CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023

Annual governance statement by the Chair of Trustees for the year ending 30 September 2023

Introduction

Governance standards apply to defined contribution pension arrangements like the Defined Contribution Section (DC Section) of our pension scheme. These standards are designed to help members achieve a good outcome from their pension savings.

As Chair of the Trustees of the Konica Minolta Business Solutions (UK) Pension Plan, I have to provide you with a yearly statement which explains what steps the Trustees (with guidance from our professional advisers) have taken to meet these standards. The information included in my statement is set out in law and regulation.

The Trustees are committed to having high governance standards and we meet regularly to monitor the controls and processes in place in connection with the DC Section's investments and administration. In addition to the standard Trustee meetings, Governance Sub Committee meetings are held concentrating on administration and governance issues.

The Trustees have included the return on investments (after the deduction of any charges and transaction costs paid for by the members). We have done this for the default investment arrangement and for each investment fund that members are currently able to select (and any historic investment funds in which members have been invested during the year). The net returns to the year ending 30 September 2023 have been included to help members understand how their investments are performing.

The majority of DC assets under management in the Plan are invested in the DC Section and so the Trustees have applied a proportionate approach to meeting the relevant governance standards. In practice, this means that the Trustees have taken a more detailed quantitative approach to reviewing benefits in the DC Section, while the legacy DB Section AVC arrangements have received more of a 'light touch' review, particularly in assessing value for members.

I welcome this opportunity to explain what the Trustees do to help to ensure the DC Section is run as effectively as possible.

Feedback

If you have any questions about anything that is set out in this statement, or any suggestions about what you feel may be improved, please let the Trustees know.

Signed for and on behalf of the Trustees of the Konica Minolta Business Solutions (UK) Pension Plan by Eric Green, Chair of Trustees

………………………………………………

Date ………………………………………..

Default investment arrangement

The Trustees have selected and provide a default investment arrangement for members who do not choose an investment option for their contributions, although members can also choose to invest in this default investment arrangement.

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangement. We take professional advice from regulated investment advisers.

Setting an appropriate investment strategy
Details of the strategy and objectives of the default investment arrangement are recorded in a document called the statement of investment principles. A copy of the latest statement of investment principles is attached to this statement.

The Plan gives members two main forms of investment strategy options:

Lifestyle investment strategy: The Lifestyle strategy is for members who do not wish to continually review the investments they hold and do not want to individually select the funds in which their contributions are invested. There are three different Lifestyle options available, Drawdown, Cash and Annuity, and the choice will depend on how a member thinks they will take their benefits when they retire.

Self-Select investment strategy: Alternatively, members can choose from the range of investment funds offered by investment managers chosen by the Trustees. There are a number of investment funds available.

We have chosen the Drawdown Lifestyle strategy as the default investment strategy. As the majority of the DC Section's assets are held in the default investment strategy, this statement is mainly concerned with the Drawdown Lifestyle investment strategy.

When deciding on the Drawdown Lifestyle option as the default investment strategy, the Trustees recognise that the majority of members do not take active investment decisions and instead invest in the default option. The Trustees' primary objective in deciding on a default investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account factors such as the average size of members' pension savings within the DC Section, members' current level of income and likely expectations for income post-retirement. When choosing the default investment strategy, it is the Trustees' policy to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustees also recognise that there are various investment and operational risks; and give qualitative and quantitative considerations to such risks.

The default investment strategy is designed for members who do not want to individually select the funds in which their contributions are invested. It is a predefined strategy which targets a chosen retirement age and aims to invest in the most appropriate assets as members' needs change.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

The default investment strategy's objective is to target higher returns whilst members are younger, through investing their Pension Account in a diversified fund (this fund consists of a broad spread of asset classes and is intended to achieve strong returns over the longer term but with less volatility than a higher-risk asset class such as equities). As retirement age is approached, part of the Pension Account assets are switched to cash (to provide greater stability to capital accumulated as members near their target retirement age).

Contributions are initially invested 100% in the diversified fund. Over the last seven years before the member's chosen retirement date (this will be age 65 unless members inform the Trustees otherwise) the Pension Account's underlying investments will gradually be moved so that at the chosen retirement date the Pension Account will be invested 75% in the diversified fund and 25% in the cash fund. Switches between the investment funds are made on an annual basis.

