

Whirlpool UK Appliances Ltd Pension Scheme ("the Scheme") Year Ended 5 April 2020

Defined Contribution ("DC") Section Governance Statement

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the **Administration Regulations**) require the Trustee to prepare an annual statement regarding governance, which should be included in the annual report.

The Scheme provides both defined benefit (**DB**) and defined contribution pensions. The DB section was closed to accrual with effect from 31 December 2011. This statement is in respect of the DC section and covers the period from 6 April 2019 to 5 April 2020 (the **Scheme Year**) and is signed by the Chair on behalf of the Trustees of the Scheme (the **Trustees**). The statement covers governance and charge disclosures in relation to the following:

- the default arrangement and investments;
- processing of core financial transactions;
- member borne charges and transaction costs;
- value for members assessment; and
- trustee knowledge and understanding.

1. The Default Arrangement and Investments

The Trustees are required to design the default arrangement in members' interests and keep it under review. The Trustees need to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.

The Scheme is used as a Qualifying Scheme for auto-enrolment purposes.

The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement, the Annuity Lifestyle Strategy. The Annuity Lifestyle Strategy is primarily provided for members who join the Scheme and do not choose an investment option for their contributions and are looking to take their retirement savings as an annuity in retirement.

The Trustees have prepared a Statement of Investment Principles (**SIP**) which sets out the principles and policies governing determinations about investments made by the Trustees in the management of the Scheme's assets. There are separate SIPs for the DB and DC sections of the Scheme. The SIP for the DC section is attached and can be found at <https://www.ptluk.com/Statement-of-investment-principles/>. Members of the DC section will be made aware of the website address as part of the publication of future benefit statements.

The SIP reflects the specific requirements of the default arrangement and the aims and objectives generally of all of the investment funds available and includes agreement regarding performance metrics and reporting requirements which are used to measure whether the funds are successfully meeting their objectives.

1.1 Investment Strategy Review

The Trustees review the DC investment options and performance on a regular basis, at least annually. The Trustees, with assistance from their DC investment advisers, Aon, undertook a review of the

Scheme's DC investments during the period, including formally reviewing the Scheme's default strategy. This review concluded on 21 January 2020 and after considering the membership profile, and the way members were expected to draw their benefits at retirement. It was agreed that the current strategy should be changed from targeting purchasing an annuity at retirement (the **Annuity Lifestyle Strategy**) to targeting drawdown at retirement.

It was also agreed that the period by which the investment switches are made should be extended from 10 to 15 years to aim to reduce capital risk in the lead to a member's retirement. Changes will also be made to the underlying funds used as part of the growth and pre-retirement phases to aim to increase risk adjusted returns.

The updated strategy is consistent with the aim to provide members with the potential for good levels of growth during the accumulation of their retirement savings through exposure to equities, and then to gradually diversify their investments 15 years before their target retirement date. This is achieved by automatically moving members' funds from return-seeking assets, which aim for long-term growth in excess of inflation, to a more broad-based and lower risk asset mix as a member approaches their target retirement date.

The Trustees also agreed to make two additional lifestyle options available which aim to be suitable to members wishing to purchase an annuity or take their fund as a cash lump sum at retirement, retaining the same growth phase design to allow members the decision on which approach they wish to take until five years from retirement without detriment.

The Trustees also plan to enhance the range of seven individual "self-select" funds to offer members the additional choices of multi-asset and pre-retirement funds whilst retaining the range of different asset classes including bonds, equities and cash. Further details of the current self-select funds are set out in section 3ii.

The changes to the default strategy and additional investment options are due to be implemented in February 2021 subject to prevailing conditions in financial markets at that time. The next formal review is due to take place by 21 January 2023.

1ii Performance Monitoring

The Trustees monitor the performance of the investment funds on a regular basis in order to assess whether the funds are performing in line with the investment objectives of the Scheme and relevant benchmarks. Quarterly investment updates are received and reviewed by the Trustees. Performance is reviewed against target benchmarks that have been agreed with the investment managers.

