Appendix 1 – Chairman's statement

Chair's DC Governance Statement, covering 1 October 2021 to 30 September 2022

1. Introduction

The Cooper-Avon Tyres Limited Pension Plan (the "Plan") is a Defined Benefit ("DB") occupational pension scheme with a defined contribution ("DC") Section in respect of DC Additional Voluntary Contributions ("AVCs") in the Plan and transfer values brought into the Plan which are invested on a DC basis. A DC pension arrangement is where employee and employer contributions are paid into it, and the member chooses their investments and bears the investment risk.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the Plan is required to produce a yearly statement (signed by the Chair of the Trustee) covering:

- the investment options in which Plan members can invest (this means the default arrangement, where one exists, and other funds members can select or have assets in, such as "legacy" funds);
- processing of core financial transactions (ie administration of the Plan, such as investment of contributions);
- the charges and transaction costs borne by members for the default option, if there is one, and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Plan is assessed; and
- trustee knowledge and understanding.

The DC benefits in the Plan relate to:

- AVCs which are linked to membership of the DB section of the Plan;
- contribution refund amounts linked to extinguished Protected Rights; and
- funds transferred into the Plan from other registered pension schemes, which were invested together with the AVCs.

The Plan's DC transfer-in facility was set up on 1 August 1997 for the sole purpose of accepting transfer values brought into the Plan by members. Any funds transferred in were invested, at the choice of each member, with either Utmost Life and Pensions (previously Equitable Life) or Clerical Medical.

Protected Rights contribution refund amounts are not invested in an investment fund. They are recorded within the Plan and accrue notional interest in line with Bank of England Base Rate.

The DC arrangements closed to further contributions when the Plan closed to future accrual on 5 April 2012.

After a period of prolonged uncertainty regarding the future of the Plan, the Trustee currently expects that this uncertainty will be resolved in the coming weeks, following which the Trustee intends to review the Plan's DC holdings in more depth.

2. Default arrangements

The Plan does not have a 'default' investment strategy in place, as it closed prior to 6 April 2015 and therefore has never been used as a Qualifying Scheme for automatic-enrolment purposes. Members make their own investment choices from the range of funds that the Trustee makes available to members with AVCs and transfer-in funds. The Trustee is not therefore required to provide a statement on the Plan's default investment strategy, nor details of any review as part of this Statement.

The Trustee is responsible for investment governance, which includes setting and monitoring investment strategy. The Plan's Statement of Investment Principles ('SIP') states that the Trustee's objective is to provide a range of funds which will provide a suitable long-term return for members, consistent with members' reasonable expectations.

As the Plan does not have a default investment strategy, the Trustee is also not required to attach the Plan's SIP to this Statement. The SIP contains further details of the Plan's investment objectives and the Trustee's investment policies. The SIP can be found appended to the Trustee Report and Accounts for the year ending 30 September 2022 or can be obtained from the Plan's administrator, LCP.

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The Trustee is also responsible for reviewing the Plan's investments, which means that it reviews the DC funds' investment performance (after charges) and their continued appropriateness for the membership. A full review of the DC arrangements is normally carried out triennially. The last full review of the DC arrangements was carried out on 20 March 2018. It concluded that the majority of the Plan's unit-linked funds had performed well and broadly in line with their respective benchmark returns over 1, 3 and 5-year periods. The review found that rates across each provider were competitive for the mandate's size and that the fund options offered were appropriate, in terms of range and asset classes. The review noted concerns over administration, particularly regarding the sale of administration functions (L&G and Standard Life) to external parties and suggested that the Trustee asks its administrators to monitor the AVC providers closely, although no changes to the AVC options were recommended. The range of retirement options available to members was found to be suitable and members receive regular and timely communications.

A high-level review of the Plan's investment performance was undertaken by the Plan's advisor (LCP) on 18 February 2021, which considered the Plan's DC fund performance over the previous year and confirmed that funds had generally performed in line with the respective sector benchmarks. A further high-level review was carried out on 29 November 2021, which concluded similarly that the funds generally performed well over the previous 12 months and in accordance with their stated investment objectives.