The default investment strategy means that, as members proceed through their working life and their investment priorities and attitudes to risk alter, the distribution of investments is automatically adjusted to take this into account.

Reviewing the default investment
The Trustees are expected to review the strategy and objectives of the default investment arrangement regularly, and at least once every three years, and take into account the needs of the DC Section membership when designing it.

The Trustees formally reviewed the default investment arrangement in November 2023. The default investment strategy assumes that members will target taking 25% of their Pension Account as tax-free cash at retirement, with the balance being drawdown over a period of years. The review took into consideration the membership profile and projections of member benefits. The review concluded that the default investment strategy remained appropriate. The next formal review is planned to be carried out in 2026.

The Trustees review the investment objectives and the performance of the default investment strategy on a quarterly basis, taking advice from the Trustees' investment consultant.

The Trustees noted that the funds in the default investment strategy had performed well in relation to the benchmarks and delivered members reduced risk as they approach retirement. The default arrangement therefore remains consistent with the aims and objectives of the statement of investment principles.

Charges and transaction costs paid by members

The Trustees are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the DC Section of the Plan) that are paid by members rather than the Company.

As well as meeting the general running costs of the Plan, the Company meets the members' record keeping costs and the Plan's benefit settlement costs.

Currently, the majority of members are only required to meet the annual cost of investing their Pension Accounts. These costs are taken by the investment managers from the funds held. The investment management fees are clearly communicated to members in the investment note "Your Investment Choices" issued with the annual benefit statements.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

The investment management and transaction costs can be explained as follows:

- The total ongoing charges figure is the total cost of investing in any fund or strategy and includes the Annual Management Charge (direct charges) and any additional fund expenses (indirect charges). The charges for the default investment strategy are compared against the 0.75% charge cap set by legislation.

- Transaction costs are the costs incurred as a result of the buying, selling, lending or borrowing of investments within each fund. They include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and the costs of borrowing or lending securities, as well as any differences between the actual price paid and the quoted 'mid-market price' at the time an order was placed. These costs will vary between members depending on the investment funds held, the transactions that took place within each investment fund and the date at which the transactions took place. Unlike the ongoing charges figures, transaction costs are not compared against the 0.75% charge cap set by legislation – instead, the reported performance of the investment fund is typically net of these transaction costs.

- In addition, there can be switching costs incurred as a result of the buying and selling of investment funds. This may relate either to member-driven trades (e.g. a self-select member switching their investment arrangements) or to automatic trades (e.g. those associated with investment fund switches resulting from progression along a lifestyle glidepath). These costs relate to the difference between the investment fund price used to place the trade and the price which would have applied to that investment fund on that day had the trade not been placed. These are implicit costs which are not typically visible to members.

As at 30 September 2023, the annual investment charge for the default investment arrangement for members more than seven years from retirement was 0.42% pa. The transaction costs applicable to the default investment arrangement were confirmed by Legal & General as being 0.00%.

The level of charges and transaction costs applicable to the DC Section's investment funds during the last plan year were:

Investment Fund	Total Expense Ratio (TER)	Transaction costs during period 1/10/2022 – 30/09/2023
UK Equity Index Fund	0.19%	0.00%
Global Equity (60:40) Index Fund	0.22%	0.01%
Global Equity (50:50) Index Fund	0.22%	0.02%
World (ex UK) Equity Index Fund	0.24%	0.02%
Diversified Fund	0.42%	0.00%
Managed Property Fund	1.98%	0.00%
Future World Annuity Aware Fund	0.15%	0.00%
AAA-AA Fixed Interest Over 15 Year Fund	0.15%	0.02%
AAA-AA-A Corporate Bond Over 15 Year Index Fund	0.15%	0.00%
Over 15 Year Gilts Index Fund	0.10%	0.04%
Over 5 Year Index-Linked Gilts Index Fund	0.10%	0.16%
Cash Fund	0.12%	0.08%

Negative transaction costs have been treated as zero, in line with how the FCA treats transaction costs for contract-based pension schemes.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

In terms of switching costs, the funds used by the DC Section operate on a single-swinging price basis with no explicit switching costs charged to members. However, members may experience implicit switching costs whenever assets are sold (as is the case throughout the lifestyling phase). These costs will vary between members depending on the switches that took place for each member and the dates on which these occurred. The Trustees are not able to track costs that have been incurred for particular members.

