Benj$^{n.}$ R. Vickers & Sons Limited Pension Scheme (2010)
("the Scheme")

Annual Governance Statement by the Chair of the Board of Directors of Vickers Oils Pension Trustees Limited ("the Trustee")

For the Scheme Year 1 January 2020 to 31 December 2020

Introduction

As the Chair of the Trustee, I am required to provide a yearly statement which explains what steps have been taken by the Trustee, with help from our professional advisers, to meet the relevant governance standards. The law sets out what information must be included within the statement and this is covered as appropriate in sections 1 to 4 below.

The Trustee is committed to having high governance standards and meets regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration.

If you have any questions about anything that is set out below, please contact me at Vickers Oils Pension Trustees Limited, Airedale Mills, 6 Clarence Road, Leeds, LS10 1ND.

During the Scheme Year we have continued to ensure our systems, processes and controls across the key governance functions remain consistent with those set out in The Pensions Regulator's:

- Code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits
- Regulatory guidance for defined contribution schemes.

These are underpinned by the defined contribution (DC) quality features.

We believe that the standards of practice set out in the DC code and DC regulatory guidance have been adopted. This helps demonstrate the presence of DC quality features, which we believe help deliver good outcomes for members at retirement.

1. Default investment arrangement

The default investment arrangement is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also choose to invest in the default investment arrangement which is set up by the Trustee.

Setting and reviewing an appropriate investment strategy

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

A lifestyling arrangement was chosen initially using the Standard Life Managed Pension Fund and then when a member approaches five years of normal retirement age also utilising the Standard Life Annuity Purchase Fund and the Legal & General Life Cash Fund as the Scheme's default arrangement.

The objective of this arrangement was to provide investment growth by investing in return seeking assets in a diversified portfolio with a moderate risk profile, with a gradual switching of assets over the remaining years before the member's expected retirement date, towards a final position of 25% cash and 75% gilts.

The default lifestyling arrangement was therefore targeting 25% tax free cash plus annuity purchase at the member's retirement age.

A review commenced in 2019 but was replaced with a review of suitable providers for pension provision to be undertaken in a master trust arrangement. At the Trustee meeting held on 20 July 2020, it was confirmed that with effect from 1 October 2020, the Employer would establish a new qualifying workplace pension with Legal & General. All future contributions to the Scheme would then cease.

It was further noted at that meeting that it was anticipated that the funds for all members of the Scheme, including deferred members, would be transferred to Legal & General at some point in Q4 2020. Transfer of funds took place on 12 November 2020, and no members remain in the Scheme. Accordingly, no further review of the default arrangement and the investment strategy has taken place.

Monitoring performance and suitability

The Trustee receives and reviews the performance and suitability of each of the underlying funds that make up the default investment arrangement at every Trustee' meeting and quarterly outside of the regular meeting cycle.

At the Trustee meeting held on 20 July 2020, it was noted that all of the funds in the default arrangement had initially struggled as a result of the global fall in markets due to the Covid-19 pandemic, with the exception of the Standard Life Annuity Purchase Fund which had seen steady growth. It was noted that the other Funds had recovered most of their losses and were still broadly positive when measured over a 12-month period. The structure of the default arrangement was therefore such that those closer to retirement had seen their funds perform positively and provided evidence that the chosen structure was working as expected in the difficult times.

As noted above, there are now no members in the Scheme, and all member funds have been transferred. The Scheme will therefore be formally wound up, although this had not commenced at the Scheme Year end. Consequently, the Trustee no longer monitors the performance or suitability of funds, nor maintains details of the investment strategy and investment objectives of the default arrangement.

2. Charges and transaction costs paid by members

We are required to explain the charges and transaction costs which were paid by members rather than the Employer.

As members may know, the Employer paid the cost of administering the Scheme: the production of Scheme literature, annual member statements, annual accounts and external audits, dealing with day-to-day events like processing contribution payments, existing members leaving, members wishing to change their investment funds, paying transfers out for members who have left, providing the member help-line, handling member enquiries, quoting and paying benefits.

Members, however, were subject to the annual management charges (AMCs) and transaction costs incurred in connection with their investments. AMCs are the charges covering the cost of managing members' funds or investments and ensuring they are performing as expected. The AMC applying is dependent on which fund is used for investment. Transaction costs are the costs incurred when the fund manager buys, sells, lends or borrows assets that make up the fund's investments.

Default investment arrangement

The AMC applying whilst investment was only in the Standard Life Managed Pension Fund prior to normal retirement age was 0.57% per annum. Once additional funds were included, it is slightly more difficult to be precise as the fund was then made up of a blend of three separate underlying funds each with different transaction charges applying. This is considered in more detail in the table below.

