

LAPORTE GROUP PENSION TRUST

GOVERNANCE STATEMENT

**The Laporte Group Pension Trust
Chair's Annual Governance
Statement 2021 (1 April 2020 – 31
March 2021)**

This statement has been prepared by the Trustee of the Laporte Group Pension Trust ('the Trust') to demonstrate how the Trust has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations') set out the minimum governance standards expected of defined contribution (DC) pension schemes. The Pensions Regulator (tPR) has also published its expectations of DC pension schemes in a Code of Practice.

These standards are applicable to additional voluntary contributions under the Trust and two sections of the Trust:

- the Laporte Money Purchase Pension Fund (LMPF); and
- the Laporte Retirement Plan (LRP).

The Trust is not used as a qualifying auto enrolment scheme and there are no workers in relation to the employer from

6 April 2015. Consequently, the Trust has never operated a default investment arrangement.

This statement covers the period 1 April 2020 to 31 March 2021 ('the Trust Year') and covers the following key areas:

1. The Trust's investment strategy;
2. The processing of core financial transactions;
3. Charges and transaction costs;
4. An assessment of the value the Trust provides to members;
5. Maintaining the Trustee's knowledge and understanding.

Investment strategy

General investment principles

The Trustee has in place a Statement of Investment Principles (SIP) which governs the decisions about investments and sets out the aims and objectives of the Trust's investment strategy. The Trustee's general investment objectives are as follows:

- To offer a range of funds that are suitable for meeting members' long and short-term investment objectives.
- To give consideration to members' circumstances, in particular, the potential range of members' attitudes to risk and their term to retirement.
- To offer lifestyle arrangements for those members who would prefer to take a more 'hands off' approach to their investments.

A copy of the Trust's SIP is appended to this Statement and is also available on the Trust website

www.psgovernance.com/communications/laporte-group-pension-trust

Investment strategy

The Trust does not (and has never) operated a default investment arrangement, however, the Trustee has nevertheless sought to adopt the Regulator's best practice principles in formulating its wider investment strategy. This has included detailed analysis of members' retirement outcomes, risk and return profile and choices at retirement. The last formal strategic review of the Trust's investment strategy was undertaken in September 2017 and subsequently completed in February 2018. Following this review, the Trustee concluded that the existing lifestyle options and self-select fund range remained suitable for members' needs as they continued to match the members' broad risk profile and retirement objectives.

At the time of writing, the Trustee is part way through its 2021 strategic review which commenced in Q1 2021 and is scheduled to conclude in Q3 2021. Following the initial phase of the review (which followed the same detailed approach as the 2017/2018 review), the Trustee is satisfied that the current investment options remain broadly appropriate, however, it is now investigating whether to enhance these with a number of changes. These currently include:

- The installation of a drawdown focussed 'hands off' investment strategy option
- Rebalancing the global equity fund distribution
- Integrating sustainable/ESG aligned funds into the strategy to improve risk adjusted returns.

Full details on the actions taken from this review will be reported in the next Chairman's Statement in 2022.

The Trust previously had a legacy policy with Equitable Life, which following the acceptance of a proposal to remove the guarantee was moved to Utmost Life on 1 January 2020. In the last reporting period, the Trustee invested significant time and resource evaluating the suitability of Utmost as an ongoing provider for members. Having worked with its advisers, the Trustee felt that member value and longer-term retirement income prospects would be enhanced by transitioning these assets to the Fund's arrangement with Legal & General. The assets were therefore transferred from Utmost to Legal

& General towards the end of 2020.

Investment Monitoring

The Trustee delegates the monitoring and review of investments to the Investment Committee, which met quarterly over the reporting period to consider DC investments. The Investment Committee takes investment advice from professional advisers to ensure that suitable and appropriate decisions are made.

Performance of the Investment Managers (including the legacy With-profits Funds with Aviva and Clerical Medical) is monitored against the agreed performance objectives and quarterly reports on fund performance are received. Over the reporting period, the Trustee was satisfied that the available funds were performing in line with their objectives over quarterly, one, three and five year periods and had tracked their benchmark indices within acceptable tolerances. The Trustee also noted the uncertain investment market conditions that were seen over the reporting period as a result of the Covid-19 pandemic (and took this into consideration when transitioning assets from Utmost to Legal & General).

