

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE FOR THE MILLENNIUM & COPTHORNE PENSION PLAN – DC SECTION 06 APRIL 2021 – 05 APRIL 2022

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).

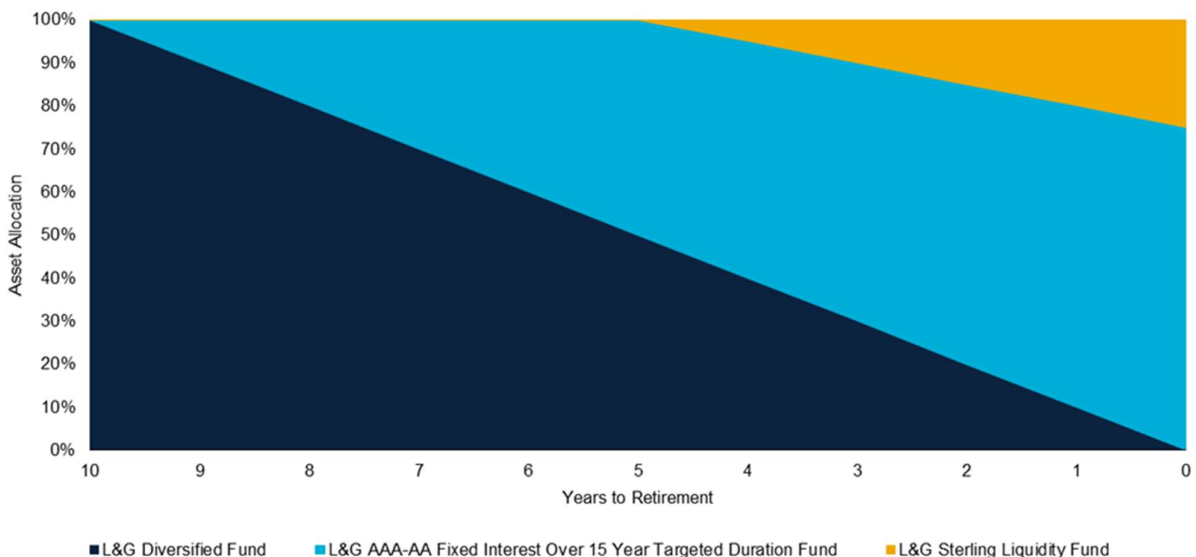
Default arrangement

Members of the Plan who do not wish to make their own selection of funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant. This arrangement is designed to be appropriate for the typical member of the Plan.

The default investment strategy was last reviewed by the Trustee along with its investment consultants, with the new strategy being implemented with effect from 8 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 strategy is also designed to

give members a broad level of protection against changes in annuity prices following a change in bond yields. 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 receives quarterly performance reports from their advisers. The Trustee is happy with the performance of the default strategy over the period covered by this statement and is comfortable that the performance is still consistent with the aims and objectives of the default strategy.

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 (available here: <https://media.millenniumhotels.com/Live/8/E/4/8E44A561-EBDB-4D96-8325-49BD52703C86/Millennium%20%20Cophorne%20DC%20SIP%20December%202020%20final.pdf?r=201211041900>), the Trustee's default lifestyle strategy, comprised of three funds managed by L&G, operates with the main objective 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 latest updates to the default investment strategy were implemented in November 2020, following an investment strategy review of the DC section of the Plan. The default investment strategy and the SIP should be reviewed as a minimum every three years or as soon as any significant developments in investment policy or the demographic profile of relevant members take place.

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 (but are not limited to) 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. These service level standards are noted in the table below.

Work Type	Service Standard
Benefit Quotation	10 Working Days
Benefit Payments	5 Working Days
Death Benefit Quotation	2 Working Day
General Member Correspondence	10 Working Days
Invoice Payment	20 Working Days
Investment / Disinvestment Request	5 Working Days

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 peer review of investment and banking transactions.

During the period covered by this statement, approximately 92% of work was completed within the agreed service, an improvement on previous years. There were no further issues during the Scheme Year relating to the processing of Plan transactions. The Trustee will continue to monitor the performance of the administrator closely.

The Trustee continues to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer. The Trustee reviews the quarterly administration reports in detail at quarterly Trustee meetings. These routine reports include a detailed breakdown of the tasks that the administrators have carried out over the previous quarter and the performance for each type of task against individual SLAs. The reports also include reference to any complaints and status updates on any ongoing project work. The Trustees then consider whether performance against the service levels and other criteria is acceptable and discuss any outstanding issues with Mercer, as required. .

