

# Cooper-Avon Tyres Limited Pension Plan

Trustee's annual report and financial statements for the year ended 30 September 2024

## Appendix 2 – Chairman's statement

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### *Chair's DC Governance Statement, covering 1 October 2023 to 30 September 2024*

#### 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.

Governance requirements apply to DC schemes to help members achieve a good outcome from their pension savings. The Trustee Directors of the Plan are required to produce a statement every year (signed by the Chair of the Trustee) covering:

- the processing of core financial transactions (i.e. how the Plan is administered, such as the investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment options 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 are :

- 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 established 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.

#### 2. Default arrangements

The Plan does not have a 'default' investment strategy in place, because it closed prior to 6 April 2015 and was never 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. The Trustee is not therefore required to provide analysis on the Plan's default investment strategy, nor details of any review as part of this Statement.

Nevertheless, 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. It can be obtained from the Plan's administrator, LCP, at [CooperAvonAdmin@lcp.uk.com](mailto:CooperAvonAdmin@lcp.uk.com).

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. Reviews of the DC arrangements are normally carried out triennially. The review of the DC arrangements carried out on 20 March 2018 concluded that most 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 charges 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 range of retirement options available to members was also found to be suitable and members receive regular and timely communications.

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The review on 18 February 2021 confirmed that funds had generally performed in line with their respective sector benchmarks. The 29 November 2021 review concluded similarly that the funds generally performed well over the previous 12 months and in accordance with their stated investment objectives. The review on 17 December 2024 concluded that the charges remain appropriate, given the nature of the funds, and that the service delivery of the providers are comparable to others in the market.

The Trustee will continue to monitor the Plan's DC investments periodically to ensure they remain appropriate for the Plan's membership. The Trustee remains satisfied that the investment options are appropriate for most of the Plan's membership.

The Trustee will be considering, in due course, the next governance review of the Plan's DC investments.

### 3. Processing of core financial transactions

The processing of core financial transactions is carried out by the Plan's administrator, LCP. 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 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 LCP which covers the accuracy and timeliness of all core financial transactions. The key processes it uses to help it meet the SLA are as follows:

- Plan administration is run 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 a five working day turnaround. LCP has confirmed that most of the Plan's transactions are completed comfortably within these periods.
- Cases are logged onto a work control tool called 'Work Management', which automatically highlights the agreed SLAs, along with statutory/whistle-blowing deadlines.

- Bank accounts are monitored by LCP's accounts team, assisted by a tool called 'Navision', which mirrors transactions within the Plan's bank account. This gives the team real-time confirmation as to how much money is in the account on any given date.
- All DC cash movements (such as transfers out and benefit payments) are subject to a detailed three-stage peer review process, to ensure accuracy.

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

To help the Trustee monitor whether SLAs are being met, the Trustee receives regular reports about LCP's performance and adherence to the SLAs. Any issues identified as part of the review processes would be raised with LCP immediately, and steps taken to resolve the issues.

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

- LCP operated appropriate procedures, checks and controls 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.

Additional accreditations for LCP include the 'Cyber Essentials Plus' certification and certification for information management security systems that meet the ISO/IEC 27001 standard. LCP is a member of the Pensions Administration Standards Association.

### 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

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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 administration charges, since these are not incurred by Plan members.

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. The TER and transaction costs are the only costs borne by members.

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

- Clerical Medical;
- ReAssure;
- Standard Life; and
- Utmost Life & Pensions.

At the time of writing we have not been able to obtain transaction costs for the Clerical Medical Cautious Pension Fund.

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.

### Self-select and AVC options

The level of charges for each self-select funds and transaction costs over the period covered by this Statement are set out in following table.



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Fund name	TER	Transaction costs
<b>Unit-linked funds</b>		
Clerical Medical Balanced Pension	0.50	0.18
Clerical Medical Cautious Pension	0.50	TBC <sup>1</sup>
Clerical Medical Adventurous Pension	0.50	0.18
Clerical Medical UK Equity Tracker 6	0.50	0.18 <sup>2</sup>
Clerical Medical International Growth	0.50	0.17
ReAssure Managed Fund	0.58	0.07
ReAssure European Fund	0.56	0.17
ReAssure UK Equity Index Fund	0.53	0.01
ReAssure Distribution Fund	0.56	0.09
Utmost UK Equity	0.75	0.19
Utmost Managed	0.75	0.11
Utmost Multi-Asset Moderate	0.75	0.25
Utmost Multi-Asset Cautious	0.75	0.31
Utmost UK FTSE All Share Tracker	0.50	0.03
Utmost Global Equity	0.75	0.10
Utmost Money Market	0.50	0.01
<b>Deposit funds</b>		
ReAssure Special Deposit Fund <sup>3</sup>	No charges <sup>4</sup>	N/A
<b>With-profits funds</b>		
Clerical Medical With-Profits Fund	0.50	0.22
ReAssure Legal & General With-Profits Fund	0.24	0.14

