STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2020 – 31 DECEMBER 2020

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Qualter, Hall & Co Ltd Retirement Benefits Plan ("the Plan") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC).

These standards cover four principal areas relating to the Plan's defined contribution benefits, namely:

- The default investment arrangement;
- Core financial transactions;
- Value from member borne deductions; and
- The trustees' knowledge, understanding and resources.

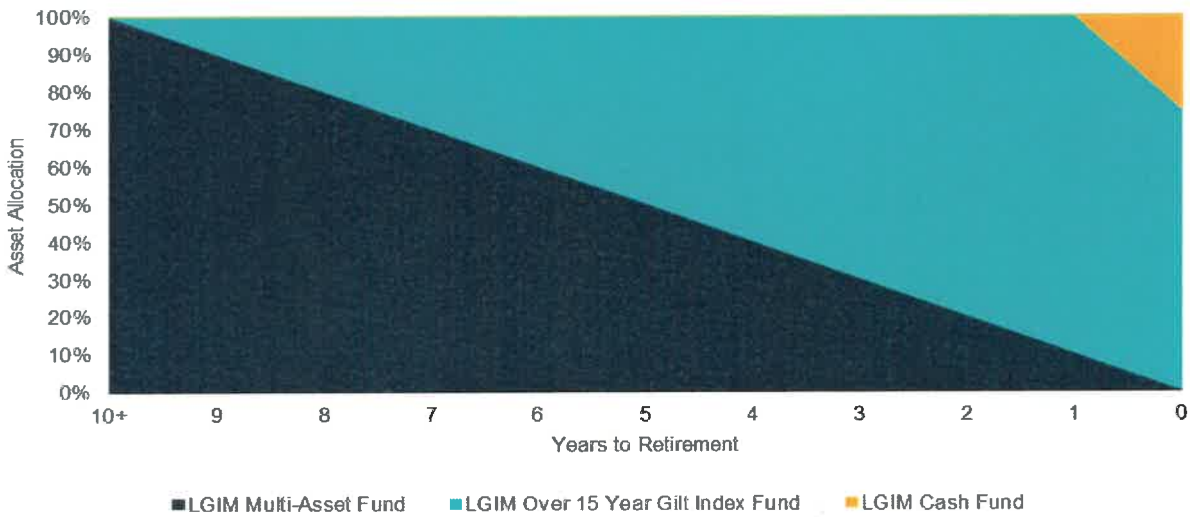
Default arrangement

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

Members of the Plan who do not make an explicit choice regarding the investment of their funds will be invested in the default arrangement chosen by the Trustees with the advice of their Investment Consultant.

The default strategy invests in the LGIM Multi-Asset Fund up until a member is 10 years from retirement. This is a multi-asset fund that invests in a range of passively-managed securities such as equities, bonds, property, commodities and cash. The fund aims to expose members' savings to a relatively high level of potential growth at a time when they can afford to take on more risk. Once members are 10 years from retirement, their assets are gradually moved out of the Multi-Asset Fund and into the LGIM Over 15 Year Gilts Index Fund and the LGIM Cash Fund, so that at retirement there is a 75:25 split between these two funds. This strategy is tailored towards members who will withdraw their 25% tax-free lump sum and purchase an annuity with the remainder of their savings.

This strategy can be illustrated using the following graph:



The Trustees regularly monitor the performance of the default arrangements and will formally review both this and the strategy at least every three years.

STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Default arrangement (Continued)

No formal review of the default investment arrangement was carried out during the year. The Plan's investment strategy was last reviewed by the Trustees at their meeting of 11th September 2018, at which time they concluded that the current strategy remained appropriate for the Plan's membership. During the period covered by this statement there have been no changes to the Plan's investment strategy.

The Trustees are satisfied that the default arrangement performed broadly as expected and is consistent with the aims and objectives of the default as stated in the SIP. At the beginning of the reporting period, the COVID-19 pandemic has caused significant market volatility. However, a fall in the value of a DC member's assets in the short-term is only of consequence if the investments need to be sold in order to secure benefits. It is for this very reason that the Trustees operate a lifestyle arrangement as the Plan's default strategy. This arrangement means that members who are close to retirement will have their investments gradually phased out of growth assets over the 10 years before their normal retirement date in order to reduce volatility near retirement.

The Trustees are considering reviewing the default investment strategy in the next year 2021 to reflect the freedom and choice legislation for DC benefits.

The default arrangement is described in further detail in the Plan's Statement of Investment Principles (SIP) which was updated and signed by the Trustees in July 2020, in order to reflect the new legislative requirements relating to the following:

- The Trustees' policy in relation to financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken in to account in the selection, retention and realisation of investments. Financially material considerations includes (but is not limited to) environmental, social and governance considerations (including climate change);
- The Trustees' policy in relation to the extent (if at all) to which non-financial matters are taken in to account in the selection, retention and realisation of investments;
- The Trustees' policy in relation to:
  - The exercise of the rights (including voting rights) attaching to the investments; and
  - Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

The Trustees have set up processes to publish this statement and the accompanying SIP online at the following URL: https://www.qualterhall.co.uk/company/qualter-hall-company-pension-statements/ and have notified members about this in their annual benefit statements.

