

**CHAIR'S ANNUAL STATEMENT:
EBC Pension Scheme ("the Scheme")
Year Ended 31 August 2019**

Introduction

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Administration Regulations'), the Trustee of the EBC Pension Scheme is required to prepare a statement (the 'Statement') on governance in the annual report.

The Scheme is overseen by a sole Professional Trustee, PTL Governance Ltd ('PTL') (company name changed from Pitmans Trustees Ltd on 7 July 2018). Keith Lewis, representing PTL Governance Ltd ('PTL'), has acted as the Trustee Chair during the year ended 31 August 2019 and has since been replaced by Steve Longworth as the Client Director for the Scheme. Keith Lewis remains as the supporting Client Director for the Scheme.

The Trustee is pleased to present the Trustee's annual statement on DC governance for inclusion in the Report and Accounts for the Scheme, covering the period 1 September 2018 to 31 August 2019. This statement describes how the Trustee seeks to make sure that the Scheme is well-managed and delivers excellent services to members. In doing so, we provide the various statutory disclosures required by legislation. This statement covers five key areas:

1. The investment strategy relating to the Scheme's default arrangement;
2. The processing of core financial transactions;
3. Charges and transaction costs within the Scheme;
4. Value for Money assessment; and
5. The Trustee's compliance with the statutory knowledge and understanding requirements.

Scheme Background

The Scheme was established on 1 March 1984 to provide benefits on a defined benefit basis. On 31 October 2007, benefit accrual under the defined benefit section ceased and members could opt to join the defined contribution section with effect from 1 November 2007.

With effect from 1 November 2007 the Scheme was not contracted out of the State Second Pension.

The defined benefit section only of the Scheme was bought out in full with Legal & General in 2008 with any defined contribution benefits and Additional Voluntary Contributions (AVCs) remaining in the Scheme. There have been no active members in the Scheme since May 2010.

The Scheme has 30 deferred members plus a further deferred member with Additional Voluntary Contributions (AVCs). The Trustee had been discussing with the sponsor the potential to wind up the Scheme. Since the year end the principal employer has provided a notice of intention to cease participation. PTL has agreed to proceed with the wind up of the Scheme with effect from 31 January 2020. Preparatory work such as tracing member addresses, requesting buy-out recommendations and other data cleansing has already been undertaken.

Investment strategy

The Scheme has a Statement of Investment Principles in place, as the Scheme has a default fund and the following investment principles apply:

The Trustee selected passively managed funds (index-tracking funds) run by Legal & General Investment Management Ltd ("LGIM"). Index-tracking funds replicate an index and as a result benefit from lower charges. They are expected to provide investment returns in line with their index. They are not expected to significantly out-perform or under-perform their index.

The four funds selected are:

- **Multi Asset (Former Consensus) Index Fund**

This fund invests in a wide range of UK and overseas equities, gilts and cash. Originally it followed the average or "consensus" asset allocation of other similar managed funds, but was restructured during August 2016 by LGIM, to change its underlying objective. This was necessary because the fund previously followed the asset allocation of a peer group of managed funds, as published in the CAPS Survey, which was discontinued from 30 June 2016. The Consensus Fund now follows the asset allocation of LGIM's own Multi Asset Fund, with a similar focus on long term growth, cost efficiency and liquidity, but with lower expected risk and greater diversification than before. The

weighting of stocks in each asset class is determined by the relevant index e.g. UK equities held will follow the weighting of the FT All Share Index.

- **Global Equity (70:30) Index Fund**

This fund aims to capture the total return of the UK and overseas equity markets by investing 70% in the FTSE All Share Index Fund and 30% in the FTSE All World Index Fund.

- **Over 15 Year Gilts Index Fund**

This fund invests in UK Government gilts. It tracks the FTSE-A Government (Over 15 Year) Index.

- **Cash Fund**

Invests in cash deposits.

The default option is a 'lifestyle' approach which means that over the final 5 years to Normal Retirement Age part of the member's fund will be moved into the Over 15 Year Gilts Fund and over the last 3 years part will be moved into the Cash Fund. Therefore as members approach retirement an increasing percentage of their fund will be held in investments, which are less liable to sudden market fluctuations and are matched to the cash option available at retirement and the purchase of a pension.

The change in the investment holding is as follows:

Years to Retirement (as at 6th April)	Multi Asset Fund %	Over 15 Year Gilts Fund %	Cash Fund %
5 or more	100	0	0
4	80	20	0
3	60	40	0
2	40	55	5
1	20	65	15
0	0	75	25

The switching of investments takes place with effect from 6 April each year, commencing on 6 April prior to each member's 60th birthday.

