

E&S LIMITED PENSION SCHEME**ANNUAL STATEMENT REGARDING GOVERNANCE****FOR THE YEAR ENDED 31 DECEMBER 2021****Introduction**

As we reported in previous Trustee reports, governance rules were introduced by the Government for Defined Contribution (DC) Schemes in April 2015. These rules are aimed at helping to deliver better outcomes for members. The Chair of the Trustees is required by law to prepare an annual statement which explains what action the Trustees have undertaken to meet the governance rules. On 6 April 2018 changes in legislation came into place that were directly relevant to these governance rules.

This statement covers the period 1 January 2021 to 31 December 2021. As specified in the governance rules, it sets out how the Trustee has met the governance requirements in relation to:

- The default investment strategy;
- Processing of core financial transactions;
- Costs and charges paid by members;
- Value for members; and
- Trustee knowledge and understanding

The Default Investment Strategy

The Trustees do not operate a default investment arrangement as defined by the Pensions Act 2008. The Trustees therefore believe that the disclosures required by the governance rules with regard to default investment arrangements do not apply to the Scheme (or this Statement). Also note that there is no requirement for the Trustees to produce a Statement of Investment Principles as the Scheme has less than 100 members.

Up until 31 December 2019, member assets were held in the Equitable Life With-Profits Fund and the Clerical Medical With-Profits Fund. Four members also held assets in a range of Equitable Life Unit-Linked Funds.

On 1 January 2020, following approval from the High Court, a transfer of business went ahead from Equitable Life to Utmost Life and Pensions. As part of the transfer, a one-off uplift was applied to the value of members' funds and investment guarantees applied to the Equitable Life With-Profits Fund were removed. Uplifted fund values were used to buy units in Utmost's Secure Cash investment fund.

From 1 July 2020 to 31 December 2020, members' funds were transitioned from Utmost's Secure Cash investment fund to Utmost's Investing by Age strategy. The Investing by Age strategy is designed to provide a simple solution and members don't need to make any choices about which funds to invest in. Instead, investment professionals spread members' money across a broad range of investments based on the member's age. As an alternative to the Investing by Age strategy, members can choose their own investments through Utmost's Multi-Asset and Self-Select fund options.

As at 31 December 2021, the DC funds under management were £795,165.09:

DC Fund	Funds under Management
Utmost Multi-Asset Moderate	£373,267.03
Utmost Multi-Asset Cautious	£323,298.64
Utmost Managed	£29,143.16
Utmost UK Equity	£8,652.36
Utmost Property	£60.33
Utmost US Equity	£4,857.30
Utmost Asia Pacific Equity	£4,910.31
Utmost Global Equity	£281.30
Clerical Medical With-Profits	£50,694.66

The Trustees are keen to ensure that assets are invested in the best interests of members and beneficiaries. The investment performance of the available funds is considered regularly by the Trustees.

E&S LIMITED PENSION SCHEME**ANNUAL STATEMENT REGARDING GOVERNANCE (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****Net return on investments**

Annualised returns for each investment fund are shown in the table below:

DC Fund	1 year (2021)	5 years (2016 to 2021)
Utmost Multi-Asset Moderate	12.40%	5.35%*
Utmost Multi-Asset Cautious	4.97%	3.50%*
Utmost Managed	12.98%	5.68%
Utmost UK Equity	18.36%	4.38%
Utmost Property	6.45%	0.17%
Utmost US Equity	32.67%	14.60%
Utmost Asia Pacific Equity	-0.33%	8.36%
Utmost Global Equity	24.87%	11.57%
Clerical Medical With-Profits	10.1%	5.2%

*Since inception date of 1 January 2020

Processing of core financial transactions

The Trustees must ensure that core financial transactions are processed promptly and accurately. This includes the transfer of assets between investment funds within the Scheme, transfer of assets out of the Scheme and the payment of benefits. The Trustees maintain a risk register, and this is reviewed at each annual Trustees meeting.

The Trustees are required by law to prepare and maintain a Payment Schedule showing the rates and due dates of certain contributions payable to the Scheme by or on behalf of the employer and the members of the Scheme. A Payment Schedule is required even though contributions are no longer paid into this Scheme by or on behalf of the employer and the members of the Scheme. A Payment Schedule was in place during the period covered by this statement and this is reviewed by the appointed independent Scheme Auditor, Crowe UK LLP.

The Scheme is a wholly insured Defined Contribution scheme managed by Utmost Life and Pensions which maintains member records and processes all core financial transactions relating to the Scheme. Utmost Life and Pensions has informed the Trustees of service level targets for processing financial transactions and the Trustees are comfortable that these are acceptable.

Costs and charges paid by members

Member assets are currently held in Utmost Life and Pensions Unit-Linked Funds and the Clerical Medical With-Profits Fund. The Trustees are required to report on the charges and transaction costs for the investment of assets which are paid by members and to also assess whether the charges and costs represent good value for members.

