

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 6 APRIL 2021 – 5 APRIL 2022

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 Deeside Cereals Pension Scheme (the "Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits. These money purchase benefits relate to three members, one of whom has now transferred out of the Scheme since the Scheme Year end. A second has signed their transfer forms and their funds have been disinvested, although the transfer to another arrangement is yet to be finalised. These members have historic money purchase benefits in the Scheme.

This statement also relates to AVC arrangements provided by the Scheme for members who have historically paid AVCs to the Scheme.

The Scheme is closed to further contributions. This means that no new members can commence paying money purchase contributions and the existing members who have historic funds (including AVCs) cannot make further contributions.

The Scheme is managed by Deeside Cereals I DB Pension Ltd ("the Trustee"), which ensures that the Scheme is run in the best interests of the members, and in accordance with the Scheme's rules and the law.

The Trustee receives professional advice from Mercer and held four meetings over the Scheme Year. Mercer attended these meetings.

At the Trustee meetings, the high level operational framework of the Scheme is set, monitored and managed, so that the Scheme continues to be run within relevant codes of practice and best practice, and evolved over time as appropriate.

Oversight and monitoring of the day to day activity and performance of the Scheme is also undertaken at these Trustee meetings to check that the Scheme is operating effectively.

This Statement includes information about costs and charges in relation to members' investments, and a cumulative projection as required by the regulations, which is set out in Appendix 1. The Statement will be made available online, and the 2021 Statement can be found at: http://www.deesidecereals.co.uk/wp-content/uploads/2021/12/Deeside-Chairmans-statement-2021_final.pdf.

Default arrangement

Under the regulations, trustees need to provide background on a scheme's default investment arrangement.

The Scheme's money purchase funds are currently invested either through ReAssure Limited (ReAssure) or with Utmost Life and Pensions Limited (Utmost).

Historically, the money purchase funds related to funds that members had selected, and the Trustee's preferred approach has been that members should make a positive choice about the investment of their funds.

The funds of the three (now two) members who have money purchase benefits were derived from a transfer into the Scheme and were initially invested solely in the Equitable Life With Profits Fund (ELWPF). These funds have ultimately transitioned to the Utmost Money Market Fund (UMMF).

There is no specific default strategy for the Scheme. However, the UMMF has become a default arrangement because members' funds have been invested in them without the members' specific agreement and the current Statement of Investment Principles recognises the UMMF as a default arrangements.

The Trustee wrote to members in December 2021 to ask them to review their investment options and remind them that they are invested in a low risk money market fund, which is expected to lose money in real terms. It also reminded them that they have the choice to invest in a range of unit linked funds with Utmost, or to consider other

options such as transferring out of the Scheme to consolidate with any other pension arrangements they may have elsewhere.

Because it is a default arrangement, we have therefore prepared an illustration for the UMMF and this is set out in Appendix 1.

The members with AVCs with Utmost are also invested in the UMMF, and there is also one member who is invested in 3 unit linked funds with ReAssure.

For avoidance of doubt, the Scheme is not being used as a qualifying scheme for Auto Enrolment purposes.

Processing Scheme transactions

The Trustee Directors have a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of money purchase members) are processed promptly and accurately.

The Trustee Directors note that no further contributions can be paid, and that there have been no member instigated transfers between different investments. The Trustee Directors also note that Mercer, the Scheme administrator, would co-ordinate the disinvestment and payment of these money purchase benefits when a member transfers or retires.

The Trustee Directors have a service level agreement (SLA) in place with Mercer's Administration team, which covers the accuracy and timeliness of all core transactions.

The Trustee Directors have also considered the latest internal control report from Mercer, which reviews processes and controls implemented, and are satisfied that there were no material issues highlighted.

At each meeting the Trustee Directors review the latest Mercer Administration report, which reports on core financial transactions. This enables the Trustee Directors to monitor that delivery is in line with the agreed service levels and member expectations.