Members may opt out of the 'lifestyle' approach and have their contributions split between the funds referred to above.

No changes have been made to the default investment strategy during the period covered by this statement or previous Chair's statements as the Scheme had been expected to start to wind up for some time. The wind up has been triggered with effect from 31 January 2020 and as the Scheme is now expected to be wound up in the next year, it is not proposed to review the investment strategy other than as part of the buy-out recommendations.

Over the year the Trustee and its advisers has reviewed the performance of the investment funds and the current default arrangement under review on a quarterly basis. To enable the Trustee to review the performance of the investment funds LGIM highlight net performance against relevant market indices. These reports are reviewed by the Trustee and where there have been any concerns regarding performance these are raised with the investment manager via Capita.

A copy of the latest Statement of Investment Principles ('SIP') is appended to this Chair Statement and is also available on request, by contacting Capita. Furthermore, this Statement is published on a publically available website <https://www.ptluk.com/chairs-annual-statements> and is signposted in the annual benefit statements which are issued by Capita.

The SIP was reviewed and revised in September 2019. The key change was to include details of the Trustee's policy on Environmental, Social and Governance (ESG) issues.

Charges and transaction costs

Members do not bear any costs in respect of the administration of the Scheme. They do pay charges for investment management, which are deducted from the funds held with LGIM via an adjustment to the unit price. These annual charges are 0.25% for the Multi Asset (Former Consensus) Fund, 0.16% for the Global Equity (70:30) Index Fund, 0.1% for the Over 15 Year Gilts Index Fund and 0.125% for the Cash Fund.

Members will also bear the effect of transaction costs, which act as a drag on investment performance. LGIM have started to provide explicit data on transaction costs for regular trading throughout the year, which have been less than 0.01% in each quarter.

The Trustee has taken into account statutory guidance when preparing this.

The Trustee requested information from Equitable Life via Capita regarding the charges and transaction costs in relation to the AVC fund and we have been advised by Equitable Life

that the annual management charge is 0.75%. On the 1 January 2020 Equitable Life policies transferred to Utmost Life and Pensions.

Core Financial Transactions

As required by the Administration Regulations, the Trustee must ensure that “core financial transactions” are processed promptly and accurately. Core financial transactions are (broadly):

- Investment of contributions made to the Scheme by members and their employer(s);
- Transfers into and out of the Scheme of assets relating to members;
- Switches of members' investments between different funds within the Scheme; and
- Payments from the Scheme to or in respect of members (eg. payment of death benefits).

The Trustee monitors this through:

- Agreeing maximum timescales for processing requests, including core financial transactions with Capita, as the Scheme's delegated administrator. The Trustee reviews this through annual administration updates produced by Capita which provides information to the Trustee on how promptly and accurately transactions and member enquiries are dealt with.
- Reviewing any complaints received from the membership to see if there are any concerns with the administration provided by Capita.
- Capita has their own internal quality control processes to ensure the accuracy of transactions.
- As it is a closed Scheme there are no new contributions received into the Scheme.

The Trustee has an administration/consultancy agreement in place with Capita. The administration agreement sets out the service standards expected of Capita which are reviewed annually.

The processing of core financial transactions is regularly monitored by our administrators (Capita), who have implemented internal control procedures that help ensure that core financial transactions are processed promptly and accurately. This includes controls and procedures to manage the timely and accurate payment of benefits as well as the individual transfers out. Authority procedures are in place for both Capita and the Trustee with two individuals involved in checking all investment and banking transactions. There are no ongoing contributions being paid to the Scheme.

We have a Service Level Agreement in place with our administrators (Capita) and we review annually due to the very low number of member movements. There are no new contributions being paid to the Scheme but the core financial transactions include the payment of benefits, transfers of members' funds out of the Scheme.

No contributions are payable to the Scheme and due to the small size of the Scheme, there are very few transactions. The only transactions are members either transferring out or retiring or switching their investments. There were two member movements during the Scheme year which Capita have confirmed agree with the transactions recorded by LGIM and we have received confirmation that all of these transactions were dealt with promptly and accurately within Capita standard timescales. Member switches as at April 2019 as part of the lifestyle arrangement were also actioned accurately and in accordance with the schedule.

