

Chairman's Annual Statement

The Gifford Retirement Benefits Scheme ("the Scheme") Year end 5 April 2021

Introduction

This statement is provided for information to members and no action is required by you. The Trustee would encourage you to read the statement and to raise any questions using the contact details below.

From 6 April 2015, new governance rules apply to defined contribution (DC) pension arrangements like the "Scheme". These rules are designed to help members achieve a good outcome from their DC scheme.

The Trustee is committed to ensuring that the Scheme is run to a high standard of governance and produce a yearly statement (which is signed by the Chair of the Trustee) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the default arrangement and other funds members can select or have assets in, such as self-select 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.

This statement covers the period from 6 April 2020 to 5 April 2021. The Trustee continues to be committed to high governance standards and we have regular meetings throughout the Scheme year at which we monitor the controls and processes in place in connection with the Scheme's investments and administration. The Trustee met on the following dates during the Scheme year: 19 May 2020 and 3 November 2020. Meetings have continued despite the problems created by the Covid-19 pandemic.

I welcome this opportunity to explain what the Trustee does to help to ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do contact Daryl Morris, Scheme Consultant, using the following contact details:

The Gifford Retirement Benefits Scheme
Quantum Advisory
Cypress House
Pascal Close
St Mellons
Cardiff CF3 0LW

Email: gifford@quantumadvisory.co.uk

Alternatively, please contact the Chairman of the Trustee, John Nestor at Capital Cranfield, by e-mailing him at j.nestor@capitalcranfield.com.

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In 2018, the Trustee undertook an assessment of the Scheme against the Pensions Regulator's updated "governance and administration of occupational trust-based schemes providing money purchase benefits" Code of Practice. The assessment was reviewed and updated in 2021, with 100% of the standards met resulting in the Trustee fully complying with the Code. The Trustee is due to carry out a further review in 2022.

The Trustee has been able to continue to operate effectively during the COVID 19 pandemic and has kept in regular contact with the Scheme's administrator and with the sponsoring employer, Ramboll UK Limited to ensure the effective operation of the Scheme. Whilst this situation has clearly been challenging, Quantum as Scheme administrator, and the Trustee have operated a successful remote working programme which has maintained a good level of member service.

1. Default investment strategy

Following the Scheme's closure on 31 May 2007, no further ongoing contributions have been paid to the Scheme. Therefore, it is not used as a Qualifying Scheme for auto-enrolment and consequently does not have a default arrangement as defined by legislation. The Trustee is not, therefore, required to provide a statement on the Money Purchase Section's default investment strategy, or provide details of any review of the default strategy as part of this Statement. However, the Trustee has decided to voluntarily include these details to provide members with greater information.

Setting an appropriate investment arrangement

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement.

The default investment strategy is provided for members of the Scheme who do not choose one of the other options for the investment of their Accumulated Funds. Approximately 90% of members' Accumulated Funds are invested in the default investment strategy.

The default strategy was last formally reviewed in October 2018 and the new strategy was implemented in March 2019. The new (**adapt**) strategy strikes an appropriate balance between risk and return and is expected to meet the members' long term investment objective of achieving capital growth. The general market trend shows a move away from purchasing annuities at retirement and preference towards income drawdown and cashing in smaller pots (an uncrystallised funds pension lump sum or UFPLS). The **adapt** strategy has a broad mix of investments that does not force members down a particular retirement route and therefore allows flexibility if members subsequently decide to change their retirement choice.

Members who do not wish to target income drawdown at retirement can choose an UFPLS strategy or an annuity strategy. This meets the Trustee's objectives for Scheme benefit design and provides members with a full range of options to satisfy their preferred retirement choice.

Details of the investment strategy and investment objectives of the default arrangement are recorded in a document called the Statement of Investment Principles (SIP) included in Appendix 1.

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Reviewing the default investment arrangement

The Trustee reviews the objectives and investment performance of the underlying funds of the default arrangement on a quarterly basis and takes advice from Quantum Advisory, the Scheme's investment advisers, as appropriate.

