction Costs cover the year to 31 March 2021.

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

The Trustee also makes 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:

Fund	TER (%)	Transaction Cost (%)
L&G All World Equity Index Fund	0.20	-0.007
L&G Ethical UK Equity Index Fund	0.21	0.024
L&G World Emerging Markets Equity Index Fund	0.46	0.019
L&G Diversified Fund	0.32	0.001
L&G Managed Property Fund	0.86	0.187
L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	0.15	-0.061
L&G Over 5 Year Index-Linked Gilts Index Fund	0.10	0.025
L&G Sterling Liquidity Fund	0.14	-0.149

Source: L&G. Transaction Costs cover the year to 31 March 2021.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

Cumulative effect of charges

Using the charges and transaction cost data provided by the relevant parties and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance has been considered when providing these examples and the DB AVC investment options have also been considered.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in a selection of significant funds within the Plan. The funds we are required to illustrate to represent the fund range (with the specific fund within the Plan in brackets) are:

- The fund or strategy with the most members invested (*the Default Strategy*)
- The most expensive fund (*L&G Managed Property Fund*)
- The least expensive fund (*L&G Over 5 Year Index-Linked Gilts Index*)
- The fund with the highest expected return (*L&G All World Equity Index Fund*)
- The fund with the lowest expected return (*L&G Sterling Liquidity Fund)*

To illustrate the impact of charges on a typical active member's pension pot, we have provided examples below. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation.

"Average" member illustrations										
	Default Strategy (*most popular*)		**L&G Managed Property Fund** *(most expensive fund)*		**L&G Over 5 Year Index-Linked Gilts Index** *(least expensive fund)*		**L&G All World Equity Index Fund** *(highest expected return fund)*		**L&G Sterling Liquidity Fund** *(lowest expected return 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	£49,281	£49,125	£48,927	£48,506	£47,301	£47,226	£49,517	£49,418	£47,273	£47,208
3	£54,872	£54,376	£53,898	£52,561	£48,853	£48,628	£55,815	£55,489	£48,770	£48,574
5	£59,980	£59,144	£59,045	£56,687	£50,353	£49,978	£62,497	£61,904	£50,215	£49,890
7	£64,451	£63,294	£64,374	£60,885	£51,802	£51,279	£69,585	£68,682	£51,610	£51,156
10	£69,475	£67,915	£72,721	£67,321	£53,886	£53,142	£81,035	£79,577	£53,612	£52,967
12 (retirement)	£71,513	£69,762	£78,533	£71,707	£55,217	£54,327	£89,253	£87,356	£54,889	£54,118

"Youngest" member illustrations										
	Default Strategy *(most popular)*		**L&G Managed Property Fund** *(most expensive fund)*		**L&G Over 5 Year Index-Linked Gilts Index** *(least expensive fund)*		**L&G All World Equity Index Fund** *(highest expected return fund)*		**L&G Sterling Liquidity Fund** *(lowest expected return 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	£49,281	£49,125	£48,927	£48,506	£47,301	£47,226	£49,517	£49,417	£47,273	£47,208
3	£55,044	£54,537	£53,898	£52,561	£48,853	£48,627	£55,815	£55,489	£48,770	£48,574
5	£61,099	£60,188	£59,045	£56,686	£50,353	£49,978	£62,497	£61,904	£50,215	£49,890
10	£77,611	£75,425	£72,721	£67,321	£53,886	£53,142	£81,035	£79,576	£53,612	£52,967
15	£96,294	£92,394	£87,636	£78,429	£57,130	£56,023	£102,526	£99,858	£56,721	£55,765
20	£115,249	£109,330	£103,903	£90,032	£60,108	£58,649	£127,441	£123,135	£59,568	£58,308
25	£126,108	£118,786	£121,644	£102,151	£62,844	£61,040	£156,323	£149,849	£62,174	£60,621
27 (retirement)	£127,230	£119,653	£129,183	£107,148	£63,874	£61,936	£169,125	£161,609	£63,154	£61,486

Assumptions	
The above illustrations have been produced for an "Average" member of the Plan based on the Plan's membership data. Illustrations have also been done for the "Youngest" member of the Plan using the same assumptions as the "average" illustrations but using the age of the Plan's youngest member. 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.	
Age	
• "Average" member	53 *(the average age of the Plan's active membership)*
• "Youngest" member	38 *(the youngest member of the Plan)*
Plan Retirement Age	65
Starting Pot Size	£46,505 *(the median pot size of the Plan's active membership)*
Starting Salary	£18,766 *(the median salary of the Plan's active membership)*
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Employer annual contributions	6.5% p.a. *(the average rate for the Plan's membership)*
Employee annual contributions	2.0% p.a. *(the average rate for the Plan's membership)*

Expected future nominal returns on investment:	
• Default Strategy	
○ L&G Diversified Fund	2.5% above inflation
○ L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	0.75% below inflation
○ L&G Sterling Liquidity Fund	1.75% below inflation
• L&G World Emerging Markets Equity Index Fund	3.0% above inflation
• L&G Over 5 Year Index-Linked Gilts Index	1.75% below inflation
• L&G Managed Property	1.75% above inflation

Value for members

The Trustee monitors value for members on an ongoing basis and has a good understanding of the membership demographics of the Plan and what good member outcomes should look like for the Plan's members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds.