Capita has adopted a number of processes to ensure that core transactions are carried out promptly and accurately. Adherence to these processes is reviewed annually by the Trustee.

Value for money assessment

As required by the Administration Regulations, the Trustee is required to report on the charges and transaction costs for the investments used in the default investment option as well as the wider fund choice available and assess the extent to which the charges and costs represent good value for members.

The Trustee has received details of transaction costs incurred by the fund manager within the underlying funds.

Reporting of Costs and Charges

Using the date on investment charges 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 costs and charges typically paid by a member of the Plan. The statutory guidance provided has been considered when providing these examples.

Notes: The below illustration has taken into account the following elements:

1. Projected pension pot values are shown in today's terms.
2. The starting pot size is the median balance held by members in that fund.
3. Inflation is not reflected in the projection.
4. The scheme is closed to future contributions.
5. Values shown are estimates and are not guaranteed.

6. The projected growth accumulation rates and total annual management charges are as follows:

- L&G Multi-Asset:
Gross Accumulation rate 4.29% - total charges 0.25%
- L&G Global Equity 70:30 Index:
Gross Accumulation rate 6.00% - total charges 0.16%
- L&G Over 15y Gilts Index:
Gross Accumulation rate 2.00% - total charges 0.10%
- L&G Cash Fund:
Gross Accumulation rate 2.00% - total charges 0.13%

	L&G Multi-Asset		L&G Global Equity 70:30 Index		L&G Over 15y Gilts Index		L&G Cash Fund	
Starting balance	£35,000		£30,000		£30,000		£5,000	
	Before charges	After all cumulative charges & costs deducted	Before charges	After all cumulative charges & costs deducted	Before charges	After all cumulative charges & costs deducted	Before charges	After all cumulative charges & costs deducted
Year 1	£36,502	£36,411	£31,800	£31,749	£30,600	£30,569	£5,100	£5,093
Year 3	£39,701	£39,415	£35,730	£35,568	£31,836	£31,742	£5,306	£5,286
Year 5	£43,180	£42,683	£40,147	£39,860	£33,122	£32,963	£5,520	£5,485
Year 10	£53,271	£52,161	£53,725	£53,054	£36,570	£36,235	£6,095	£6,022
Year 15	£65,722	£63,855	£71,897	£70,713	£40,376	£39,847	£6,729	£6,614
Year 20	£81,081	£78,280	£96,214	£94,342	£44,578	£43,835	£7,430	£7,269
Year 25	£100,031	£96,079	£128,756	£125,965	£49,218	£48,238	£8,203	£7,991

Value for money

In accordance with regulation 25(1)(b), the Trustee undertakes a review of the charges and transaction costs incurred by members in order to ascertain whether or not the DC and AVC arrangements in place represent good value for members, relative to peers and alternative arrangements that are available.

There is no legal definition of “good value”, so the process of determining good value is a subjective one. “Value” is not a straightforward concept to quantify and can be open to broad interpretation. The value for money assessment examines the current investment management charges relative to standard institutional fees for equivalent size mandates, and historical performance. The value for money assessment covered the following aspects:

- Scheme governance and management
- Investment
- Administration
- Communications
- Charges

Governance – The Scheme has a sole professional Trustee whose charges are paid by the employer. The Scheme's advisers are Capita for Administration and Investment Consultancy, TWP as Auditor and BDB Pitmans and ARC as legal advisers.

Investment – Our objective is to continue to have in place the default option of a 'lifestyle' approach which means that over the final 5 years to Normal Retirement Age part of the members fund will be moved into the Gilt Fund and over the last 3 years part will be moved into the Cash Fund. Therefore as members approach retirement an increasing percentage of their fund will be held in investments, which are less liable to sudden market fluctuations and are matched to the cash option available at retirement and the purchase of a pension. As it is now expected that the Scheme will be wound up in the next year or so, it is not proposed to review the investment strategy.

Administration – Capita hold the members' data and deal with members when they wish to take benefits and review lifestyle approach. In the light of the changes to retirement options introduced by legislation in 2015, the Trustee made a decision to allow members to take all of their benefits in a single lump sum at retirement in addition to the existing options of a tax free lump sum and purchasing an annuity. It was decided not to allow income drawdown within the Scheme in view of the administrative implications; members can access drawdown by transferring to another pension arrangement of their own choice if they wish. Capita prepare draft Scheme accounts for audit.