The performance of the component funds of the default arrangement over 1 year, 3 year and 5 year rolling period to 31 March 2020 is shown below:

Fund name (Benchmark name)	Fund annualised performance (%) (Benchmark)		
	1 year	3 years	5 years
Zurich Aquila 30/70 Currency Hedged Global Equity Index (90% FTSE3C95H / 10% MSCIEGBP)	-12.60 (-12.79)	-0.32 (-0.37)	2.67 (2.78)
Zurich Aquila Corporate Bond All Stocks Index (IBOXX UK Sterling Non-Gilts All Maturities)	2.38 (1.45)	2.52 (2.12)	3.37 (3.17)
Zurich Aquila Over 15 Years UK Gilt Index (FTSE Actuaries UK Conventional Gilts Over 15 Years)	17.85 (17.48)	8.02 (7.96)	N/A (N/A)
Zurich BlackRock Sterling Liquidity (LIBOR LIBID GBP 1 Week)	0.73 (0.54)	0.57 (0.42)	N/A (N/A)

The performance of the funds in the over the year to 31 March 2020 has been mixed. The Covid-19 pandemic has had a significant impact on the global economy and caused significant volatility in

financial markets in the first few months of 2020. The effects on the virus on financial markets was most pronounced in March this year, with equity markets (which reflect the value of stocks and shares in companies) around the world suffering some of the most severe falls in history and resulting in negative investment returns for investors.

Since the end of March, the value of global equities has rebounded strongly, following the significant economic stimulus measures put in place by governments. Other asset classes, including government bonds and corporate bonds have also delivered strong positive returns. However, the number of infections continues to increase globally, as well as there being some resurgence in infections in some developed countries as they ease lockdown restrictions. As such, significant uncertainty remains.

The Trustee reviews that took place in the year concluded that the default arrangements were performing broadly as expected.

2. Processing of Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC Section are processed promptly and accurately. Core Financial Transactions include the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries. Electronic means of processing are used wherever possible avoiding the need for manual intervention and, in turn, significantly reducing the risk of error.

Scottish Widows carries out the administration of the DC section of the Scheme, including processing core financial transactions on the Trustees' behalf. It does so under the terms of an Administration Services Agreement (the **ASA**) which contains agreed performance objectives for the provision of administration and support services.

The ASA covers, amongst other matters, the processing of core financial transactions such as transfer of member assets, benefit statements and payments, cashflows and investment of contributions. As Scheme administrator, Scottish Widows, has processes in place to ensure that the requirements of the ASA are met. These include monthly monitoring of cashflows and bank reconciliations and checking systems in respect of benefit calculations and bank transactions. Scottish Widows also monitor all Scheme bank accounts on a daily basis.

Contributions received from the sponsoring employer are logged on a central contributions schedule which is regularly shared with the administration team so that the receipt and timing of contributions can be monitored. Additionally, these contributions are recorded in a control account so that when a contribution breakdown is received contributions are invested in accordance with member instructions.

Relevant administration processes are subject to a checking process at Scottish Widows undertaking senior peer verification of transactions and a further secondary documented authorisation process which applies to transactions above a certain threshold.

Scottish Widows provide quarterly administration reports to the Trustees which include reports on the accuracy and timeliness of core financial transactions and details of service performance (for example, processing transactions and dealing with member enquiries) benchmarked against the agreed target delivery standards. Under the ASA, Scottish Widows aims to accurately complete all financial transactions within three working days from units being sold, with the exception of the investment of contributions, which is by the end of the following working day of receipt.

The Trustees review the administration reports and evaluate the performance of the administrator on a regular basis to ensure that members receive an effective administration service.

During the Scheme Year, the Trustees met regularly with Scottish Widows and are satisfied that their processes and controls are sufficiently robust to ensure that relevant financial transactions are dealt

with promptly and accurately in line with agreed service levels, quality assurance policies and procedures and statutory requirements.