In addition to the quarterly reviews of the default fund, the Trustee also undertakes a comprehensive review at least every three years, or sooner if there is a significant change in investment policy or the Scheme's membership profile.

2. Core financial transactions

During the year, the Trustee ensured the core financial transactions of the Scheme were processed promptly and accurately by:

- Having the third-party administrators, Quantum Advisory, undertake daily monitoring of the Scheme's bank account.
- Having Quantum Advisory ensure that an individual checks and a senior individual signs off all investment and banking transactions.
- Having the Scheme auditor independently test compliance with the Payment Schedule, as part of the annual audit process.

Quantum Advisory has set internal service level standards, under which most calculations are to be issued within ten working days of a request. As part of Quantum Advisory's internal controls, administration standards are monitored at least weekly by Team Leaders to ensure service levels are met. The Trustee is updated with Quantum's performance against the service level arrangement annually.

The core financial transactions include:

- The transfer of assets relating to members in to and out of the Scheme.
- The movement of assets relating to members between different investments within the Scheme (e.g. fund switching).
- Payments of benefits from the Scheme to, or in respect of, members and their beneficiaries.

3. Charges and transaction costs paid by members

The Trustee is required to set out the ongoing charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is reflected in the unit price of the funds. The stated charges exclude administration costs, since these are paid by the Sponsoring Employer.

The charges and transaction costs related to investments have a direct impact on investment performance and are, therefore, something in which members should be very interested. The charges and transaction costs have been supplied by Mobius Life who is the Scheme's investment platform provider.

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An investment platform is a service that enables pension scheme trustees to buy, sell and hold their investments all in one place for a competitive price. This also allows greater flexibility and efficiency when switching investments.

The TER that applied to the Scheme's default arrangement as at 31 March 2021 is detailed in the table below. The default strategy is designed for members who wish to take their benefits via adapt at retirement. Lifestyle switches are conducted on a monthly basis.

| Funds | Years to retirement | 31 March 2021 TER |
|--|--------------------------|-------------------|
| 100% LGIM World Equity Index Fund (GBP Hedged) | Over 10 years | 0.170% |
| 20% p.a. switch to LGIM Dynamic Diversified Fund (DDF) | 10 years to 5 years | 0.170% to 0.440% |
| 100% LGIM DDF Fund | 5 years to 2 years | 0.440% |
| 12.5% p.a. switch to LGIM Cash Fund | Under 2 years | 0.355% to 0.440% |
| 75% LGIM DDF and 25% LGIM Cash Fund | At target retirement age | 0.355% |
| 80% LGIM DDF and 20% LGIM Cash Fund | After retirement | 0.372% |

The TER sets out the total annual costs involved in running an investment fund. This includes the Annual Management Charge, plus other charges incurred in administering the fund (including, but not limited to, share registration fees, legal fees, auditor fees and custodian fees).

As can be seen, the total charge that applied to the default investment strategy at the end of the year was well below the "charge cap" of 0.75%. The charge cap is actually assessed against a different measure of the costs that apply to the funds, known as the Member Borne Deduction (MBD). For simplicity, the MBD can be considered as broadly equivalent to the TER.

The Scheme also offers two alternative strategies for members to invest in; the Annuity and Cash strategies. Further details on the new investment strategies is provided in the Scheme's SIP included in Appendix 1. The table below sets out the TER for all funds in the Scheme. The charges as at 31 March 2021 are:

| Fund | Strategy | 31 March 2021 TER |
|--|---------------------------|-------------------|
| LGIM World Equity Index Fund (GBP Hedged) | Default, Annuity and Cash | 0.170% |
| LGIM World (ex UK) Equity Index Fund | N/A | 0.175% |
| LGIM UK Equity Index Fund | N/A | 0.090% |
| LGIM Dynamic Diversified Fund (DDF) | Default, Annuity and Cash | 0.440% |
| LGIM Over 5 Years Index-Linked Gilt Index Fund | N/A | 0.080% |
| LGIM Pre-Retirement Fund | Annuity | 0.125% |
| LGIM Cash Fund | Default, Annuity and Cash | 0.100% |
| LGIM Active Corporate Bond – All Stocks | N/A | 0.250% |

Funds denoted N/A are self-select funds and are not part of a strategy.