The vast majority of the Trust's investments are held through an insurance policy structure with Legal & General Assurance (a UK authorised and regulated insurer). Legal & General is required to ensure that there is appropriate protection for policyholders via an assessment of solvency and the Trustee notes that the assets are held by independent custodians. In addition, protection is offered by way of a floating charge which will provide the policyholders with priority over the

pooled assets for the value of their units. Furthermore, the Trustee understands it would be eligible in certain circumstances to make a claim under the Financial Services compensation Scheme in the highly unlikely event that Legal & General were declared "in default".

This package of overarching safeguards gives the Trustee significant comfort as to the security of the defined contribution assets.

Financial transactions

The Trustee regularly monitors the core financial transactions of the Trust which are carried out by the Trust's administrator, XPS Administration. These include transfers into and out of the Trust, fund switches and payments out of the Trust to and in respect of members. This is achieved through the review of quarterly reporting from the Trust's administrator. The Trustee has a Service Level Agreement (SLA) with the administrator which covers the timeliness and accuracy of all core transactions and requires them to be made at least within statutory timescales. The quarterly Administration reports are tabled and considered at each Trustee meeting and contain detailed reporting on activity and performance against SLAs, including a specific section on the accuracy and promptness of processing core financial transactions. A representative from XPS administration attends each quarterly main board meeting to present and discuss the latest report.

XPS ensure the accuracy of core financial transactions through process-oriented procedures and peer review of any transaction which occurs, ensuring transactions are processed with the greatest accuracy. These procedures include bank accounts being monitored daily and multiple individuals checking all investment and banking transactions.

Fund switching requests for members choosing to invest in the self-select funds are actioned within two working days of the request and the instruction passed to the investment managers. De-risking of member holdings in line with the two lifestyle strategies (Pension / Cash lifestyle and Cash Lifestyle) are undertaken on a quarterly basis at the start of the first month of every quarter (January, April, July, October).

The SLAs in respect of the core financial transactions are 90% - 100% of tasks completed in the following timeframes:

Transaction	Service standard (working days)
Death correspondence/payments	5
Investment change / switch	2
Pay retirement benefits	5
Transfer in	10
Transfer out disinvestment	5

The quarterly reports also contain a section on reporting on errors and provide full transparency of the issue, root cause analysis and any remedial actions that are taken.

Over the reporting period, the Trustee can confirm that:

- The DC quarterly performance against service level targets for all DC tasks have been between 56.4% - 76.1% over the reporting period.

The Trustee recognises that a key contributing factor to this year's underperformance in SLAs has been the significant level of project work that it has required to be undertaken and corresponding impact on day to day tasks. The effects of the Covid-19 pandemic on working practices has also continued to impact on service delivery.

The Trustee would also note that the SLA level scores are easily skewed due to the relatively small number of overall tasks undertaken per quarter.

XPS have indicated that SLA levels could remain low through Q2 2021 due to the large amount of project work currently being undertaken on behalf of the Trustee. The Trustee recognises and accepts this and will continue to monitor this performance closely via each quarterly report in 2021/22.

- There have been 3 DC member complaints over the period, which equates to less than 1% of the overall membership, all of which have been settled. There were 2 administration errors recorded over the period, neither of which were material at a scheme level.

Both errors were satisfactorily rectified by XPS.

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XPS Administration also invite informal feedback from all members who are drawing benefits from the Trust. This feedback was collated and included within the Q4 2020 administration report. The feedback during the reporting period has been very positive, with several respondents commenting favourably on the efficient and helpful service received (particular given the impact of the pandemic).

Based on the above the Trustee is satisfied that the majority of core financial transactions were processed promptly and accurately during the year. It accepts that administration performance has dipped below where it would wish it to be, however, it also recognises that the reporting period was exceptional both in terms additional project work requiring significant administration resource and the continued affects of the Covid pandemic. The Trustee accepts that SLA performance is likely to remain below target for the majority of 2021 but will continue to monitor this carefully and work in concert with XPS to manage its workload and not unduly impact unduly on the prompt and accurate payment of members' benefits.