Members will also approach the Trustee Directors, the Company, or the Scheme Administrator from time to time if they have questions about their benefits, or concerns or issues with the Scheme's administration. Feedback from members therefore provides a good independent check that the Scheme is being operated in line with members' expectations.

Taking the above into consideration, the Trustee Directors are satisfied that there were no material issues during the Scheme Year and therefore that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges – default arrangement and additional funds

The law requires the Trustee Directors to disclose the charges and transaction costs borne by DC 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.

All members with Utmost funds are currently invested in the UMMF, which has a charge of 0.5%p.a..

The member invested with ReAssure is invested in a range of index tracking equity funds, and the funds the member is invested in are set out below, as well as their administration and investment charge:

- US Equity Index 6 Pension Accumulator Series 06 0.55% p.a.
- European Equity Index 6 Pension Accumulator Series 06 0.58% p.a.
- UK Equity Index 6 Pension Accumulator Series 06 0.51% p.a.

All the above charges relate to the cost of the money purchase provider.

The cost of Mercer's administration is met directly by the Company and is therefore not borne by the members.

The Trustee Directors note that it is a requirement of pensions legislation that charges for the default arrangement of a scheme, that is used to comply with Auto Enrolment, cannot be greater than 0.75% p.a.. The Scheme is not used

as a vehicle to comply with the Auto Enrolment requirements and therefore is not required to comply with the charge cap. Nevertheless, all the members' current funds have charges below the cap.

As noted earlier in this Statement, Appendix 1 includes an illustration of the impact of costs and charges.

It is a requirement to show such an illustration for the default investment strategy as well as an appropriate range of options.

As noted earlier, we have prepared an illustration for the UMMF as it has become a default fund.

We have also provided a projection for the L&G US Equity Fund, which is the ReAssure fund with the most money invested.

Assessment of transaction costs over the period

As mentioned above, the Scheme is closed to further money purchase transfers-in and AVC contributions. Therefore, no new funds have been added to the Scheme's money purchase or AVC funds over the year.

The UMMF experienced transaction costs of 0.0123% over the 12 months to 31 March 2022.

ReAssure has been asked to confirm the fund level transaction costs, but at the time of producing this statement, these have not been provided. The ReAssure funds invested in are index tracking funds, and it is therefore expected that transaction costs will be low. We will include the information in next year's statement if received.

Based on the information available, the Trustee is satisfied that there are no material dealing costs to note in this year's report.

The Trustee will include further information in relation to dealing costs in future statements to the extent that this information is available.

Statement of Investment Principles (SIP)

The latest SIP for the Scheme as a whole was dated 11 September 2020. It is included as part of this Chairman's Statement in Appendix 1 to the financial statements. As noted within this Chairman's Statement, the three (now two) members with historic money purchase benefits are currently invested in the UMMF. This fund was determined to be an additional 'default' arrangement and the 2020 SIP sets out the Trustee's objectives and principles in relation to this fund.

The 2020 SIP is available on request, and is available online at:

http://www.deesidecereals.co.uk/wp-content/uploads/2020/09/Deeside-SIP-September-2020_Approved.pdf.

Ongoing Monitoring

Net performance for the funds over 1, 3 and 5 years to 30 September 2022 has been;

Fund	1 Year (%)	3 Years (%p.a.)	5 Years (%p.a.)
Utmost Money Market Fund	0.1%	-0.1%	0.0%
ReAssure UK Equity Index 6	-5.1%	0.2%	1.6%
ReAssure Eur. Equity Index 6	-12.9%	1.8%	2.4%
ReAssure US Equity Index 6	0.8%	11.9%	12.9%

Source: Mercer, ReAssure, Utmost

The Trustee Directors note that this is a different performance period to the Scheme Year, which is due to it being the only periodic information that was available at the time of producing this Statement. However, they are satisfied that this performance is satisfactory in the context of the mandates of the different funds and notes that in the context of the mandates (passive equity and low risk money market) that the same conclusion would have been reached if performance to 5 April 2022 had been available.

