

The Valeo UK Pension Plan (“Plan”)

CHAIR’S STATEMENT FOR THE DEFINED CONTRIBUTION SECTION (“DC SECTION”) AND ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC’S) FOR THE YEAR ENDED 5th APRIL 2023

I am pleased to present the Trustees annual statement of governance, which covers the period from 6th April 2022 to 5th April 2023.

This statement will be published on a publicly available website. Details on how members can locate relevant charges information are provided with the annual benefit statements. A copy of the Plan’s latest Statement of Investment Principles (“SIP”), prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, is attached.

This statement describes how the Trustees seek to ensure that the Plan is well-managed and delivers excellent services to members. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This statement covers the DC section and AVC assets of the Plan over four principal areas:

1. The investment strategy relating to the Plan’s default arrangement;
2. Internal controls, with particular focus on the processing of core financial transactions;
3. Transaction costs and charges including impact on pot size and performance and net returns
4. Value for Members,
5. The knowledge and resources available to the Trustees and how these factors help the Trustees to ensure that the Plan is governed effectively.

By way of additional background, all members should already be aware that the majority of DC assets were transferred into the new Valeo master trust arrangement arranged with Aviva in August 2018. In addition, the DC section of the Valeo Plan was discontinued towards the end of 2021. The only remaining DC assets in the Plan are invested with Utmost Life and Pensions (‘Utmost’), previously Equitable Life, which has been closed to all future contributions with effect from 1st June 2010.

Over the past few months, the Trustees have been working closely with Mercer as their administrators and advisors, Eversheds as their Legal Advisors and Valeo Group to fully understand the benefits for the remaining Utmost members including the Guaranteed Minimum Pension (‘GMP’) underpin which existed for a number of the members and to agree a beneficial approach for all the remaining members such that a transfer of funds could be arranged.

I am pleased to be able to confirm that these discussions have recently concluded and the Trustees are now actively engaged in transferring the remaining DC benefits to the new Valeo master trust arrangement and this transfer is expected to be concluded by 5 April 2024.

All relevant members will receive a further communication in the next couple of months outlining full details of the current value of their DC funds, the range of investment options in future and the exact timing and next steps in relation to the transfer.

Simon Harris
Chair of the Trustes of The Valeo UK Pension Plan
3 November 2023

1. The default investment arrangement

- 1.1 A copy of the Plan's latest Statement of Investment Principles ("SIP"), prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, is attached.
- 1.2 There is no default investment. The only remaining Plan members with money purchase assets have 'self-selected' the Utmost funds they are invested in.
- 1.3 These AVC funds invested with Utmost were previously with Equitable Life and closed to new contributions from April 2006 and reopened through Royal London in April 2011. AVC contributions still being paid to Equitable Life were closed to future contributions with effect from 1st June 2010.
- 1.4 With some small exceptions, the majority of 'unit-linked' funds were switched to the new master trust arrangement in August 2018. A further 'bulk transfer' took place in May 2021 leaving only a small number of members with funds with Utmost whilst the GMP underpin benefit was being considered.
- 1.5 The vast majority of remaining Equitable Life funds were invested in their With Profits fund. Following a policyholder vote and High Court approval at the end of 2019 the Equitable Life With Profits Fund was disinvested at the end of 2019 and "Uplifted" by a 75% - 120% enhancement to transfer values. These funds are now invested in the Utmost Money Market Fund, unless members have made an alternative investment choice.
- 1.6 Remaining assets with Royal London were disinvested in May 2021 as part of the second bulk transfer exercise. As such the default investment arrangement for the Plan is no longer relevant.
- 1.7 The objectives in relation to the investment strategy are outlined in the SIP, included in the Appendix.

2. Core Financial Transactions

- 2.1 As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately. Core financial transactions are (broadly):
 - Investment of contributions paid to the Plan;
 - Transfers of members' assets into and out of the Plan;
 - Transfers of members' assets between different investment options available in the Plan; and
 - Payments from the Plan to, or in respect of, members and beneficiaries.
- 2.2 The Trustees recognise the importance of processing financial transactions promptly and accurately as failure to do so may have an adverse effect on member outcomes and may result in members disengaging with the Plan.
- 2.3 The Trustees have delegated the administration of the DC Plan member records and investment platform services to Utmost (for the remaining AVC's) and Mercer. Management information is provided at each Trustees' meeting so that the Trustees can ensure the prompt and accurate processing of financial transactions, including core transactions such as the payment and investment of contributions, transfers of member assets out of the Plan,

switches of investments, and the payment of benefits at retirement. Given the changes noted earlier there have been no contributions paid to the DC section since those for the March 2018 contributions and the Plan is no longer used as Valeo's qualifying workplace pension scheme for auto-enrolment.

