

Chair's DC Governance Statement, covering 1 January 2020 to 31 December 2020

1. Introduction

As Chair of Trustees, I present this statement of governance in relation to the money purchase benefits of the Threadneedle Pension Plan (the "Plan"). The Plan is a Cash Balance Plan where the Retirement Lump Sum (which is used to purchase an annuity, provide a scheme pension or provide a lump sum) is a defined benefit, based upon pay and length of service (15% of Final Pensionable Salary for each year of Pensionable Service for Pre-1996 members and 13% of Final Pensionable Salary for each year of Pensionable Service for Post-1996 members, less a State Pension Adjustment for both sections). However, for some members, the Employer has provided an annual Additional Employer Contribution ("AEC") which is invested on a money purchase basis (these contributions ceased when the Plan closed to future accrual). When a member retires or transfers out, pension rights calculated on the defined benefit formula described above are added to the benefits available from the member's AEC and any additional voluntary contributions ("AVCs") the member may have paid. The Plan's money purchase funds are held in a policy provided by Prudential.

Governance requirements apply to defined contribution ("DC") pension arrangements such as the Plan's AECs and AVCs, to help members achieve a good outcome from their pension savings. The Trustee of the Plan is required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members can invest (this means the default arrangement and other funds members can select or have savings in, such as "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

2. Default arrangements

The Plan is not used as a Qualifying Scheme for automatic enrolment purposes.

The Trustee has made available a range of investment options for members. Members who join the Plan and who do not choose an investment option are placed into the Lifestyle Option Bespoke (the "Default"). After taking advice, the Trustee decided to make the Default a lifestyle strategy, which means that members' savings are automatically moved between different investment funds as they approach their target retirement date.

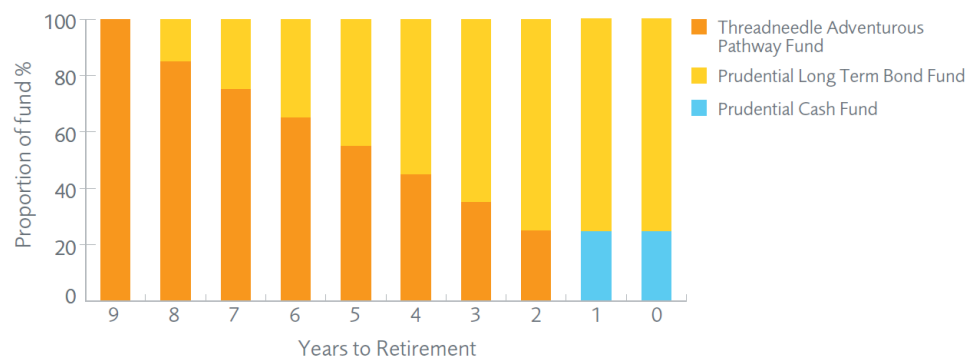
The Trustee is responsible for investment governance, which includes setting and monitoring the investment strategy for the Default arrangement.

Details of the objectives and the Trustee's policies regarding the default investment strategy can be found in the Plan's Statement of Investment Principles ("SIP"). The SIP is attached to this governance statement (the "Statement"); however the key aims are set out below for ease of reference:

- The Default investment strategy is designed to be appropriate for a typical member with a predictable retirement date.
- The structure of the Default has been chosen with the aim of maximising expected long-term investment returns but to protect against changes in annuity prices as members near retirement.
- In designing the Default investment strategy, the Trustee has explicitly considered the expected risk and return characteristics of the funds used at different stages of the strategy.

The structure of the Default arrangement in place during the period covered by this Statement is illustrated in the following chart:

Lifestyle Option Bespoke



During the period covered by this Statement, Prudential (the Plan's DC administrator) announced its intention to remove five Threadneedle funds from the range available to members in January 2021, including the Threadneedle Adventurous Pathway Fund. In conjunction with its investment advisers, the Trustee reviewed a range of alternative funds and agreed to replace the fund with the Prudential Dynamic Global Equity Passive Fund, which has a similar asset allocation and lower member-borne charges. This change came into effect after the end of the period covered by this Statement.

The Trustee will formally review the Default arrangement at least every three years, or immediately following any significant change in investment policy or the Plan's member profile. The last such review of the Default was carried out on 23 July 2019, and the next review is intended to take place later in 2021.

The Trustee reviews the performance of all investment options (including the Default) on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance is reviewed against benchmarks set by the investment managers. The Trustee's reviews that took place during the Plan year concluded that the Default arrangement was performing broadly as expected.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the DC administrator of the Plan, Prudential. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries.