Charges and transaction costs

For the purpose of this section "charges" are defined as the ongoing annual investment charges, which consists of the Annual Management Charges plus additional fund expenses (e.g. for custody, but excluding transaction costs – see below) that make up the Total Expense Ratio. The Trustee has taken account of statutory guidance when preparing this section of the statement.

Transaction costs are those incurred by the investment managers as a result of buying, selling, lending or borrowing investments and are usually taken into account via the unit price for each of the funds. Transaction costs are typically categorised as being explicit costs or implicit costs.

- Explicit costs are directly observable and include broker commissions and taxes
- Implicit costs cannot be observed in the same way but can also result in a reduction in the value of capital invested.

Implicit costs include market impact or delay costs as well as inflows to a fund, both of which can also result in a gain for a fund (i.e. negative transaction cost).

These investment expenses are paid by the members and the Trustee regularly monitors the fund charges to ensure they remain reasonable and represent good value for members (considered in more detail in the next section).

The current Total Expense Ratios and aggregate transaction costs for the period from 1 April 2020 to 31 March 2021 for the funds available for selection by members during the Trust Year are set out in the table below, based on information supplied by Legal & General.

Fund name	Total Expense Ratio (% p.a. of account value)	Aggregate transaction costs (% of fund p.a. as at 31 March 2021)
L&G Global Equity (30:70) Index	0.20%	0.04%
L&G Ethical Global Equity Index	0.30%	-0.01%
L&G UK Equity Index	0.10%	-0.02%
L&G World (ex-UK) Equity Index	0.22%	-0.01%
L&G Diversified Fund	0.20%	0.00%
L&G Fixed Interest Over 15 Years Targeted Duration	0.15%	-0.06
L&G Pre-Retirement	0.15%	0.04%
L&G Over 5 Year Index Linked Gilt Index	0.10%	0.03%
L&G Cash Fund	0.13%	0.00%

The Trust offers two lifestyle strategies, a Pension and Cash targeting Lifestyle and a Cash targeting lifestyle. These lifestyle strategies are constructed using the above funds (highlighted in purple), and, as such, the charges members pay depends on the period of time until their selected retirement date.

The Trustee appointed a specialist consultancy, XTP, to specifically analyse the L&G Fund costs and charges (including the transaction costs) over the reporting period. This report concluded that costs/charges paid by members were in a very competitive range.

The charges applying during this period (1 April 2020 – 31 March 2021) for the small legacy with-profits arrangement with

Aviva are wrapped up within the bonus declaration and not explicitly published.

The Trustee continues to monitor Aviva's annual bonus declaration and communicate this to members. The Trustee will continue to liaise with its legacy with-profit fund provider over the coming year to obtain future details on costs & charges as and when these are available.

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to produce a "£ and pence" illustration showing the cumulative effect of costs and charges over an illustrative period of scheme membership. Illustrations for both sections of the Trust, the Laporte Money Purchase Pension Fund (LMPPF) and the Laporte Retirement Plan (LRP) can be found in Appendix 1 of this statement and have been prepared by the Trustee having taken account of the relevant Statutory Guidance.

Value for members

The Trustee remains committed to ensuring that members receive value for the services provided by the Trust and review this on an annual basis. Members only meet the costs associated with the management and delivery of the Trust's investment options. All other Trust expenses (such as administration, communication and general scheme governance) are met by the Company.

In June 2021, the Trustee undertook its annual overarching value for members' assessment, considering its legal obligations and the expectations within the Pension Regulator's DC Code of Practice. The conclusions from this assessment were evaluated alongside the reporting information at the end of Q1 2021, in to consider member value over the reporting period.

