

GOVERNANCE STATEMENT FOR THE YEAR ENDED 5 APRIL 2023



Governance requirements apply to defined contribution (“DC”) pension arrangements like Leonardo FuturePlanner, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement to describe how the governance requirements have been met in relation to:

- the default investment arrangement;
- requirements for processing core financial transactions;
- charges and transaction costs borne by members;
- a value for members assessment and
- Trustee knowledge and understanding.

This statement covers the period from 6 April 2022 to 5 April 2023.

INVESTMENT STRATEGY

The Trustee has in place a Statement of Investment Principles (“SIP”) which governs decisions about investments and sets out the aims and objectives of the Scheme’s investment strategy, including full information about the default investment strategy. In particular it covers:

- the Trustee’s investment policy, including policies on risk, balancing and realising assets, return and ethical investing; and
- how the default investment strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries.

Generally, the Trustee reviews the default strategy on an ongoing basis, particularly in response to any significant changes in investment market conditions, member demographics or the regulatory framework. The most recent change to the default strategy were carried out over Q2 2022 and included:

- increasing the benchmark allocations to global equity within the ‘blend funds’ in light of increasing levels of inflation;
- streamlining the Retirement Focus fund options from four down to three options including alignment of the default fund more closely with an income drawdown solution to reflect the way members on average are drawing their benefits;
- extending the period over which funds are switched into the Retirement Focus fund. The Retirement Focus fund is used as the final phase of the default switching process leading up to the Target Retirement Age (TRA), and a change was made to extend this period of switching from three years before TRA to five years before TRA to decrease risk on the approach to retirement.

The performance of the funds underlying the default investment strategy is formally reviewed quarterly as part of the quarterly investment reporting to the Trustee provided by the Scheme’s Investment Manager. The last review was carried out on 18 May 2023 for the period ending 31 March 2023, The DC strategy was reviewed and no further changes were considered necessary. The next performance review as at 30 June 2023 is due to be considered at the September 2023 DC investment committee meeting.

You can find the SIP at **www.futureplanner.co.uk** (within library/trustee documents).

FINANCIAL TRANSACTIONS

Core financial transactions are processed by the various service providers to the Trustee. These providers are appointed under agreements with specific service standards. The providers issue quarterly reports against these standards which are reviewed at the Trustee meetings. Service standards have been met or exceeded during the year. Where areas for improvement have been identified, these have been addressed expediently and discussed at length with the relevant service provider.

The service standard provides for contributions to be invested in member Retirement Accounts no later than required by regulatory guidance. Over the year, XPS Administration Limited (the Scheme administrator) achieved this comfortably with contributions invested between 4 and 7 working days after final amounts have been received. XPS have robust monitoring and reporting mechanisms in place and monitor compliance with each service standard. Detailed reporting on each service standard is provided on a quarterly basis to the Trustee.

For members claiming benefits, service standards have been agreed typically of between 5 and 10 working days, depending on the type of transaction. During the year, XPS Administration Limited completed an average 93.8% of the reported tasks within the standards.

The Trustee is satisfied that core financial transactions were processed promptly and accurately.