All of the funds used by the Plan are approved by our investment advisors as having good prospects of achieving their objectives, and the performance of funds is reviewed and discussed at least quarterly. The Trustee also takes into account forward looking considerations such as market outlook and the advisor's expectations of manager performance. The same applies with the efficiency of administration services, which are also discussed quarterly.

Bearing all this in mind, the Trustee carried out a formal value for members assessment for the 12-month period covered by this statement. The law require trustees to calculate at least annually all member-borne charges and, where possible, transaction costs, and to assess the extent to which they represent good value for members. A scheme offers value where the costs and charges deducted from members' pots or contributions provide good value in relation to the benefits and services provided, when compared to other options in the market. It does not necessarily mean low cost. The statutory requirements focus only on charges and costs borne by members. For the Plan, this covers investment management costs which are the most prominent part of our analysis. The governance and administration costs of the Plan are met by the Sponsoring Employer.

The assessment considered three key areas: Price, Performance and Productivity, covering factors such as investment fees, investment performance and non-investment items such as administration, governance and communications with members. The assessment concluded that overall the Scheme was offering **good value** to members across all three of the areas considered.

- In relation to the Price Assessment area, charges are competitive relative to peers and alternative investment platforms and investment manager fees are challenged by the Trustee where necessary.
- Regarding the Performance Assessment area, most funds have met their long term objectives, and any manager performance issues are given due attention by the Trustee, with action taken as deemed necessary.
- Lastly, in relation to Productivity, softer elements of value remain strong. In particular, the Plan has a strong governance structure in place and administration and governance costs are met by the Sponsoring Employer.

The Trustee Directors will formally assess value for members again next year.

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

Additional Voluntary Contributions (AVCs)

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

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
Prudential Deposit Fund	-	-
Utmost Life Managed Fund	0.75	0.021
Utmost Life Multi-Asset Cautious	0.75	0.000
Utmost Life Multi-Asset Moderate	0.75	0.000
Utmost Life Multi-Asset Growth	0.75	0.000
Zurich 90:10 With-Profits Fund	0.50	-
Aviva Pension Cash	0.65	0.000
Aviva Pension Global Equity	0.65	0.135
Aviva Pension Pacific Basin	0.65	0.066
Aviva Pension Pre-retirement Fixed Interest	0.65	0.000
Aviva Pension UK Equity	0.65	0.193

Source: AVC providers. Transaction Costs cover the year to 31 March 2021.

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

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 Codes of Practice 07 and 13.

All the Trustee Directors are required to familiarise themselves with the Plan's trust deed, rules and governing documents. The Trustee Directors take these requirements seriously and undertake training throughout the year, which is recorded on a log held by their advisers. All of the existing Trustee Directors have completed the Pension Regulator's Trustee Toolkit and new Trustee Directors are expected to complete this within six months of appointment.

During the year and shortly thereafter, areas of training and development have included:

- Detailed consideration of covenant matters at four out of the five Trustee meetings in 2020 and engagement with an independent covenant advisor culminating in a report delivered in March 2021
- Guaranteed Minimum Pension training (15 June 2021)
- Investment Asset Class training (22 June 2021)
- Multi-Asset Credit portfolio training (22 June 2021)
- Management of the Plan's risks and maintenance of the Risk Register (at each meeting)
- The provisions of the Rules and legislation with respect to implementing a Flexible Apportionment Arrangement (at each meeting)
- Current issues within the pension industry (at each meeting).

The Trustee Directors consider their training needs at every meeting and have added to their business plan an assessment of their effectiveness for 2021/22. They have scheduled cyber risk training for Q1 2022 as part of a dedicated governance meeting.

During the year covered by this statement, the Trustee updated the Plan's Statement of Investment Principles (SIP) to reflect its policies on financially material considerations and in doing so demonstrated a working knowledge of this document. The Trustee Directors review the Plan's Governance Report and Business Plan (including a separate DC Governance checklist) at every meeting and make updates when necessary, thereby demonstrating a working knowledge of the other documents outlining their policies.

During the year the Trustee Directors continued to apply their working knowledge of the trust deed & rules in considering and exercising their discretion for a number of death cases. In addition, in conjunction with their legal advisers, the Trustee Directors reviewed in detail the provisions of the Rules in connection with the ongoing Flexible Apportionment arrangement negotiations with the sponsor. The Trustee Directors receive professional advice from Mercer as their actuarial and investment consultant and Pinsent Masons as their appointed legal advisors, both of whom attend every regular Trustee's meeting; the Trustee Directors therefore feel they have a working knowledge of the law relating to pensions.

Taking account of all these points and actions taken individually and as a Trustee body, the Trustee Directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational schemes and are enabled to properly exercise their functions as Trustee of the Plan.

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

Ms Val Simpson
Chair of the Trustee Board
7 October 2021