Completeness of transaction cost information
Where information about the member costs and charges is not available, we have to make this clear to you together with an explanation of what steps we are taking to obtain the missing information.

We can confirm that there was no information about costs or charges that could not be obtained from Legal & General.

We have been unable to obtain the transaction charges from the legacy AVC providers for the DB Section. The Trustees will continue to liaise with the providers in respect of this information.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

Examples of the impact of costs and charges
We are required to provide illustrative examples of the cumulative effect over time of the application of the charges and costs on the value of a member's pension savings. We have prepared the following examples, having taken account of the statutory guidance issued by the Department of Work and Pensions in preparing this section of the statement.

Active member

Projected pension savings/pot in today's money								
	Default fund		UK Equity Index		Property		Future World Annuity Aware Fund	
Age	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
25	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
26	34,597	34,465	35,222	35,163	33,971	33,351	35,222	35,175
27	39,216	38,934	40,571	40,443	37,884	36,588	40,571	40,468
28	43,857	43,406	46,050	45,842	41,740	39,715	46,050	45,883
29	48,521	47,882	51,663	51,362	45,540	42,735	51,663	51,421
30	53,208	52,361	57,413	57,007	49,284	45,653	57,413	57,087
35	76,989	74,809	88,337	87,202	67,197	58,821	88,337	87,424
40	101,354	97,344	123,220	120,960	83,838	69,898	123,220	121,401
45	126,320	119,966	162,570	158,703	99,296	79,216	162,570	159,455
50	151,901	142,677	206,959	200,899	113,656	87,055	206,959	202,075
55	178,112	165,476	257,031	248,076	126,995	93,650	257,031	249,809
60	204,811	188,234	313,515	300,821	139,386	99,197	313,515	303,270
65	228,812	208,357	377,232	359,791	150,897	103,863	377,232	363,146

Notes
1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. The starting pot size is assumed to be £30,000.
4. Inflation is assumed to be 2.5% each year.
5. Contributions are included from age 25 to 65 based on a flat rate of 10%, assuming earnings increase by 2.5% each year with a starting salary assumed to be £45,000.
6. The projected growth rate before expenses for each fund are as follows:
   Default fund (growth stage): 0.49% pa above inflation
   UK Equity Index: 2.44% pa above inflation
   Property: 1.46% pa below inflation
   Future World Annuity Aware Fund: 2.44% pa above inflation

Negative transaction costs have been treated as zero in line with how the FCA treats transaction costs for contract-based schemes.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

Deferred member

Projected pension savings/pot in today's money								
Age	Default fund		UK Equity Index		Property		Future World Annuity Aware Fund	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
45	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
47	30,293	30,047	31,481	31,369	29,128	27,995	31,481	31,391
50	30,739	30,117	33,841	33,541	27,868	25,237	33,841	33,600
55	31,496	30,234	38,175	37,499	25,888	21,230	38,175	37,631
60	32,247	30,330	43,063	41,925	24,048	17,859	43,063	42,146
65	32,521	30,019	48,577	46,873	22,339	15,024	48,577	47,203

Notes

1. Values shown are estimates and are not guaranteed.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. The starting pot size is assumed to be £30,000.
4. Inflation is assumed to be 2.5% each year.
5. No contributions are expected given the illustration is in relation to a deferred member.
6. The projected growth rate before expenses for each fund are as follows:
   Default fund (growth stage): 0.49% pa above inflation
   UK Equity Index: 2.44% pa above inflation
   Property: 1.46% pa below inflation
   Future World Annuity Aware Fund: 2.44% pa above inflation
7. Negative transaction costs have been treated as zero in line with how the FCA treats transaction costs for contract-based schemes.