The annual ongoing charges levied by the investment manager and deducted from members' investment depends on the funds used. Members who are invested in the Utmost Life and Clerical Medical funds pay charges and are subject to an ongoing equivalent investment management charge, i.e. the Total Expense Ratio (TER), of up to 1.90% depending on the fund invested in. The TER is made up of an Annual Management Charge and other charges incurred by the fund.

In addition to these explicit charges, members also incur transaction costs (incurred as a result of buying, selling, lending or borrowing investments). Transaction costs are defined in regulations as the costs incurred as a result of buying, selling, lending or borrowing investments and they can have a significant impact on members' fund values.

Transaction costs are typically categorized as explicit costs or implicit costs. Explicit costs are directly observable e.g. taxes such as stamp duty. Implicit costs cannot be observed in the same way but will result in a reduction in the total amount of money invested e.g. buying and selling spreads and market impact and can have a significant impact on net returns. Due to the methodology used in calculating transaction costs, these costs may actually be negative, therefore having a positive impact on the fund.

E&S LIMITED PENSION SCHEME**ANNUAL STATEMENT REGARDING GOVERNANCE (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021**

The costs incurred are shown in the table below:

DC Fund	Annual Management Charge (% p.a.)	Transaction Costs (% p.a.)	Total Expense Ratio (% p.a.)*
Utmost Multi-Asset Moderate	0.75	0.0000	0.88
Utmost Multi-Asset Cautious	0.75	0.0000	0.84
Utmost Managed	0.75	0.0084	0.83
Utmost UK Equity	0.75	0.0286	1.02
Utmost Property	1.00	0.0042	1.78
Utmost US Equity	0.75	0.0079	0.83
Utmost Asia Pacific Equity	0.75	0.0005	1.16
Utmost Global Equity	0.75	0.0085	0.87
Clerical Medical With-Profits **	1.00	0.0000	1.00

* total charges impact to members on each fund includes the Annual Management Charge

** the level of deduction applied by Clerical Medical is not expected to exceed 1.00% in any single year. But, in very adverse market conditions, Clerical Medical may have to deduct more than this to ensure that fund guarantees are met.

The cost and charges information is available to members on the websites of Utmost Life and Clerical Medical. Details of the websites are made available on the member's annual benefit statement.

The sponsoring employer also meets the cost of ongoing governance and administration services, communications and support with decision making (including annuity broking, where this benefit option is chosen by members); members meet investment management charges only.

Illustrative example of the cumulative effect of charges and transaction costs

The 2018 regulations require the Trustees to provide more detailed information on charges and transaction costs than previously. The Trustees are also required to produce an illustrative example of the cumulative effect over time of the application of charges and transaction costs on the value of a members' accrued rights to money purchase benefits. The illustrative example is shown in Appendix I. The statutory guidance has been taken into account when preparing this section of the statement. We are satisfied that we have been able to obtain all required information in respect of costs and charges.

Value for members

The Administration Regulations require that the Trustees make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members. There is no legal definition of "good value" and the process of determining this for members is a subjective one.

The Trustees monitor:

- I. explicit charges such as the Annual Management Charge (AMC) and additional expenses that are disclosed by the providers which when added to the AMC, make up the Total Expense Ratio (TER) and
- II. transaction costs (TC) i.e. the costs of buying and selling which are paid by members.

Following the transfer of business on 1 January 2020 from the Equitable Life Assurance Society to Utmost Life and Pensions, the Trustees decided to undertake a formal independent review of whether the Scheme's overall benefits and services represent value for money in comparison to the costs payable. The review was carried out by Hymans Robertson LLP and took place in March 2021; a summary of Hyman's assessment is provided below:

- While there have been some improvements to the investment options following the transfer to Utmost, the default arrangement is not ideal for an occupational pension scheme, there are some gaps in the fund range (notably responsible and sustainable investing) and charges are generally above average.

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ANNUAL STATEMENT REGARDING GOVERNANCE (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

- Again, while there have been some improvements following the transfer to Utmost, the administration services for members and reporting for the Trustees remain basic and limited compared to providers open for new business.
- We assessed the Scheme in line with the Pensions Regulator's guidance and consider that the Scheme gives below average "Value for Members", but there is limited scope for improving value with Utmost.
- The Pensions Regulator has "raised the bar" for the governance of DC schemes and the Government is intent on smaller schemes consolidating into larger schemes. While the options for a closed scheme of this size are limited, the Trustees should consider the options for transferring members to another scheme.

Given the commentary from Hymans, the Trustees are now considering the options for transferring benefits to another arrangement. Progress on this 'transfer of benefit' exercise will be reported on in a future Trustee report.