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LGIM confirmed that the following transaction costs applied to the Scheme's funds during the year to 5 April 2021:

| Fund | Transaction cost during the year |
|--|----------------------------------|
| LGIM World Equity Index Fund (GBP Hedged) | 0.035% |
| LGIM World (ex UK) Equity Index Fund | -0.020% |
| LGIM UK Equity Index Fund | -0.011% |
| LGIM Dynamic Diversified Fund (DDF) | 0.063% |
| LGIM Over 5 Years Index-Linked Gilt Index Fund | 0.025% |
| LGIM Pre-Retirement Fund | 0.021% |
| LGIM Cash Fund | -0.002% |
| LGIM Active Corporate Bond – All Stocks | 0.029% |

Transaction costs are incurred as a result of buying, selling, lending or borrowing investments. The costs mainly arise as a result of delivering a fund's target investment return where a passive or active investment approach is used. As an example, a fund may need to buy or sell assets when members pay money into or take money out of a fund and the buying or selling of assets will incur costs.

Transaction costs can be negative, due to the method that must be used to calculate them.

Transaction costs arise as a result of participating in a financial market and are separate from any annual management charges. The transaction cost for buying or selling an investment includes all costs incurred by a buyer or seller from the point an order to transact is received to the point at which the transaction completes. These costs include all charges, commissions, taxes and other associated payments incurred directly or indirectly. These costs are ultimately borne by assets of the arrangement or of any investment in which the arrangement is directly or indirectly invested. Of these costs, some are easily identifiable as specific costs incurred, but some are less identifiable and may rely on the investment manager's judgement.

The costs for actively managed funds are generally higher than for passive funds. However, the fund manager will allow for this cost when taking positions, such that the cost would be expected to be offset through future performance.

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4. Illustration of costs and charges

Deferred member

The figures in the table below show the effect of the fund managers' charges on a deferred member's fund value over incremental periods for the next 35 years (the youngest member of the Scheme has 32 years to their NRD).

The table shows the effect based on the assumptions set out in the notes below the table. Other than the default, the funds chosen below are the one with most investment holdings, the fund with highest charges and a fund used in the Annuity lifestyling strategy available to members.

| Projected pension fund in today's money | | | | | | | | |
|---|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---------------------|--------------------------------------|
| | Fund choice | | | | | | | |
| | Default investment strategy | | LGIM World Equity Index (GBP Hedged) | | LGIM Dynamic Diversified Fund (DDF) | | LGIM Pre-Retirement | |
| Years | Before charges | After all charges and costs deducted | Before charges | After all charges and costs deducted | Before charges | After all charges and costs deducted | Before charges | After all charges and costs deducted |
| 1 | £17,500 | £17,200 | £17,700 | £17,600 | £17,400 | £17,300 | £16,900 | £16,900 |
| 3 | £18,900 | £17,900 | £19,100 | £19,000 | £18,300 | £18,100 | £16,600 | £16,600 |
| 5 | £20,400 | £18,600 | £20,600 | £20,400 | £19,200 | £18,800 | £16,400 | £16,300 |
| 10 | £24,600 | £21,500 | £24,900 | £24,500 | £21,600 | £20,800 | £15,800 | £15,600 |
| 15 | £29,800 | £25,800 | £30,200 | £29,500 | £24,400 | £22,900 | £15,200 | £14,900 |
| 20 | £36,100 | £31,000 | £36,600 | £35,400 | £27,500 | £25,400 | £14,700 | £14,300 |
| 25 | £43,800 | £37,300 | £44,300 | £42,500 | £31,100 | £28,000 | £14,100 | £13,700 |
| 30 | £53,000 | £44,800 | £53,600 | £51,100 | £35,000 | £31,000 | £13,600 | £13,100 |
| 35 | £64,200 | £53,800 | £64,900 | £61,400 | £39,500 | £34,200 | £13,100 | £12,600 |

