

DC Governance Statement for The Ecovert Pension Scheme

Defined Contribution Section

July 2021

1) Introduction

As Trustee of the Ecovert Pension Scheme (the 'Scheme'), we have reviewed our systems, processes and controls across key governance functions and consider that they are consistent with those set out in The Pensions Regulator's DC Code of Practice:

- Code of practice 13 updated July 2016: Governance and administration of occupational defined contribution trust-based schemes and
- Regulatory guidance for defined contribution schemes.

Based on our assessment and subject to the explanations set out below we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members at retirement. This also encompasses an assessment of Value for Members.

The Trustee considers that while 'Value for Members' means different things to different people, good performance across five core elements would ensure that members do receive value for money.

These five core elements are:

- Default investment arrangement
- Service and administration
- Charges and costs, including illustrated impact
- Communications and engagement
- Trustee knowledge and understanding

This statement covers the period from 6 April 2020 to 5 April 2021 and is publicly accessible on this website.

<https://www.saur-uk.com/about/eovert-pension-scheme/>

This is the fifth Chair's Statement covering the DC Section of the Scheme.

2) Default investment arrangement

The Scheme provides members of the DC section with a single investment option. This is a 'lifestyle strategy'. A lifestyle strategy automatically changes the investment approach as the member gets closer to retirement, so that the investments carry less

risk and reflect the way in which the member is likely to use their pension account on retirement. It has four component funds:

Fund	Charge
Legal & General Ethical Global Equity Fund	0.30% pa
Legal & General Multi-asset Fund	0.26% pa
Legal & General Retirement Income Multi-asset Fund (RIMA)	0.37% pa
Legal & General Cash Fund	0.125% pa

During the growth phase, the lifestyle strategy solely utilises the L&G Ethical Global Equity Fund and L&G Multi-asset Fund. During the 9 years prior to the member reaching their retirement date, the investment strategy is gradually switched out of the L&G Ethical Global Equity Fund and L&G Multi-asset Fund in to the L&G RIMA Fund and the L&G Cash Fund such that at retirement, 25% is invested in the Cash Fund and 75% is invested in the RIMA Fund.

The Trustee believes that environmental, social and governance ('ESG') factors are financially material and have considered how these factors are managed as part of their fiduciary duty. The Scheme makes an investment in an Ethical Global Equity Fund throughout the growth phase. The Trustee will consider how the investment strategy can further incorporate ESG during the next review of the default arrangement in 2022.

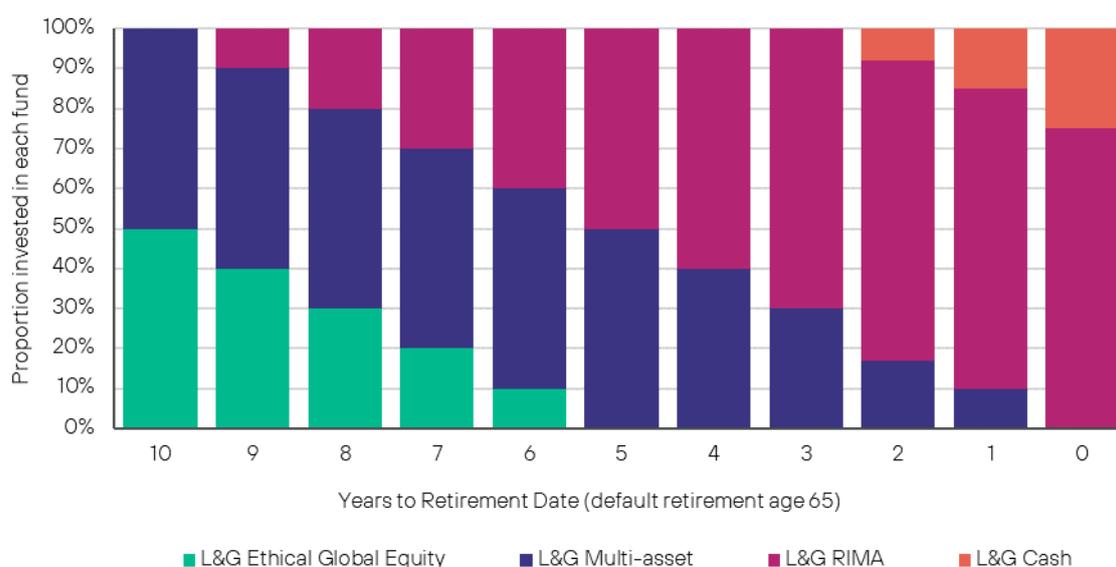
The Scheme's Statement of Investment Principles ("SIP") was reviewed by the Trustee in detail with support from their advisers and implemented in September 2019. The SIP is appended to this Statement. It will be reviewed by the Trustee at least every 3 years, or after any major change to the membership. The SIP states the Trustee's attitude to investment risk, how the Trustee believes ESG factors play a part in the Scheme, and the objectives of the default investment strategy.