The Scheme operated a lifestyle strategy using a blend of the three investment funds, as explained in section 1 above, the individual allocation of which changed as retirement approaches. The AMC applying to each of these funds as a standalone investment was:

- Standard Life Annuity Purchase Fund 0.36% per annum
- Standard Life Managed Pension Fund 0.57% per annum
- L&G Life Cash Fund 0.15% per annum

It is therefore not possible to identify a single definitive figure that applied at all times. However, we can broadly assess the annual cost to members who were in the default lifestyle arrangement on the date that their fund is rebalanced (which happened each year on 1 January) as follows:

Period to Normal Retirement Age	Annual Management Charge
5 years or more	0.5700%
4 - 5 years	0.5175%
3 - 4 years	0.4650%
2 - 3 years	0.4125%
1 - 2 years	0.3600%
1 year or less	0.3075%

Self-select funds

Members were able to elect to invest in any of the options set out above. In addition, other funds were available with investment being made in the Newton Multi-Asset Growth Fund and the Standard Life Global Absolute Return Strategies Fund during the Scheme Year. The AMC that applied was 0.65% per annum and 0.745% per annum respectively.

Transaction costs

These costs arise mainly as a result of endeavouring to deliver a fund's target investment return, where an active or passive investment approach is used. For example, a fund will buy or sell assets when a member has money paid into or has money taken out of a fund, and the buying or selling of assets will incur a cost. As these costs arise as a result of participating in a financial market, they are separate from any Scheme administration charge or AMC.

The Scheme invested assets through Mobius Life. As such, the total transaction costs for each fund was made up of two elements: the transaction costs incurred by the underlying fund when buying and selling its underlying assets, and the costs incurred by Mobius Life when buying or selling the underlying fund.

Mobius Life has provided details of the total transaction costs applying for each underlying fund during the Scheme Year. These are set out in the following table:

Fund	Total Transaction Costs
Standard Life Annuity Purchase Pension Fund	0.100%
Standard Life Managed Pension Fund	0.106%
L&G Life Cash Fund	-0.001%
Newton Multi-Asset Growth Fund	0.075%
Standard Life Global Absolute Return Strategies Fund	0.723%

The total transaction cost for the Scheme as a whole was 0.092%, determined as the weighted average of all the held funds' transaction costs.

Member funds were transferred from the Scheme on 12 November 2020. To facilitate this, assets were fully redeemed from the Mobius Life platform on 10 November 2020. Underlying managers transaction costs provided cover the period from 1 January 2020 to 31 December 2020. The information shown above has however been pro-rated based on the holding period of each underlying fund to give the true cost to the Scheme for holding the assets until redemption.

In providing this information, Mobius Life contacted all fund managers to request their transaction cost data for the Scheme Year. Some fund managers were constrained with the data they could provide retrospectively, and the periods reported did not always match the Scheme Year. Where this happened, Mobius Life used the most up-to-date information.

The details above show the total transaction costs for each underlying fund, whether used within the default investment arrangement or as a self-select fund. No breakdown of these costs has been provided for the default investment arrangement only or for each of the funds excluding transactions in the default investment arrangement.

The Trustee has taken account of statutory guidance, only deviating from this approach as outlined above.

Illustrative examples

Regulations require the costs paid by a member to be presented as a "pounds and pence figure". However, as noted above, member funds were transferred from the Scheme prior to the end of the Scheme Year and no members remain. Further, no future contributions are to be made to the Scheme, which is to be wound up. The Trustee has therefore not provided these figures in this statement.

Good value for members

In considering the investment strategy (set out in section 1 above), the Trustee did, at all times, take into account the charges applying to the different elements and would recommend switches in the event that it considered that overall a particular fund did not represent value for money.

The Trustee defined value for money as being a combination of the investment returns achieved, the risks applying and the annual management charges.

The Trustee paid for and received independent advice from Ascot Lloyd in order to satisfy themselves that the Scheme provided good value for money for the members, in comparison to the wider pension scheme market, in terms of costs, risks, returns and the quality and level of service provided. Ascot Lloyd reported their findings and views at each Trustee meeting to provide comfort that the Scheme continued to provide good value for money. Further, each of the Trustee Directors has extensive experience of pension schemes, both as part of their every day roles with the Employer and in working closely on the additional pension schemes offered by the Employer, and in their opinion, with this advice and experience in mind, the terms that applied in the Scheme did indeed represent decent value for money.

The Trustee continuously monitored this position and had a standing item on the Trustee meeting agenda to consider the ongoing suitability of the Scheme and what could be done further to improve the value for money for members. In the Scheme Year, a formal trustee meeting was held on 20 July 2020 where this issue was discussed. However, as noted above, it was confirmed future contributions would no longer be paid to the Scheme, funds would be transferred, and the Scheme was intended to be wound up.

3. Core financial transactions

The Trustee is required to report about the processes and controls in place in relation to the "core financial transactions". The law specifies that these include the following:

- ensuring the contributions are paid on time;
- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- 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 responsibility for this is delegated to the Scheme administrator. Our Scheme administration is delivered by Ascot Lloyd.

The Trustee has a Service Level Agreement in place with Ascot Lloyd which includes a defined level of performance (in terms of turnaround times) for all of the key specified events noted above.

Ascot Lloyd reports at all Trustee meetings their actual performance against these agreed standards and in the event of any failure to meet the required standard this is noted and discussed with remedial actions agreed where appropriate and any anomalies or discrepancies are explained.

This structure is supported by annual external audits of the Scheme carried out by our auditors, Grant Thornton.