Communications – Communications are tailored for the Scheme. The main item of communication is the Statutory Money Purchase Illustration; the last one was issued August 2019. At retirement members receive the Money Advisory Service leaflet "Your Pension Your Choice" (which replaced the previous leaflet "Your Pensions: it's time to choose") and are provided with details of the Pension Wise service. They can also speak to an administrator to discuss the options available.

Charges – The employer pays the cost of the Scheme services and the only charges borne by members are the investment fund annual management charges and transaction costs, as outlined above. Capita has advised these charges are competitive in the current market.

The review concluded that the Scheme's overall benefits represent good value for money in comparison to the costs payable by members. All the funds being passively managed and

meeting expected benchmarks with very low charges and transaction costs. The reasons underpinning this conclusion include:

- The Scheme's current default investment arrangement complies comfortably with the charge cap of 0.75% per annum.
- Charges are currently reasonably competitive across most funds.
- The Company also pays for an Independent Trustee to govern the Plan's arrangements and provide oversight on behalf the members' best interests, and also pays for Trustee advisory services.
- The Company also pays for supplementary member communications issued on behalf of the Trustee and/or Company.

Knowledge and understanding of the Trustee

The Scheme is run by a sole Professional Trustee, PTL. PTL is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments PTL act as an independent trustee on several hundred trust based pension schemes and sit on a number of Investment Governance Committees (IGCs). PTL has oversight or responsibility for in excess of £120bn of pension assets. More information on PTL can be found at www.ptluk.com . There have been no changes to the Trustee over the year.

PTL have a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process the Trustee is required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent PTL as Trustee of the Scheme. The annual review process within PTL identifies training needs for each individual and has a requirement for a minimum of 15 hours Continuing Professional Development (CPD) to be completed each year. Each Director is supported by another Client Director and calls take place on a three monthly basis to provide a peer review to the work undertaken and challenge the Director running the matter. All key decisions would be subject to peer review by the supporting Client Director or another Director.

Keith Lewis acted as the Client Director managing the Scheme during the Scheme year supported by a second Client Director. Debbie Mather and other members of the PTL team also provide day to day support and peer review functions. Keith is a qualified actuary and so, has an in depth understanding of the issues related to the Scheme. Keith is also subject

to CPD requirements of the actuarial profession and met the CPD requirements. Keith has undertaken regular training specific to the Scheme throughout the year including:

- Value for money assessment in other industries;
- Financial wellness and how can it can improve member engagement;
- Master Trust authorisation requirements;
- Good ethics and business management; and
- Future of DC benefit provision.

Keith is a leading DC professional Trustee and has significant experience in running stand-alone DC Trusts, hybrid Trusts and Master Trusts. He is able to challenge the status quo to ensure the best outcomes for members.

Keith is familiar with the issues relating to this Scheme and all records are held on PTL's electronic document storage system and can be accessed at any time.

As of 16 January 2020, Keith Lewis was replaced by Steve Longworth as the Client Director for the Scheme with Keith Lewis remaining as the supporting Client Director for the Scheme.

Steve is also a qualified actuary and so, has an in depth understanding issues related to the Scheme. Steve is also subject to CPD requirements of the actuarial profession. Steve is undertaking regular Scheme specific training.

Keith Lewis and Steve Longworth have reviewed the Trustee Toolkit. Keith Lewis also holds the Pensions Management Institute (PMI) Certificate in Trusteeship (Defined Contribution and Defined Benefit Schemes).

The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by having access to the documents on their online directory and providing decisions in line with the Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Scheme's Lawyers BDB Pitmans and ARC

PTL work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes.

The Trustee is conversant with, and has a working knowledge of, the current SIP. PTL undertake regular training on investment matters and are regular commentators on the wider

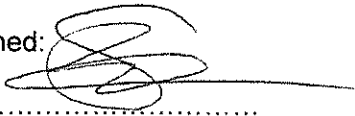
DC market. The Trustee has sufficient knowledge of investment matters to be able to challenge their advisor.

PTL operate a governance framework which includes policies on how the Trustee will deal with conflicts, manage risk, ensure key tasks are completed in time and deal with member complaints. The Trustee reviews these documents on an annual basis to ensure they are still suitable and makes any changes as required.

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

The Trustee receives professional advice from BDB Pitmans, ARC and Capita to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules, and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers. The advice received by the Trustee along with their own experience allows them to properly exercise their function as Trustee.

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 to the best of my knowledge.

Signed: 

Date: 18/3/20

Steve Longworth on behalf of PTL - Trustee Chair of the EBC Pension Scheme