Independent auditors, Ernst & Young LLP, carried out a service audit on Scottish Widows' existence, design and operating effectiveness of the controls in place to 31 December 2019 and concluded that control procedures that were tested were operating with sufficient effectiveness.

The common and conditional data reports were run in April 2019 and September 2019, respectively. The results of the overall quality ratings of 98% common data accurately recorded and 96% of conditional data accurately recorded were presented to the Trustee and an action plan to improve the quality of the data was discussed and put in place. The common and conditional data reports are due to be run again no later than 2022.

In addition to the above, the Trustees Annual Report and Accounts which incorporate the Scheme's financial transactions are independently audited on an annual basis by the Scheme auditor, BHP LLP.

The Trustees are pleased to report there were no administration service issues with respect to core financial transactions during the relevant period and they have been processed promptly and accurately. The administrator has operated in line with appropriate procedures, checks and controls and operated within the agreed service levels.

3. Member Borne Charges and Transaction costs

The Trustees monitor the level of charges and costs borne by members through the investment funds. The charges are described in Sections 3i and 3ii below. Section 3iii contains a number of illustrative examples of the cumulative effect over time of the charges on the value of a member's benefits. The Trustees can confirm that it has taken account of the statutory guidance produced by the Department for Work & Pensions when preparing this Section of the statement.

3i Explicit charges

Explicit direct charges consist of costs such as the Annual Management Charge (the **AMC**) which is the annual fee charged by the investment manager for investing in a fund, as well as additional expenses. Together these comprise the Total Expense Ratio (the **TER**) and details are readily available to members. TERs are deducted as a percentage of members' funds.

The legislative charge cap for the default strategy is 0.75% per annum of assets under management. The charges levied on members invested in the default strategy were within this cap, ranging from 0.391% p.a. to 0.393% p.a. depending upon members' term to retirement. For instance, the TER is 0.393% p.a. up to 10 years before retirement. At this point it falls gradually to 0.391% p.a. at just before retirement.

During the Scheme Year, the Trustees made seven self-select funds available to members. The table below provides the TER for each of these funds.

3ii Transaction costs

Transaction costs are costs which are incurred within the day to day management of the assets by the fund manager. This covers things such as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund.

Any performance quoted for a fund will take account of transaction costs, which will vary from year to year, depending on trades in the fund. This can, on occasion, result in a negative cost (profit) as a result of the underlying trades. Where transaction costs have been calculated as a negative cost, these have been set to zero by the Trustees.

The table below shows a full breakdown of the TER and transaction costs applicable to the different funds over the Scheme Year. The transaction costs for all funds are the average costs over the 1-year period ending 05 April 2020 using the calculation method set by the relevant regulations.

Lifestyle Strategy	TER (% p.a.)	Transaction Costs (% p.a.)	Total Cost (% p.a.)
Annuity Lifestyle (default option)	0.384 to 0.400	0.000	0.384 to 0.400

Self-Select funds	TER (% p.a.)	Transaction Costs over the Scheme Year (%)	Total costs over the Scheme Year (%)
Zurich Aquila 30/70 Currency Hedged Global Equity Index	0.393	0.000	0.393
Zurich Aquila Corporate Bond All Stocks Index	0.391	0.000	0.391
Zurich Aquila World ex UK Equity Index	0.385	0.000	0.385
Zurich BlackRock Sterling Liquidity	0.400	0.000	0.400
Zurich Aquila Over 15 Years UK Gilt Index	0.384	0.000	0.384
Zurich Aquila Index Linked Over 5 Year Gilt Index	0.394	0.000	0.394
Zurich Aquila UK Equity Index	0.393	0.000	0.393

Source: Scottish Widows

3iii Illustrations of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of charges and transaction costs by trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs. As part of the changes, the Trustees are required to illustrate the cumulative effect over time of the application of transaction costs and charges on the value of a member's benefits.