The Trustee's assessment is based on the framework set out on the Pensions' Regulator's 'how to' guide and focussed on

'what members pay for' but also considered the wider value offered by features of the Trust. The process followed consideration of:

- The 'value' of the charges members were paying in comparison to similar schemes and relevant market comparators (provided by its advisers Willis Towers Watson and XTP).
- Identification of the scope and quality of the services members receive in the areas of investment, administration and communications and an evaluation of the performance of those services based on the member need and the charges incurred.
- Additional 'broader' value, i.e. the value of services members receive for which they do not bear the cost.

As part of the value review, the Trustee has reviewed the investment charges (the only charge members pay for). The Willis

Towers Watson FTSE 350 DC survey 2021 illustrates that the average charge for trust-based schemes is 0.33% p.a. and the Trustee also took into consideration the current charge cap is set at 0.75%. Accordingly, the charges under the Trust remain very competitive, ranging from 0.10% - 0.30% p.a.

This view was supported by the review undertaken by XTP. Having assessed the total cost of ownership, XTP concluded that the Trustee had achieved a competitive fee structure for its members.

The majority of members are invested in the 30/70 Global Equity Fund which has an investment charge of 0.20% p.a. The Trustee is pleased to report that the Trust's appointed fund manager, Legal & General continues to be a highly rated, leading investment manager for 'passive' (i.e. index-tracking) investments and that all investments had performed in line with their objective over the period. The Fund also returned net annual performance of 41% over the reporting period.

The Trustee's value for members assessment also considered the broader value offered through the Scheme. This included an evaluation of the quality of the Trust communication, administration and overarching governance framework. This identified several additional key features offered by the Trust for which members do not meet the cost but were considered to add value in terms of meeting members' needs and enriching their experience. These included:

- A suite of member communications, periodic investment announcements and reminders, together with access to a member website containing the following tools and functions:
 - Dashboard showing years until retirement and projected pension at retirement based on last year's statements
 - Ability to see basic details and make changes to address and expression of wishes
 - Ability to review current fund value and the split of that value by fund
 - Online investment switches
 - Salary, contribution and investment history is available
 - Online Benefit statements (with hard copies also posted to members)
 - Bespoke retirement and investment guides are available online and are circulated when there are any strategic changes
 - A pension modeller for retirement planning
 - Quick links for ombudsman and state pension information
- A comprehensive governance strategy which incorporates an annual assessment against the Pensions Regulator's DC Code of Practice No. 13 to ensure all legal requirements are met.
- A good quality and closely monitored administration service – acknowledging that SLA performance had seen a slight downgrading of this aspect from 'Good' to 'Sufficient' for the reporting period.

Based on the above, the Trustee is satisfied that the Trust provides members with good member value. The Trustee will continue to monitor value for members annually but will also keep value in mind on an ongoing basis.

Trustee's knowledge and understanding (TKU)

The Trustee has a strong TKU process in place which enables it to have enough knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of pension schemes. The Trustee Directors' knowledge and experience, together with the advice available to them, enables them to properly exercise their functions as Trustee.

The Trustee Director's approach to meeting the TKU requirements and activities during the reporting period included:

- Over two separate sessions on 9 and 24 March 2021, the Trustee undertook detailed training prepared by its DC investment adviser (Willis Towers Watson) covering the evolution and current landscape of DC investment strategy, integrating ESG factors and a recap on the Pension Regulator's principle guidance in setting investment strategy. This served as a precursor to the investment strategy review.

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- Topical updates are also covered by the Trust's advisers at each Investment Committee and Trustee meeting. Over the reporting period, these have included sessions on:
 - DWP pension guidance
 - Retirement support for members
 - The forthcoming pensions dashboard
 - The DWP consultation on DC consolidation and charge cap proposals
 - Simpler annual DC benefits statements
 - DC governance responsibilities

- Periodic assessments of Trustee Director's training needs is undertaken through self-evaluation supported by the Trustee's advisers. As part of every Trustee meeting, the Trustee considers upcoming activities, identifies any knowledge gaps and organises appropriate training from its advisers before entering into decision making. This

was evaluated during the reporting period during the 9 March 2021 Trustee meeting, where the Trustee Chair led a review of TKU and Board effectiveness. This considered the adequacy of Scheme documents, budgeting, monitoring of advisers and structure and succession planning of the Trustee. The review concluded that the Trustee Board was working effectively (as was evidenced by the extensive activities during 2020) and no significant changes were required. The Trustee also felt that its knowledge was being kept up to date and there were no significant gaps identified.