2.4 Utmost has a set of service level standards, rather than targets at product or scheme level. They aim to reply to most requests within 10 days, with payments completed within 5 where possible.

2.5 The processes adopted by Utmost to help meet the SLA's and ensure transactions are processed promptly and accurately include:

Quality assurance and continuity	Administration procedure manuals are regularly reviewed and updated. Both automated and manual processes are subject to checking and/or regular quality sampling.
Administrator training and experience	Utmost have internal standards which ensure that staff are properly trained, qualified, supervised and monitored. Staff are encouraged to enhance their skills and knowledge by also attending external training courses where appropriate.
Accuracy – data and record-keeping	Utmost carry out regular data integrity exercises covering both core and conditional data. Any errors identified are investigated and corrected.

2.6 The processes adopted by Mercer to help meet the SLA's and ensure transactions are processed promptly and accurately include:

- Mercer records all member transactions and benefit processing activities in a work management system which assigns the relevant timescale to the task.
- Transactions recorded and monitored on the workflow system.
- Member / policyholder transactions are independently checked via a quality queue within the workflow process. Each transaction event has a number of specific pre-configured system quality steps in the workflow process. At each quality step once an administrator completes a manual calculation, inputs data or runs an automated process this is sent to the quality queue to be picked up by an authorised member of the team to check and authorise electronically.
- Daily monitoring of bank accounts (and separate cheque receipt log, which is reconciled daily and is maintained by a central treasury team).
- Two individuals checking all investment and banking transactions.
- Input onto the administration system and any subsequent changes approved by an authorised individual

2.7 The Trustees operate an outsourced operational model, with the Scheme's administration delegated to a professional third party administrator, Mercer Limited ("Mercer"). The Trustees have agreed Service Level Agreements (SLAs) with Mercer for the processing of all member-related services, including core financial functions, quoting benefits and paying benefits. These timescales are within applicable statutory timescales.

SLA	Transaction type	Target Service Level
2 working days	Death No Annuity - Quotation	95%
2 working days	Death Settle	95%
10 working days	Retirement - Quote	95%
13 working days	Retirement - Settle	95%
20 working days	Transfer Out - Quote	95%

15 working days	Transfer Out - Settle	95%
35 working days	Divorce	95%

Mercer records all member transactions and benefit processing activities in a work management system which assigns the relevant timescale to the task. The Trustees receive a quarterly administration report from Mercer, which documents their progress against SLAs along with commentary covering service volumes and noteworthy member cases. The reports are discussed in detail at each Trustee meeting and there were no issues to report during the period.

- 2.8 As a wider review of the Mercer administration team, the Trustees receive details of the administrator's control procedures that govern the accuracy of their processes. The administrator employs an independent auditor to prepare an annual report on their internal controls (AAF01/06/ ISAE 3402). The 2022 report confirmed that the administrator's description of services was fairly presented and that controls were designed, implemented and operated effectively throughout the review period.
- 2.9 The Trustees are satisfied that the Plan's core financial transactions have been processed promptly and accurately during the period to which this Statement relates.
- 2.10 The Trustees are committed to monitoring service on a regular basis to ensure that members receive service in line with expectations.

3. Charges and transaction costs

- 3.1 As required by regulation 25 of the Administration Regulations, the Trustees are required to report on the charges and transaction costs for the investments used in the default and non-default arrangements and their assessment of the extent to which the charges and costs represent good value for members.
- 3.2 We note that while transaction costs and charges are an important consideration, they are not the only criteria the Trustees assess. A number of other qualitative and quantitative factors are also considered in a holistic manner when making strategic decisions in relation to investment strategy with good outcomes for members being the ultimate goal for the Plan.
- 3.3 The charge cap of 0.75% p.a. introduced by regulations, applies solely to the default investment option, which, as stated above, is no longer applicable.
- 3.4 As confirmed in previous Chair's Statements, the Trustees reviewed the Company's proposals to move to the new master trust arrangement and the default fund, and similar self-select funds in the new master trust had lower charges. The Trustees were in agreement that members would be better served in the new master trust arrangements and this has improved value for members benefiting from lower charges in the master trust arrangement. As confirmed previously the Trustees initially excluded the transfer of Equitable Life With Profits members given the possible enhanced Capital Distribution these members would lose if transfers took place prior to the proposed sale of Equitable Life.
- 3.5 Explicit charges known as the Total Expense Ratio (TER) consist principally of the manager's annual charge for managing and operating a fund, but also includes the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, they exclude other costs that are also member borne and which can therefore have a negative effect on investment performance such as transaction costs and interest on borrowings.
- 3.6 Transaction costs are the expenses associated with a member trading in and out of a fund

as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty.