CHARGES PAID BY MEMBERS AND TRANSACTION COSTS

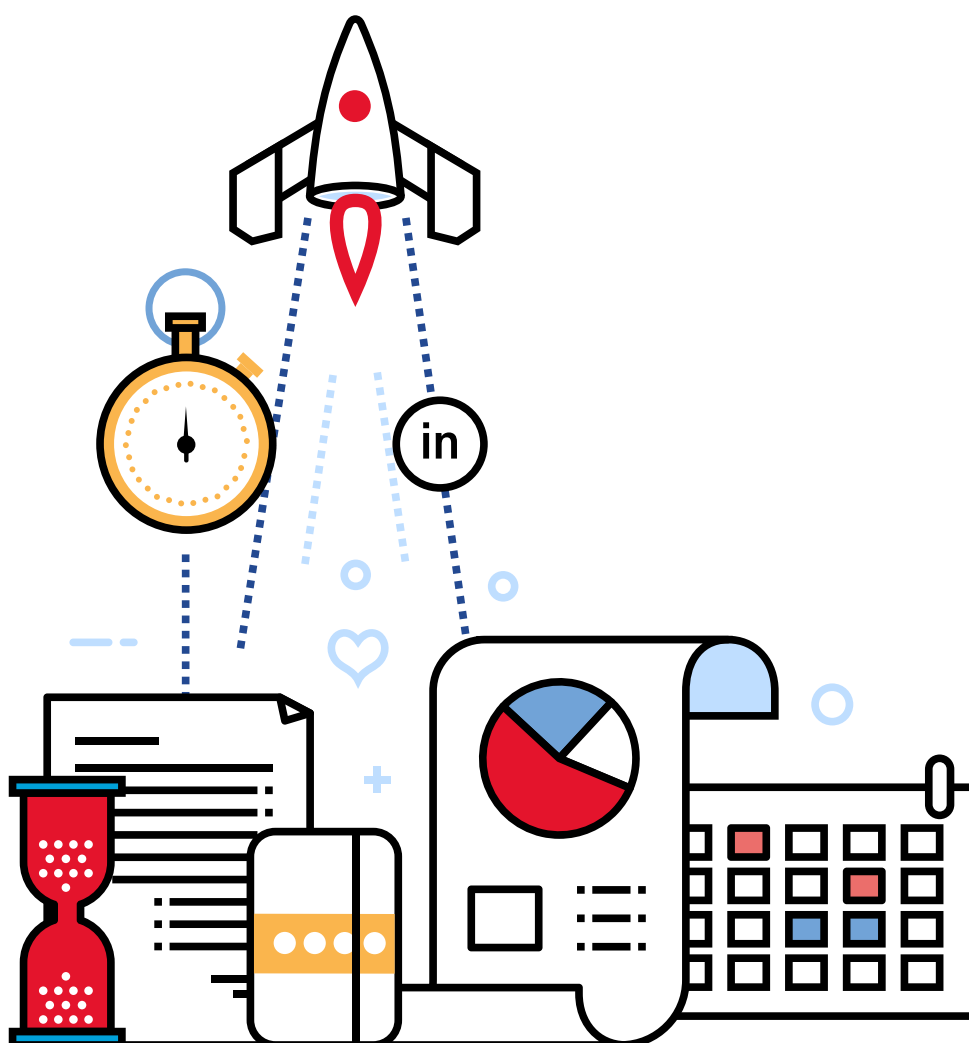
Member charges differ between the investment funds that are available. The charges applicable to the funds underlying the default lifestyle strategy and the 'self-select' options as at 31 March 2023 are set out in the table below:

	Fund	TER*
Default Lifestyle Funds	Long Term Growth	0.35%
	Stable Growth Fund	0.40%
	Cautious Growth Fund	0.44%
	Retirement Focus Fund (Default)	0.32%
Self-Select Funds	Retirement Focus Fund (Income for Life)	0.13%
	Retirement Focus Fund (Take Your Pot as Cash)	0.15%
	Global Equity Fund	0.18%
	Corporate Bond Fund	0.13%
	Fixed Annuity Focus Fund	0.15%
	Inflation-Linked Annuity Focus Fund	0.15%
	Cash Fund	0.15%
	Islamic Global Equity Fund	0.39%
	ESG Fund	0.30%

Source: Mobius Life, Schroders Calculations as at May 2023

(*) TER: Total Expense Ratio

'Charges' means administration charges other than transaction costs (see below). Members bear charges that are deducted from the funds in which their benefits are invested. The charges differ between the investment funds that are available. The Trustee is required to calculate the charges and transaction costs paid by members during the assessment period and assess the extent to which these charges and transaction costs represent good value for members.



Transaction costs incurred by members are complex and are associated with different member, Trustee or manager actions. They can be split into three areas:

1. Transaction costs incurred by members as part of changes in the fund range

Following a strategy review in early 2022, changes were made to the default. From a strategic perspective, the blended funds (Long Term Growth, Stable Growth and Cautious Growth) all retained their inflation- based objectives.

As part of Schroder's role as fiduciary manager to the Schemes, their ability to alter these underlying allocations is crucial in generating fund returns and managing risk, ensuring each fund performs in line with its objective. These changes can be subject to transaction costs, primarily through dealing costs associated with the buying and selling of funds and securities.

The costs associated with the blended funds are therefore reflected as part of the transaction cost details set out under "3. Frictional Costs" below.