Past performance of the investment options

We have calculated the return on investments (after the deduction of any charges and transaction costs paid for by the members). We have done this for the default investment arrangement and for each self-select investment fund that members are currently able to select (and any historic investment funds in which members have been invested during the year)..

The net returns to the year ending 30 September 2023 are shown in the tables below and have been included to help members understand how their investments are performing. Please note that past performance is no indicator of future performance.

We have prepared the following tables, having taken account of the statutory guidance issued by the Department of Work and Pensions.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

Annualised net returns (%) for the default investment arrangement over periods to the scheme year ending 30 September 2023

Age of member at the start of the period*	5 years (% p.a.) (2018-2023)	1 year (% p.a.) (2023)
Age 25	3.0	4.0
Age 45	3.0	4.0
Age 55	3.0	4.0
Age 62	3.1	4.0

*The default investment strategy invests 100% in the diversified fund. Over the last seven years before the member's chosen retirement date, defaulted at 65, the investments will gradually be moved to be invested 75% in the diversified fund and 25% in the cash fund. We have shown the returns at three example ages in line with regulatory guidance.

Annualised net returns (%) for the self-select investment options over periods to the scheme year ending 30 September 2023

Investment Fund	5 years (% p.a.) (2018-2023)	1 year (% p.a.) (2023)
UK Equity Index Fund	3.7	13.8
Global Equity (60:40) Index Fund	5.2	13.9
Global Equity (50:50) Index Fund	5.5	13.9
World (ex UK) Equity Index Fund	8.9	11.7
Diversified Fund	3.0	4.0
Managed Property Fund	1.5	-14.6
Future World Annuity Aware Fund	-4.0	1.0
AAA-AA Fixed Interest Over 15 Year Fund	-7.5	-7.8
AAA-AA-A Corporate Bond Over 15 Year Index Fund	-5.6	-0.3
Over 15 Year Gilts Index Fund	-8.5	-12.9
Over 5 Year Index-Linked Gilts Index Fund	-6.5	-16.3
Cash Fund	1.0	3.9

Notes for both tables:

1. The default lifestyle performance is calculated from net of fees underlying manager performance figures minus any switching costs incurred from de-risking the default lifestyle strategy as members approach retirement. Switching costs are calculated from the spreads applicable to the funds.
2. Figures shown for the self-select investment options are calculated based on underlying investment manager performance.
3. Composite performance figures for the default lifestyle strategy assume allocations are in line with the switching matrix at each year end. We have not allowed for deviations due to market movements in the preceding period.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

Core financial transactions

The Trustees are required to report the processes and controls in place in relation to 'core financial transactions'. The law specifies that these include the following:

- investing contributions paid into the DC Section;
- transferring assets relating to members into and out of the DC Section;
- transferring assets between different investments within the DC Section; and
- making payments from the DC Section to, or on behalf of, members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Plan's administrator, Buck.

There is a service level agreement in place between the Trustees and Buck which provides for Buck to ensure accurate and timely processing of the core financial transactions for which it is responsible. Buck is required to carry out services in accordance with good industry practice and, more specifically, payments in respect of members must reach the recipients as agreed with the Trustees and in accordance with the Plan's Trust Deed and Rules. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

This administration service includes key financial tasks such as managing the investment of contributions, paying benefits (or making transfers) and keeping track of changes in members' circumstances.

In order to monitor this service the Trustees receive quarterly reports confirming the payment and allocation of contributions, together with statistics on the level of service that is provided in comparison to agreed targets and timescales. The Trustees monitor transactions made via the Trustees' bank account on a regular basis.

Task	Transaction Type	Transaction Target (working days)
Death	Benefit Settlement (from receipt of all information required)	5
Leaver	Leaving service benefit statement	10
Retirement	Wake up pack	10
	Flexible benefits illustration	10
	Payment of Benefits (from receipt of all information required)	10
Transfer Out	Quotation	15
	Benefit Settlement (from receipt of all information required)	15

The Plan Auditor tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

I am pleased that in the last Plan year there have been no material administration service issues which need to be reported here by the Trustees.

Overall, the Trustees are confident that the processes and controls in place with the administration service provider are robust and will ensure that the financial transactions, which are important to members, are dealt with properly.