The Trustee will continue to monitor the Plan's DC investments on a periodic basis to ensure they remain appropriate for the Plan's membership. The Trustee remains satisfied that the investment options are appropriate for the majority of the Plan's membership. Following an assessment of the Plan's financial future by the sponsoring employer, during which time a further full review of the Plan's DC arrangements was put on hold, , the Trustee has decided to carry out a full review of the Plan's DC arrangements in the coming months. In the meantime, any consistent investment underperformance will be flagged by the Trustee's advisors, with the Trustee taking any appropriate action.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Plan, LCP, in conjunction with the DC providers. 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 Trustee recognises that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. The Trustee has received assurance from LCP that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Plan has a Service Level Agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by the administrator to help it meet the SLA are as follows:

- Plan administration is dealt with by a single team at LCP which is familiar with the features of the Plan.
- LCP has a maximum ten working day SLA, with certain tasks (such as payment of death benefits) subject to shorter turnaround times. LCP has confirmed that the majority of the Plan's transactions are completed comfortably within the ten-day maximum.
- Cases are logged onto a work control tool called 'Work Manager', which automatically highlights the agreed SLAs, along with statutory/whistle-blowing deadlines.
- The Plan's bank account is monitored by LCP's accounts team, assisted by a tool called 'Dream', which mirrors movements in and out of the bank account. This gives the team real time confirmation as to how much money is in the account on a given date.
- All DC cash movements (such as transfers out and benefit payments) are subject to a vigorous three stage peer review process, to ensure their accuracy.

As the Plan has been closed for some time and there are relatively few DC members, at present few core financial transactions are carried out.

To help monitor whether service levels are being met, the Trustee receives regular reports about the administrator's performance and compliance with the SLA. These summarise the transactions that have taken place, turnaround times

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and any delays against SLA or errors during the period. They also include details on LCP's performance and compliance with the SLA. These reports are reviewed at each Trustee meeting to enable the Trustee to monitor delivery against the SLA. Any issues identified as part of the review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

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

- LCP (the administrator) was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan year.

The Trustee is comfortable that LCP has adequate internal controls in place such as the AAF (Audit & Assurance Faculty) 01/20 accreditation which helps ensure that core financial transactions relating to the Plan are processed promptly and accurately.

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 stated charges are shown as a per annum ("pa") figure and exclude any administration charges, since these costs are met by the Trustee.

The Trustee is also required to 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. Transaction costs are borne by members.

The charges and transaction costs have been supplied by the Plan's current DC investment managers:

- ReAssure (following the sale of L&G's mature savings business to ReAssure in September 2020);
- Utmost Life & Pensions ("Utmost"- following the sale of Equitable Life Assurance's business on 1 January 2020);
- Standard Life;
- Santander[1]; and
- Clerical Medical.

When preparing this section of the Statement we have taken account of the relevant statutory guidance.

Default arrangements

As mentioned above, there is no default arrangement in place, so there is no requirement to include details on this.

[1] As of December 2022, Santander have confirmed that there are no members invested and the arrangement has now closed. However, Santander has been included as there were some DC funds invested throughout some of the Plan year.

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Self-select funds - charges and transaction costs

The level of charges for each DC fund and the transaction costs over the period covered by this Statement are set out in the following table:

Fund name	TER (%)	Transaction costs (%)
Unit-linked funds		
Clerical Medical Balanced Pension	0.495	0.22
Clerical Medical Cautious Pension[2]	0.495	0.24
Clerical Medical Adventurous Pension	0.495	0.16
Clerical Medical UK Growth	0.495	0.27
Clerical Medical International Growth	0.495	0.11
ReAssure Managed Fund	0.56	1.70
ReAssure European Fund	0.57	5.10
ReAssure UK Equity Fund	0.51	1.00
ReAssure Distribution Fund	0.59	3.60
Utmost UK Equity	0.75	0.27
Utmost Managed	0.75	0.10
Utmost Multi-Asset Moderate	0.75	0.30
Utmost Multi-Asset Cautious	0.75	0.28
Utmost UK FTSE All Share Tracker	0.50	0.09
Utmost Global Equity	0.75	0.10
Utmost Money Market	0.50	0.01
Deposit funds		
ReAssure Special Deposit Fund[3]	No charges[4]	N/A
Santander Cash Fund	No charges[5]	N/A
With-profits funds		
Clerical Medical With-Profits Fund	1.00	0.18
ReAssure Legal & General With-Profits Fund	No explicit charge	1.80
Standard Life Heritage With-Profits Fund	No explicit charge	N/A

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustee has had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the

[2] Transaction costs shown from previous year's Chair Statement as Clerical Medical was unable to provide an updated figure.
[3] With-Profits members who remain in the Plan beyond Normal Retirement Age are moved into the Special Deposit Fund. It is not available as a normal self-select option.
[4] This is similar to a standard deposit account with a bank which earns daily interest, funds are not subject to explicit fees.
[5] This fund is a deposit / cash account which does not incur explicit charges. Santander has confirmed that members receive interest on a daily basis, currently equivalent to 1.5% per annum.

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same assumed investment return but after deducting member borne charges and an allowance for transaction costs.

- The transaction cost figures used in the illustration are those provided by the managers over the past three years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). The average annualised transaction costs over the past three years have been used as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Plan year.
- The illustration is shown for the Utmost Life Multi-Asset Moderate Fund, since this is the arrangement in which most members are invested, as well as for two other funds.
- The two self-select funds shown in the illustration are:
  - the fund with highest annual member borne costs (TER plus Plan year transaction costs) – this is the ReAssure European Fund; and
  - the fund with one of lowest annual member borne costs – this is the Utmost Money Market Fund.