<sup>1</sup> At the time of writing, we have not been able to obtain transaction costs for this fund from Clerical Medical. We will continue to follow up for these.  
<sup>2</sup> Clerical Medical were not able to provide transaction costs for the 12 months to 30 September 2024, therefore costs for the 12 months to 31 July 2024 have been shown instead.

Fund name	TER	Transaction costs
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 Plan member's pension savings. In preparing this illustration, we 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 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 five years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past five years 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 where most members are invested, as well as two funds from the Plan's self-select fund range. 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 Utmost Multi-Asset Cautious Fund; and
  - the fund with lowest annual member borne costs – this is the Utmost Money Market Fund.<sup>3</sup>

<sup>3</sup> 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, therefore we have not included this as the fund with the lowest costs in the illustration of costs.  
<sup>4</sup> The Special Deposit Fund is similar to a standard deposit account with a bank which earns daily interest, funds are not subject to explicit fees.

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### Projected pension pot in today's money

Years invested	Utmost Multi-Asset Moderate Fund		Utmost Multi-Asset Cautious Fund		Utmost Money Market Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£13,700	£13,600	£13,700	£13,600	£13,400	£13,400
3	£14,100	£13,700	£14,100	£13,700	£13,300	£13,100
5	£14,500	£13,800	£14,500	£13,800	£13,200	£12,800
10	£15,700	£14,200	£15,700	£14,100	£12,800	£12,200
15	£16,900	£14,500	£16,900	£14,400	£12,500	£11,600

#### 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%.
- The starting pot size used is £13,500. This is the approximate average (median) pot size for members aged 50 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 15-year projection).
- The projection is for 15 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Retirement Age.
- The contribution rate (employee plus employer) 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: 1.5% above inflation
  - Utmost Life Multi-Asset Cautious Fund: 1.5% above inflation
  - Utmost Money Market Fund: 0.5% below inflation
- No allowance for active management outperformance has been made.

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### 5. Investment returns

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This section shows the annual return, after the deduction of member-borne charges and transaction costs, for all investment options in which member assets were invested during the Plan year, over one and five year periods to 30 September 2024. We have had regard to the statutory guidance in preparing this section.

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 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 Balanced Pension <sup>5</sup>	11.6	3.1
Clerical Medical Cautious Pension <sup>5</sup>	9.3	1.7
Clerical Medical Adventurous Pension <sup>5</sup>	15.3	5.9
Clerical Medical UK Equity Tracker 6 Fund <sup>6</sup>	9.8	4.5
Clerical Medical International Growth <sup>5</sup>	18.8	10.3
ReAssure Managed Fund	15.0	4.8
ReAssure European Fund	14.0	6.5
ReAssure UK Equity Fund	14.1	9.3
ReAssure Distribution Fund	12.9	6.1

<sup>5</sup> Clerical Medical returns are to the end of September 2024 and are shown net of generic charges rather than Plan specific charges.

<sup>6</sup> The Clerical Medical UK Growth Fund was closed on 18 November 2024 and members were moved to the Clerical Medical UK Equity Tracker 6 Fund. Clerical Medical are no longer able to provide investment returns for the UK Growth Fund therefore returns to 31 December 2024 for the UK Equity Tracker fund have been shown instead.