- The Trustee Board has remained stable over the reporting period (and for many years prior to this), however where necessary, new trustees will receive specific training upon joining. This would be facilitated by the Chairman, the Trustee's advisers and with reference to the Regulator's TKU toolkit.
- All training and attendance at appropriate seminars is recorded via the Trust's training log. Several Directors attended various external conferences run by industry experts over the reporting period. These included topics such as Investment pathways, the future of DC saving and the impact of climate changes.
- All Trust documents are easily accessible and referenced in advance of decisions being taken. Any material decisions are taken with reference to the scheme documents which include the trust deed and rules, current SIP and governance policy documents. This ensures the Trustee maintains its working knowledge of these documents. During the reporting period, the Trustee reviewed and updated the content of the SIP and ensured that its quarterly investment monitoring framework was well aligned with its objectives.
- The Trustee receives general updates from their advisers about matters relevant to the Trust. These 'hot topics' updates also form the basis for training slots at each meeting to keep the Trustee abreast of market/legislative developments.
- The Trustee maintains a business year planner with the support of its advisers which sets out the key activities and objectives for the scheme year – this document has been updated over the reporting period by the Trustee's advisers to include more detail. It is tabled and evaluated at each Trustee meeting in conjunction with the Trustee's advisers to ensure the Trustee is meeting its performance and effectiveness objectives for the Scheme year.
- The Trustee has set its investment consultant several strategic investments in line with the Competition and Markets Authority (CMA) guidance which provide a thorough framework for reviewing the investment consultant's performance. These objectives are reviewed and assessed annually with feedback provided to the advisers.
- The above framework and associated activity collectively ensures the Trustee's knowledge of the law relating to pensions and trusts, as well as principles relating to funding and investing are effectively maintained.

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The Trustee also obtains advice from its actuary, lawyer, covenant adviser and investment advisers. All advisers are regularly reviewed and the skills and understanding of those advisers is considered as part of any review/appointment process.

The Trustee chair is Colin Marsh representing PSGS Trust Corporation Limited, a company providing professional independent trustee services. Colin holds accreditation from the Pension Management Institute (PMI) as a professional Trustee.

As a result of the processes outlined above, the Trustees are satisfied that their combined TKU, together with the advice available to them, enables them properly to exercise their functions as Trustees of the Trust.

Statement of compliance

I confirm that the Trustee is comfortable that the Trust has met the relevant and applicable minimum governance standards as defined in the Occupational Pension Scheme (Charges and Governance) Regulations during the period from

1 April 2020 to 31 March 2021.

Signed by the Chair on behalf of the Trustee of the Trust:

Date:30 September 2021

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Appendix 1 - illustrative example of effect of charges and transaction costs

The following tables give a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. The figures are presented using two member examples for each scheme; youngest member, and median member. Additionally, the table includes the performance of the funds over different time periods,

applying SMPI assumptions, depending on the age of the member.

Laporte Money Purchase Pension Plan	Projection period (years)	L&G Global Equity (30:70) Fund		L&G Ethical Global Fund		L&G Cash Fund		L&G Over 5 Year Index Linked Gilt Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member	1	£3,600	£3,600	£3,600	£3,600	£3,400	£3,400	£3,400	£3,400
	3	£3,900	£3,900	£3,900	£3,800	£3,300	£3,300	£3,300	£3,300
	5	£4,200	£4,100	£4,200	£4,100	£3,200	£3,200	£3,100	£3,100
	10	£4,900	£4,800	£4,900	£4,800	£3,000	£3,000	£2,800	£2,800
	15	£5,900	£5,700	£5,900	£5,600	£2,800	£2,700	£2,500	£2,400
	20	£7,000	£6,600	£7,000	£6,600	£2,600	£2,500	£2,200	£2,200
	25	£8,300	£7,800	£8,300	£7,700	£2,400	£2,300	£2,000	£1,900
Median member	1	£6,400	£6,400	£6,400	£6,400	£6,100	£6,100	£6,100	£6,100
	3	£6,900	£6,800	£6,900	£6,800	£5,900	£5,900	£5,800	£5,800
	5	£7,400	£7,300	£7,400	£7,300	£5,700	£5,700	£5,500	£5,500
	10	£8,700	£8,500	£8,700	£8,500	£5,300	£5,300	£5,000	£4,900
	11	£9,100	£8,800	£9,100	£8,800	£5,300	£5,200	£4,900	£4,800