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

Subject to the matters discussed above, all core financial transactions have been processed promptly and accurately during the Scheme Year. 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. The Trustee has 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	0.33	-0.028
L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	0.15	-0.038
L&G Sterling Liquidity Fund	0.14	-0.014

Source: L&G. Transaction Costs cover the year to 31 March 2022.

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 Diversified Fund	0.33	-0.028
L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	0.15	-0.038
L&G Sterling Liquidity Fund	0.14	-0.014
L&G All World Equity Index Fund	0.20	-0.003
L&G Ethical UK Equity Index Fund	0.21	0.038
L&G World Emerging Markets Equity Index Fund	0.47	0.028
L&G Managed Property Fund	1.09	-0.249
L&G Over 5 Year Index-Linked Gilts Index Fund	0.10	0.021

Source: L&G. Transaction Costs cover the year to 31 March 2022.

It is recognised that one of the funds above exceeds the 0.75% charge cap, however this cap only applies to the default arrangements under legislation. This fund has a higher TER as it is actively managed and invested in illiquid direct property, whereas most other funds in the Plan are passively managed and invest in listed securities.

The Trustee is 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. The Trustee's assessment of value for members is discussed further in a later section of this statement.

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 the Trustee is required to show the effect on a member's savings of investment in a selection of significant funds within the Plan. The funds the Trustee is 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 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						
Years from now	Default Strategy (most popular)		L&G Managed Property Fund (most expensive fund)		L&G Sterling Liquidity Fund (least expensive fund)	
	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£49,044	£48,882	£48,690	£48,159	£47,273	£47,209
3	£53,694	£53,206	£53,142	£51,475	£48,769	£48,578
5	£57,642	£56,846	£57,707	£54,800	£50,213	£49,896

7	£60,754	£59,685	£62,386	£58,135	£51,606	£51,164
10	£63,652	£62,276	£69,626	£63,156	£53,607	£52,979
11 (retirement)	£64,119	£62,676	£72,100	£64,835	£54,251	£53,561
“Youngest” member illustrations						
	Default Strategy (most popular)		L&G Managed Property Fund (most expensive fund)		L&G Sterling Liquidity Fund (least expensive 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
1	£49,044	£48,882	£48,690	£48,159	£47,273	£47,209
3	£54,276	£53,754	£53,142	£51,475	£48,769	£48,578
5	£59,719	£58,789	£57,707	£54,800	£50,213	£49,896
10	£74,309	£72,129	£69,626	£63,156	£53,607	£52,979
15	£90,418	£86,614	£82,310	£71,574	£56,714	£55,782
20	£104,366	£98,895	£95,806	£80,053	£59,559	£58,332
25	£108,930	£102,612	£110,167	£88,594	£62,164	£60,650
26 (retirement)	£108,605	£102,247	£113,148	£90,309	£62,658	£61,088

Assumptions

The above illustrations have been produced for an “Average” member of the Plan based on the Plan’s membership data as at 5 April 2021. 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	
<ul style="list-style-type: none"> • “Average” member • “Youngest” member 	<p>54 (<i>the average age of the Plan’s active membership</i>)</p> <p>39 (<i>the youngest member of the Plan</i>)</p>
Plan Retirement Age	65
Starting Pot Size	£46,505 (<i>the median pot size of the Plan’s active membership</i>)
Starting Salary	£18,760 (<i>the median salary of the Plan’s active membership</i>)
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Employer annual contributions	6.5% p.a. (<i>the average rate for the Plan’s membership</i>)

Employee annual contributions	2.0% p.a. <i>(the average rate for the Plan's membership)</i>
Expected future nominal returns on investment:	
<ul style="list-style-type: none"> • Default Strategy <ul style="list-style-type: none"> ○ L&G Diversified Fund ○ L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund ○ L&G Sterling Liquidity Fund • L&G Managed Property 	4.50% before inflation 0.75% before inflation 0.75% before inflation 3.75% before inflation

Return on Investments

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for trustees of 'relevant' occupational pension schemes.

From 1 October 2021 trustees of all relevant pension schemes are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information must be recorded in the annual chair's statement and published on a publicly accessible website.

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Plan year.

Lifestyle strategy	Annualised returns to 5 of April 2022 (%)					
	Age of member	1 year	5 years	10 years	15 years	20 years
	25	5.8	5.5	7.6	5.0	3.7
	45	5.8	5.5	7.6	4.4	2.7
	55	5.0	3.7	5.6	*	*

Source: LGIM

*Performance data not available for these time periods due to inception date of funds

Performance shown net of all charges and transaction costs. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown.

