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

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Radius Group Pension Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC). Within the Scheme, money purchase benefits relate to the Scheme's DC Section, and additional voluntary contributions ("AVCs") that members could pay within the Scheme's DB Section. Please note that the Scheme is not being used by the Company to comply with their duties under the automatic enrolment legislation. A separate group personal pension plan is in place to meet this requirement. The Scheme is closed to new members and is no longer accepting new contributions.

Default arrangement

Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant. Note that the Scheme ceased contributions on 31 January 2009 and from that date, all of our members' DC accounts had no additional contributions invested. Each member's accumulated DC account remains invested in one of the investment options available.

Under the Scheme's default strategy, unless members have selected their own retirement age, members aged under 59 and a half are wholly invested in the L&G Global Equity 70:30 Index Fund, with the intention to expose savings to good growth opportunities. From age 59 and a half onwards, exposure to the Global Equity Fund is reduced annually and switched to the L&G AAA-AA-A Bonds Over 15 Year Index and L&G Cash Funds, so that when a member reaches their chosen retirement age (or age 65 when an alternate retirement age has not been selected) 25% of members' funds are held in the Cash Fund and 75% in the Long Dated Bond Fund. This is so that the member's account is positioned to be used to take 25% as a cash lump sum (in line with current legislation) with the rest being used to purchase an annuity. The strategy means that at retirement a member is better protected against adverse investment market movements and changes to interest rates, which could dramatically affect the amount of cash and pension available to take.

Assets remain invested in the default arrangement unless a member chooses otherwise. Members have the option to self-select their own investments from the three funds that are used in the default strategy and they may select these funds in any proportion they choose.

During the period covered by this statement there have been no significant changes to the Scheme's investment strategy. A review had not been undertaken mainly due to the uncertainty around the existence of a GMP underpin within the Scheme. Having resolved this issue, the Trustee and Company are actively considering the options for moving to a Master Trust.

The default arrangement is described in further detail in the Scheme's Statement of Investment Principles ("SIP") which was updated in July 2020 to incorporate new regulations that the Trustee must follow regarding how they engage with their investment managers; a copy of the SIP is appended to this governance statement. The SIP sets out the Trustee's investment objectives, which broadly speaking are to set an investment strategy that offers an appropriate range of investment options to offer sufficient investment flexibility for members of all ages. The SIP will be reviewed at a minimum every three years or as soon as any significant developments in investment policy or member demographics take place. The next SIP review is due to take place by July 2023. Should the Scheme enter a Master Trust arrangement before this date, maintaining and updating an appropriate SIP will become the responsibility of the board of Trustees of the Master Trust.

The Trustee continually monitors the performance of the Scheme's investments throughout the year and receives quarterly performance reports from L&G. We are broadly happy with the performance over the period covered by this statement, although we note that the L&G AAA-AA-A Corporate Bond Over 15 Year – Index Fund has produced negative returns for members over the year to 31 March 2022. We understand that this happened on the background of strong headwinds for fixed income investments over the year and that the fund has performed in line with its benchmark. We will continue to monitor performance. Particularly in view of the long term, we believe the Scheme's investment strategy remains on track to meet our aims and objectives.

The Trustee has set up processes to publish relevant information from this Statement online at the following URL: https://www.civica.com/en-gb/resources/corporate-downloads/ and will notify members about this in their annual benefit statements.

Processing Scheme transactions

The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed accurately during the period by:

- Appointing a reputable professional pension administration provider, Mercer Limited (the “administrator”).
- Having in place service level agreements (SLAs) with the administrator which cover all core administration processes. These SLAs are monitored on a six-monthly basis.
- Appointing a professional firm to undertake an annual audit. All financial transactions are subject to annual audit requirements as part of the Trustee’s annual report and accounts.

The Trustee has a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. As no further contributions are made to the Scheme, these include the transfer of member assets out of the Scheme, switches between different investments within the Scheme and payments to and in respect of members. The Trustee recognises that delay and errors can cause significant losses for members. Delay and errors can also cause members to lose faith in the Scheme, which may in turn reduce their propensity to save and impair future retirement outcomes.

These transactions are undertaken on the Trustee’s behalf by the Scheme administrator, and its investment manager Legal & General Investment Management. The Trustee periodically reviews the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives.

The Trustee has a service level agreement (“SLA”) in place with the Scheme administrator which covers the accuracy and timeliness of all core transactions and receives regular reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include

- a central financial control team separate to the admin team, who monitor the Trustee’s bank account, and;
- the daily monitoring of bank accounts and multiple individuals checking investment and banking transactions.

The SLAs that the administrator works to are shown below:

Work Type	Service Standard (working days)
Death Benefit Quotation	1 day
Benefit Quotation	10 days
Benefit Payments	5 days
General Member Correspondence	10 days

During the period covered by this statement, 72% of work was completed within the agreed service levels. The Trustee notes that service levels continue to be below what should be expected and are working with the administrators to see a return to acceptable levels.

In April 2021 it was identified that there was a potential issue that affected the annual lifestyle process that was carried out in April 2019. To be certain that all member records are correct Mercer re-constructed the lifestyles for 2019, 2020, 2021 and 2022. This review has been completed and any corrective action to ensure no loss to members has taken place for existing members of the Scheme. A small group of members who left the Scheme during this period was negatively impacted by the issue and the Trustee is considering corrective action for these members. Over the course of the review, a number of member quotations and payments were delayed to ensure members received the correct entitlement. Furthermore, the disclosure requirements for the benefit statements due to be issued to members in 2021 were breached due to the ongoing review work. The 2022 benefit statements will be issued on the correct basis and in line with regulatory disclosure requirements. Furthermore, any affected members with open administration requests have now received their quotation or benefit payment. The Trustee considers this as an isolated system error which occurred in 2019 and which does not represent a systemic problem with the administration provider.

As a wider review of the Administrator in general, the Administrator employs an independent auditor to prepare an annual report on their internal controls (AAF01/20/ ISAE 3402) which is provided to the Trustee annually.

The Trustee have appointed an independent auditor to carry out an annual audit of the Scheme, including the material financial transactions that have taken place during the Scheme year. The auditors carry out spot checks to ensure that payments made by the Scheme are paid in accordance with the Scheme's rules.

The Trustee will also perform periodic assessments of the methods of the Scheme's administrators and will challenge them in terms of their efficiency when necessary.

Over the Scheme year, all core financial transactions were processed within the regulatory disclosure timeframes as specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996). However, as mentioned above the Trustee acknowledges that the member experience has been poor over the period, demonstrated by the relatively low percentage of cases completed within SLA. The Trustee recognises the continued challenge posed by the COVID pandemic and its impact on the labour market, which impacted the administration team over the year and is working closely with the administrator to improve the situation.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. The Trustee has taken account of statutory guidance when preparing this section of the report.

In this context, "charges" means (subject to some specific exemptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. "Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

Transaction costs have been provided by the Scheme's investment manager and they are calculated using slippage cost methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative. A negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity

Details of the Total Expense Ratios ("TERs") payable for each fund as well as the transaction costs within the default arrangement are as follows:

Fund	TER (%)	Transaction Cost (%)
L&G Global Equity 70:30 Index Fund	0.222%	0.017%
L&G AAA-AA-A Corporate Bond Over 15 Year – Index Fund	0.151%	0.004%
L&G Cash Fund	0.125%	0.020%

Source: L&G. Transaction Costs shown are for the 1-year period to 31 March 2022.

This is lower than the maximum 0.75% TER allowed for default arrangements.

The Trustee has also made available the above range of funds as self-select options, which members can choose as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments.

AVCs

Only one member has AVCs with Aviva, who has assets valued at approximately £8,500 which are invested in the Aviva Mixed Invest (40-85% Shares) fund. In light of this, the Trustee believes that it is cost prohibitive to conduct a full AVC review. AVC investments held with L&G are reviewed at the same times as the review of the main Scheme benefits.

The AVC facility is provided via Aviva; the available funds together with associated fees are shown below.

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
Aviva Global Bond (NU) Standard Series 01 Pension	0.880%	0.2086%
Aviva Pacific Equity (NU) Standard Series 01 Pension	0.880%	0.0596%
Aviva Gilt (NU) Standard Series 01 Pension	0.880%	0.0685%
Aviva UK Equity (NU) Standard Series 01 Pension	0.880%	0.0505%
Aviva European Equity (NU) Standard Series 01 Pension	0.880%	0.0388%
Aviva Mixed Invest (40-85% Shares) (NU) Standard Series 01 Pension	0.880%	0.0458%
Aviva Global Equity (NU) Standard Series 01 Pension	0.880%	0.0228%
Aviva US Equity (NU) Standard Series 01 Pension	0.880%	0.0039%
Aviva Deposit (NU) Standard Series 01 Pension	0.880%	0.0000%
Aviva Property (NU) Standard Series 01 Pension	0.880%	0.0877%
Aviva With-Profit (NU) Standard Series 01 Pension	0.880%	0.0380%
Aviva With-Profit Guaranteed (NU) Standard Series 01 Pension	0.880%	0.0380%

Source: Aviva. Transaction Costs shown are for the 1-year period to 31 March 2022.

Cumulative effect of cost & charges

Using the charges and transaction cost data provided by the relevant parties and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples and the DB AVC investment options have also been considered.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in a selection of significant funds within the Scheme. The funds we are required to illustrate to represent the fund range (with the specific fund within the Scheme in brackets) are:

- The *Default Strategy of the DC Section*
- The most expensive fund (*Aviva Global Bond (NU) Standard Series 01 Pension*)
- The least expensive fund (*L&G Cash Fund*)

To illustrate the impact of charges on a typical member's pension pot, we have provided examples below. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation.

Illustration 1: Deferred Member

	Default Strategy		**L&G Cash Fund** *(cheapest fund)*		**Aviva Global Bond (NU) Standard Series 01 Pension - DB AVCs** *(most expensive fund)*	
Years from now	**Before Charges**	**After Charges**	**Before Charges**	**After Charges**	**Before Charges**	**After Charges**

		and costs deducted		and costs deducted		and costs deducted
0	£28,100	£28,100	£28,100	£28,100	£28,100	£28,100
3	£30,263	£30,059	£26,655	£26,551	£27,688	£26,754
4	£31,020	£30,742	£26,190	£26,053	£27,552	£26,319
5	£31,797	£31,441	£25,733	£25,566	£27,416	£25,892
6	£32,370	£31,941	£25,284	£25,087	£27,281	£25,472
7	£32,727	£32,230	£24,843	£24,617	£27,147	£25,058
8	£32,859	£32,302	£24,409	£24,156	£27,014	£24,651
9	£32,762	£32,154	£23,983	£23,704	£26,881	£24,251
10 (retirement)	£32,435	£31,786	£23,565	£23,260	£26,749	£23,857

Illustration 2: Youngest Member

	Default Strategy		**L&G Cash Fund** ***(cheapest fund)***		**Aviva Global Bond (NU) Standard Series 01 Pension - DB AVCs** ***(most expensive fund)***	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
0	£16,000	£16,000	£16,000	£16,000	£16,000	£16,000
3	£17,232	£17,116	£15,177	£15,118	£15,765	£15,233
5	£18,105	£17,902	£14,652	£14,557	£15,611	£14,743
10	£20,487	£20,031	£13,418	£13,244	£15,231	£13,584
15	£23,024	£22,263	£12,287	£12,049	£14,860	£12,517
19 (retirement)	£23,070	£22,155	£11,452	£11,172	£14,570	£11,724

Assumptions	
The above illustrations have been produced for an “average” member and a “young” member of the Scheme based on the Scheme’s membership data. The “Default Strategy” illustration assumes the member’s asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member’s assets are invested in that strategy up to the Scheme retirement age. The results are presented in real terms, i.e. in today’s money, to help members have a better understanding of what their pension pot could buy in today’s terms, should they invest in the funds above as shown.	
Age • “Average” member	55 *(the average age of the Scheme’s membership)*

• “Young” member	46 *(the average age of the youngest 10% of members)*
Scheme Retirement Age	65
Starting Pot Size • “Average” member • “Young” member	 £28,100 *(the median pot size of the Scheme’s membership)* £16,000 *(the median pot size for the youngest 10% of members)*
Inflation	2.5% p.a.

Expected future nominal returns on investment:
• Default Strategy
  ○ L&G Global Equity 70:30 Index
  ○ L&G AAA-AA-A Bonds Over 15 Year Index
  ○ L&G Cash Fund
• Aviva Global Bond (NU) Standard Series 01 Pension
• L&G Cash Fund
	
	2.5% above inflation before charges
	0.75% below inflation before charges
	1.75% below inflation before charges
	0.75% below inflation before charges
	1.75% below inflation before charges

Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (‘the 2021 Regulations’) introduce new requirements for trustees of ‘relevant’ occupational pension schemes.

From 1 October 2021, trustees of all relevant pension schemes, regardless of asset size, are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

The tables below set out annualised net performance for the 1, 3 and 5 year periods for the self-select fund range which are also the underlying funds of the default arrangement. There is a requirement for trustees to show net performance for members in the default strategy at ages 25, 45 and 55. However, at all three ages a member of the Scheme is fully invested in the L&G Global Equity 70:30 Index Fund. The performance for this fund is shown below.

At the time of writing, we have not been able to obtain the net fund performance for any of the AVC funds members of the Scheme invest in. We will continue to liaise with Aviva in order to obtain relevant fund performance figures for the next reporting period.

Default and Self-select Funds

Annualised net returns to 31 March 2022			
Fund	**Over 1 year**	**Over 3 years (p.a.)**	**Over 5 years (p.a.)**
L&G Global Equity 70:30 Index Fund	12.8%	2.4%	1.1%
L&G AAA-AA-A Corporate Bond Over 15 Year – Index Fund	-9.2%	0.0%	0.1%
L&G Cash Fund	0.0%	0.0%	-0.1%

Source: Legal & General and Mercer. All fund performances are shown to 31 March 2022 and are net of charges and transaction costs.