Investment monitoring is undertaken by the Trustee with regular/monthly reporting from L&G. This ensures that any volatile or unexpected movements in the investment strategy agreed by the Trustee can be investigated and discussed with advisers and L&G.

The default strategy was last reviewed in detail in February 2019, resulting in several changes. The next review of the default investment arrangement will take place in 2022.

The proportion invested in each fund is illustrated below:

Default strategy



3) Requirements for processing core financial transactions

The Trustee considers that core financial transactions are an important part of the administration of the Scheme, and include:

- Investment of contributions
- Transfer of members' assets to and from the Scheme
- Switches between investments in the Scheme (if available)
- Payments out of the Scheme, to and in respect of members.

The core administration function for the Scheme is undertaken by Isio (previously KPMG Pensions and Investment Advisory team). A Service Level Agreement with Isio is in place which covers the accuracy and timeliness of all core financial transactions. This assists the Trustee in the quarterly monitoring of administration performance over the Scheme year.

The Trustee monitors core financial transactions via a quarterly administration report presented to the Trustee at each meeting by the administrators. This enables the Trustee to ensure member requests are dealt with promptly and accurately throughout the year.

Member complaints over the year have been dealt with appropriately and followed-up closely by the Trustee in each instance.

The expertise of Isio as advisers and administrators to the Scheme is detailed in their Report on Internal Controls dated 30 June 2019 and is accepted by the Trustee.

Through the monitoring outlined above the Trustee considers that the Scheme's core financial transactions have been processed promptly and accurately during the year.

4) Charges and costs

Costs borne by Members are reviewed regularly and fall within the government's charge cap of 0.75% per annum. These costs are made up from the charges levied by the investment managers for the administration and management of the DC funds. The Total Expense Ratio (TER) for the investment profile in place as at 5 April 2021 ranges from 0.13% pa to 0.37% pa.

Charges to the DC Section of the Scheme made by advisers are tightly controlled. An annual budget is agreed in advance with the administrators and the Employer and reviewed at each of the regular Trustee meetings. Whilst these are not payable by members, this ensures that the costs are continually considered to minimise wherever possible for the benefit of Members and the background Employer.

Details of transaction costs as at 5 April 2021 can be seen below.

Fund Description	Underlying Fund	TER (% pa)	Transaction Costs 2019 (% pa)	Transaction Costs 2020 (% pa)	Transaction Costs 2021 (% pa)	Average Transaction Cost (% pa)	Average Total Costs (% pa)
Default strategy	L&G Ethical Global Equity	0.30	0.01	0.00	0.00	0.00	0.30
	L&G Multi-Asset	0.26	0.01	0.04	0.03	0.03	0.29
	L&G RIMA	0.37	0.04	0.04	0.00	0.03	0.40
	L&G Cash	0.13	0.00	0.00	0.00	0.00	0.13

Source: Investment managers and Isio calculations.

Notes: We have used the average transaction cost in our illustrations. Where the average transaction costs for a Fund is negative, we have assumed the transaction charge of 0.00%.

The Trustee calculated the total costs by combining the average transaction costs with the TERs for each fund.

Illustrated impact of costs and charges

Following DWP consultation on new measures to improve the disclosure of costs, charges and investments in occupational DC schemes, the Trustee has illustrated the impact of such costs on a representative member's cumulative fund value to retirement.

The FCA published a consultation regarding the disclosure of implicit costs. The consultation brought clarity to how pension scheme trustees are to treat transaction costs, where annual transaction costs may result in a negative figure, effectively uplifting fund values. The Trustee has incorporated the FCA's response into the projections shown below, insofar that negative transaction costs are assumed to be 0%.

The Pensions Regulator allows trustees to exercise their discretion in selecting example members. The Trustee has reviewed the Scheme membership and elected to illustrate a typical, non-contributing member of the arrangement, projected over

the longest duration to retirement for members in the Scheme and an average member with median age and median pension pot size.

Youngest Member (deferred)

- The typical youngest member is assumed to have a starting fund value of £24,500
- A starting age of 36
- A retirement age of 65 and
- Is invested in the default strategy.

Projected fund values are shown in today's terms and do not need to be reduced for the effect of inflation.

Projected pension pot in today's money – youngest member		
Age	Before Charges (£)	After all costs and charges deducted (£)
36	£24,918	£24,846
39	£25,776	£25,553
41	£26,664	£26,280
46	£29,019	£28,190
51	£31,583	£30,239
56	£34,323	£32,386
61	£36,309	£33,705
65	£36,796	£33,687

Average Member (deferred)

- The typical average (median) member is assumed to have a starting fund value of £16,500
- A median age of 54
- A retirement age of 65 and
- Is invested in the default strategy

Projected pension pot in today's money – average member		
Years from 5 April 2021	Before Charges (£)	After all costs and charges deducted (£)
54	£16,782	£16,733
57	£17,285	£17,130
59	£17,700	£17,430
64	£18,294	£17,704
65	£18,272	£17,624

Assumptions:

1. Inflation is assumed to be 2.5% p.a.
2. Rebalancing is assumed to occur annually
3. Real return assumptions (gross of fees) for funds used in the lifestyle are shown below:
 - L&G Ethical Global Equity Fund: 2.0% p.a.