Notes

- Projected pension fund values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- The starting fund value is assumed to be £17,000.
- Inflation is assumed to be 2.50% each year.
- No further contributions are assumed.
- Values shown are estimates and are not guaranteed.
- The projected growth rates before charges for the fund choices are as follows:
 - Default strategy: 5.55% to 6.47% pa. depending on how close the member is to retirement age.
 - LGIM World Equity Index Fund (GBP Hedged): 6.50% pa.
 - LGIM Dynamic Diversified Fund (DDF): 5.00% pa.
 - LGIM Pre-Retirement Fund: 1.75% pa.

Chairman's Annual Statement (continued)

5. Value for members

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee considers that it broadly means "that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market". The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

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 Scheme. The date of the last review was April 2020. 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 investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

The Trustee looked at the services members pay for over the four core areas detailed in the Pensions Regulator's guidance; administration, investment, communications and governance and management.

The Trustee recognises that the only services that members routinely pay for are in relation to the investment of members' accounts. In other words, the only costs borne by members are the charges and transaction costs that apply to the investment of their accounts. Other charges can be incurred, including transaction costs and payment of fees in relation to divorce, but these are ad-hoc.

The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and the Trustee expects this to lead to greater investment returns net of fees over time.

The Trustee's assessment included a review of the performance of the Scheme's investment funds (after all charges) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with the objectives set out by the fund manager.

In carrying out the assessment, the Trustee also considered the other benefits members receive from the Scheme, which include:

- the oversight and governance by the Trustee, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the design of the default arrangement and how this reflects the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Scheme website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the Scheme year.

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As detailed in the earlier section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes.

The move to a platform provider (Mobius Life) in 2019 has given the Scheme greater access to a wider range of managers and funds (as minimum investment criteria for direct investment with some fund managers would not apply). This allows for greater flexibility on whether to transfer existing funds, without increasing the ongoing administration costs for the Scheme and its members. This should also improve efficiencies for those members switching between funds, particularly during the lifestyle period, as members' funds would spend less time "out of market".

Overall, the Trustee believes that members of the Scheme are receiving good value for money for the charges and cost that they incur. The Trustee also believes this because the Scheme benchmarks well against other schemes.

Copies of the 2020 value for members review and 2018 investment strategies review are available on request.

6. Knowledge and understanding of the Trustee

The Trustee receives regular training and updates from its advisers and maintains a log of personal trustee knowledge and understanding, which is reviewed annually. The Trustee also has accreditation with the Association of Professional Pension Trustees (APPT) which is renewed annually.

The Scheme's Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee must:

- Be conversant with the trust deed and rules of the Scheme, the Scheme's SIP and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.
- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance, knowledge and understanding. Details of how the conversance, knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustee's relevant knowledge and understanding has been assessed during the year. Training is provided on relevant issues at meetings and areas for further training are identified. No additional training was requested by the Trustee during the year.

The Trustee has a working knowledge of the Scheme's trust deed and rules, SIP and documents setting out current policies. These items are all included on the Trustee's compliance checklist which is reviewed and updated at every Trustee's meeting.

As a result of the training activities completed by the Trustee and taking into account the professional advice available to the Trustee, the Trustee is confident that its knowledge and understanding enables it to undertake its duties competently and in the best interests of the Scheme membership.

Furthermore, the Trustee assesses that its degree of knowledge and understanding is appropriate for the purposes of enabling the proper exercise of functions as the Trustee of the Scheme.

The Trustee's advisers can provide training to the Trustee, direct the Trustee to the Pensions Regulator's trustee toolkit and provide the Trustee with copies of the Scheme's documentation.

A handwritten signature in black ink, appearing to read 'John Nestor', with a long horizontal flourish underneath.

John Nestor
Chairman of the Trustee
30 September 2021