Value for members

In accordance with regulation 25(1)(b), the Trustee undertakes a review of the charges and transaction costs incurred by members in order to ascertain whether or not the Scheme represents good value for members, relative to peers and alternative arrangements that are available. For schemes with assets under £100m and for scheme years ending after 31 December 2021, a new ‘small schemes VFM’ (SSVFM) assessment is required. This includes a comparison of costs and charges and net performance against three larger arrangements (e.g. master trusts), and a detailed assessment of the scheme's governance and administration arrangements.

As the Trustee is currently in the process of considering whether a transfer of the DC Section of the Scheme to a Master Trust would be in the best interests of the members, the Trustee has undertaken a small schemes value for members' assessment by comparing the charges and performance against the shortlisted Master Trust providers who have been approached as part of this exercise. This review did not cover AVCs with Aviva as there is only one member with an AVC investment. The Trustee has also carried out a detailed assessment of the Scheme's governance and administration arrangements against the criteria set out in the DWP guidance. The review concluded that the Scheme overall represents good value for members in comparison to the costs payable by members. The reasons underpinning this conclusion include:

- The Scheme's current default investment arrangement complies comfortably with the charge cap of 0.75% per annum.
- The current annual management charges cover investment costs only as the Company is paying for the administration of the Scheme. Therefore when benchmarked against alternative Master Trusts the fees paid by members offer good value for the charges that members pay.
- The funds used by the Scheme are highly rated by our investment advisers as having good prospects of achieving their risk and return objectives.
- The performance of the funds in use has also been reviewed, and over a twelve-month, three-year and five-year period to 31 March 2022, all three funds performed as expected relative to their benchmarks.
- The Company pays for an Independent Trustee to govern the Scheme's arrangements and provide oversight on behalf the members' best interests, and also pays for Trustee advisory services.
- The Company pays for the Scheme's administrative costs, further enhancing the value that members receive.
- The Company also pays for supplementary communications to be issued on behalf of the Trustee, including an annual newsletter and benefit statement.
- The Trustee reviews the Scheme against the DC Code on a regular basis.

The Administration and Governance of the Scheme was identified to be fair. The Trustee recognises that the Covid-19 pandemic and related challenges in the UK labour market have had an impact on performance during the year, however SLA performance is below expected levels. The Trustee is actively taking steps to review the administration performance with Mercer and ultimately is expecting to move the DC section to a Master Trust which will provide better levels of service and communication to the members.

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustee has put in place arrangements for ensuring that they take personal responsibility for keeping up-to-date with relevant developments. BESTrustees Limited, a sole professional trustee was appointed with effect from 1 April 2021.

In addition, the Trustee Directors receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. The Trustee Directors also include legislative updates and Trustee Knowledge and Understanding on the agenda for each of their meetings.

BESTrustees are represented by Ann Rigby and Jenny Davidson both of whom have completed the Pension Regulator's Trustee Toolkit and have familiarised themselves with the Scheme's trust deed, rules and Statement of Investment Principles (SIP). Throughout the scheme year the Trustee has demonstrated a working knowledge of the trust deed and rules and they seek legal advice from the Scheme's legal advisor CMS where any ambiguities over the interpretation the Rules arise.

With regards to demonstrating sufficient knowledge and understanding of the law relating to pensions and trusts, the Trustee receives current pension issues documents at every meeting where legal issues are discussed.

The DC assets and performance are reviewed at each meeting where the investment advisers help support discussions and decision making. Taking account of actions taken individually and as a Trustee body, and the professional advice available, the Trustees consider themselves properly enabled to exercise their function as Trustees of the Scheme. The combined knowledge has helped over the year with exercising discretions and answering member disputes.

As mentioned above, on 1 April 2021, the Scheme moved to a sole trustee structure. The professional sole Trustee is subject to its own audit requirements with minimum standards of training during the year which cover areas such as investment, legal cases and changes to the statutory framework. All of BESTrustees representatives are accredited by the aPPT (Association of Professional Pension Trustees) and meet the annual CPD requirements. Given the individuals representing the professional Trustee sit on a number of Trustee boards, there is the benefit of not only experience gained from those other appointments but also the training that takes place at those Trustee meetings. Prior to taking on appointment, the professional Trustee's processes require a consideration of whether the appropriate skills and experience for a particular scheme are held by the individuals concerned.

Given the extent of the training and ongoing agenda items stated above, the Trustee is comfortable that they have demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes. I am also satisfied that the Trustee has demonstrated a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustee's current policies.

The Chair's statement regarding DC governance was approved by the Trustee and signed by:

Ann Rigby

On behalf of BESTrustees Limited

Date: 4 November 2022