Fund name	1 year (%)	5 years (% pa)
Utmost Life UK Equity <sup>7</sup>	14.5	4.6
Utmost Life Managed <sup>7</sup>	13.6	4.7
Utmost Life Multi-Asset Moderate <sup>7</sup>	13.8	N/A <sup>8</sup>
Utmost Life Multi-Asset Cautious <sup>7</sup>	9.1	N/A <sup>8</sup>
Utmost UK FTSE All Share Tracker <sup>7</sup>	13.2	4.9
Utmost Global Equity <sup>7</sup>	22.4	11.9
Utmost Money Market <sup>7</sup>	5.0	1.4
<b>Deposit funds</b>		
ReAssure Special Deposit Fund	5.3	3.6
<b>With Profits funds</b>		
Clerical Medical With Profits Fund <sup>9</sup>	8.0	4.0
ReAssure Legal & General With Profits Fund	7.6	6.1
Standard Life Heritage With Profits Fund	8.0	3.8 <sup>9</sup>

### 6. Value for members assessment

Each year, the Trustee is required to assess 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

<sup>7</sup> Returns are shown to 30 June 2024.

<sup>8</sup> Utmost launched the multi-asset funds underlying the Investing by Age Strategy on 1 January 2020, so five-year returns are not yet available.

<sup>9</sup> Returns are shown to 31 December 2023.



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

The Trustee typically 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 17 December 2024, which also included a light-touch review of the Plan's providers. We note 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 adviser has confirmed that the Plan's fund charges are competitive for the types of funds available to members, and that the providers used in the Plan are comparable to others in the market.

The Standard Life With-Profits Fund, in which one AVC member is currently invested, provides a guaranteed fund value at the member's Normal Retirement Age. This is a potentially valuable benefit, providing protection against any adverse market movements.

The Clerical Medical DC transfer-in facility represents the second largest 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, currently applying a 0.50% pa fund charge (TER) to the Plan's investments.

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

- the Trustee's oversight and governance, ensuring compliance with relevant legislation, and ongoing review with timely action to 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 LCP's administration processes and the extent to which it meets or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of LCP's 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 expect this to lead to greater investment returns net of costs over time.

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

- continuing to monitor the costs borne by members;
- continuing to monitor the member experience with the Plan's administrator to ensure LCP's 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 (see section 8).

## 7. Financial security of pension assets

This section describes the Trustee's understanding of the protections that generally apply to members' assets, should the DC platform provider, or a fund manager on it, 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 platform provider, or a fund manager used by it, 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 is normally appointed for pooled investment funds, whose 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 appear to be in the event of dishonesty, fraud or negligence. If a valid claim arose, in the first instance, we 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.

The Trustee, with the help of its advisers, 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, and typically deliver training on such matters at Trustee meetings, if they are material. During the period covered by this Statement, the Trustee Directors received training on topics including:

- Capital Market Assumptions 2024 (October 2023)
- Economic outlook webinar (November 2023)
- LCP conference – cyber risk, data, future of AI and pensions (November 2023)
- TPR's General Code (March 2024)

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 setting out its policies, including the Trust Deed and Rules and SIP. 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 has to commit to completing the training, either at the relevant meetings or by personal study. Four of the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (which is an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). 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 a training programme is considered annually, to ensure it is up to date. Additionally, the Plan has 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 extensive experience to oversee the governance of the Plan, as follows:

- Quentin Woodley, Chair of Trustee: professional independent trustee 10+ years as a trustee and 35+ years in financial services (he is an accountant and former director and senior partner at McKinsey and Company. He has passed the Pensions Management Institute's exam to achieve its Professional Trustee Award);
- Julian Baldwin: 12+ 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: 25+ years as a Trustee (with pensions experience in his former union role);
- John Cash: 25+ years as a Trustee (with pension experience in his former HR manager role at the Plan's sponsoring employer); and
- Toni Hubert: 14+ years as a Trustee.

Regular evaluations of the Trustee Director's knowledge to help to identify training needs are undertaken. The Trustee carries out regular evaluations of the performance and effectiveness of the Trustee Board as a whole. The last Trustee Board effectiveness review was carried out on 12 March 2024.



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The effectiveness reviews help inform future training needs and business plans. They focus on: processes and communication (whether the Trustee Directors are kept sufficiently up to date between meetings and provided with sufficient information and quality advice); identification of any gaps in knowledge and skills; the Trustee directors ability to make good quality, timely decisions; and the Chair's leadership of the trustee board.

Considering the knowledge and experience of the Trustee Directors and the specialist advice received from the Plan's 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.

 Date: 12/3/25

Signed by Quentin Woodley, representative for Woodley Pension Trustees Ltd

Chair of the Cooper-Avon Tyres Limited Pension Plan