Following receipt of a relevant report from Ascot Lloyd covering the period from 1 November 2019 to 30 June 2020, at the Trustee meeting on 20 July 2020, Ascot Lloyd confirmed that they had met their overall Service Level Agreement standards (including events in addition to those noted above) on 98% of occasions. Ascot Lloyd provided explanation regarding the 2% of cases in which this was not achieved, giving the Trustee reassurance that there had been no administrative or financial issues requiring investigation. We remained content that the administrators continued to act promptly and efficiently in all aspects of their work.

As noted above, the Scheme closed to future contributions with effect from 1 October 2020 and member funds were transferred from the Scheme on 12 November 2020. No further "core financial transactions" have since taken place.

4. Trustee knowledge and understanding

The legal requirement on the Trustee Directors is that they should have, or have access to, sufficient knowledge and ability to run the Scheme correctly. Specifically, the Trustee Directors need to demonstrate a continued working knowledge of key Scheme documents, namely the Trust Deed and Rules and any amending deeds.

Two of the three present Directors of the Trustee have an intimate working knowledge of these documents having been involved with the Scheme since its inception in 2010. Relevant and comprehensive training was given on each occasion that the Rules have been amended. Further, the agreement between the Trustee and their advisers ensures that they are kept fully abreast of any changes in overriding legislation or law that de facto change the terms and conditions of the Rules and full training is given as necessary. A copy of the Trust Deed and Rules and all subsequent Deeds of Amendment is present at all trustee meetings and cross referred to as required.

Any new Director will, in line with the practices applying to the existing Directors, within 3 months of their appointment, receive a comprehensive training session which encompasses the duties and responsibilities of a trustee, a review of all Scheme working documents such as the Trust Deed and Rules and any amending Deeds, understanding how these work and impact on members, a review of all Scheme policies and practices, understanding how these work and impact on members, together with a session concentrating on the principles of investment and how these impact on the Scheme. Such training will be undertaken during normal business hours. Trustee meetings are also undertaken during normal business hours.

Mr Hugh Creasy, who represented Capital Cranfield Pension Trustees Limited, a Director of the Trustee, left Capital Cranfield and joined BESTrustees Limited in November 2020. BESTrustees Limited subsequently replaced Capital Cranfield Pension Trustees Limited as Director of the Trustee with effect from 2 December 2020. Mr Creasy represents BESTrustees Limited providing continuation in the running of the Scheme and continues as the Chair of the Board of Directors of Vickers Oils Pension Trustees Limited. It has not therefore been necessary to provide a comprehensive training session within 3 months of the appointment of BESTrustees Limited.

The Trustee Directors undertake regular training events in order to meet this requirement. All Trustee meetings include, where possible and practicable, a training event run by the Scheme's advisers, Ascot Lloyd, and these are supplemented where appropriate in specialist areas by our legal advisers (CMS Cameron McKenna Nabarro Olswang LLP) and our auditors (Grant Thornton). The training events run during the Trustee meetings are chosen to be relevant to current events or to re-emphasise issues relating to agenda items.

To confirm our capability, a record has been established of past training and development. That record is reviewed regularly and if any gap is identified, an action plan is agreed to ensure that gap is adequately filled. During the Scheme Year, the Trustee Directors recognised that they would benefit from further detailed training around the practical implications of master trust arrangements. Accordingly, a meeting took place on 21 January 2020 during which Legal & General, along with Barnett Waddingham as Scheme advisers, trained the Trustee Directors on these aspects.

In addition, as the GDPR requirements had been in place for in excess of 12 months, CMS Cameron McKenna Nabarro Olswang LLP provided the Trustee with a refresher training event at the Trustee meeting on 20 July 2020 considering GDPR and all of the key facts that need to be considered in order to ensure that the Trustee remains fully compliant at all times.

At that same meeting, it was noted that Mr Creasy, as a professional independent trustee and as recommended by The Pensions Regulator, attained accredited status. This accreditation assesses:

- a high level of fitness and propriety
- technical pensions knowledge
- appropriate behavioural attributes
- soft skills enabling them to operate as a chair or other member of a trustee board.

Mr Creasy confirmed that the necessary accreditation had been attained from the Association of Professional Pension Trustees (AMAPPT).

This assessment and process, when combined with the training undertaken, is integral to meeting the requirements for knowledge and understanding, which includes the relevant principles relating to the funding and investment of occupational pension schemes.

As Trustee Directors we are also cognisant of the necessity to take advice as and when required and in particular would seek legal advice from our legal advisers in any contentious cases or if we were unclear in any aspect of the operation of the Trust Deed and Rules. We can confirm that there were no contentious cases to consider in the Scheme Year and therefore we did not seek any additional legal advice in this period.

We trust that this information has been informative and useful. If you have any questions about any of the matters above, please contact the Trustee at Vickers Oils Pension Trustees Limited, Airedale Mills, 6 Clarence Road, Leeds, LS10 1ND.

Signed.. Date: 27 July 2021

Hugh Creasy
for and on behalf of BESTrustees Limited
Chair of Vickers Oils Pension Trustees Limited