Members are invested in the L&G Diversified Fund of the lifestyle when they are 25, 45 and 55.

Self-select Funds	Annualised returns to 5 of April 2022 (%)		
	1 year	5 years	10 years
L&G Diversified Fund	5.8	5.5	*
L&G AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	-7.8	1.1	5.1
L&G Sterling Liquidity Fund	0.0	0.3	0.4
L&G All World Equity Index Fund	12.4	10.7	*
L&G Ethical UK Equity Index Fund	12.9	4.8	7.4

L&G World Emerging Markets Equity Index Fund	-4.0	4.9	5.5
L&G Managed Property Fund	22.0	6.5	7.4
L&G Over 5 Year Index-Linked Gilts Index Fund	4.8	3.1	6.5
L&G Diversified Fund	5.8	5.5	*

Source: LGIM

*Performance data not available for these time periods due to inception date of funds

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 advisers 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 adviser'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 requires trustees to calculate at least annually all member-borne charges and, where possible, transaction costs, and to assess the extent to which the Plan delivers value for members across three key areas. 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.

This year's review is based on the new regulatory requirements for value for members assessments for "small schemes", explained below. Our analysis was split between three key areas, as required under the regulations:

1. **Costs and charges** - Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
2. **Net investment performance** - Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.
3. **Governance and administration** - Standalone assessment of the Plan's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest

These areas are consistent with the three P's (as explained on the following slide) we have used in previous year's assessments, which we have adapted slightly to allow for the more prescriptive requirements going forward.

The assessment concluded that overall the Scheme was offering **good** value to members across two of the three 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 resulting in a rating of "good"

- 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. This results in a rating of “reasonable”.
- Lastly, in relation to Productivity, softer elements of value remain strong resulting in a rating of “good”. In particular, the Plan has a strong governance structure in place and administration and governance costs are met by the Sponsoring Employer.

In addition, the Plan has a GMP underpin, meaning that members will receive the higher of their DC pot or their GMP. This is a valuable benefit for members and gives a further boost to the value the Plan offers to members.

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*	-	0.080
Aviva Pension Cash	0.65	0.000
Aviva Pension Global Equity	0.65	0.165
Aviva Pension Pacific Basin	0.65	0.057
Aviva Pension Pre-retirement Fixed Interest	0.65	0.012
Aviva Pension UK Equity	0.65	0.145

Source: AVC providers. Utmost was unable to provide the transaction costs to the funds above for the reporting period so Transaction costs cover the year to 31 March 2021. Prudential have confirmed that there are no TERs or Transaction Costs associated with the Prudential Deposit Fund. The Zurich With Profits 90:10 shows Transaction costs as at 31 December 2021. The fund is a traditional with profits fund and, as such, does not have an explicit TER/AMC as charges are not explicitly set out.

Trustee’s 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.

The Chair of the Trustee is a qualified actuary and three of the Trustee Directors are experienced and long serving trustees, with backgrounds in finance and HR.

All the Trustee Directors have a working knowledge of the Plan’s trust deed and rules, the 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 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 2021/22, areas of training and development have included:

- Guaranteed Minimum Pension training (15 June 2021)
- Investment Asset Class training (22 June 2021)
- Multi-Asset Credit portfolio training (22 June 2021)
- tPR Code of Practice training (7 December 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).

In addition to this training, the Trustee Directors met with one of the investment managers, LGIM to gain understanding of their approach to environmental, social and governance beliefs. This is part of a program of discussions with investment managers.

In order to ensure that they keep up to date with relevant developments, the Trustee Directors consider their training needs at every meeting and identify any knowledge gaps. No other knowledge gaps were identified during the Scheme Year. The Trustee Directors are due to carry out an assessment of their effectiveness in 2022 and have added this to their business plan. The intention is that each of the Trustee Directors will complete a questionnaire which will be analysed by Mercer for further discussion and action where appropriate.

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 and 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 at their trustee meetings in detail the provisions of the Rules in connection with the ongoing Flexible Apportionment arrangement negotiations with the sponsor. The Trustee Directors have also considered the operation of the DB underpin as part of discussions about the future of the Plan.

The Trustee Directors receive professional advice from Mercer as their actuarial and investment consultant and Pinsent Masons as their appointed legal advisers, both of whom attend every regular Trustee's meeting. As a result of the above, the Trustee Directors 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, and combined with advice from their professional advisers, the Trustee Directors consider that they have sufficient knowledge and understanding of the trust deed and rules and governing policies of the Plan, 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.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee[s] to the best of my knowledge. 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

Date: