

SCHRODERS RETIREMENT BENEFITS SCHEME ANNUAL DEFINED CONTRIBUTION GOVERNANCE STATEMENT FOR THE PERIOD 1 JANUARY 2022 TO 31 DECEMBER 2022

1. Introduction

As the Independent Chair of the Trustee Board of the Schroders Retirement Benefits Scheme (“Scheme”) I am pleased to share with you my yearly statement. This covers the Scheme year ending 31 December 2022 and explains how the Trustee Board, with help from our professional advisers, meets the governance standards contained in the Occupational Pension Schemes (Charges and Governance) Regulations 2015. These standards are designed to help members achieve good outcomes from their pension savings; an aim supported by me and my fellow Trustee Board members. This statement describes how the standards have been met in the following areas:

- The default investment option (including any additional defaults) and other funds members can select
- The charges and transaction costs met by members
- An illustration of the cumulative effect of these costs and charges
- The net return on investments experienced within the Scheme
- A value for members assessment
- The requirements for processing core financial transactions
- Trustee Board knowledge and understanding

The Trustee Board is committed to having high governance standards and we meet regularly throughout the year, at least quarterly. In these meetings, we monitor the performance of the default investment option, and all other funds available to members, together with the controls and processes in place in connection with the Scheme’s Defined Contribution (“DC”) investments and administration.

The Trustee Board welcomes this opportunity to explain what it does to help to ensure that the DC section of the Scheme is run as effectively as possible. If you have any questions or comments about anything in this statement please get in touch with us at www.contact.mercer.com.

This statement will be published on a publicly available website (www.schroders.com/en/schroders-retirement-benefits-scheme) and the information concerning cost disclosures will be signposted in the annual benefit statements.

2. Investment strategy

The Trustee Board is responsible for investment governance. This includes setting and monitoring the investment strategy generally and also the Scheme’s default investment option. We have an Investment Committee which focuses exclusively on investment matters, making recommendations to the Trustee Board. Details of the investment strategy and investment objectives for the default investment option are recorded in the Statement of Investment Principles (“SIP”), a copy of which is attached.

The SIP covers the following key matters in relation to the DC section’s investment options:

- The Trustee Board’s aims and objectives for the investments held, including the default investment option
- The Trustee Board’s policies on issues such as:
 - the kinds of investments to be held
 - the balance between different kinds of investment
 - risks, including the ways in which risks are to be measured and managed
 - the expected return on investments
 - the realisation of investments

- the extent to which financially material considerations such as environmental, social or corporate governance risks and opportunities are taken into account when selecting, retaining or realising investments
 - stewardship and the exercise of voting rights and engagement activities
 - the arrangements with investment managers
- An explanation of how these aims, objectives and policies are intended to ensure that assets are invested in the best interests of members who are invested in the default investment option

The SIP was last reviewed in November 2022, as part of the annual review cycle to ensure it remained appropriate, with the updated version being signed on 19 December 2022. The updates were:

- The addition of climate and collateral risks and how they are managed within both the DB and DC sections
- Details of the Scheme’s new Responsible Investment and Voting Policy
- Confirmation of the Trustee’s requirements around significant votes and how these are defined
- Schedule 1 was updated to reflect the asset allocation
- Schedule 2 was updated to show the addition of Schroders Global Islamic Equity Fund and the removal of the Aviva Property Fund

In line with regulatory requirements, the Trustee Board has drafted a SIP Implementation Statement for the Scheme year ended 31 December 2022. The SIP Implementation Statement sets out how the policies within the SIP have been followed during the Scheme year along with a summary of the voting activity of the investment managers and details of “Significant Votes”, with Significant Votes defined as ones that are linked to the Scheme’s stewardship priorities/themes or for other reasons such as the size of the holding. A copy of the SIP Implementation Statement can be found in the 2022 Annual Report and Accounts or at www.schroders.com/en/schroders-retirement-benefits-scheme.

2.1 Default investment option

The Trustee Board has made available a range of investment options for members. For the period covered by this Statement, the default investment option was the “SRBS Default Lifestyle Strategy”. This was introduced in December 2019, following a review of the performance and investment choices in the DC section that began in 2018. The purpose of that review and the changes made were to make the lifestyle approach in the default investment option better reflect members’ choices at retirement and to revise the overall strategy to improve the potential retirement outcomes of members.

Within the default investment option, members’ pension savings are automatically switched between funds as they approach their selected retirement age. Initially members’ pension savings are invested 65% in the Sustainable Multi-Factor Equity Fund and 35% in the Diversified Growth Fund. An initial switching period starts 20 years before members’ selected retirement age, with a gradual transition to achieve a 100% allocation in the Diversified Growth Fund 10 years before their selected retirement age. There is then a further transition over the final 7 year period to their selected retirement age, to achieve an ultimate allocation of 65% in the Diversified Growth Fund and 35% in the Cash Fund at retirement. This reflects the Trustee Board’s objectives for the default investment option.

The Trustee Board has considered risk from a number of perspectives as part of the design of the default investment option. This includes the risks that:

- Low investment returns over members’ working lives secure an inadequate income in retirement
- Adverse market movements in the years just prior to retirement lead to a substantial reduction in members’ funds
- The chosen investment manager underperforms the benchmark against which the manager is assessed
- Members’ plans and choices at retirement are difficult to predict
- The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on asset returns

The Trustee Board delegates investment management decisions to the Scheme's investment managers. The Trustee Board regularly obtains professional advice on these risks and the suitability of the funds provided. From time to time they may change the asset distribution or investment managers.

The Trustee Board monitors the performance of the default arrangement against its aims, objectives and policies on a quarterly basis and will continue to formally review the strategy at least every three years or without delay following any significant change in investment policy or the demographic profile of the relevant members.

The most recent formal investment strategy review, which covered the default investment option, concluded in March 2022. The review looked at any new innovations in the market and considered any regulatory changes since the last review. The investments (fund type, management style and asset allocations) used and potential outcomes delivered by the default strategy and self-select fund range were all reviewed as part of the exercise, as well as how well the current arrangements are integrating with the Trustee's areas of priority for consideration. These being:

- Climate change
- ESG integration and risk management
- Diversity, Equity and Inclusion (DEI)
- Private markets

The default investment option is designed to offer members a flexible approach at retirement. Those with larger pots are able to target flexible drawdown whilst those with smaller pots can target cash on retirement. The outcome of the review concluded that targeting this flexible outcome remains the most appropriate for the majority of members. The Trustee believes that the expected returns offered are high enough, without taking too much risk, for members to achieve a 'comfortable' living standard in retirement, but, of course, that cannot be guaranteed.

In reaching its conclusions, the Trustee Board gave careful consideration to the membership profile of the Scheme, the current trends seen in our Scheme and also what is happening in the wider market place. The Trustee Board also took professional advice to support its own knowledge.

As part of the review, the Trustee Board looked at the ratings for all funds offered, including the ESG ratings and ESG integration. Of the 15 funds available that are formally rated from an ESG perspective, 14 are rated highly. At this point the Trustee Board would not expect the remaining fund to be highly rated because of the nature of that type of investment. The Trustee Board is comfortable with the overall level of ESG integration within the Scheme, however we believe there is more that can be done, and as part of that we have increased the level of ESG monitoring we do so we are better positioned to take action as needed. The Trustee has also considered the DEI policies of each of the Scheme's investment managers. This reporting is now included in the regular reporting received, so we can see if the investment managers are following the policies they have in place.

Section '2.2 Self-Select funds' outlines details of the three new funds being introduced to the self-select fund range as a direct outcome of the ESG and DEI considerations covered in the review.

2.1.1 Additional defaults

There may be situations where the Trustee Board seeks to close funds for various reasons or where funds are forced to close on either a permanent or temporary basis due to circumstances outside of the Trustee's control. In such situations, the Trustee will select suitable replacement funds based on all relevant factors.

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee Board has identified that the investment options selected as suitable replacement funds are to be treated as 'default arrangements' (as defined by these regulations) in addition to the current default investment option (as detailed in Section 12 of the SIP). These have been identified as 'default arrangements' because member contributions have been automatically directed to replacement funds without members having instructed the Trustee where their savings and future contributions are to be invested. The performance of these funds is monitored quarterly against the Trustee Board's aims, objectives and policies, with a strategic review being carried out at least triennially since falling under the categorisation of a 'default arrangement'.

The LGIM Cash Fund is considered an additional default.

2.2 Self-select funds

As a result of the triennial investment strategy review and a desire to make the Scheme as inclusive as possible and increase the sustainable investment options available to members, three new funds are being introduced into the self selection fund range. These are:

- Schroder Islamic Global Equity fund – invests in Sharia compliant equities and related securities of companies globally and aims to provide capital growth in excess of the Dow Jones Islamic Market World Index (net) over a three to five year period.
- Schroder Global Sustainable Growth fund – This is an actively managed fund that aims to provide capital growth by investing globally in shares of sustainably-run companies. These are companies that are managed for the long term and account for the interests of all stakeholders, including wider society.
- LGIM Future World Global Equity Index fund – This is a passive fund that uses an index tracking strategy, aiming to replicate the performance of its benchmark. The index aims to provide exposure to developed and emerging equity markets while reflecting significant ESG issues.

The Schroder Islamic Global Equity fund was available to invest in from November 2022 and the two sustainable funds from February 2023.

Following the suspension and reopening of the Aviva Property Fund in 2020, the Trustee Board reviewed the Fund and identified some ongoing concerns. There was a significant amount in the Fund's redemption deferral queue and, in order to manage the redemptions, Aviva introduced a 90 day redemption notice period and also extended the maximum deferral period from 12 to 24 months.

With that in mind, the Trustee Board no longer felt that it was appropriate for members to make further investments into the Aviva Property Fund and closed it as an option for future contributions in December 2020. The Trustee Board decided to terminate the Aviva Property Fund and the funds of all remaining members were transitioned into the redemption deferral queue in April 2021. Aviva subsequently announced that the Fund was being liquidated, a process which started on 19 July 2021. Having reached the front of the redemption queue, all of the Scheme's holdings in the fund were sold between December 2021 and January 2022. Where members had returned an Investment Decision Form, or had an outstanding switch in progress since the fund was suspended in March 2020, the monies were allocated according to their election. For the other members the monies were paid into the LGIM Cash Fund.

The Trustee will continue to keep the self-select funds under regular review and will amend them as appropriate based on analysis of the likely requirements of Scheme members.

2.3 Investment Performance

The performance of each of the Scheme's funds, including those funds used in the default investment option and the additional default, are reviewed by the Trustee at each quarterly meeting. This includes fund performance against benchmarks over both shorter and longer-term periods. The Trustee also obtains periodic updates from its investment consultant on factors that have impacted performance and on developments concerning the Scheme's investment providers that may influence future performance. The reporting provided includes ESG and DEI information.

A 'watch list' section in the reporting allows the Trustee Board to have an easy reference and greater oversight of the funds that might not be performing as expected. During 2022 the Schroder Life QEP Global Blend fund and Baillie Gifford UK Equity Core fund appeared on the watch list. The Trustee is monitoring these watch list funds closely and will consider undertaking a 'deeper dive' review if warranted, such as asking the portfolio managers to present on the funds' outlook.

3. Charges and transaction costs paid by members

We are required to explain the charges and transaction costs which are paid by members, in line with the regulatory guidance. Where information about the member costs and charges are not currently or immediately available, we have to make this clear to you together with an explanation of the steps we are taking to obtain the missing information. We are comfortable that the information provided below is a complete picture of the charges and transaction costs paid by members during 2022.

Ongoing fund charges include both the annual management charge, which is applied by the investment managers as a percentage of the assets held within each fund to cover the cost of managing the investments, and other additional expenses such as indirect fees.

3.1 Default investment options

There was no change to the default investment options during the year. This section outlines the charges applicable to the different funds used in the Scheme's 'main' default investment option and the 'additional' default investment option, as set out in section 2:

Main Default Investment Option	Annual Management Charge (%)	Additional Expenses (%)	Total Fee Payable by Members (%)
Schroder Diversified Growth	0.50	0.04	0.54
Schroder Sustainable Multi-Factor Equity Fund	0.17	0.02	0.19
LGIM Cash	0.10	0.00	0.10

Additional Default Investment Option	Annual Management Charge (%)	Additional Expenses (%)	Total Fee Payable by Members (%)
LGIM Cash	0.10	0.00	0.10

Source: Phoenix, Managers

3.2 Self-select options

The range of charges applicable to the self-select funds offered during the Scheme year was 0.10% to 0.83% and are detailed in the table below.

	Self-select fund range	Annual Management Charge (%)	Additional Expenses (%)	Total Fee Payable by Members (%)
Default	Schroder Diversified Growth	0.50	0.04	0.54
	Schroder Sustainable Multi-Factor Equity Fund	0.17	0.02	0.19
	LGIM Cash	0.10	0.00	0.10
Active Equity	Schroder Life QEP Global Sustainable	0.50	0.06	0.56
	Schroder European	0.52	0.00	0.52
	Schroder Institutional Pacific	0.52	0.00	0.52
	Schroder Prime UK Equity	0.30	0.00	0.30
	Schroder UK Smaller Companies	0.51	0.00	0.51
	Baillie Gifford UK Equity Core	0.48	0.02	0.50
	Schroder Tokyo	0.64	0.00	0.64
	Schroder Islamic Global Equity*	0.55	0.00	0.55
Passive Equity	Schroder Global Emerging Markets	0.72	0.00	0.72
	LGIM World Developed Equity Index	0.13	0.00	0.13
	SSgA MPF Fundamental Index Global Equity	0.15	0.07	0.22
	LGIM UK Equity Index Fund	0.10	0.00	0.10
	LGIM North America Equity Index	0.13	0.00	0.13
	LGIM Europe (ex UK) Equity Index	0.13	0.00	0.13
	LGIM Japan Equity Index	0.13	0.00	0.13
	LGIM Asia Pacific (ex Japan) Equity Index	0.13	0.00	0.13
Active Fixed Income	LGIM World Emerging Market Equity Index	0.33	0.00	0.33
	Schroder Sustainable Bond Fund	0.23	0.00	0.23
	Schroder Sterling Broad Market Bond	0.28	0.00	0.28

Passive Fixed Income	LGIM Corporate Bonds Over 15 Year Index	0.13	0.00	0.13
	LGIM Over 5 Year Index Linked Gilt Index	0.10	0.00	0.10
	LGIM Over 15 Year Gilts Index	0.10	0.00	0.10
	SRBS Pre-Retirement Gilt ¹	0.10	0.00	0.10
Other	Aviva Investors Pensions Property**	0.71	0.00	0.71
	Schroders Global Cities Fund	0.83	0.00	0.83
	BlackRock DC Diversified Growth	0.61	0.06	0.67

Source: Phoenix, Managers

¹ The Pre-Retirement Gilt Index Fund is a bespoke blended fund which invests member savings 50% in LGIM Over 15 Year Gilts Index and 50% in LGIM Over 5 Year Index Linked Gilts Index.

* Fund added November 2022

**Property Fund was closed to future contributions on February 2021 and on 19 July 2021, Aviva announced that the Fund was to be liquidated. The last disinvestments of member funds out of the Property Fund were processed on 10 January 2022, removing the Scheme's allocation to the fund.

The charges referred to above do not include ongoing transaction costs. The transaction costs incurred by fund managers are as a result of buying, selling, lending or borrowing investments within their fund. These costs are taken into account by the fund managers when calculating the unit price for each of the funds. The transaction costs shown in the table below are calculated on a methodology known as 'slippage cost'. This compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative as well as positive.

Transaction costs during 2022 for the funds used in the default strategy were between 0.05% and 0.39% and the costs for other fund choices were between 0.00% and 0.49% and are shown here:

Main Default Investment Option	Ongoing transaction costs (%)
Schroder Diversified Growth	0.39
Schroder Sustainable Multi-Factor Equity	0.34
LGIM Cash	0.05

Additional Default Investment Option	Ongoing transaction costs (%)
LGIM Cash	0.05

	Self-select fund range	Ongoing transaction costs (%)
Default	Schroder Diversified Growth	0.39
	Schroder Sustainable Multi-Factor Equity	0.34
	LGIM Cash	0.05
Active Equity	Schroder Life QEP Global Sustainable	0.26
	Schroder European	0.34
	Schroder Institutional Pacific	0.07
	Schroder Prime UK Equity	0.16
	Schroder UK Smaller Companies	0.00
	Baillie Gifford UK Equity Core	0.22
	Schroder Tokyo	0.08
	Schroder Islamic Global Equity*	0.18
Passive Equity	Schroder Global Emerging Markets	0.22
	LGIM World Developed Equity Index	0.02
	SSgA MPF Fundamental Index Global Equity	0.01

	LGIM UK Equity Index Fund	0.00
	LGIM North America Equity Index	0.04
	LGIM Europe (ex UK) Equity Index	0.11
	LGIM Japan Equity Index	0.04
	LGIM Asia Pacific (ex Japan) Equity Index	0.06
	LGIM World Emerging Market Equity Index	0.14
Active Fixed Income	Schroder Absolute Return Bond	0.43
	Schroder Sterling Broad Market Bond	0.16
Passive Fixed Income	LGIM Corporate Bonds Over 15 Year Index	0.49
	LGIM Over 5 Year Index Linked Gilt Index	0.29
	LGIM Over 15 Year Gilts Index	0.23
	Pre-Retirement Gilt ¹	0.26
Other	Aviva Investors Pensions Property**	0.38
	Schroder Global Cities Real Estate	0.19
	BlackRock DC Diversified Growth	0.36

Source: Phoenix, Managers

¹ The Pre-Retirement Gilt Index Fund is a bespoke blended fund allocating to underlying components: 50% LGIM Over 5 Year Index Linked Gilt Index / 50% LGIM Over 15 Year Gilts Index.

* Fund added November 2022

** Property Fund was closed to future contributions on February 2021 and on 19 July 2021, Aviva announced that the Fund was to be liquidated. The last disinvestments of member funds out of the Property Fund were processed on 10 January 2022, removing the Scheme's allocation to the fund.

3.3 Illustration of charges and transaction costs

Using the charges and transaction cost data provided by Phoenix and in accordance with regulation 23(1)(ca) of The Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Trustee Board has prepared an illustration detailing the impact of the costs and charges typically paid by a member on their retirement savings pot. The statutory guidance has been considered when providing these examples.

The illustration below has taken into account the following elements:

- Initial savings pot size
- Contributions, where applicable
- Real terms investment return, gross of costs and charges
- Adjustment for the effect of costs and charges
- Time

To illustrate the impact of charges on a typical active member's pension pot, we have provided the below illustrations, which account for all estimated member costs, including the TER, transaction costs and inflation.

Age	Investment Choice									
	Default Lifestyle Strategy		Aviva Investors Pension Property		LGIM UK Equity		LGIM Cash		Schroders Global Cities Real Estate	
	Most popular fund		Highest cost fund		Lowest cost fund		Additional default fund		Second highest cost fund	
	Pension pot size		Pension pot size		Pension pot size		Pension pot size		Pension pot size	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
21	£8,100	£8,043	£7,964	£7,874	£8,092	£8,084	£7,966	£7,957	£8,100	£8,043
25	£54,051	£52,683	£48,338	£46,460	£53,672	£53,478	£48,415	£48,219	£54,051	£52,683
30	£110,599	£105,703	£89,654	£83,771	£109,127	£108,432	£89,918	£89,292	£110,599	£105,703
35	£180,190	£168,676	£131,933	£119,848	£176,597	£174,958	£132,502	£131,191	£180,190	£168,676
40	£265,830	£243,470	£175,197	£154,733	£258,684	£255,493	£176,195	£173,935	£265,830	£243,470
45	£369,449	£329,728	£219,471	£188,465	£358,556	£352,988	£221,027	£217,539	£369,449	£329,728
50	£492,383	£425,803	£264,776	£221,082	£480,065	£471,013	£267,027	£262,021	£492,383	£425,803
55	£634,269	£531,353	£311,138	£252,620	£627,899	£613,892	£314,224	£307,399	£634,269	£531,353
60	£778,102	£636,482	£358,580	£283,117	£807,763	£786,859	£362,652	£353,690	£778,102	£636,482

Notes

- Values shown are estimates at end of each year and are not guaranteed.
- Projected pension pot values are shown in today's terms after inflation.
- To make this analysis representative of the membership, the Trustee has based this assumed member on data sourced from Mercer. The assumed member is age 19, with a normal retirement age of 60, using a starting pot size of £0 and a salary of £44,150. The member's total contributions (including those from the employer) are assumed to be 18% of the member's salary per annum, and is assumed to increase in line with inflation.
- Inflation is assumed to be 2.5% per annum.
- Charges, transaction costs and estimated growth rates are assumed as follows:

	TER	Transaction costs	Growth rate assumptions
Default Lifestyle Strategy	0.31% p.a. for members 20 or more years from retirement, rising to 0.39% p.a. for members at retirement	0.40% p.a. for members 20 or more years from retirement; falling to 0.25% for members at retirement	4.00% p.a. expected real return for members 20 or more years from retirement, falling to 0.69% p.a. expected real return for members at retirement
BlackRock DC Diversified Growth	0.67% p.a.	0.46% p.a.	3.505% p.a. expected real return
LGIM UK Equity Index	0.10% p.a.	Nil*	4.00% p.a. expected real return
LGIM Cash	0.10% p.a.	0.02% p.a.	0.50% p.a. expected real return

Source: Charge and costs figures provided by Phoenix, growth rate assumptions provided by Mercer. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund, where available. As Phoenix are unable to provide historic transaction costs

for these funds, the transaction costs shown above are an average of the costs provided for the 4 year periods to 31 December 2022, when available.

*This fund has reported a negative transaction cost over the period of this Statement, we have therefore assumed these costs to be nil, as negative costs are not expected to continue consistently over time.

3.4 Net return on investments

Regulations introduced in 2022 requires the Trustee to report on the net investment returns for the Scheme's default arrangement(s) and for each fund which Scheme members are, or have been able to, select, and in which members are invested during the Scheme year. Net investment returns refers to the returns on funds minus all transaction costs and charges.

The tables below include the long-term net investment return for the Scheme's default, additional default and self-select arrangements which have been calculated in accordance with the statutory guidance:

Default strategy - SRBS Default Lifestyle Strategy	Annualised returns to 31 December 2022 (%)		
	Age of member	1 year	5 years
	25	-10.8	-
	45	-11.2	-
	55	-9.2	1.1

Source: Phoenix, Manager. Calculations by Mercer at May 2023. Performance shown net of all charges and transaction costs. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown. The Schroder Life Sustainable Multi-Factor Equity fund has no 5 and 10 years performance and for this reason 5 and 10 years cannot be calculated for ages where this fund is part of the lifestyle. The figures above show what the returns would have been had the member been invested in line with the current strategy over the last 10 years.

Additional Default – Cash Fund	Annualised returns to 31 December 2022 (%)		
	Age of member	1 year	5 years
	25	1.3	0.5
	45	1.3	0.5
	55	1.3	0.5

Self-select fund	Annualized returns to 31 December 2022 (%)		
	1 year	5 years	10 years
Schroder Life Sustainable Multi-Factor Equity	-10.5	-	-
Schroder Life Intermediated Diversified Growth	-11.5	1.4	3.9
LGIM Cash	1.3	0.5	0.4
Schroder Life QEP Global Sustainable Fund	-3.9	5.8	10.2
Schroder Prime UK Equity Fund	1.7	3.5	7.2
Baillie Gifford UK Equity Core	-14.9	1.1	6.3
Schroder Institutional UK Smaller Companies	-23.6	1.3	9.9
Schroder European Fund	-8.4	3.5	9.3
Schroder Institutional Pacific Fund	7.2	7.0	8.1
Schroder Tokyo Fund	-0.6	1.7	9.1
Schroder Global Emerging Markets Fund	-12.0	1.7	5.7
LGIM World Developed Equity Index	-7.8	-	-
SSgA MPF Fundamental Index Global Equity	3.2	7.3	11.1