Trustee knowledge and understanding

The law requires the Trustees to be conversant with the Plan's documents and to possess, or have access to, sufficient knowledge and understanding of the law relating to pensions and trusts, and the principles relevant to funding and investment, to be able to run the Plan effectively.

The Trustees meet all the knowledge and understanding requirements and understand the Plan and its documents. The Trustees are aware that they must have a working knowledge of the Trust Deed and Rules of the Plan, the statement of investment principles and the documents setting out the Trustees' current policies. They are also aware that they must have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustees do this by regularly reviewing the relevant Plan documents via the Plan's online portal and during the Plan year have sought advice from the Plan's legal advisers on the powers of the Trustees and Company under the Trust Deed and Rules.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board.

During the Plan year the following training and development activities for the DC Section of the Plan have taken place:

Training description	**Date**
A Stronger Nudge to Pension Wise guidance	October 2022
Building an effective system of governance	October 2022
TM1 Assumptions	November 2022
Pension Tax changes	May 2023
Normal Pension Age increasing to 57	May 2023
Statement of Investment Principles – Stewardship	June 2023

- The training log is reviewed at each Governance Sub Committee meeting to identify any gaps in the knowledge and understanding across the Trustee Board as a whole.

- All of the Trustees have completed The Pensions Regulator's on-line trustee toolkit. New trustees are required to complete the toolkit within 6 months of becoming a member of the Trustee Board. Trustees must review the toolkit on an on-going basis to ensure their knowledge remains up to date.

- The Trustees receive "on-the-job" training. This means that as new topics arise their professional advisers, attending the Trustee meetings, will provide wider briefing notes and topical digests, as well as training during the meeting, so that the Trustees may engage on such topics in an informed manner.

- The Trustees have assessed the DC Section against the standards set out in the General code of practice and are able to demonstrate that we are offering a quality scheme.

Relevant advisers are in attendance at meetings and in frequent contact with the Trustee Board to provide information on topics under discussion, either specific to the Plan or in respect of pension or trust law.

As a result of the training activities which have been completed by the Trustee Board individually and collectively, and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

Assessing value for members

As part of our assessment of the charges and transaction costs, the Trustees are required to consider the extent to which the member-borne costs, and charges within the DC Section, represent good value for members compared to other options available in the market.

This section sets out the approach that the Trustees have taken, the conclusions we have reached and an explanation of how and why we have reached those conclusions.

Categorising costs/charges and how these impact on our assessment
There is no legal definition of 'good value' and so the process of determining good value for members is a subjective one. We note that value for members does not necessarily mean the lowest fee, and the overall quality of the service received has been taken into account in the assessment of value to members.

In line with our legal duties and guidance issued by The Pensions Regulator, our first step has been to identify the services that members directly pay for, either through costs that only members pay, or costs that are shared with the Company.

As indicated, the costs that are paid by members are investment fund management charges and transaction costs for the investment funds used within the DC Section. The Company bears in full all other costs and charges. This covers such areas as:

- wider investment support and governance (e.g. the costs of regularly reviewing and updating the funds available to members);
- administration of the DC Section (e.g. the costs of updating and maintaining member records, processing contributions and payments, dealing with member queries, producing annual financial statements);
- member communications (e.g. the costs of producing and issuing member booklets, annual benefit statements); and
- the management and governance of the DC Section (e.g. the costs of legal/actuarial advisers and annual audit).

For members of the Defined Benefit Section (the DB Section) with legacy AVC money purchase arrangements, the total charge pays for investment fund management charges, transaction costs, platform costs and the costs of administering the policies.

For the legacy AVC DB Section arrangements, the Trustees have applied a pragmatic approach to assessing value for members given the value of the members' AVC holdings relative to their overall benefits in the Plan.

The Trustees have undertaken two analyses:

1. First, we have assessed the 'value for members' arising from the benefits that members receive from the charges and transaction costs that they directly pay. This assessment is required by legislation. For the DC Section, this is mainly limited to the performance and volatility of investment returns from investment funds within the DC Section versus the charges members pay for holding those investment funds.

