

GIVAUDAN UK PENSION PLAN

CHAIR'S STATEMENT YEAR ENDED 31 MARCH 2021

Chair's Statement

The Chair's Annual Governance Statement – Year ended 31 March 2021

This Statement has been prepared by the Trustees of the Givaudan UK Pension Plan (the 'Trustees' of the 'Plan') to demonstrate how the DC Section of the Plan (with Legal & General – L&G) and AVC arrangements (with L&G, Clerical Medical and Equitable Life) have complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the 'Regulations'). The DC Section and the AVC arrangements are closed to new members and future contributions.

The AVC arrangements with Utmost, formerly Equitable Life, and Clerical Medical are legacy arrangements, which the Trustees monitor on a regular basis. These funds represent a smaller proportion of overall assets than the AVCs with L&G.

This Statement is in relation to the Plan year ended 31 March 2021 and covers five key areas:

1. An assessment of the DC Section against the Pensions Regulator's principles and features for a well-governed DC scheme.
2. The Plan's investment strategy including that relating to the DC Section's default option.
3. Charges, transaction costs and value for members.
4. The processing of core DC Section financial transactions.
5. The Trustees' compliance with the statutory Knowledge and Understanding ('TKU') requirements.

The Trustees' statement in respect of these requirements are set out herein.

The Trustees receive professional Defined Contribution ('DC') Investment and Governance advice from Towers Watson Limited, a Willis Towers Watson Company ('the Professional Adviser'). The DC Section of the Plan is administered by Aon Hewitt ('the Plan's Administrator').

Summary of assessment results

The Trustees have previously assessed the DC Section against the Pensions Regulator's revised Code of Practice 13 and regulatory guidance for DC schemes, which came into force from 28 July 2016, and keep their assessment under regular review. The last formal review was carried out for the year ended 31 March 2018.

The Trustees can confirm that the DC Section continues to meet all legal requirements set out in the Code. In addition, the DC Section meets the majority of the Pensions Regulator's expectations that a well-run pension scheme should meet, and the Trustees have been working through any areas where further improvement may be required. The Trustees were due to undertake their next formal review of progress against the Code during 2020. However, this did not take place as the Company and Trustees were in consultation over whether to move the DC section of the Plan to a master trust.

A decision was made in Q2 2020 to move the DC Section to a master trust and a bulk transfer was completed on 6 January 2021, to move the majority of the DC assets and members to the L&G Master Trust. This removed the majority of the DC assets and members from the Plan. There are 17 DC members with amounts in a legacy AVC policy with L&G that were not included in the initial population for the bulk transfer to the L&G Master Trust. The Trustees and administrators are currently working towards moving these amounts over to the L&G Master Trust.

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DC Section – Investment strategy – The Plan's default arrangement

The Trustees' investment beliefs & objectives

The Trustees have prepared a Statement of Investment Principles (SIP) which governs decisions about investments in the DC Section, including the default strategy. The SIP captures

- i. The Trustees' / managers' aims and objectives
- ii. Their policies in relation to the:
 - a. Kinds of investments to be held;
 - b. Balance between the different kinds of investment;
 - c. Risks, including how these are measured and managed;
 - d. Expected return on investments;
 - e. The realisation of investments;
 - f. Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments; and
 - g. The extent (if any) to which social, environment or ethical considerations are taken into account in the acquisition, retention and disposal of investments.
- iii. Their policy in relation to:
 - a. The exercise of the rights (including voting rights) attaching to the investments; and
 - b. Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters).
- iv. Their policy in relation to the Trustees' arrangement with the fund managers, setting out the following matters (or explaining the reasons why any of the following matters are not set out):
 - a. How the arrangement with the fund manager incentivises the fund manager to align its investment strategy and decisions with the Trustees' policies in sub-paragraph (ii) above;
 - b. How that arrangement incentivises the fund manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their medium to long-term performance;
 - c. How the method (and time horizon) of the evaluation of the fund manager's performance and the remuneration for fund management services are in line with the Trustees' policies mentioned in sub-paragraph (ii) above;
 - d. How the Trustees' monitor portfolio turnover costs incurred by the fund manager, and how they define and monitor targeted portfolio turnover or turnover range; and
 - e. The duration of the arrangement with the fund manager.

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Similarly, the objectives and principles for the AVC arrangements have also been documented in a separate SIP.

A copy of the latest SIP dated September 2020 is appended to this Statement. The SIP is usually reviewed at least annually and formally every three years. No material changes have been made to the SIP during the year to 31 March 2021 due to the exercise undertaken to make a bulk transfer to the L&G Master Trust.

The Trustees also receive updates from the Professional Adviser with regards to market practice for default investment strategies in DC trust-based pension schemes.

The Trustees are responsible for the ongoing oversight of the DC Section's investment strategies, funds and managers, which includes monitoring the performance of all funds against the investment managers' objectives and benchmarks. The analysis and advice provided at Trustee meetings supports the Trustees in determining whether it should consider making any changes to the investment strategy.

The Trustees offers a default investment strategy ('the Plan default ') for DC and AVC members who do not make a choice about the investment of their funds. The Plan is not used by the Company as a qualifying scheme for the purposes of meeting its automatic enrolment responsibilities.

The DC Section's current default investment option is a lifestyle option that targets annuity purchase at retirement. The lifestyle investment option automatically switches a member's assets from higher risk assets to lower risk assets on the approach to retirement. The switching commences ten years prior to a member's Target Retirement Age (TRA) .

The objective of the Plan default is to generate capital growth over the long term with increasing levels of retirement income protection and capital protection as members approach retirement.. If a member has not selected a TRA, the default will be age 65.

For members with more than 10 years to TRA, the default strategy invests in the Global Equity Fund. 10 years before a member's TRA, investments are gradually moved into lower risk funds – government bonds, index linked gilts and cash. From 10 years before TRA, the Plan default continues to provide the potential for growth, but places more emphasis on avoiding large fluctuations in the value of savings by gradually moving into a lower risk fund. The fund invests primarily in fixed interest investments. This phase of the solution is likely to produce lower rates of return than the earlier years.

The Trustees are comfortable with the default arrangement but given the bulk transfer in January 2021, they are no longer actively monitoring the appropriateness of it.

The DC Section's default investment and range of self-select options were last considered during a review of the SIP in 2018 and the Trustees were comfortable the strategy and performance remained appropriate, based on an assessment of the likely choices members of the DC Section of the Plan would make at retirement. The Trustees were due to undertake the next formal triennial review of the investment strategy during 2020. However, this did not take place as the Company and Trustees were in consultation over whether to move the entire DC section of the Plan to a Master Trust. The bulk transfer of members went ahead in January 2021 and so no formal review of the Plan's DC Section investments is planned.

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Core scheme financial transactions

The DC Section and the Plan's AVC arrangements are closed to new members and future contributions and so is not used as a Qualifying Scheme for auto-enrolment. Nevertheless, the Trustees still have a specific duty to ensure that core financial transactions to the DC Section are processed promptly and accurately. Some examples of core financial transactions are:

- transfer of member assets into and out of the Plan.
- transfers between different investments within the Plan.
- payments to and in respect of members.

The Plan's Administrator provides administration reports to the Trustees at every Trustees' meeting. The Trustees regularly monitor the core financial transactions of the Plan at each Trustees' meeting via this report. L&G also provide management information to the Trustees in respect of the AVC arrangement. Information provided to the Trustees includes performance relative to Service Level Agreements ('SLAs') for key tasks, which were 97% for the year to 31 March 2021.

In addition to SLAs, the Plan's financial statements are audited annually, which includes details of the DC Section.

The administration reports also highlight any complaints raised in the period. During the period covered by this Statement, Aon advised the Trustees that it had received no formal complaints.

The Trustees are therefore satisfied that during the Plan year, it had secured that the DC Section's core financial transactions were processed promptly and accurately, and that no issues arose with regard to the accuracy and timing.

Charges, transaction costs & value for members

Member-borne costs and charges

The Administration Regulations require the Trustees to make an assessment of charges and transaction costs borne by DC Section members and the extent to which those charges and costs represent good value for members. The Annuity Targeting Lifestyle option has a maximum annual cost of 0.175%. This is below the charge cap requirement of 0.75% on default funds.

The costs associated for many of the services required to operate the Plan and support members, such as administration and communications, are met by the Plan's sponsor.

Members in the Utmost AVC arrangement are invested in either the With-Profits Fund or the Deposit Fund. The Annual Management Charge (AMC) for the Deposit Fund is 0.50%.

The majority of members in the Clerical Medical arrangement are invested in the With-Profits Fund. There are a small number that remain invested in unit-linked funds and these funds have an AMC of 0.50% p.a.

Transaction costs

Transaction costs and gains are those incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are allowed for within the unit price for each of the funds. In 2017, The Financial Conduct Authority (FCA) published its policy on how asset managers must disclose transaction costs and administration charges.

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The annual aggregate charges paid by the members (known as the Total Expense Ratio) and the applicable transaction costs are set out below for the year to 31 March 2021.

Core fund range	Aggregate Transaction Costs	Total Expense Ratio
L&G Global Equity Fixed Weights (50:50) Index Fund	0.010%	0.175%
L&G Over 15 Year Gilts Index Fund	0.000%	0.100%
L&G Over 5 Year Index-Linked Gilts Index Fund	0.030%	0.130%
L&G Cash Fund	0.000%	0.125%

These funds are also the individual components of the Plan's default investment option.

There are multiple AVC providers including Legal & General (L&G), Utmost and Clerical Medical. AVCs held with Utmost and Clerical Medical are in with-profits policies and so as such charges and transaction costs for those funds are implicit within the bonuses applied to the funds.

The TERs applied to the bundled L&G AVC fund range are shown in the following table:

AVC fund range	Aggregate Transaction Costs	Total Expense Ratio
L&G Global Equity (30:70) Index Fund 75% Hedged	0.04%	0.54%
L&G World (Ex-UK) Equity Index	0.00%	0.50%
L&G UK Equity Index Fund	0.00%	0.50%
L&G Property Fund	0.00%	1.11%
L&G Pre-Retirement Fund	0.07%	0.57%
L&G Cash Fund	0.00%	0.50%

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Illustration of the effect of charges

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustees to produce a '£ and pence' illustration showing the compounded effect of costs and charges on the projected account size of representative members. As a result the Trustees have set out an illustration below which shows the projected value, over different time horizons, for two representative example members of the DC Section.

Years	Member age 35 Current fund value £7,500		Member age 50 Current fund value £15,000	
	Before	After	Before	After
1	£7,800	£7,800	£15,600	£15,600
3	£8,500	£8,400	£17,000	£16,900
5	£9,200	£9,100	£18,400	£18,300
10	£11,300	£11,100	£18,600	£18,300
15	£13,900	£13,500	£18,800	£18,400
20	£17,100	£16,500	-	-
25	£17,200	£16,500	-	-
30	£17,400	£16,600	-	-

These illustrations are intended to be an estimation of the potential effects of costs and charges on DC account sizes. The Trustees continue to work hard to ensure members are receiving good value from the DC Section, and this is covered in more detail in the next section.

Assumptions and notes

1. Projected pension account values are shown in today's terms.
2. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
3. Charges and costs are deducted before applying investment returns.
4. Switching costs are not considered in the lifestyle strategy.
5. Inflation is assumed to be 2.5% each year.
6. Values shown are estimates and are not guaranteed.
7. The gross projected growth rate for the Annuity Target Lifestyle Strategy (Default) go from 6.8% to 2.7% (adjusted depending on term to retirement)
8. Transactions costs and other charges have been provided by L&G and cover the period 1 April 2020 to 31 March 2021.
9. The DC Section's assumed normal retirement age is 65.

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Value for members – How the Trustees meet the Pension Regulator's value for members' requirements.

The Trustees are committed to ensuring that members receive good value from the DC Section (i.e. the costs and charges deducted from members' accounts provide good value in relation to the benefits and services provided by, or on behalf, of the DC Section).

The Trustees commissioned Willis Towers Watson to carry out an independent value for members assessment in September 2020, in line with the Code of Practice requirements, for the period covering this Statement, to support the Trustees in their own assessment of the DC Section. As a result, the Trustees were satisfied that the DC Section of the Plan provided good Value for Members.