The Plan has a Service Level Agreement ("SLA") in place with Prudential which covers the accuracy and timeliness of all core financial transactions. In 2020, Prudential carried out a number of core transactions outside of the timescales agreed in the SLA. This was due largely to the unprecedented operational difficulties caused by the Covid-19 pandemic. The Trustee has received assurance from Prudential that there are adequate internal controls to ensure that core financial transactions for the Plan are processed promptly and accurately going forwards.

During the period covered by this Statement, the Plan's SLA moved from a 'transactional' agreement to an 'End to End' agreement which measures the time from the first to the last point of contact for each member. The target timescales for completion of different work types (under the old and new SLAs), and the key processes adopted by the administrator to help it meet the SLA are as follows:

Transactional Service Level Agreement (Q1-Q3 2020)	
Core financial transaction	No. of working days
Allocation of contributions	5
Transfers in	5
Transfers out	5
Fund switches	5
Payment of retirement and death benefits	5

End to End customer journey performance targets (Q4 2020)			
Task	Upper Target Days	Lower Target Days	Tail Target Days = no more than 1% of cases completed beyond
	= 75% of cases completed	= 95% of cases completed	
Bereavements	<29	<77	>154
Claims	<10	<22	>43
New business	<8	<25	>43
Servicing	<8	<20	>154

Prudential monitors its performance against service level targets closely and adopts a number of measures to help ensure core financial transactions are processed in a timely and accurate manner. These include:

- A dedicated contribution processing team,
- A central financial control team separate from the main administration team,
- Peer checking and authorisation of payments,
- Daily monitoring of bank accounts,
- Daily checking and reconciliation of member unit holdings.

To help the Trustee monitor whether service levels are being met, the Trustee receives quarterly reports about Prudential's performance and compliance with the SLA. Any issues identified by the Trustee as part of its review processes would be raised with Prudential immediately, and steps would be taken to resolve the issues.

During the first three quarters of the period covered by this statement, Prudential completed 15 core financial transactions outside of the transactional SLA. The Trustee considers this reasonable in the context of the difficult working environment during the Covid-19 pandemic, noting that 10 of these transactions took place during Q2 2020 (ie during the first national lockdown). Prudential was also undertaking a migration to a new platform during this period. In the final quarter, Prudential completed one transaction in the Tail Target Period (out of 19 total transactions). The Trustee will continue to monitor Prudential's performance against the End to End SLA over longer-term periods.

Based on its review processes, the Trustee is satisfied that over the period covered by this Statement:

- Prudential was operating appropriate procedures, checks and controls, and operating within the agreed SLA as far as reasonably practicable in the context of the Covid-19 pandemic;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions on the whole have been processed promptly and accurately to an acceptable level during the Plan year.

4. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The Trustee is also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Prudential, the Plan's DC platform provider and administrator. The TER figures shown include the annual management charge (which applied over the Plan year) and a small 'further costs' component, which is an indicative figure provided by Prudential. With the exception of the Threadneedle Property Fund, the transaction costs given are over the 12 months to 30 September 2020, as figures to 31 December 2020 were unavailable at the time of producing this Statement. The transaction costs for the Threadneedle Property Fund are over the 12 months to 31 December 2019, as Prudential was unable to provide more up-to-date figures for this fund.

When preparing this section of the Statement, the Trustee has taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustee has shown any negative figure as zero.

The DC funds are not subject to the charge cap of 0.75% pa as these policies are not being used to satisfy the employer's automatic enrolment duties for members.

Default arrangement

The Default arrangement is the Lifestyle Bespoke Option. The Default has been set up as a lifestyle approach, which means that members' savings are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

Annualised charges and transaction costs are set out in the following table.

Default charges and transaction costs

Years to target retirement date	TER	Transaction costs
10 or more years to retirement	0.78%	0.23%
9 years to retirement	0.78%	0.23%
8 years to retirement	0.76%	0.22%
7 years to retirement	0.75%	0.21%
6 years to retirement	0.74%	0.20%
5 years to retirement	0.73%	0.19%
4 years to retirement	0.71%	0.19%
3 years to retirement	0.70%	0.18%
2 years to retirement	0.69%	0.17%
1 year to retirement	0.63%	0.11%
At retirement	0.63%	0.11%

Self-select options

The level of charges and transaction costs for each self-select fund (including those used in the Default) are set out in the following table. The underlying funds used within the Default are shown in **bold**.