However, more direct changes were made to the Retirement Focus Fund (Default), these are detailed below.

Retirement Focus Fund (Default)	Previous allocation	New allocation
Stable Growth	0%	10%
Cautious Growth	50%	50%
Annuity Focus	25%	25%
Cash	25%	15%

The transactions costs associated with these changes totalled £30¹.

In addition to this, the Retirement Focus Fund (Drawdown), available to members during the start of the Scheme Year, closed in April 2022. Assets invested in this fund were subsequently invested in the Retirement Focus Fund (Default), detailed above. The transactions costs associated with these changes totalled £101¹.

¹ Source: Mobius Life (transaction costs)



2. Transaction costs incurred by members buying and selling funds as part of a lifestyle

A member in the default lifestyle is required to buy and sell assets when automatically switching between funds within the lifestyle. We estimate that over a member's life, the cost of entering the lifestyle, switching between funds and subsequently redeeming assets upon retirement for each £1 of income invested in the Long Term Growth Fund is c. 0.48% (or 0.48p) in a worst case scenario. This equates to an average of 0.01% per annum, as at 31 March 2023.

A breakdown of the cost estimate on a worst case basis is provided in the table opposite. The calculations do not take account of netting trades within the funds (e.g. cancelling out selling common underlying funds between the blends). It also assumes that a member pays a cost of "bid price – mid price" for any sale of assets and "mid price – offer price" for any purchase of assets (hence the "worst case scenario").

Members will experience varying levels of cost depending on their position within the lifestyle. Actively contributing members would have experienced at least one source of transition cost on the contributions they made over the year. Deferred members may or may not have experienced transition costs of this nature, depending on if they phased between funds or not. These costs will continue in the future at a level expected to be similar to what is shown in the table below.

Lifestyling is carried out automatically for members who are invested in the default lifestyle. Market conditions are considered in the context of deciding on the composition of the funds in the lifestyle, but not when automatically phasing members between funds. The funds are established and governed in a way which is cognisant of market conditions, therefore it is not necessary (or practical) to consider market conditions for each member each month when lifestyling.

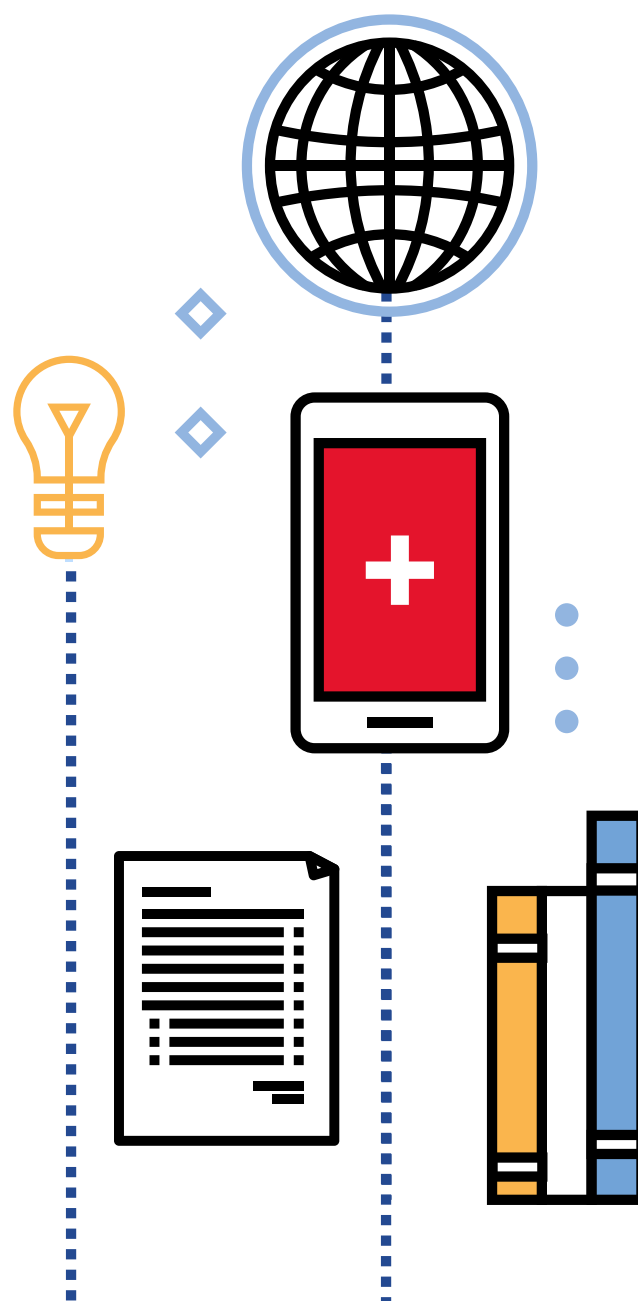
The funds are priced on a "single swinging basis", meaning they may be priced at bid or offer on any day, depending on the net cashflow (from all investors in/out of the fund) that day. Therefore, in practice, the cost incurred is unlikely to be the full amount below and may even provide an uplift, should fund prices swing favourably. Members will also experience varying levels of costs depending on their position within the lifestyle. Therefore, it is not practical to split out the actual costs incurred by each member.

Movement between funds	Worst case cost
Buy Long Term Growth	0.07%
Long Term Growth to Stable Growth	0.13%
Stable Growth to Cautious Growth	0.13%
Cautious Growth to Retirement Focus	0.11%
Sell Retirement Focus	0.04%
Total	0.48%
Total p.a.	0.01%

Source: Underlying fund managers. Schroders Solutions' calculations as at May 2023.

Assumptions:

- (1) members join the Scheme 40 years from retirement
- (2) price swings are all unfavourable to members
- (3) no netting of trades occurs



3. 'Frictional costs' incurred by members due to internally buying and selling underlying assets (e.g. stocks or bonds)

As part of day-to-day trading activities, the funds may incur "frictional costs". Frictional costs are categorised as explicit costs and implicit costs. Explicit costs are directly observable and in most cases managers are in a position to report them. Examples of explicit costs include broker fees, transaction taxes and custody fees. Implicit costs cannot be observed in the same way but do have an impact on fund performance. Examples of implicit costs include bid-offer spreads and market impact.

These costs would be incurred every time a fund manager makes a trade within that fund and are intended to improve investment returns, reduce risk, or contribute to the smooth running of a fund. Some costs will be cognisant of market conditions (e.g. some active investment decisions), and some costs are in respect of decisions not linked to market conditions.

The table below sets out the total average transaction costs for each fund within the default and self-select range covering the period 06/04/2018 to 05/04/2023, unless otherwise stated.

	Fund	FuturePlanner
Default Lifestyle Funds	Long Term Growth	0.087%
	Stable Growth Fund	0.124%
	Cautious Growth Fund	0.082%
	Retirement Focus Fund (Default)	0.059%
Self-Select Funds	Retirement Focus Fund (Income for Life)	0.072% ²
	Retirement Focus Fund (Take Your Pot as Cash)	-0.006% ³
	Global Equity Fund	-0.015%
	Corporate Bond Fund	0.015%
	Fixed Annuity Focus Fund	0.074%
	Inflation-Linked Annuity Focus Fund	0.047%
	Cash Fund	-0.045%
	Islamic Global Equity Fund	0.013% ⁴
	ESG Fund	0.063% ¹

Source: Mobius Life, Underlying Fund Managers, Schroders calculations as at September 2023.

The Appendix to this report provides illustrative examples of the cumulative effect over time of the application of charges and costs on the value of a member's pension pot.

Where the ongoing transaction costs shown are negative, this indicates a gain. This is mainly as a result of anti-dilution offset (an adjustment made by the manager so that the cost of buying and selling fund units is met by those transacting), a negative 'slippage' cost when buying or selling securities (e.g. for an asset being bought, the arrival price being higher than the actual price paid), or both. Where these negative costs outweigh the other sources of transaction costs, this results in an overall gain for invested members.

¹ Data covers the period 06/04/2020 to 05/04/2023.

² Data covers the period 06/04/2020 to 05/04/2023.

³ Data covers the period 06/04/2019 to 05/04/2023.

⁴ Data covers the period 06/04/2021 to 05/04/2023.

VALUE FOR MEMBERS REVIEW

The Trustee considers that members get value for money, as the costs and charges deducted from members' pots provide good value in relation to the benefits and services provided.