Communications

Over the year ending 5 April 2022, the communications issued to members included:

- Annual benefit statement incorporating the Statutory Money Purchase Illustration

- Retirement warm up letters for members reaching age 50 including signposting to relevant information and guidance
- An 'at retirement' "Pensions Decision Service" provided by Mercer and offered to members as part of their retirement communications. This provides personalised support to members to help them navigate their choices at retirement including written guidance and a recommendation to seek independent financial advice where appropriate
- Summary funding statement and annual newsletter
- A letter to the Utmost members to remind them to review their investment options as noted earlier in this Statement

As noted above, a copy of the latest Chair's Statement and the SIP are available on the website:

http://www.deesidecereals.co.uk/wp-content/uploads/2021/12/Deeside-Chairmans-statement-2021_final.pdf

http://www.deesidecereals.co.uk/wp-content/uploads/2020/09/Deeside-SIP-September-2020_Approved.pdf

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 Scheme 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 Code of Practice 07 and 13.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments. They are also required to familiarise themselves with the Scheme's trust deed, rules and Statement of Investment Principles.

The Trustee Directors are all experienced in their roles. The Trustee board includes a professional, independent Trustee, 3 of the 4 Trustee Directors have been in their role for more than 10 years, whilst the fourth Trustee Director has been in place for more than 5 years.

The Trustee Directors receive advice from professional advisers, who attend all meetings and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. The Trustee Directors will seek advice, if appropriate, between meetings as and when questions or issues arise to ensure that the Scheme is administered in accordance with its governing documents as well as the overriding pensions legislation.

The experience of the Trustee Directors and the assistance of the advisers, both at meetings, and outside meetings as required, helps the Trustee to make sure that the Scheme is administered in accordance with its governing documents and policies, overriding pensions legislation, as well as the Statement of Investment Principles.

The Trustee demonstrated a knowledge of the SIP when producing the Implementation Statement which reviewed how the policies in the SIP had been followed over the Scheme Year.

The Trustee has demonstrated a knowledge of the Scheme's Trust Deed and Rules in their decision that it should be updated, but that is appropriate to do so once the ongoing GMP Equalisation exercise has been completed.

They have also carried out a self-assessment of training needs to help identify any knowledge gaps and this has been reviewed so that training needs can be addressed.

Over the Scheme Year, the Trustee Directors have received updates on legislative developments in the course of their regular meetings with a Current Pensions Issues document from Mercer being included on the agenda at each Trustee meeting, so that the Trustee Directors can satisfy themselves that they are kept up to date with relevant developments. The Trustees had training in their meetings relation to:

- Implementation statements
- Integrated risk management (IRM) policy
- IRM and the climate crisis

The Independent Trustee Chair also undertook over 37 hours of training over the Scheme year, of which over 10 hours was on DC related matters.

All of the existing Trustee Directors have completed the Pension Regulator's Trustee Toolkit and new Trustee Directors are expected to complete this within six months of taking up office.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustee Directors consider that they can properly exercise their functions as Trustee Directors of the Scheme.

Value for Members

The Trustee is aware that for scheme years ending after 31 December 2021, schemes with an asset size under £100m have a regulatory requirement to carry out a detailed value for members assessment involving a comparison of reported costs and charges and fund performance (net investment returns) with three other DC arrangements, and a consideration of key governance and administration criteria.

The outcome of the assessment must be explained in the annual chair's statement, published on a publicly available website and reported to the Pensions Regulator (TPR) via the annual scheme return.

The purpose of the new 'comparative' element of the assessment is to help trustees determine whether members receive value in their scheme or if they would achieve better value in an alternative DC arrangement.

The new requirements relating to value for members mean that if trustees determine their scheme does not provide good value for members following the assessment, they should look to wind up the scheme and transfer members' rights into a larger DC arrangement, or set out the immediate action they will take to make improvements to the existing scheme.