LGIM UK Equity Index	1.0	2.9	6.5
LGIM North America Equity Index	-8.8	11.5	15.2
LGIM Europe (ex UK) Equity Index	-7.8	4.9	9.0
LGIM Japan Equity Index	-5.0	2.7	9.1
LGIM Asia Pacific (ex Japan) Equity Index	-1.4	3.4	6.7
LGIM World Emerging Market Equity Index	-7.2	1.8	4.9
Schroder Absolute Return Bond	-4.2	-0.3	0.7
Schroder Sterling Broad Market Bond	-23.9	-2.7	-
LGIM Corporate Bonds Over 15 Year Index	-37.3	-5.6	1.1
LGIM Over 15 Year Gilts Index	-40.2	-6.7	0.2
LGIM Over 5 Year Index Linked Gilt Index	-38.1	-5.1	1.9
SRBS Pre-Retirement Gilt	-39.0	-5.9	1.1
BlackRock DC Diversified Growth	-8.4	2.3	2.9
Schroder Global Cities Real Estate	-19.5	-	-
Aviva Investors Pensions Property	-14.8	3.9	5.4

Source: Phoenix, Manager

Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous table. Where the table shows “-“ data is not available over the relevant time period.

4. Good value for members

When assessing the transaction costs and charges which are payable by members, the Trustee Board is required to consider the extent to which the investment options offered by the Scheme represent good value for members, when this is compared to other options available in the market. The Trustee Board also assesses the overall value offered by the Scheme’s management, administration and communications.

There is no legal definition of “good value” and so the process of determining good value for members is a subjective one. We have, however, considered regulatory guidance and the quality of services when assessing good value.

The Trustee Board, with their investment advisers, undertook a Value for Members assessment for the period covered by this statement, and concluded that the Scheme provides good value for members. The assessment covered the following aspects:

- Investment charges for the default and self-select funds, when benchmarked against comparable funds.
- Net of fees investment performance.
- Investment fund range and rating (as provided by the Investment Consultant).

The assessment showed that the fees charged to members for the majority of the Scheme’s funds compare favourably with those of peer funds, noting that the Company subsidises a number of the funds offered, with the subsidy ranging between 0.005% and 0.205%.

We have also assessed fund performance to ensure that the costs borne by the members are reasonable for each fund offered and the outcomes expected from investment. We considered that higher Total Expenses Ratio (TERs) in specialist funds, such as property, Real Estate Investment Trusts and externally managed multi-asset funds, are usual and justified due to the benefits offered through active management in these asset classes.

We also note that charges for the Scheme’s default investment option are significantly below the charge cap of 0.75% a year.

Additionally, all administration, member communication and advisory costs associated with operating the Scheme are met from non DC Section assets and are ultimately funded by the Company if required, which further enhances the value that members receive. We also note that members get the benefit of (amongst other things):

- Ongoing oversight and review of the investment options in the fund range
- Online access to their retirement accounts, Scheme literature and modelling tools through the Scheme website
- The efficiency of the administration processes and the Trustee Board governance oversight of these services
- Wide-ranging support and governance of the Scheme from the Trustee Board, its advisers and the Company

Taking account of the above factors we have concluded that, for the period under review, the investment options and benefits offered by the Scheme represent good value for members when compared to other options available in the market.

5. Core financial transactions

The Trustee Board is required to report to you about the processes and controls in place in relation to “core financial transactions”. The law specifies that these include (but are not limited to) the following:

- Investing contributions paid to the Scheme with the investment managers
- Transferring assets related to members into or out of the Scheme
- Transferring assets between different investments within the Scheme
- Making payments from the Scheme 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 Scheme administrator.

The Scheme administration is currently delivered by Mercer. As part of the transition to Mercer in 2017 there was extensive data cleansing undertaken and re-documenting of all administration processes. This included a specific Service Level Agreement (“SLA”) with Mercer which covers the accuracy and timeliness of all core transactions. These timescales are well within any applicable statutory timescale and are summarised below.