Processing Plan transactions

The Trustees ensure that there are adequate internal controls to ensure that core financial transactions relating to the Plan were processed promptly and accurately during the Plan Year. These include the investment of contributions, transfer of member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members.

These transactions are undertaken on the Trustees' behalf by the Plan administrator, Mercer Limited (Mercer), and its investment manager Legal & General Investment Management Ltd (LGIM).

The Trustees have a service level agreement (SLA) in place with the Plan administrator which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. The processes adopted by the Plan administrator to help meet the SLA include dynamics checklists, a central financial

STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Processing Plan transactions (Continued)

control team separate to the admin team, peer checking and authorisation of payments, automated reporting of late contributions, daily monitoring of bank accounts, a dedicated contribution processing team, and four eyes checking of investment and banking transactions. Unit reconciliations are carried out on a monthly basis, with interim unit reconciliations taking place when a member event occurs.

The Trustees receive quarterly reports about the Administrator's activities and performance and compliance with the SLA. Based on the quarterly reports received the Trustees were satisfied that all core financial transactions have been processed promptly and accurately during the periods covered. There were no material administration errors in relation to processing core financial transactions reported. Mercer has its own internal controls and was operating within the agreed SLA over 90% of the time. The Trustees are in discussion with Mercer to improve the reporting on core financial transactions.

In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Scheme's (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustees to disclose the charges and transactions costs borne by DC Plan members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

Fund	TER (%)	Transaction Cost (%)
LGIM Multi-Asset Fund	0.256	0.044
LGIM Over 15 Year Gilts Index Fund	0.100	0.038
LGIM Cash Fund	0.125	-0.001

Source: LGIM. Data covers the period 1 January 2020 to 31 December 2020.

This is lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustees also make available a range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

Fund	TER (%)	Transaction Cost (%)
LGIM Multi-Asset Fund	0.256	0.044
LGIM Over 15 Year Gilts Index Fund	0.100	0.038
LGIM Cash Fund	0.125	-0.001
LGIM Over 15 Year Index-Linked Gilts Index Fund*	0.100	0.037
LGIM Global Equity Fixed Weights (60:40) Index Fund*	0.181	0.001
LGIM UK Equity Index Fund*	0.132	-0.034
LGIM Managed Property Fund*	0.857	-0.123
LGIM AAA-AA-A Corporate Bond - Over 15 Year - Index	0.152	0.017

Source: LGIM. Data covers the period 1 January 2020 to 31 December 2020. *No investments were held in these funds over the period covered by this statement

STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Charges and transaction costs – default arrangement and additional funds (Continued)

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

All of the funds used by the Plan are approved by our investment advisors as having good prospects of achieving their objectives (except for the LGIM Cash Fund which is not formally rated), and the performance of funds is reviewed and discussed at least quarterly.

Cumulative effect of charges

We have taken account of statutory guidance when preparing this section of the report. Some of the self-select funds listed above did not hold any Plan assets over the period covered by this statement. The Trustees therefore felt it would be more representative of the membership and informative for members to provide illustrations only for the funds that members were invested in. Therefore illustrations have only been carried out on fund which held members' assets over the period covered by the Plan.

The compounding effect of charges on an active member's fund can be illustrated as follows:

Illustrations for an "Average" member								
	Default Strategy *(most popular)*		**LGIM Multi-Asset Fund** *(most expensive and highest expected return fund)*		**LGIM Over 15 Year Gilts Index Fund** *(cheapest fund)*		**LGIM Cash Fund** *(lowest expected return fund)*	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£21,430	£21,369	£21,430	£21,369	£20,805	£20,781	£20,802	£20,776
3	£27,032	£26,827	£27,112	£26,902	£25,004	£24,928	£24,997	£24,911
5	£32,401	£32,044	£32,957	£32,562	£29,059	£28,923	£29,047	£28,893
7	£37,397	£36,892	£38,970	£38,350	£32,974	£32,771	£32,956	£32,728
9	£41,891	£41,254	£45,154	£44,271	£36,755	£36,479	£36,729	£36,419
12 (retirement)	£47,458	£46,673	£54,766	£53,406	£42,183	£41,787	£42,146	£41,702
Total Fees	£816		£1,273		£429		£482	

STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Cumulative Effect of Charges (Continued)