The Assessment considered:

Scheme governance and management

- The Trustees receive professional advice in respect of the Plan, in addition to legal and audit services to ensure the Plan is run efficiently and effectively.
- High quality Plan governance is delivered by the Trustees. The Trustees have previously undertaken an assessment of the Plan against tPR's Code of Practice 13 and Regulatory Guidance and taken action where necessary.
- Member Nominated Trustees are in place to diversify the skillset of the Board.

Investment

- Members are provided with a lifestyle option in both the DC Section and the AVC arrangement which provides an option to members that aims to address key investment risks.
- The investment fund options are regularly monitored by Trustees in terms of their performance and strategy.
- Members can also choose to invest in the individual funds, along with the ability to switch between those funds.
- The fund management charges are low and competitive when benchmarked against schemes that have a similar investment strategy.

Administration

- Both the DC Section and AVCs are administered by professional, highly-regarded administration providers.
- Members have access to a member helpline which can help members with queries such as transferring in or out and drawing their pension. The helpline team have broad experience within the pensions industry.

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Communications

- Where necessary Trustees prepare and issue target communications to members of both the DC Section and AVC arrangements.
- L&G AVC members have access to an L&G microsite which holds various fund literature including fund fact sheets.
- L&G AVC Members also have access to a pension modelling tool from L&G which allows members to estimate how much their pension plan could be worth when they retire.
- An AVC guide and a guide to the DC Section have also been prepared for members.

The majority of members remaining in the legacy AVC policies are invested in with-profits funds (which include certain benefit guarantees). As such, the Trustees are unable to fully assess the value offered by these arrangements due to the complexity involved in assessing the costs and investment returns associated with investing in a with-profits fund.

Given the vast majority of the DC assets and members have moved out of the Plan in January 2021, the Trustees did not request an updated Value for Member assessment for the Plan year ended 31 March 2021.

Trustees' Knowledge and Understanding (TKU)

The Pensions Act 2004 sets 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 pension scheme assets and other matters to enable them to exercise their functions as trustees properly. The comments in this section relate to the Trustees as a body in dealing with the whole Plan and are not restricted to the DC Section.

The Trustees have a good working knowledge of the documentation in place for the Plan (including the SIP, Trust Deed & Rules, Trustees' Report & Accounts and Risk Register), and review this documentation when appropriate.

The Trustees have a strong TKU process in place which enables them, together with the advice available to them, to exercise their functions as Trustees of the Plan. For the period covered by this Statement, the Trustees' approach to meeting the TKU requirements included (but is not limited to):

- Receiving training at each Trustees' meeting as a standing agenda item, covering relevant subjects proposed by the Professional Adviser.
- On an ongoing basis, the Trustees receive industry theme and hot topics updates concerning legislative, regulatory, provider and wider market developments from the Professional Adviser where relevant to the Plan and/or its members.
- If necessary, the Trustees receive relevant ad-hoc training delivered by the Professional Adviser as and when specific issues may arise.
- The Secretary to the Trustees records all training in the Trustees' training logs.
- As appropriate, completion of the relevant parts of the Pensions Regulator's Trustee Toolkit is undertaken by each Trustee.

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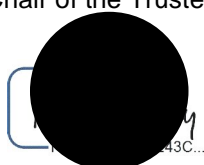
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The Professional Adviser has undertaken an independent assessment of the TKU process and has confirmed that it meets the regulatory standards and is therefore compliant with the Pensions Regulator's DC Code of Practice no 13 (paragraphs 27-58) and the Code of Practice no 7 on TKU. The Trustees are satisfied that they have met the relevant legislative requirements. Trustees also receive ongoing training on the DC Section.

Taking account of actions taken individually and as a trustee body to date, and the professional advice available to them, the Trustees though consider that they are properly equipped to exercise their functions as Trustees of the Plan.

Signed by the Chair of the Trustees of the Givaudan UK Pension Plan:

Robin Storey

A large black circular redaction mark covers the signature of Robin Storey. To the left of the redaction is a blue bracket-like shape, and below it is the text '43C...'.

43C...

Date:

18-Oct-2021