- L&G Multi-asset Fund: 1.5% p.a.
- L&G RIMA Fund: 0.5% p.a.
- L&G Cash Fund: -2.0% p.a.

The Trustees note that the new disclosures require further projections to be shown for the funds with the lowest and highest charges and the funds with the highest and lowest return expectations. However, as intimated on page 1 of this Chair's Statement, the only option available to members is to invest in the default lifestyle strategy and investing in the component underlying funds on a self-select basis is not an available option for members.

5) Value for Members

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme.

The Trustee has established a governance scorecard to help determine value for members using the five core elements outlined on page 1. The Trustee believes the area that members value most is a high-quality default investment strategy. The scorecard is maintained by the Trustee and considered at each of the regular Trustee meetings. The Trustee:

- has decided not to offer a range of investment options to members. This is deemed appropriate, given the nature of the membership and the relative size of each member's retirement account.
- retains responsibility for the investment of members' pension accounts and employs fund managers to invest the money in a range of securities within an agreed risk profile. Day to day selection of stocks is delegated to the fund manager appointed by the Trustee. The Trustee takes professional advice when formally reviewing managers or funds offered to members.
- considers risk management and the recognition of potential risks within the Scheme at each meeting of the Trustee. It has established a Risk Register covering such areas as investment management, fund manager performance, funding issues and employer covenant. This ensures that the Trustee is able to consider market and legislative changes on a regular basis to protect members' Value for Money;
- considers the overall governance of the Scheme to ensure that proper and effective management is in place and performing in accordance with the Rules of the Scheme;
- considers communications with members to ensure that members receive relevant and appropriate information in an understandable way on a timely basis; and

- continually revisits its understanding of its responsibilities to members.

Following the introduction of the new pensions flexibilities, the Trustee has implemented changes to the Scheme's Rules to ensure that appropriate options are available to members on reaching retirement, including the ability to transfer their pot out of the Scheme to take advantage of income drawdown.

The style and nature of all communications with members is regularly reviewed to ensure that clear and understandable information about the Scheme and the options available to them is provided to members on a timely basis. For example, when members reach retirement age they will receive a pack of information that includes contact details with appropriate independent bodies that might provide guidance.

A detailed annual covenant review is undertaken with the background employers as well as the Guarantor – Saur SAS. This review seeks to establish whether their financial strength and capability continues to be able to support the agreed deficit and operational cost contributions that are made on an agreed and regular basis. Also, a view can be taken on whether the Guarantor could honour their guaranteed obligations should they be called upon to do so.

Trustee competencies are considered and discussed at the regular Trustee meetings. The Trustee directors are each reminded of the benefits available to them in reviewing the online Trustee Toolkit.

Considering the above actions taken to evaluate Value for Members, the Trustee believes that the Scheme provides value.

A further formal assessment of the actual value for members is expected to be undertaken this year.

6) Trustee Knowledge and Understanding

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee Director must:

- be conversant with the trust deed and rules of the Scheme, the Scheme's statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally, and
- have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee's approach to meeting the trustee knowledge and understanding requirements throughout the year included:

- Meeting periodically with DC advisers in attendance, to ensure they remain abreast of key issues and developments;
- All Trustee Directors are expected to have completed the DC related modules of the Pensions Regulator's toolkit;
- The Trustee Directors perform an annual self-evaluation assessment to consider their training needs, as well as reviewing generally their knowledge and understanding at meetings.

During the year the Trustee Directors have received several bite-sized training sessions as part of the regular Trustee meetings, on topics such as:

- DC governance;
- Cash equivalent transfer values;
- Implementation statement.

The Trustee Directors have a broad range of pensions and commercial skills developed over many years which ensures that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.

All the Trustee Directors are familiar with the current Scheme governing documentation, including the trust deed and rules (together with any amendments), the SIP and key policies and procedures.

The Trustee has an appointed legal counsel with an appropriate level of competence to support the needs of the Scheme. This confidence is evidenced by the good quality of support received by the Trustee over several years.

The knowledge and experience of each Trustee Director, together with the advice and regular education sessions via their advisors enables them to properly exercise duties as trustee directors of the Scheme. Considering the training the Trustee Directors have undertaken over the year, they believe that the requirement to stay up to date with their training needs has been met.

Signed on behalf of the Trustee

Chair

Date:

Appendix SIP