2. We have also assessed the overall 'value for money' offered to members of the DC Section, with the aim of capturing not only the value from member-borne costs but also the broader elements of value that members receive from the Company financed costs, as well as wider factors such as the generosity of the Company contribution rates above the automatic enrolment minimum contribution levels.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

Overall approach and conclusion
Assisted by our advisers, and in line with The Pensions Regulator's guidance, we have taken the following approach:

1. We have collated information on services that members receive and the total costs that members pay, including transaction costs (where available).
2. We have assessed the scope and quality of the services that members receive, in line with criteria agreed by the Trustees in advance.
3. We have compared the value members receive from the services against the cost of those services.
4. We have reflected on our key findings and suggested courses of action to maintain areas of good value and improve areas where value could be better.

Overall, the above approach ensures that we are comparing the level of charges in each investment fund with the levels of return they have delivered to members, as well as comparing the costs of membership (i.e. the charges) against the benefits of membership (i.e. the services provided).

In attempting to compare these against other options available in the market, the Trustees have found that there are limited industry-wide benchmarks for each service area and so the Trustees have relied on the market knowledge of its advisers.

Based on our assessment, we conclude that:

- Good 'value for members' has been provided over the year to 30 September 2023, when measured against the definition required by legislation; and
- when we take into account wider elements of value that members receive as a result of costs paid by the Company, and including Company contributions, we have concluded that the DC Section offered good 'value for money' overall over the Plan year.

There are areas where overall 'value for money' may be improved for members and the Trustees plan to perform further investigations into these areas, taking action in some, over the year to 30 September 2024 – details are included later in this section.

Based on the assessment of the legacy AVC arrangements for members in the DB Section, it was concluded that these may no longer offer value to members over the long term, in the year to 30 September 2023. It is noted that members with legacy AVC funds under the DB Section are regularly reminded of the opportunity to move these AVC funds to the DC Section.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

Preparation for the assessment
The Trustees received support from advisers around how to undertake a value for members' assessment and also considered the statutory guidance.

A number of key decisions were made as part of these preparations:

- The Trustees will use different approaches for the different sections, with the assessment for the members of the DB Section with legacy AVC funds being of a smaller scale than the assessment for the members of the DC Section, proportionate to the members' investment fund holdings relative to their overall benefits in the Plan.
- For the DC Section:
  - The Trustees will use a scoring system for each of the 'value for members' and 'value for money' assessments.
  - Individual elements of service will be given scores by considering the scope and quality of the services under those areas.
  - Two overall weighted scores ranging from 0% to 100% will be produced, one for 'value for member' and one for 'value for money'.
  - The Trustees agreed that any score between 50% to 75% will represent satisfactory value and a score of 75% or over will represent good value.
  - Scores will be compared from year to year, with a view to measuring and monitoring changes to the 'value for members' and wider 'value for money'.

Process followed for the assessment, including key factors considered
The Trustees, assisted by their advisers, considered the services provided by the Plan in the areas where costs are borne (whether by members or by the Company), such as investment; communications; scheme management and governance; and administration. The scores for these areas were assessed by considering the scope and quality of the services in each area.

The assessment was performed separately for members in the DC Section and members with legacy AVC funds under the DB Section.

For members with legacy AVC funds under the DB Section, the Trustees have performed a high-level review of these arrangements against other arrangements available in the market and similar funds available, for instance, within the DC Section. In particular, the Trustees considered the following:

- The types of funds used by members, the methods that these funds use to generate returns and the recent performance of these funds.
- The level of charges paid for the funds.
- The ways that members can access their pension savings at retirement and how this compares to other options available in the market.

For members within the DC Section, for each of the 'value for members' and wider 'value for money' assessments, different weighting factors were applied to reflect the different services being assessed.