3.7 The table below shows the costs and charges for each fund with Utmost.

Fund name	Annual Management Charge (% p.a.)	Transaction Costs (% p.a.)
Multi-Asset Cautious	0.75	0.36
Multi-Asset Moderate	0.75	0.32
Multi-Asset Growth	0.75	0.26
Sterling Corporate Bond	0.75	0.13
European Equity	0.75	0.07
Asia Pacific	0.75	0.36
UK Government Bond	0.5	0.26
Global Equity	0.75	0.11
Fund of Investment Trusts	0.75	0.42
Managed*	0.75	0.11
Money Market	0.5	0.01
US Equity	0.75	0.07
UK Equity	0.75	0.28
Property**	1.00	0.53
U.K FTSE All-Share Tracker	0.5	0.08

Source: Utmost, 31 March 2023. Transactions costs shown are for the year to 31 March 2023.

*The calculations for the Managed Funds are based on the relevant calculations for the underlying OEICs held within the portfolio, prorated based on the portfolio percentage held

**The total fund impact also includes the property management expenses of 0.37% pa for the year ended 31 March 2023

The Utmost unit-linked funds:

- Invest in external Open Ended Investment Companies (OEIC's) rather than investing directly in the underlying investment markets
- The costs for the underlying OEICs held by each Fund are now being calculated on the full arrival price slippage methodology.
- Managed by Aberdeen Standard Investment and JP Morgan Asset Management
- When an Aberdeen Standard Investment fund lends stock it is entitled to receive 85% of the income earned. The remaining 15% belongs to the stocklending agent. When a JP Morgan fund lends stock it is entitled to receive 90% of the income earned. The remaining 10% belongs to the stocklending agent. The costs suffered by the fund are disclosed but not the income in accordance with regulations.
- The transactions costs include the cost incurred on the Fund when it purchases or sells the underlying asset (OEIC) as the price may include a dilution adjustment. The purpose of dilution is to ensure the OEIC performance is not impacted by large investments or disinvestments.

3.7 All charges were considered as part of the DC vehicle review carried out a few years ago.

3.8 Additionally, the Trustees, not the members, pay for all communication, scheme governance and administration costs associated with operating the Plan.

3.9 In accordance with regulation 23(1)(ca) of the Administration Regulations, as amended, the Trustees have obtained an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot.

3.10 The illustrations show the effect of charges on members. The statutory guidance has been considered when providing these examples. The illustrations that follow take into account the following elements:

- Initial savings pot size;
- Contributions, where applicable;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time

3.11 The following table shows the impact of charges for each fund invested. Charges for each fund as at 31st March 2023 is shown in the table on pages 4 & 5. 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. FIE 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	1,040	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

Source: Utmost, 31 March 2023

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)

3.12 The 2021 Regulations require trustees of relevant occupational pension schemes to report on the net investment returns for each fund which Plan members are, or have been able to, select, and in which Plan members are invested during the Plan year. Net investment returns refers to the returns on funds minus all transaction costs and charges.

3.13 The table below, which has been produced in line with statutory guidance, contain the net investment return (quoted as at 1 November 2023) for the Utmost funds in which members were able to invest in during the year to 31 March 2023 (the closest date available to the Plan year end):

Fund name	1 year (%)	3 year (% p.a.)
Multi-Asset Cautious	-0.43	-1.97
Multi-Asset Moderate	2.16	3.24
Multi-Asset Growth	2.94	5.90
Sterling Corporate Bond	2.11	-6.61
European Equity	9.46	8.58
Asia Pacific Equity	4.17	-1.33
UK Government Bond	-6.47	-11.86
Global Equity	7.14	11.44
Fund of Investment Trusts	-1.68	3.24
Managed	3.86	6.39
Money Market	3.94	1.27
US Equity	4.93	12.19
UK Equity	3.71	10.46
Property	-5.35	-1.43
U.K FTSE All-Share Tracker	3.53	10.65

Source: Utmost, 1 November 2023

4. Value for Members

4.1 From 31 December 2021, schemes with less than £100m that have been operating for at least three years are required to carry out a more detailed value for members assessment against three Comparator schemes who would be able to accept the assets covering the following areas:

- 1) Costs and charges;
- 2) Net investment returns; and
- 3) Administration and governance.