The Scheme's requirement to produce this assessment relates to the money purchase benefits for three members which originated from a transfer into the Scheme which was initially invested into the Equitable Life With Profits Fund. These members have no other benefits in the Scheme. However, the Scheme also contains a small number of members who have historically paid AVCs to the Scheme.

Following the transfer of Equitable Life's business to Utmost Life and Pension (Utmost), upon which members received a significant uplift in fund value due to the crystallisation of investment guarantees, the assets for the relevant members are currently invested in the Utmost Money Market Fund (UMMF). The ongoing charges for this fund are 0.5%p.a., and it experienced transaction costs of 0.0123% over the 12 months to 31 March 2022. There is also one AVC member who is invested with ReAssure in passively managed equity funds, with annual charges between 0.51% and 0.58%.

The Trustee notes that the UMMF is a very low risk fund and that over time the returns it generates are not expected to keep pace with inflation, especially after adjusting for the investment charges. The Trustee has therefore written to the members on several occasions to remind them that they are invested in a low risk money market fund, which is expected to lose money in real terms. The Trustee has also reminded them that they have the choice to invest in a range of unit linked funds with Utmost, or to consider other options such as transferring out of the Scheme to consolidate with any other pension arrangements they may have elsewhere.

After taking into consideration all relevant information reasonably available to it, the Trustee has concluded that the Scheme does not provide value for members and has therefore considered alternative options for securing the members' money purchase benefits.

The Trustee investigated transferring the relevant members to a Master Trust and other arrangements which could be implemented on a non-consent basis, but this was not possible due to the small number of members and fund size involved.

The Trustee subsequently approached the members directly, to highlight its concerns and also to explore whether the members have alternative pension arrangements to which their money purchase benefits in the Scheme could be transferred.

Following this direct approach, of the three members with historic money purchase benefits, one has transferred out of the Scheme since 31 March 2022 and a second has signed their transfer forms and their funds have been disinvested, although the transfer to another arrangement is yet to be finalised. The Trustee continues to engage with the third member, who has also indicated that they are actively considering transferring out of the Scheme.

The Trustee notes that the considerations for the AVC members are different, as these members will typically take their AVC funds as cash in lieu of commuting part of their pension. However, the Trustee will continue to monitor performance and write to UMMF members to remind them to review their investment options.

Governance statement

As Trustee Directors of the Scheme, we have reviewed and assessed our systems, processes and controls across key governance functions and we are satisfied that these are consistent with those expected by The Pensions Regulator so far as they apply to the circumstances of the Scheme.

The Chairman's statement regarding DC governance was approved by the Trustee Directors on 4 November 2021 and signed on their behalf by Mr W Ashburner, Chairman of the Deeside Cereals I DB Pension Ltd, Trustee of the Deeside Cereals Pension Scheme.

APPENDIX 1 - CUMULATIVE EFFECT OF CHARGES

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

Illustrations for an "Average" member				
	L&G US Equity Index Fund		Utmost Money Market Fund	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
0	£900	£900	£16,700	£16,700
1	£922	£917	£16,415	£16,332
3	£967	£952	£15,859	£15,620
5	£1,015	£988	£15,322	£14,939
9	£1,118	£1,065	£14,302	£13,666
Total Fees	£48		£683	
<p><i>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" members' pots at retirement would be £721 and £13,372 in today's money for the respective pots above.</i></p>				
<p>Assumptions</p> <p>The above illustrations have been produced for an "average" member of the Scheme based on the Scheme's membership data. The illustrations assume 100% of the member's assets are invested in that fund up to the Scheme 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.</p> <p>The total fee reflects what would actually be 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 the lost investment returns on the fees charged.</p>				
Age	56 (the average age of the Plan's unit linked AVC members)			
Plan Retirement Age	65			
Starting Pot Size	Fund dependent, shown above			
Inflation	2.5% p.a.			
Annual contributions	n/a			
Expected future returns on investment:	5.0% p.a. : US Equity Index 6 Pension Accumulator Series 6 0.75% p.a.: Utmost Money Market Fund			