Scottish Widows has produced four illustrations on behalf of the Trustees to demonstrate the effect of the costs and charges set out above for the investment funds and strategies available on five different combinations of terms to retirement, accumulated fund value, and both actively contributing and deferred members.

The majority of members invest in the default option, the Annuity Lifestyle Strategy which automatically transitions members' funds from the underlying. The Trustees have shown this investment choice for the illustrations and has compared the impact of costs with a range of lower and higher cost self-select investment options.

Active member invested in self-select option

As the projected fund values above are dependent on investment returns as well as the level of costs and charges, we have also included some comparison illustrations below. For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in lower risk profile funds (the Zurich BlackRock Sterling Liquidity and Zurich Aquila Index Linked Over 5 Year Gilt Index and Zurich Aquila Over 15 Years UK Gilt Index) which have a lower expected return as well as the Zurich Aquila World ex UK Equity Index which has a higher risk profile.

Note that for the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.

For non-lifestyle investments the projected pension pot does not depend on the starting age and develops as shown in the below table.

Years	Zurich BlackRock Sterling Liquidity		Zurich Aquila World ex UK Equity Index		Zurich Aquila Index Linked Over 5 Year Gilt Index		Zurich Aquila Over 15 Years UK Gilt Index	
	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
1	21,500	21,400	22,200	22,100	21,400	21,300	21,400	21,300
3	28,500	28,200	30,900	30,600	28,100	27,900	28,100	27,900
5	35,300	34,700	40,000	39,400	34,600	34,100	34,600	34,100
10	51,300	50,000	64,200	62,600	49,700	48,500	49,700	48,500
15	66,300	63,900	91,000	87,700	63,500	61,200	63,400	61,300
20	80,200	76,600	120,000	114,000	75,900	72,600	75,700	72,600
25	93,200	88,200	153,000	144,000	87,200	82,600	87,000	82,700
30	105,000	98,700	188,000	175,000	97,400	91,600	97,100	91,700
35	116,000	108,000	228,000	209,000	106,000	99,600	106,000	99,700

Deferred member invested in self-select option

As with the active member, the projected fund values above are dependent on investment returns as well as the level of costs and charges, we have also included some comparison illustrations below. For comparison purposes, we have demonstrated the effect on the projected values if the member were invested in lower risk profile funds (the Zurich BlackRock Sterling Liquidity, Zurich Aquila Index Linked Over 5 Year Gilt Index and Zurich Aquila Over 15 Years UK Gilt Index) which have a lower expected return as well as the Zurich Aquila World ex UK Equity Index which has a higher risk profile.

Note that for the Default Lifestyle Strategy the development of the projected pension pot depends on the member's current age because the funds change as the member approaches retirement.

For non-lifestyle investments the projected pension pot does not depend on the starting age and develops as shown in the below table.

Years	Zurich BlackRock Sterling Liquidity		Zurich Aquila World ex UK Equity Index		Zurich Aquila Index Linked Over 5 Year Gilt Index		Zurich Aquila Over 15 Years UK Gilt Index	
	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
1	17,700	17,600	18,300	18,200	17,600	17,500	17,600	17,500
3	17,200	17,000	19,000	18,800	16,900	16,700	16,900	16,700
5	16,700	16,300	19,800	19,400	16,300	15,900	16,300	16,000
10	15,500	14,900	21,800	21,000	14,800	14,200	14,700	14,200
15	14,400	13,600	24,000	22,700	13,400	12,600	13,300	12,600
20	13,400	12,300	26,500	24,500	12,100	11,200	12,100	11,200
25	12,500	11,200	29,200	26,500	11,000	9,970	10,900	9,990
30	11,600	10,200	32,200	28,700	10,000	8,860	9,960	8,880
35	10,800	9,360	35,500	31,000	9,090	7,870	9,030	7,890