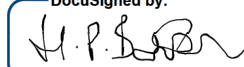
Trustee knowledge and understanding

The law requires the Trustees to maintain an appropriate level of knowledge and understanding, which together with the professional advice available to them, enables them to properly exercise their functions and duties as Trustees in relation to the Scheme. This requirement has been progressed during the Scheme year as follows:

- Trustees had already completed the Pension Regulator's Trustee training toolkit prior to the start of the Scheme year.
- In addition, the newly appointed Trustee has started the process of going through the training toolkit modules.
- The Trustees review their training needs at each annual Board meeting.

I confirm that this statement has been prepared by the Trustees to the best of our knowledge.

Helen Poppy Barton

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Chair

E&S LIMITED PENSION SCHEME

APPENDIX I

Cost and Charges Reporting

The following table shows the impact of charges for each fund invested. Each fund is projected over several years and shown before and after cost and charges have been deducted.

Term	MULTI-ASSET GROWTH		MULTI-ASSET MODERATE		MULTI-ASSET CAUTIOUS		INVESTING BY AGE	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	1,012	1,001	1,007	998	997	986	1,007	998
3	1,037	1,004	1,021	995	991	959	1,021	995
5	1,062	1,007	1,035	992	985	933	1,035	992
10	1,129	1,013	1,070	985	971	871	1,062	975
15	1,199	1,020	1,107	977	957	812	1,065	930
20	1,274	1,027	1,146	970	943	758	1,050	869
25	1,354	1,034	1,185	962	929	707	1,035	810
30	1,439	1,041	1,227	955	916	660	1,005	748
35	1,528	1,048	1,269	947	902	616	931	669
40	1,624	1,055	1,313	940	889	575	834	584

Term	STERLING CORP BOND		MANAGED		UK EQUITY		U.K. FTSE ALL SHARE	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	993	984	1,010	1,002	1,020	1,009	1,020	1,014
3	980	953	1,031	1,006	1,060	1,028	1,060	1,044
5	966	923	1,052	1,010	1,101	1,047	1,101	1,074
10	934	851	1,107	1,020	1,213	1,097	1,213	1,153
15	902	786	1,165	1,030	1,336	1,149	1,336	1,239
20	872	725	1,226	1,041	1,472	1,204	1,472	1,330
25	843	669	1,290	1,051	1,621	1,261	1,621	1,429
30	814	617	1,358	1,061	1,786	1,321	1,786	1,535
35	787	569	1,429	1,072	1,967	1,383	1,967	1,648
40	760	525	1,503	1,083	2,166	1,449	2,166	1,770

Term	EUROPEAN EQUITY		US EQUITY		ASIA PACIFIC EQUITY		GLOBAL EQUITY	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	1,020	1,010	1,020	1,012	1,020	1,010	1,020	1,011
3	1,060	1,031	1,060	1,036	1,060	1,032	1,060	1,033
5	1,101	1,052	1,101	1,061	1,101	1,053	1,101	1,056
10	1,213	1,106	1,213	1,127	1,213	1,110	1,213	1,115
15	1,336	1,164	1,336	1,196	1,336	1,169	1,336	1,177
20	1,472	1,224	1,472	1,269	1,472	1,231	1,472	1,242
25	1,621	1,288	1,621	1,347	1,621	1,297	1,621	1,312
30	1,786	1,354	1,786	1,430	1,786	1,366	1,786	1,385
35	1,967	1,425	1,967	1,518	1,967	1,439	1,967	1,462
40	2,166	1,498	2,166	1,611	2,166	1,516	2,166	1,543

Term	UK GOVERNMENT BOND		MONEY MARKET		PROPERTY		INVESTMENT TRUSTS	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	985	979	978	973	1,020	1,008	1,020	1,007
3	957	940	936	921	1,060	1,025	1,060	1,022
5	929	901	895	873	1,101	1,041	1,101	1,037
10	863	812	801	761	1,213	1,084	1,213	1,076
15	802	732	717	664	1,336	1,129	1,336	1,116
20	745	660	642	580	1,472	1,176	1,472	1,158
25	692	595	574	506	1,621	1,224	1,621	1,202
30	643	536	514	441	1,786	1,275	1,786	1,247
35	597	483	460	385	1,967	1,327	1,967	1,293
40	554	436	412	336	2,166	1,382	2,166	1,342

Notes:

- 1) Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- 2) The starting pot size in each fund is assumed to be £1,000
- 3) Inflation is assumed to be 2.5% p.a. in line with specified assumptions used in Statutory Money Purchase Illustrations
- 4) Values shown are estimates and are not guaranteed
- 5) The projected growth rate for each fund are as follows:
 - Unit-Linked Equity 4.5% p.a. (FTSE Tracker, Managed, UK Equity, Asia Pacific Equity, European Equity, US Equity, Fund of Investment Trusts, Global Equity, Property)
 - Multi-Asset Growth 3.75% p.a.
 - Multi-Asset Moderate 3.2% p.a.
 - Multi-Asset Cautious 2.2% p.a.
 - Sterling Corporate Bond 1.8% p.a.
 - UK Government Bond 1% p.a.
 - Unit-Linked Cash 0.25% p.a. (Money)