4.2 Whilst the Trustees fully support transparency of charges and costs for members the Trustees did not undertake a formal Value for Members assessment as the intention was to move the remaining assets to the Valeo master trust.

4.3 As set out in previous year's Statements the Trustees recognised that retaining DC funds in the Plan was not providing Value for members. As such the Trustees agreed to the Company's proposal to commence a project to move to a new DC vehicle that offers:

- An improved matching contribution structure
- Improved administration and member support
- Offer a range of investment funds covering the different levels of risk including:
 - *Introducing a suitable "life-style" option (and alternatives) having taken into account the Plan's demographics*
 - *Clear and simple communication in order to allow participants to make informed investment decisions*
- A flexible and sustainable future proofed pension platform
- Meet/exceed legislative requirements:
 - *Contribution levels*
 - *Plan Governance*

4.4 The only reason why the remaining Utmost members have not already had their DC fund transferred to the Master Trust was due to clarification being needed to identify members who had GMP underpin and how to agree a beneficial approach for all the remaining members such that a transfer of funds could be arranged.

4.3 Whilst members Utmost funds remain invested in the Plan, the Trustees continue to pay for all member communications & advisory costs associated with operating these Plan benefits.

5. Trustee knowledge and understanding

5.1 In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the Plan. This requirement has been met during the period to which this Statement relates as follows:

- a) The Trustees undertake ongoing training both collectively as a group and individually to keep abreast of pension legislation and regulations, and relevant developments; all such training is recorded on a training log.
- b) Time is allocated at Trustees' meetings for the provision of relevant training. The Trustees continue to seek out and undertake relevant training to support the ongoing governance of the Plan.

- c) The Trustees regularly review their training needs and their overall effectiveness as a trustee body at every meeting to ensure that any new needs that arise are identified and that a plan is put in place to address them.
- d) The Trustees have a working knowledge of the Trust Deed and Rules, the current Statement of Investment Principles, as well as knowledge of documents setting out the Trustees' current policies.

During the year the Trustees have considered various matters relating to activities in the Plan which has strengthened their knowledge and understanding of both the Plan as well as Pensions and Trust Law.

In addition, the conflicts of interest policy is considered at each Trustee meeting and the risk register is reviewed at each meeting.

During the period and in more recent months:

- The Trustees have undertaken ongoing training, both as a group and individually to keep abreast of relevant developments including regularly receiving email bulletins and updates from their advisers on the latest developments and legislation;
 - The Trustees have all undertaken modules of TPR's Trustee Toolkit with long standing Trustees having completed the majority of core modules and new Trustees having a target to complete all modules within 6 months of appointment;
 - Within the meetings during the year the Trustees also received updates from their consultants and legal advisers with regard to ESG investments, climate change impact on pension schemes and the Pensions Dashboard as well as wider pension topics;
 - The Trustees reviewed and updated their Statement of Investment Principles and Summary of Investment Arrangements and prepared their Implementation Statement.
- e) Through their advisers, the Trustees receive current topic updates regularly in order to stay updated on relevant developments and their impact on the Plan and its members. This includes Mercer's 'Current Issues in Pensions' publication which Trustees receive each month. Action is considered where necessary, and advice is sought where required.
 - f) The Trustees also receive advice from professional advisers and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers.
 - g) New trustees undertake a Trustee Training course run by Mercer and complete the Pension Regulators trustee toolkit's Trustee Knowledge and Understanding syllabus, within the first six months of taking on the role. There have been no new Trustees in the Plan Year.
 - h) To support the Trustees, the secretariat function is outsourced to professional advisers. Consequently, the Trustee's agendas are prepared by professional advisers who do so with a view to ensuring compliance and best practice. The Trustee's professional advisers attend all of their formal trustee meetings and are responsible for the co-ordination of the business plan.
 - i) Taking into account the actions taken individually and as a group of Trustees, the knowledge and experience of the Trustees, and the professional advice available to it, the Trustees consider that they are able to exercise its function as Trustees appropriately.

Appendix 1 - Statement of Investment Principles