For the 'value for members' analysis, we have assessed the historic return and volatility of the default investment strategy versus benchmark, and the charges and transaction costs of the default investment strategy.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

For the wider 'value for money' analysis, the assessment covers a larger set of services paid for by both members and the Company, including (but not limited to) the following:

Area	Examples
Investments / charges	The quality / governance of the default fund and alternative choices, the historic return and volatility of the default investment strategy, charges and transaction costs versus benchmark
Communications / member support	Whether bespoke / tailored or event-driven communications are used, at-retirement communications / guides / modellers / support, access to pension freedoms
Scheme management and governance	Understanding of membership characteristics / attitudes / needs, compliance with The Pensions Regulator's Codes of Practice, Trustee Knowledge and Understanding practices, use of expert advisers
Administration / online services	Online fund values / switching, use of service level agreements, core administration team / helpline
Company contribution to member funds	The generosity of the Company contributions over and above the automatic enrolment minimum

While all of the factors above contribute to whether the Plan is well run, the Trustees believe that two of the biggest factors that can influence retirement outcomes are the level of contributions paid into the Plan and the level of investment performance net of fees.

As a result, 40% of the overall 'value for money' score is allocated to the benefits members received including the level of contributions; 40% of the score is allocated to investments; and 20% to the competitiveness of fees and transaction costs.

Explanation of the results of the assessment
Our conclusion that the DC Section offered good value for members over the year to 30 September 2023 is based on aspects such as:

- The default investment strategy broadly matched the benchmark being used for 'value for members / money' assessments over the year to 30 September 2023 but has had lower volatility of returns over the 1 year and 3-year periods to 30 September 2023.
- The default investment strategy had a maximum Total Expense Ratio of 0.42% over the year to 30 September 2023, which compares favourably to the 0.46% average charge for default investment strategies within trust-based defined contribution pension schemes that feature in surveys that are available within the market.

Our conclusion that the DC Section offered good value for money over the year to 30 September 2023, taking into account Company borne costs, is based on aspects such as:

- The default investment strategy was designed with reference to the membership profile of the DC Section, and has its performance reviewed on a regular basis.
- Members are able to receive a wide range of administration / online services (e.g. a member portal and a dedicated helpline manned by a ring-fenced administration team), which compares well with other options in the market.
- Members receive communications that aid member decision-making (including member booklets; at retirement Wake-Up Packs and bespoke annual benefit statements).
- The Trustees meet at least twice a year and the Governance Sub Committee meet at least twice a year. The Trustees discuss DC-related matters at each meeting, with a trustee training plan in place and ad-hoc training received before major decisions, as well as clear contracts with external advisers, whose fees are reviewed regularly.

CHAIRMANS ANNUAL GOVERNANCE STATEMENT
For the year ended 30 September 2023 (continued)

The Trustees concluded that the legacy AVC arrangements for members in the DB Section may no longer offer value to members over the long term, in the year to 30 September 2023. The Trustees' conclusion was based on factors such as:

- The level of charges, particularly as some of the self-select funds have a charge of 0.75% pa meaning that these do not compare favourably to the charges for the Legal & General investment funds offered to members under the DC Section.
- The range of unit-linked funds brings a flexibility advantage in terms of investment choice.
- The platforms do not provide online access that enables members to view and manage their own funds and access other additional information to help them better understand their benefits and options (unlike the DC Section).

Follow-on actions and investigations
The Trustees' focus is on maintaining the value for members and identifying if further improvements can be made. During the year to 30 September 2023 the Trustees and Company focused on ensuring that the Plan continued to operate on a business as usual basis.

Over the year to 30 September 2024, the Trustees plan the following, noting that these actions are the same as the previous year and will be continuously reviewed on a regular basis:

For the DC Section:

- Review the at-retirement tools / guidance / advice provided to members, as well as the options available within or outside of the Plan.
  Consider whether to review the Trustees' investment beliefs and the aims of the default investment strategy / self-select investment funds – for instance, considering whether to introduce a wider range of self-select investment funds, including ethical / Sharia investment funds.
- Review whether to tailor communication messages / approaches to different segments of the membership, utilise alternative media.
- Share this analysis with the Company to obtain their views.

For the members with legacy AVC funds in the DB Section:

- Communicate with members annually to remind them to review their AVC funds to ensure that their investment fund choices remain appropriate for their circumstances. The communications also remind members of the option to move their legacy DB Section AVC funds to the DC Section.
- Liaise with providers to ensure that a more complete and accurate disclosure of charges and transaction costs is provided, in line with FCA rules.