Projected pension pot in today's money

	Utmost Multi-Asset Moderate Fund		ReAssure European Fund		Utmost Money Market Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£8,000	£7,900	£8,000	£7,800	£7,800	£7,700
3	£8,200	£7,900	£8,300	£7,600	£7,500	£7,400
5	£8,300	£7,900	£8,600	£7,400	£7,200	£7,000
10	£8,800	£8,000	£9,300	£6,900	£6,600	£6,300
15	£9,300	£8,000	£10,000	£6,500	£6,100	£5,600
20	£9,800	£8,000	£10,900	£6,100	£5,500	£5,000

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. The long term annual inflation assumption used is 2.5% pa.
- The starting pot size used is £7,900. This is the approximate average (median) pot size for active members aged 50 years and younger (rather than using a whole membership average, this approach has been taken to provide a more realistic 20-year projection).
- The projection is for 20 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Retirement Age.
- The starting salary and contribution rate (employer and employee) is assumed to be zero as the Plan is closed to future contributions.
- The projected annual returns used are as follows:
  - Utmost Life Multi-Asset Moderate Fund: 1.1% pa above inflation.
  - Utmost Money Market Fund[6]: 1.8% pa below inflation.
  - ReAssure European Fund[7]: 1.6% pa above inflation.
- No allowance for active management outperformance has been made.

5. Investment returns

This section shows the annual and five-year returns, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Plan year.

The With-Profits fund returns stated are that of the underlying investments, which are the only figures that can be quoted. With Profits Funds are designed to smooth the returns members receive over their investment term and underlying

[6] In the previous year's Chair Statement, the Santander Special Deposit Fund was used as the lowest charged fund. However, the Utmost Money Market Fund has been used instead this year as the Santander arrangement no longer has any members and has been closed down.

[7] ReAssure have not provided SMPI assumptions for the ReAssure European Fund. The return assumption used has been taken as 1.6% pa, as this is the assumption ReAssure have provided for their highest expected return fund. This assumption is in line with the assumptions given for similar funds by other providers.

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investment returns are not the only factor determining the return members receive.

Self-select fund net returns over periods to Plan year end

Fund name	1 year (%)	5 years (% pa)
Clerical Medical[8] Balanced Pension	-9.5	1.1
Clerical Medical Cautious Pension	-10.7	-0.2
Clerical Medical Adventurous Pension	-5.2	2.8
Clerical Medical UK Growth	-10.9	-1.2
Clerical Medical International Growth	0.6	7.7
ReAssure Managed Fund	-10.7	2.5
ReAssure European Fund	-31.0	-1.5
ReAssure UK Equity Fund	-5.1	2.7
ReAssure Distribution Fund	-10.7	2.1
Utmost Life UK Equity	-5.0	1.0
Utmost Life Managed	-7.8	1.9
Utmost Life Multi-Asset Moderate[9]	-12.4	N/A
Utmost Life Multi-Asset Cautious[9]	-14.3	N/A
Utmost UK FTSE All Share Tracker	-4.8	1.5
Utmost Global Equity	-0.9	8.3
Utmost Money Market	0.1	0.0

Fund name	1 year (%)	5 years (% pa)
Deposit funds		
ReAssure Special Deposit Fund	0.8	0.9
Santander Cash Fund[10]	N/A	N/A
With Profits funds		
Clerical Medical With Profits Fund[11]	10.1	5.2
ReAssure Legal & General With Profits Fund[12]	-10.0	2.4
Standard Life Heritage With Profits Fund[13]	-7.0	1.4

6. 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 Trustee's general policy 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 date of the last review was November 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 investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

[8] Clerical Medical returns shown net of generic charge rather than the Plan specific charges.
[9] Utmost launched the multi-asset funds underlying the Investing by Age Strategy on 1 January 2020, so five year returns are not yet available.
[10] Performance is not available for the Santander Cash Fund, as this is an interest-bearing account. Santander has confirmed that members receive interest on a daily basis, currently equivalent to 1.5% per annum.

[11] Performance for With-Profits funds are usually published annually. The 2022 return for the Clerical Medical With Profits Fund was not yet available so we have shown the 31 December 2021 return.
[12] Investment returns for the ReAssure Legal & General With Profits Fund are shown at 31 December 2022.
[13] Investment returns for the Standard Life Heritage With Profits Fund are shown at 31 December 2022.

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The assessment included a review of the performance of the Plan's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose over the longer term have generally been positive, in line with or exceeding their respective sector averages and consistent with their stated investment objectives.

Consequently, no further action is required at the current time. As mentioned, the sponsoring employer has been considering the financial circumstances of the Plan and its future. Until the outcome of this was determined, the Trustee put any further analysis on hold.

During the Plan year, one member has had AVCs with Santander held in a cash account, which credits interest. It does not deduct explicit charges, so provides a potentially valuable capital guarantee. Santander have confirmed that this arrangement has now closed. The Standard Life policy also has only one member whose AVCs are invested in a With-Profits fund, which provides a guaranteed value at maturity.

The Clerical Medical arrangement is the second largest AVC holding by fund value and third largest by member numbers. It provides a wide range of investment options for members and has a competitive charging structure, applying a 0.505% pa Plan discount against its standard TERs.

The Trustee will work with its investment advisor to carry out a comprehensive review of the Plan's investments in the coming months.

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

- the Trustee's oversight and governance, including ensuring the Plan is compliant with relevant legislation, and holding regular meetings to monitor the Plan and address any material issues that may impact members;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

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

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

Overall, the Trustee believes that members of the Plan are receiving reasonable value for money for the charges and cost that they incur, for the reasons set out in this section. It aims to improve value for members in future through taking the following steps:

- continuing to monitor the costs borne by members, with a comprehensive review of the Plan's investments to be carried out in the coming months;
- ongoing review of the member experience with the Plan's administrator to ensure its service levels remain at current high levels; and
- continuing to ensure that trustee training is kept up to date, including developments in both DB and DC matters.

7. Financial security of pension assets

This section describes our understanding of the protections that generally apply to members' assets, should the DC fund managers experience financial difficulties. However, this is a complex area which is untested in practice and a future situation may lead to an unexpected outcome.

There are several safeguards designed to reduce the risk of default by a DC fund manager, and potential protections that apply should this happen:

- There is internal oversight carried out by the provider and fund managers. This comprises several elements such as independent internal audits, as well as the work conducted by compliance and risk functions.
- There is external oversight, carried out by the relevant regulatory bodies, whose role it is to ensure that the provider and fund managers discharge their financial liabilities in a responsible manner.
- A custodian will normally be appointed for pooled investment funds. The custodian's primary function is the safekeeping of assets. In practice this means keeping investors' funds legally separate from the provider's / fund manager's own monies, so they may not be used for meeting creditors' demands not relating to the investment funds.

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Thus, the only circumstances in which a default would occur appears to be in the event of dishonesty, fraud or negligence. If a valid claim arose, in the first instance, the Trustee would expect the manager and/or provider to make good any shortfall. The Financial Services Compensation Scheme may be able to pay compensation if a firm is unable to pay claims against it. The Trustee's understanding is that this would cover 100% of the claim in the event of the provider defaulting, but would not apply in relation to externally managed investment funds.

8. Trustee knowledge and understanding

The Trustee is required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. It 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.

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

- Pensions Dashboards (June 2022) – delivered by LCP.
- TPR's new single code of practice (April 2022) – delivered by LCP.

Additionally, the Trustee receives quarterly updates on topical pension issues from its advisers.

The Trustee is familiar with and has access to copies of the Plan's governing documentation and documentation setting out its policies, including the Trust Deed and 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. Further, the Trustee believes that 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 its duties.

The Trustee is required to commit to completing training, either at the relevant meetings or by personal study. Four out of five of the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration during the Plan year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Plan has in place a structured induction process for new Trustee Directors including relevant training from the Chair of Trustee and support from advisers. The Plan has a strong and effective leadership, with a wealth of experience to oversee the governance of the Plan, as follows:

- Quentin Woodley, Chair of Trustee: professional independent trustee 9+ years as a trustee and 35+ years in financial services (he is an accountant and former director and senior partner at McKinsey and Company - Quentin has passed the Pensions Management Institute's exam to achieve its Professional Trustee Award);
- Julian Baldwin: 10+ years as a Trustee and 35+ years' finance experience (he was the Plan's sponsoring employer's Managing Director until his retirement in 2013);
- Terry Fell: 23+ years as a Trustee (with pensions experience in his former union role);
- John Cash: 24+ years as a Trustee (with pension experience in his former HR manager role at the Plan's sponsoring employer); and
- Toni Hulbert: 12+ years as a Trustee.

Regular evaluations of the Trustee's knowledge to help to identify training needs are undertaken. The Trustee also evaluates the performance and effectiveness of the Trustee Board as a whole. Trustee Board effectiveness reviews are carried out by the Trustee's pension advisors using interactive questionnaires. The output helps inform future training needs and business plans.

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

Q L Woodley Date: 27/4/23

Signed by Quentin Woodley, representative for Woodley Pension Trustees Ltd

Chairman of the Cooper-Avon Tyres Limited Pension Plan