The following assumptions have been made for the purposes of the above illustrations:

Notes

- 1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
- 2. Retirement is assumed to be at age 65*
- 3. The starting pot size is assumed to be £18,000.*
- 4. Inflation is assumed to be 2.5% each year.*
- 5. It is assumed that no further contributions are made.*
- 6. Values shown are estimates and are not guaranteed.*
- 7. The projected growth rates for each fund are:*

- Zurich BlackRock Sterling Liquidity: 1.5% below inflation*
- Zurich Aquila World ex UK Equity Index: 1.9% above inflation*
- Zurich Aquila Index Linked Over 5 Year Gilt Index : 2.0% below inflation*
- Zurich Aquila Over 15 Years UK Gilt Index : 2.0% below inflation*

- 8. The charges assumed for each fund are the current charges as shown in section 3i and 3ii of this document.*

It should be noted that the values shown are estimates only for an illustrative member.

It is important that when considering investments, the level of costs and charges and the expected return on assets (i.e. the risk profile of the strategy) should be considered together and not in isolation.

4. Value for Members Assessment

The Trustees are required to assess the extent to which the charges and transaction costs, investment options and the benefits offered by the DC Section of the Scheme represent good value for members when compared to other options available in the market.

There is no legal definition of "good value" or the process of determining this for Scheme members. Therefore, working in conjunction with our advisers, Aon, the Trustees have developed their cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Scheme relative to the costs and charges they pay.

The costs have been identified as TER, Transaction Costs and are set out in section 3 of this statement. The Trustees have considered the benefits of membership under the following categories: Scheme governance, investments, administration and member experience, member communications and Retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken. In addition, during the year charges have been re-negotiated with a reduction due to be applied in Q1 of 2021.

The Trustees beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

Costs

- Based on the profile of the Scheme's DC arrangements, we believe that the explicit charges are competitive when compared to current market rates on a like for like basis.
- The Trustees consider the costs and charges of the investment options to be appropriate for the size of the Scheme and comparable to charges levied by other providers.

Scheme governance

- Scheme governance covers the time spent by the Trustees to ensure the Scheme is run in compliance with the law and regulation, including taking account of the interests of its members.
- The Trustees believe that good governance is key to the achievement of good member outcomes. The Trustees regularly review and update their governance processes and procedures to make sure that they meet industry best practice.
- The Scheme is governed by an experienced group of Trustee Directors including a professional, independent Chair.
- The Board regularly review information about the performance of Scheme investments and also about the administration and membership amongst other information. This helps determine an appropriate strategy to support DC members and make improvements.

Scheme Administration

- The Trustees have appointed Scottish Widows to provide administration services to the Scheme and is satisfied that Scottish Widows has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that when administrative errors do occur, members are not disadvantaged as a result.
- The Trustees regularly monitor the Scheme administration and over the period found that the necessary administration standards were being achieved.
- Performance against SLA over the year was 98%.
- The Trustees received no complaints during the Scheme year. The Trustee is satisfied that the SLAs in place are appropriate and is comfortable with the performance against SLAs over the year.

Investments

- The Scheme provides members with a lifestyle option and range of self-select fund options. The investment strategy and performance are regularly monitored and reviewed by the Trustees.
- The Trustees have reviewed the range of funds available over the year and is in the process of implementing changes to the existing strategy and range of funds available following advice from the Scheme's investment adviser, with the specific needs of members in mind.

Scheme Communications

- The Scheme provides members with regular, clear communications regarding the choices open to members, as well as annual benefit statements and 'at retirement' communications.
- Members can access help to support them in their decision making in the form of an investment guide.
- The Scheme offers a bespoke website holding electronic versions of the relevant member documentation, tools to help with pension planning and educational material relevant to the Scheme and pensions more generally.

The Trustees' overall conclusion from the value for members assessment is that the costs and charges do represent good value for members subject to the investment strategy changes being implemented.

5. Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have, or to have access to, appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to properly exercise their functions as trustees and to run a scheme effectively. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7. The comments in this section relate to the Trustee dealing with the whole scheme and are not restricted to the DC Section.

The Trustees have met the Pension Regulator's Trustee Knowledge and Understanding requirements (as set out under Code of Practice No 7) during the Scheme year by:

- Holding quarterly trustee meetings with professional advisers who provide specialist advice and training sessions on relevant matters
- Developing an appropriate regime for governance of the Scheme based on current regulatory guidance

The existing Trustees have either completed or working towards completing the Pension Regulator's Trustee Toolkit (which includes training on pension or trust law, or their knowledge of funding and investment principles) and new Trustees are also required to complete this. New Trustees are provided with a briefing pack for the Scheme and commit to completing the Pension Regulator's Trustee toolkit. The Scheme is managed by a Trustee board which had six Trustee Directors during the Scheme year. There were four Trustee Directors appointed by the Principal Employer including an Independent Trustee Chairman, and two member nominated Trustee Directors. During the Scheme year, one employer appointed and one member nominated Trustee Directors resigned. A Trustee Director who was originally an employer nominated Trustee Director filled the vacancy of and became a member nominated Trustee Director, leaving four Trustee Directors.

Keith Lewis is the representative of PTL Governance Ltd and was appointed Chair on 6 April 2018. Keith has significant DC pensions trustee experience in running both standalone DC trusts and hybrid trusts. Keith is subject to the CPD requirements of the actuarial profession and has undertaken regular training throughout the year.

The Trustee board takes personal responsibility for keeping up-to-date with relevant developments, with current issues being tabled at the quarterly Trustee meetings and training undertaken on an ad-hoc basis by their advisers. Training received over the year included:

- Responsible investment training
- COVID-19 response webinar
- COVID-19 implications for de-risking
- Developing trustee training
- Pensions Age Northern Pension Conference

Training logs are maintained for all Trustee Directors by the Trustee board. The Trustees review relevant Scheme documents upon becoming involved with the Scheme and will refer to these documents as necessary during each Scheme Year. They will also be involved in the updating of those documents, for example, liaising with legal advisers in relation to amending the Scheme rules.

In addition to the skills held by the Trustees, the Trustees have engaged with appointed professional advisers regularly throughout the year to ensure that the Scheme is run, and the Trustees exercise their functions properly, including the following:

- Obtained and reviewed quarterly administration reports from Scottish Widows, the Scheme DC administrators, to monitor service delivery against agreed service levels (demonstrating knowledge and understanding of the law relating to pensions and trusts and a working knowledge of all documents setting out the Trustee's current policies)
- Ensured that an audit of the Trustee's Report and Accounts was carried out for the Scheme year ended 5 April 2020 (demonstrating knowledge and understanding of the law relating to pensions and trusts)
- Updated the Statement of Investment Principles in September 2019 and again in September 2020 for the regulatory changes required. This document was considered and discussed in advance of updates made (demonstrating a working knowledge of the current SIP)
- Held quarterly Trustee meetings with advisers where appropriate, who have provided specialist advice and updates on legislation, guidance and best practice developments. DC matters are also discussed at each of the Trustee meetings, in which there were seven held during the year. Additional ad-hoc meetings and conference calls were held during the Scheme year as required. The meetings were attended by the appointed providers and professional advisers who provided reporting and specialist advice before asking the Trustee to take relevant decisions as required. Minutes of each Trustee meeting document the information shared and specialist advice given.

Considering the training activities completed by the Trustees together with the professional advice available to the Trustees, the Trustees consider that they meets the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) and is confident that the combined knowledge and understanding of the Trustees, together with the input from its specialist advisers, enables them to properly exercise its functions as the Trustees of the Scheme.

Agreed and Signed by Keith Lewis on 5.11.2020

Chair of Trustees of the Whirlpool UK Appliances Ltd Pension Scheme