The Trustee regards value for members as a high priority and reviews it on an on-going basis, including as an item on the Scheme's risk register. The Trustee undertakes an annual value for members' review which consists of two phases; a self-assessment facilitated by our investment advisors and then an independent assessment through a third party adviser at least every three years.

a) Value for members – self-assessment

The most recent self-assessment was conducted in May 2023 and looked at whether the total cost of Scheme membership represented value for money, whether the investment risk profile is tailored to the needs of members, the level of contributions in the light of the membership profile, the degree of flexibility available and the transaction costs incurred by members.

The Trustee considered, among other items, the absolute level of charges, the competitiveness of charges relative to the marketplace and the level of service provided to members. The Trustee also notes that the costs of administering Scheme benefits are met by the employer.

In accordance with the Pensions Regulator's guidance for DC schemes in this area, it was concluded that, with an average annual fee of 0.39% for the default funds, FuturePlanner represents value for its members as it offers above average service levels while passing on an average level of charge to members. In particular, value for members is demonstrated through:

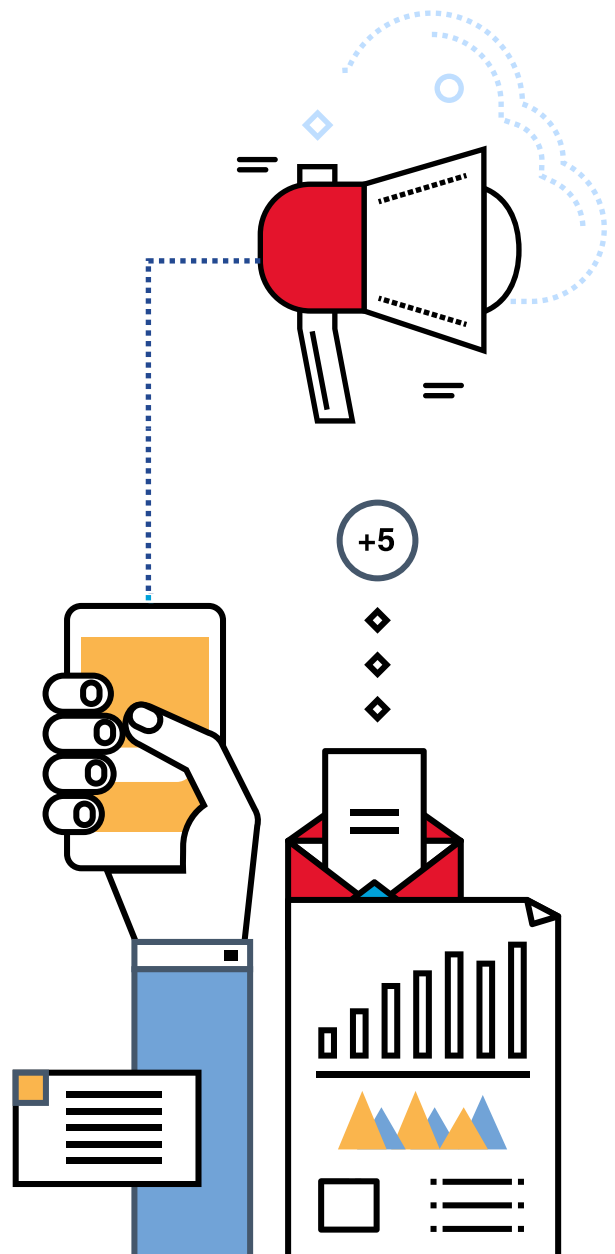
- A bespoke investment strategy that takes account of membership needs and controls risk based on the time to retirement and the need for protection to increase.
- Good investment performance, with the funds on average performing broadly in line with the fund objectives as advised to members.
- Risk management within the blend funds through delegation of day-to-day investment decisions and asset allocation to a fiduciary manager and investment managers.
- Robust internal controls and operations covering business continuity plans, internal and external audit of the funds and a wide range of investment operations.

The average fee compares favourably to the charge cap set by the Government of 0.75%.

b) Value for members – independent assessment

The last independent assessment of value for members was conducted by Lane Clark and Peacock in August 2020. The report assessed all areas of the Scheme as "good" or "very good", with governance and communications receiving particularly high ratings.

The Trustee is conducting a further independent review in Q3 2023. The review will be conducted by Lane Clark and Peacock. The outcome of which will be detailed in the next Governance Statement, for the Scheme year ending 5 April 2024.



KNOWLEDGE AND UNDERSTANDING

The Trustee Directors have sufficient knowledge and understanding of the law relating to pensions and trusts, and sufficient understanding of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustee has a training policy with the objective of ensuring that Trustee Directors understand their duties and that their knowledge is at a level to enable them to take decisions with the level of skill and competence that members can expect from someone familiar with the issues concerned. The Trustee Directors' combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.

New Trustees are briefed by the Chair and Secretary to the Trustee and familiarise themselves with Plan documentation, including the Trust Deed and Rules, SIP and all other documents setting out the Trustee's current policies as appropriate to ensure that they have a good working knowledge of these documents.

Within six months of appointment, Trustee Directors are able to attend an introductory training course through an external provider, and are expected to complete the Pensions Regulator's Trustee Toolkit.

On an ongoing basis all Trustee Directors aim to complete at least two days (fourteen hours) training per year during the course of their

appointment. Training is provided on a collective basis to address joint needs through the year, and this always includes a session on Trustee effectiveness. Other training opportunities are selected on the basis of the individual needs of each Trustee Director. During the year, the Trustee directors completed an average level of 16.68 training hours per Trustee Director. Online training opportunities have been more widely available and all Trustee Directors have been encouraged to participate in a range of training webinars.

Trustee Directors review their own knowledge and understanding against the Pensions Regulator's guidance at least annually and are supported by the Secretary in selecting suitable training opportunities. Individual training requirements are addressed through a combination of internal and external training and individual training logs are kept to assess compliance with the policy.

In addition, training on DC matters is included within the agenda for the joint DC investment committee and within the formal Trustee training day which is held each year jointly with the sister UK pension schemes in the Leonardo group.

Martin Flavell

MARTIN FLAVELL
Chair of the Trustee

Date: 26 September 2023

APPENDIX: PROJECTED PENSION POTS, IN TODAY'S TERMS

The tables below provide illustrative examples of the cumulative effect over time of the application of charges and costs on the value of a member's pension pot. This has been prepared taking account of all relevant statutory guidance.

The examples outline the effects of charges and transaction costs (as described in the Governance Statement) across the fund range and over different time periods (in years).

The tables show the projected 'Gross' fund and then fund 'Net' of all charges, lifestyling costs and buy/sell costs as appropriate. The projections are based on assumptions which can be found after the projection tables.

Projected pension pot for the Default investment strategy:

Years	Default strategy	
	Gross	Net
1	£4,600	£4,600
3	£13,800	£13,700
5	£24,000	£23,700
10	£53,900	£52,800
15	£90,600	£87,400
20	£134,300	£127,600
25	£187,400	£175,400
30	£248,600	£229,200
35	£317,900	£288,500
40	£389,200	£348,800

Projected pension pot for the Blend funds:

Years	Long Term Growth Fund		Stable Growth Fund		Cautious Growth Fund		Retirement Focus Fund (Default)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600	£4,600
3	£13,800	£13,700	£13,700	£13,600	£13,600	£13,500	£13,300	£13,300
5	£24,000	£23,700	£23,600	£23,300	£23,300	£23,000	£22,600	£22,400
10	£53,900	£52,800	£52,300	£50,900	£50,900	£49,600	£48,200	£47,300
15	£91,800	£88,800	£87,600	£84,200	£84,000	£80,800	£77,300	£75,200
20	£139,300	£133,100	£130,700	£123,800	£123,500	£117,100	£110,500	£106,400
25	£198,700	£187,500	£183,200	£171,000	£170,500	£159,400	£148,100	£141,300
30	£272,600	£254,000	£246,800	£227,000	£226,200	£208,400	£190,700	£180,200
35	£364,400	£335,000	£323,800	£293,200	£292,000	£265,100	£238,800	£223,500
40	£478,000	£433,500	£416,600	£371,400	£369,600	£330,500	£293,000	£271,600

Projected pension pot for self-select funds:

Years	Global Equity Fund		Corporate Bond Fund		Cash Fund	
	Gross	Net	Gross	Net	Gross	Net
1	£4,600	£4,600	£4,600	£4,600	£4,500	£4,500
3	£13,800	£13,800	£13,500	£13,400	£12,800	£12,800
5	£24,000	£23,900	£23,000	£22,900	£21,200	£21,100
10	£53,300	£53,900	£49,600	£49,300	£42,200	£42,000
15	£92,700	£91,600	£80,900	£80,000	£63,500	£63,100
20	£141,200	£138,900	£117,300	£115,600	£85,200	£84,300
25	£202,200	£198,000	£159,800	£156,900	£107,200	£105,900
30	£278,500	£271,400	£209,000	£204,400	£129,600	£127,800
35	£373,800	£362,500	£266,000	£259,100	£152,500	£150,000
40	£492,400	£475,100	£331,800	£321,900	£175,900	£172,700

Years	Fixed Annuity Focus Fund		Inflation-Linked Annuity Focus Fund		ESG Fund		Islamic Global Equity Fund	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1	£4,600	£4,600	£4,500	£4,500	£4,600	£4,600	£4,600	£4,600
3	£13,300	£13,300	£13,200	£13,200	£13,800	£13,700	£13,800	£13,700
5	£22,500	£22,400	£22,300	£22,200	£23,900	£23,700	£23,900	£23,700
10	£47,600	£47,100	£46,800	£46,300	£53,700	£52,800	£53,700	£52,700
15	£76,100	£74,800	£74,000	£72,900	£91,300	£88,800	£91,300	£88,500
20	£108,100	£105,700	£104,200	£102,200	£138,200	£133,100	£138,200	£132,500
25	£144,100	£140,200	£137,600	£134,300	£196,600	£187,400	£196,600	£186,500
30	£184,500	£178,500	£174,500	£169,500	£269,200	£253,800	£269,200	£252,200
35	£229,700	£220,900	£215,100	£208,000	£358,900	£334,600	£358,900	£332,200
40	£280,300	£268,000	£260,000	£250,100	£469,600	£432,900	£469,600	£429,300

Projected pension pot for funds focused on retirement (alternative lifestyle options):

Years	Retirement Focus Fund (Income for Life)		Retirement Focus Fund (Take Your Pot as Cash)	
	Gross	Net	Gross	Net
1	£4,500	£4,500	£4,500	£4,500
3	£13,000	£13,000	£12,800	£12,800
5	£21,700	£21,600	£21,200	£21,100
10	£44,500	£44,000	£42,200	£41,900
15	£68,600	£67,600	£63,500	£62,900
20	£94,300	£92,400	£85,200	£84,000
25	£121,500	£118,600	£107,200	£105,400
30	£150,300	£146,000	£129,600	£127,100
35	£181,000	£175,000	£152,500	£149,100
40	£213,400	£205,400	£175,900	£171,500

Assumptions for the projected pension pots:

- Values shown are estimates and are not guaranteed;
- Frictional transaction costs used are an average per annum of those incurred over the 5 years to 31 March 2023;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Assumes inflation of 2.5% per annum;
- Assumes charges in future years are equal to charges today (transaction costs are shown in the table above);
- Assumes a member is aged 25 years old now and stops contributing at age 65;
- Assumes an overall contribution rate of 14% of annual salary, the £ amount of which increases in line with assumed salary inflation;
- Assumes a member salary of £30,000 in Year 0, increasing at 1% per annum above inflation;
- The accumulation rates used, are set out below:

	Fund	Real accumulation rate per annum (gross of charges)
Default Lifestyle Funds	Long Term Growth	4.2%
	Stable Growth Fund	3.6%
	Cautious Growth Fund	3.0%
	Retirement Focus Fund (Default)	1.9%
Self-Select Funds	Retirement Focus Fund (Income for Life)	0.3%
	Retirement Focus Fund (Take Your Pot as Cash)	-0.8%
	Global Equity Fund	4.3%
	Corporate Bond Fund	2.5%
	Fixed Annuity Focus Fund	1.7%
	Inflation-Linked Annuity Focus Fund	1.3%
	Cash Fund	-0.8%
	Islamic Global Equity Fund	4.1%
	ESG Fund	4.1%

Source: Schroders Solutions' calculations as at May 2023

The above illustrations have been prepared with due regard to the Department for Work and Pensions' guidance ("Cost and charge reporting: guidance for trustees and managers of occupational schemes"), published in October 2022.