Task	Service Level Agreement (SLA)	Task	Service Level Agreement (SLA)
Transfer out	10 days	Retirement	5 days: quotation 5 days: settlement
Transfer in	10 days	Death claim	2 days: quotation 2 days: settlement
DC Investment change	8 days	Leavers	10 Days: Deferred 20 Days: Options 10 Days: Refund

Processes in place to ensure timeliness and accuracy include:

- Contributions received are reconciled monthly to ensure that there is an active member record for each contribution received and that each active member record has a contribution. Unit holdings at a fund and Scheme level are also reconciled monthly with the fund platform provider (currently Phoenix Corporate Investment Services). The Scheme administrator has a dedicated contribution processing and investment team.
- Transfers out of the Scheme to other schemes and payments out of the Scheme to members or other beneficiaries are made electronically wherever possible so that settlement is as prompt as possible.
- All members have access to their own personal account online. This allows members to switch between funds, change contribution levels, obtain up-to-date quotations and view and check their own details in real time at any time of the day. This online functionality allows members to submit instructions and make changes immediately and removes the risk of manual administration errors associated with the use of paper forms.
- All standard transaction types and benefit calculations are automated, removing the risk of manual errors.

- Mercer processes all incoming correspondence, enquiries and requests through a workflow system which categorises work and assigns it to teams and individual administrators based on agreed priorities and service levels.

Mercer has confirmed to the Trustee Board that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately. This has been demonstrated in the Mercer AAF 01/06 and ISAE 3402 report on internal controls and the Scheme auditor also independently tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

Mercer provides quarterly governance reports which allow the Trustee Board to assess how quickly and effectively the core Scheme financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

An issue relating to the application of the lifestyle within the Scheme was identified during the year. This has been present since the change to the default investment option December 2019 and affected 2,106 members:

- New entrants opting for the default investment option have had their contributions incorrectly allocated
- Members within the de-risking period have had their funds switched three months ahead of the lifestyle strategy

This issue has been fully investigated and is nearly resolved. The Trustee is ensuring that there is no financial impact to members. A root cause analysis has been undertaken and measures put in place to prevent a recurrence of a similar issue.

The average Mercer service level for the year to 31 December 2022 was 97%, above the agreed 90% target, with SLAs above the 90% target for all quarters. Additional reporting was introduced during 2021, so the Trustee Board could better understand the service being provided and the service continues to be closely monitored by the Trustee Board.

6. Trustee Board knowledge and understanding

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

The Trustee Board is comprised of six individual Trustee Directors with diverse professional skills and experiences, reflecting the varied nature of the challenges that it must address. The Trustee Board requires that a new Trustee Director completes the Pensions Regulator's online training modules for DC within six months of their appointment. All new Trustee Directors have an agreed induction programme, which includes meetings with the Scheme's advisers. There were three new Trustee Directors during the Scheme year. Katherine Davidson joined the Trustee Board on 1 June 2022, replacing Sophie Dapin, and subsequently stepped down on 1 August 2022, having decided to leave Schroders. Uzoamaka Ekwue replaced Katherine on 1 August 2022 and Ajeet Manjrekar joined on 31 December 2022, replacing Matthew Dobbs. All new Trustee Directors completed the required training in advance of the six month requirement.

We take our training and development responsibilities seriously. The Trustee Board has a Training and Development Framework in place, which is designed to help the Trustee Directors better understand and fill their knowledge gaps. This benefits the individual Trustee Directors, the effectiveness of the Trustee Board as a whole and, therefore, the members of the Scheme. A self-assessment is undertaken each year allowing the Trustee Board to understand its aggregated strengths and areas for improvements. A record is also kept of the training completed by each member of the Board. These training records and self-assessments are reviewed annually to identify any gaps in the knowledge and understanding across the Board as a whole. In addition, the Trustee Board conducts group training sessions specifically targeted at topics being investigated further by the Board, facilitated by external advisers. At each meeting, the Trustee Board receives and considers training material from its advisers including the A&O 'Trustee Agenda Update: Current Legal Issues', Aon's 'Current Issues for trustees' and Mercers' 'DC News and Views' and 'Pensions Administration Today' updates. During the year the Trustee Directors undertook training totalling over 143.9 hours between them, which from a DC section perspective covered topics such as:

- Pensions litigation
- Single code of practice
- Prevention of pension scams
- Task force on climate related financial disclosures
- Transfer guidance
- Providing financial advice support
- Pension Schemes Act
- Climate change risk and related duties

- Stronger nudges to pensions guidance
- Illiquid investments and performance fees
- Change to minimum pension age
- Pensions Dashboard
- Finance Bill
- ESG and DEI

In addition to the training received, the Trustee Board receives advice on investment, legal and other matters from its advisers, including:

- Allen & Overy LLP – legal matters
- Mercer – DC related investment matters
- Ernst & Young – Scheme auditor

The Trustee Board’s professional advisers attend meetings throughout the year and provide input into the agendas.

The Trustee Board recognises that board evaluations are an important tool to strengthen a board’s overall effectiveness, as these provide an opportunity to review its skills and experience, composition and processes and its activities and behaviours. With that in mind:

- Each year the Board and Investment Committee will undertake an assessment of their effectiveness.
- Every three years a more in depth assessment will be undertaken, by a person or organisation that is independent of the Board.
- Both assessments will be conducted on a confidential basis, where comments are non-attributable and include feedback from the Board’s external advisers.
- For both assessments, the themes and suggested improvements will be summarised and discussed by the Board and actions taken as appropriate.