Self-select fund charges and transaction costs

Fund name	TER	Transaction costs
Prudential All Stocks Corporate Bond	0.76%	0.08%
Prudential Cash	0.55%	0.00%
Prudential Discretionary	0.78%	0.17%
Prudential Long-Term Bond	0.66%	0.15%
Prudential Long-Term Gilt Passive	0.66%	0.00%
Prudential Long-Term Growth Passive	0.68%	0.05%
Prudential North America Equity Passive	0.66%	0.00%
Prudential UK Equity Passive	0.66%	0.07%
Prudential With Profits*	0.98%	0.11%
Threadneedle Adventurous Pathway	0.78%	0.23%
Threadneedle Balanced Pathway	0.79%	0.26%

Fund name	TER	Transaction costs
Threadneedle Cautious Pathway	0.81%	0.21%
Threadneedle European Equity	0.81%	0.83%
Threadneedle Property	2.32%	0.11%
Threadneedle UK Equity High Alpha	0.85%	0.17%

*The charges on the With Profits Fund are not explicit; instead, they are taken into account when the bonus on the Fund is declared. Prudential currently estimates the AMC on the With Profits Fund is 0.8% assuming investment returns on the underlying assets are 5% pa, and Prudential estimates that the further costs on this Fund are 0.18% pa.

Illustration of charges and transaction costs

The following illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future. We have taken account of the fact that the Plan has now closed to future accrual. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Plan they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has decided to illustrate the following example members:

- Example member 1: the youngest member (aged 37) with a retirement age of 65, a current fund value of £3,500.
- Example member 2: the average member (aged 51) with a retirement age of 65, a current fund value of £14,800 (the average pot size of members at the median age of 51).

To show the impact of different levels of charges and investment returns, illustrations have been produced to demonstrate the effect of costs and charges on the following funds available through the DC arrangements:

- The default investment strategy, the Lifestyle Option Bespoke, which is also the most popular investment option amongst members.
- The Prudential North American Equity Passive Fund: this fund (as well as the Threadneedle European Equity Fund) has the highest assumed investment growth rate.
- The Threadneedle Property Fund: this fund has the highest charges.
- The Prudential Cash Fund: this fund has the lowest charges, and the lowest assumed investment growth rate.

Youngest Member Illustration

Projected pension pot in today's money

Years invested	Default option		Prudential North American Equity Passive (highest return)		Threadneedle Property (highest charges)		Prudential Cash (lowest growth, lowest cost)	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£3,600	£3,600	£3,600	£3,600	£3,600	£3,500	£3,400	£3,400
3	£3,800	£3,700	£3,800	£3,700	£3,700	£3,400	£3,300	£3,200
5	£4,000	£3,800	£4,000	£3,900	£3,800	£3,400	£3,100	£3,000
10	£4,700	£4,200	£4,700	£4,300	£4,100	£3,300	£2,800	£2,600
15	£5,400	£4,600	£5,400	£4,800	£4,500	£3,100	£2,500	£2,300
20	£6,200	£5,100	£6,200	£5,400	£4,900	£3,000	£2,200	£2,000
25	£6,800	£5,300	£7,200	£6,000	£5,300	£2,900	£2,000	£1,700
28	£6,700	£5,100	£7,800	£6,400	£5,600	£2,900	£1,800	£1,600

Average Member Illustration

Projected pension pot in today's money

Years invested	Default option		Prudential North American Equity Passive (highest return)		Threadneedle Property (highest charges)		Prudential Cash (lowest growth, lowest cost)	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£15,200	£15,100	£15,200	£15,100	£15,100	£14,700	£14,500	£14,400
3	£16,100	£15,700	£16,100	£15,800	£15,600	£14,500	£13,800	£13,600
5	£17,100	£16,300	£17,100	£16,500	£16,100	£14,300	£13,200	£12,800
10	£18,600	£16,900	£19,700	£18,400	£17,500	£13,800	£11,700	£11,100
14	£18,200	£16,000	£22,100	£20,000	£18,700	£13,400	£10,700	£9,900

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from

each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.8% pa, in line with the central CPI inflation assumption of LCP, the Plan's investment adviser, as at 31 December 2020.
- No allowance for active management outperformance has been made.
- The assumed growth rates are based on LCP's central asset class return assumptions and costs and charges are based on those provided by Prudential. The illustrations use the average transaction costs over the last two years in line with statutory guidance to reduce the level of volatility in charges, and a floor of 0% p.a. has been used for the transaction costs if these were negative so as not to potentially understate the effect of charges on fund values over time. These assumptions are summarised in the table below:

Investment option	Growth rate (gross of fees)	Costs and charges
Lifestyle Option Bespoke (Default)	Between 1.9% pa below inflation and 2.9% pa above inflation (depending on term to retirement)	Between 0.69% pa and 1.01% pa (depending on term to retirement)
Prudential North American Equity Passive Fund (highest assumed growth rate)	2.9% pa above inflation	0.72% pa
Threadneedle Property Fund (highest charges)	1.7% pa above inflation	2.43% pa
Prudential Cash Fund (lowest assumed growth rate and lowest charges)	2.3% pa below inflation	0.55% pa

5. Value for members assessment

The Trustee is required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that

determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The last review took place in July 2021. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

The Trustee's 2021 review concluded that the Plan's members are receiving **good** value for money. In making this assessment, the Trustee reviewed the Plan against the following six criteria: member charges and transaction costs, investment (default and self-select options), administration, governance, member communications and at-retirement support. The Trustee's assessment of each of these criteria is set out below, along with the Trustee's beliefs which formed the basis of the assessment.

Member charges and transaction costs

The costs have been identified as TERs and transaction costs and are detailed in Section 4 above. Although up to date cost benchmarking data is limited for schemes not used for auto-enrolment, such as the Plan, in the Trustee's adviser's experience, the TERs paid by members are within the range typically seen for small (<£100m) schemes (albeit generally above the median for their peer group). Transaction costs can vary significantly from one year to the next depending on the extent of trades within funds; however, a high-level assessment of the transaction costs incurred by members indicates that these appear reasonable. Overall, the Trustee has assessed the level of member charges and transaction costs as being **fair**.

Scheme governance

The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.

The Trustee regularly reviews the Plan to ensure governance is of a high standard, and undertakes quarterly training on a range of issues. Overall, the Trustee has assessed the Plan's governance as being of a **good** standard.

Investments

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.

The Trustee monitors and reviews the Plan's default strategy as appropriate and takes into account the needs of members, changes in regulatory requirements, and demographics of the Plan membership. The self-select fund range is broad, appropriate to the Plan, and not duplicated. Overall, the Trustee has concluded that the Plan's range of investments are of a **good** standard.

Administration

The Trustee believes that good administration and record keeping play a crucial role in ensuring that Plan members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.

The Trustee has a service level agreement in place with Prudential and Prudential reports performance against this on a quarterly basis. This enables the Trustee to monitor standards of administration on a regular basis. Overall, the Trustee is confident that the administration service is of a **fair** standard, and it will continue to monitor Prudential's performance against the service level agreement.

Member communications

The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.

Prudential and the Trustee offer a good range of tailored, clear and informative communications to members. Overall, the Trustee has assessed the Plan's member communications as being of a **good** standard.

At-retirement support

The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate options at retirement.

Retirement communications clearly explain the options available to members and signpost how members can access their benefits. The Trustee believes the Plan's at-retirement support to be of a **good** standard

6. Trustee knowledge and understanding

The Plan's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, the Trustee received training on the following topics:

- investment strategy training from LCP around the Plan's investment strategy review;
- a presentation from the portfolio manager of the Threadneedle Dynamic Real Return Fund (in which the Plan's defined benefit section invests) on investment markets and portfolio positioning;
- the closure of the Plan to future accrual, including reviews of the rules and Trustee powers. Advice from the Trustee's legal advisers was also provided; and
- advice from LCP on reviewing and updating the Plan's SIP.

All the Trustee Directors are familiar with and have access to copies of the Plan's governing documentation and documentation setting out the Trustee's policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan's investments.

The Trustee believes it has sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the

funding and investment of occupational pension schemes to fulfil their duties. Furthermore, the Trustee Directors have individual and collective experience of investment matters as employees of Columbia Threadneedle (the Plan's sponsoring employer) and as a professional trustee.

All the Trustee Directors are required to commit to completing the training, either at the relevant meetings or by personal study. Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year. In 2021, the Trustee has set aside dedicated time for training items ahead of each Trustee meeting.

Considering the knowledge and experience of the Trustee Directors and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (eg investment consultants, legal advisors), the Trustee believes it is well placed to exercise its functions as the Trustee of the Plan properly and effectively.

This document was signed and dated by
Jacqueline Woods, as Chair of Trustees for the
Threadneedle Pension Plan.

Date: 26 July 2021

Signed by the Chair of Trustees of the Threadneedle Pension Plan