Laporte Retirement Plan	Projection period (years)	L&G Global Equity (30:70) Fund		L&G Ethical Global Fund		L&G Cash Fund		L&G Over 5 Year Index Linked Gilt Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member	1	£12,400	£12,400	£12,400	£12,400	£11,800	£11,800	£11,700	£11,700
	3	£13,300	£13,200	£13,300	£13,200	£11,500	£11,400	£11,200	£11,200
	5	£14,300	£14,100	£14,300	£14,000	£11,100	£11,100	£10,700	£10,600
	10	£16,900	£16,500	£16,900	£16,400	£10,300	£10,200	£9,600	£9,500
	15	£20,100	£19,400	£20,100	£19,200	£9,600	£9,400	£8,600	£8,400
	20	£23,900	£22,800	£23,900	£22,500	£8,900	£8,600	£7,700	£7,400
	25	£28,400	£26,800	£28,400	£26,400	£8,200	£8,000	£6,900	£6,600
	29	£32,500	£30,400	£32,500	£29,900	£7,700	£7,500	£6,300	£6,000
Median member	1	£60,700	£60,500	£60,700	£60,500	£57,700	£57,600	£57,300	£57,200
	3	£65,000	£64,500	£65,000	£64,400	£56,000	£55,800	£54,800	£54,500
	5	£69,600	£68,800	£69,600	£68,600	£54,300	£54,000	£52,400	£52,000
	10	£82,700	£80,800	£82,700	£80,300	£50,400	£49,700	£46,900	£46,200
	14	£94,900	£91,800	£94,900	£91,000	£47,400	£46,600	£42,900	£41,900

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Assumptions and notes:

1. Projected pension account values are shown in today's terms.
2. Costs/charges that are shown as a monetary amount and reductions are made halfway through the year.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
4. Charges and costs are deducted before applying investment returns.
5. Inflation is assumed to be 2.5% each year.
6. No additional contributions are assumed.
7. Values shown are estimates and are not guaranteed.
8. The real projected growth rates for each fund are as follows:

Fund	Gross real return
L&G Global Equity (30:70) Fund	3.50%
L&G Ethical Global Fund	3.50%
L&G Cash Fund	-1.50%
L&G Over 5 Year Index Linked Gilt Fund	-2.20%

9. Transactions costs and other charges have been provided by Legal & General and cover the period 01 April 2018 to 31 March 2021. Transaction costs have been averaged by WTW using a time-based approach. The transaction costs for Blended funds were estimated by WTW based on the transaction costs for the underlying funds.
10. Pension scheme's normal retirement age is 65.
11. Example members for LMP
 1. Youngest: age 40, total contribution: nil, starting fund value: £3,500.
 2. Median: age 54, total contribution: nil, starting fund value: £6,200.
12. Example members for LRP
 1. Youngest: age 36, total contribution: nil, starting fund value: £12,000.
 2. Median: age 51, total contribution: nil, starting fund value: £58,600.

Transaction cost data - Where we have been provided with negative transaction costs, we have used a zero cost to reflect this. Negative costs are a feature of price movements in a fund as members trade in and out of the fund, and are not a reflection of explicit costs paid by members. Because of this, it is not expected that transaction costs for the affected fund(s) will always be negative. Reporting of transaction costs has only recently been introduced and we will

be building up more information in this area in the future which will enable us to provide more meaningful transaction cost information over longer periods. It is important to note that using a negative or zero cost during any one scheme year may not accurately represent the actual transaction costs a member may expect to see in any future scheme year.