In November 2022, the 2022 Board and Investment Committee evaluation was conducted by the Chair, who held 13 face to face/virtual meetings with all the Trustee Board and Investment Committee members as well as internal support and representatives from the legal, actuarial and investment (both DB and DC) advisers. A questionnaire of nine questions covering a variety of areas was discussed at each meeting. The meetings were completed on a confidential basis and comments were non-attributable. Identified themes and suggested improvements were summarised and discussed by the Trustee Board on 9 December 2022.

Additional Trustee Board knowledge and understanding requirements that have been met during the period to which this Statement relates are as follows:

Requirement	How met
Trustees must describe how, through the scheme year they have demonstrated a working knowledge of the trust deed and rules.	The Trustee Board is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by having access to the documents through their online directory and acting and making 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 Allen & Overy LLP. The Trustee Board feels that, with support from their advisers, they have an appropriate level of knowledge and understanding and Scheme specific understanding to be able to act in the interests of the members of the Scheme.
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of the current SIP.	The Trustee Board is conversant with, and has a working knowledge of, the current SIP which has recently been updated. The Trustee Board undertakes regular training on investment matters. The Trustee Board has sufficient knowledge of investment matters to be able to challenge their adviser. The Trustee has drafted a SIP Implementation Statement for the Scheme year ended 31 December 2022 which sets out how the policies within the SIP have been followed during the Scheme year.

<p>Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of all documents setting out the trustees' current policies.</p>	<p>All documents for this purpose are available to the Trustee Board, reviewed on an annual basis and referred to at all relevant times.</p> <p>The Trustee Board undertakes an annual evaluation of training requirements, which includes specific consideration of whether any further training is required in respect of these documents.</p> <p>The Trustee Board with its knowledge and understanding of the Scheme and its governance framework, when working alongside its advisers, is able to exercise properly its functions to act properly and effectively in members' best interests and deliver good member outcomes for the contributions made. At each meeting the Trustee Board reviews the business plan and whether they have effectively delivered the requirements under this.</p>
<p>Trustee Boards must describe how, through the scheme year the Trustee Boards have demonstrated that they have sufficient knowledge and understanding of the law relating to pensions and trusts.</p>	<p>The Trustee Board undertakes an annual evaluation of training requirements, which includes specific consideration of whether any further training is required in respect of these statutory areas.</p> <p>The Trustee Board's advisers regularly attend meetings and give the Trustee Board an overview of market and legislative developments, including the Trustee Board's duties and requirements for strong governance.</p>
<p>Trustee Boards must describe how, through the scheme year the Trustee Boards have demonstrated that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.</p>	<p>The Trustee Board reviews their training needs on a regular basis in order to maintain sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes. In addition, the Trustee Board also operates an Investment Committee which focuses exclusively on investment matters and also meets quarterly, making recommendations to the Trustee Board. The Trustee Board's specialist legal, actuarial and investment advisers also attend Trustee Board meetings as appropriate to advise on specific matters on the agenda.</p>
<p>Trustees must describe how, through the scheme year the trustees have demonstrated that their combined knowledge and understanding, together with available advice, enable them to properly exercise their functions.</p>	<p>The combined experience of the Trustee Board includes expertise from across a range of disciplines and different commercial backgrounds, and the Chair of the Trustee Board is a professional independent Trustee who has over 30 years' experience of pension schemes.</p> <p>The Trustee Board receives professional advice 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 Board along with their own experience allows them to properly exercise their function as Trustee Board.</p> <p>The Trustee Board's advisers regularly attend Trustee Board meetings and are available to support the Trustee Board at any time during the year and answer any queries or concerns they may have.</p> <p>The Trustee Board also conducts an annual effectiveness review of the Trustee Board's performance which it uses to assess the extent to which the Board is exercising its functions properly and effectively, and to identify themes and potential improvements.</p>

Since 2008, the Company has chosen to appoint a lawyer to act as Independent Chair of the Trustee Board to enhance the Scheme's governance. I have been Independent Chair since September 2014 and have over 30 years' experience of pension schemes.

As a result of the training activities which have been completed by the Trustee Directors individually and collectively as a Board, and taking into account the professional advice available to the Trustee Board, I am confident that the

combined knowledge and understanding of the Board enables us to exercise properly our functions as the Trustee Board of the Scheme. This can be demonstrated through the regular meetings, maintaining and reviewing the respective governance frameworks and also the continued monitoring of the Scheme's investment options and performance over this year.

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) Regulations 2015 and I confirm that it has been produced by the Trustee Board to the best of my knowledge.

SIGNED:

A handwritten signature in black ink, appearing to read "Vivian Coote". The signature is written in a cursive style and is positioned over a light grey rectangular background.

DATE: 28/06/2023

CHAIR OF THE TRUSTEE BOARD