Illustrations for an "Young" member								
	Default Strategy *(most popular)*		**LGIM Multi-Asset Fund** *(most expensive and highest expected return fund)*		**LGIM Over 15 Year Gilts Index Fund** *(cheapest fund)*		**LGIM Cash Fund** *(lowest expected return fund)*	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£3,339	£3,329	£3,339	£3,329	£3,256	£3,253	£3,256	£3,252
3	£6,053	£6,012	£6,053	£6,012	£5,684	£5,669	£5,683	£5,666
5	£8,844	£8,756	£8,844	£8,756	£8,029	£7,997	£8,026	£7,991
10	£16,179	£15,894	£16,179	£15,894	£13,542	£13,452	£13,534	£13,432
15	£24,051	£23,446	£24,051	£23,446	£18,593	£18,420	£18,577	£18,383
20	£32,500	£31,435	£32,500	£31,435	£23,221	£22,946	£23,195	£22,887
25	£41,567	£39,889	£41,567	£39,889	£27,460	£27,069	£27,423	£26,985
30	£50,374	£48,002	£51,298	£48,832	£31,343	£30,825	£31,294	£30,713
35	£55,534	£52,761	£61,742	£58,295	£34,901	£34,246	£34,838	£34,105
37 (retirement)	£56,334	£53,517	£66,131	£62,232	£36,239	£35,528	£36,171	£35,375
Total Fees	£2,680		£3,265		£884		£991	

It could be helpful to provide the context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" and "Young" members' pots at retirement would be £39,657 and £31,841 respectively in today's money.

Assumptions

The above illustrations have been produced for an "average" member and a "young" member of the Plan based on the Plan's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Plan retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Age • "Average" member • "Young" member	 53 *(the average age of the Plan's membership)* 28 *(the average age of the youngest 10% of members)*
Plan Retirement Age	65

STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Cumulative Effect of Charges (Continued)

Assumptions (Continued)	
Starting Pot Size • "Average" member • "Young" member	 £18,649 *(the median pot size of the Plan's membership)* £2,010 *(the median pot size for the youngest 10% of members)*
Starting Salary • "Average" member • "Young" member	 £27,773 *(the median salary of the Plan's membership)* £18,450 *(the median salary for the youngest 10% of members)*
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Employer annual contributions • "Average" member • "Young" member	 4.5% p.a. *(the median rate of the Plan's membership)* 3.5% p.a. *(the median rate for youngest 10% of the Plan's members)*
Employee annual contributions • "Average" member • "Young" member	 4.5% p.a. *(the median rate of the Plan's membership)* 3.5% p.a. *(the median rate for the youngest 10% of members)*
Expected future nominal returns on investment: • Default Strategy o LGIM Multi-Asset Fund o LGIM Over 15 Year Gilts Index Fund o LGIM Cash Fund • LGIM Over 15 Year Gilts Index Fund • LGIM Cash Fund	 1.4% above inflation 1.8% below inflation 1.8% below inflation 1.8% below inflation 1.8% below inflation

Value for members assessment

The Trustees are required to assess the extent to which member borne charges and transaction costs represent good value for members.

Whether something represents "good value" is not capable of being precisely defined, but for these purposes, the Trustees consider that charges and transaction costs may be viewed as representing "good value" for members where the combination of costs and the quality of what is provided in return for those costs is appropriate for the Plan membership as a whole, when compared to other options available in the market.

As part of a value for member assessment the Trustees commissioned a report from our advisers, Mercer. The assessment considered three key areas: Price, Performance and Productivity, covering factors such as investment fees, investment performance and non-investment items such as administration, governance and communications with

STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Value for members assessment (Continued)

members. Overall, the assessment, that covers the reporting period, concludes that the Plan currently provides good value for members. From an investment governance perspective fees are competitive, generally the funds have delivered and they remain highly rated by Mercer. Wider factors supplement this assessment such as Plan management and governance, and online member tools. We note that we will continue to monitor closely the investment arrangements and additional features to identify areas for improvement. A review of the default arrangement and its constituent funds is expected to be carried out in the near future.

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Plan assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustees have put in place arrangements for ensuring that we take personal responsibility for keeping ourselves up-to-date with relevant developments.

Over the last year, the Trustees did not receive any formal training. In the last year, an independent experienced professional trustee was appointed to the trustee board to help guide the board and the Chair prioritise activities. Colin Marsh of PSGS Trust Corporation Limited was appointed in April 2020. Colin brings with him over 25 years' experience of acting as a full time professional trustee and will assist the Chair.

The Trustees carried out their duties in accordance with the Plan rules whilst liaising where necessary with their professional advisors and regularly intervene and liaise with the Plan administrator to ensure efficient administration of the Plan, for example to ensure that member benefits are paid in a timely manner. The Trustees refer to their professional advisors for assistance and support on legal and regulatory matters and for advice relating to the Plan's investments; for example, for issues relating to members' GMP underpins.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustees consider that we are enabled properly to exercise our functions as Trustees of the Plan.

Given the extent of the training above, the Trustees are comfortable that we have demonstrated sufficient knowledge of the law relating to pension Plans and trusts and the principles relating to the funding and investment of pension Plans. I am also satisfied that the Trustees have demonstrated a working knowledge of the Plan's trust deed and rules, and all other documents setting out the Trustees' current policies.

The Chair's statement regarding DC governance was approved by the Trustees and signed on their behalf by:

Mr G Wild

Chair of the Trustees

Date: 29 July 2021