

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE OF THE RADIUS GROUP PENSION SCHEME: 06 APRIL 2018 – 05 APRIL 2019

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). 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.

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 Directors 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 further monies invested. Each member's accumulated DC account remains invested in one of the investment options available.

Members under 59 1/2 years of age are 100% invested in the L&G Global Equity 70:30 Index Fund. From age 59 1/2 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 by retirement age 65, 25% of the members' funds are held in the Cash Fund with 75% being held 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 with the rest being used to purchase an annuity. The strategy means that at retirement a member is protected from adverse investment market movements and changes to interest rates which could dramatically affect the amount of cash and pension which could be provided and also be different to that which they were expecting.

Assets remain invested in the default arrangement unless a member directs otherwise. Instead of the default lifestyle strategy, members can choose from the same three funds that constitute the default lifestyle and can decide themselves what proportion of their account to invest in each of these.

During the period covered by this statement there have been no significant changes to the Scheme's investment strategy. A review has not been undertaken for some time mainly due to the uncertainty around the existence of the GMP underpin on the Scheme and the Trustee Directors are currently in discussion with L&G about the strategy and what can be achieved. It is also a standing agenda item and will be discussed throughout 2020.

The default arrangement is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was last reviewed by the Trustee Directors in September 2019 and a copy of which is submitted alongside this governance statement. The SIP will be reviewed a minimum of every three years (i.e. by September 2022) or as soon as any significant developments in investment policy or member demographics take place.

The Trustee Directors continually monitor the performance of the Scheme's investments throughout the year and receive quarterly performance reports from L&G. We are happy with the performance over the period covered by this statement and we believe the Scheme's investment strategy remains on track to meet our aims and objectives.

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

Processing Scheme transactions

The Trustee Directors have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the transfer of member assets out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustee Directors' behalf by the Scheme administrator, JLT Employee Benefits, and its investment manager Legal & General. The Trustee Directors periodically review the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustee

Directors have a service level agreement (SLA) in place with the Scheme administrator which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include a dynamics checklist, central financial control team separate to the admin team, daily monitoring of bank accounts and four eyes checking of investment and banking transactions. There were minor issues relating to the processing of Scheme transactions with oPen 2 and running switches through the system. Manual switches were subsequently carried out to test & rectify the issues.

We continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from JLT. An annual audit is also undertaken by Planet Audit Limited.

In light of the above, over the Scheme year, the Trustee Directors consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustee Directors 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. We have 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 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.

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	0.180%	-0.01%
L&G AAA-AA-A Corporate Bond Over 15 Year – Index Fund	0.150%	-0.01%
L&G Cash Fund	0.125%	0.00%

Source: L&G

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

The Trustee Directors also make available the above range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

Cumulative effect of charges

We have taken account of statutory guidance when preparing this section of the report.

The compounding effect of charges on a member's fund can be illustrated as follows:

Illustrations for an "Average" member										
	Default Strategy		L&G Global Equity 70:30 Index <i>(highest expected return fund)</i>		Aviva Gilt (NU) Standard Series 01 Pension - DB AVCs <i>(lowest expected return fund)</i>		Aviva Global Bond (NU) Standard Series 01 Pension - DB AVCs <i>(most expensive fund)</i>		L&G Cash Fund <i>(cheapest fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£22,257	£22,218	£22,257	£22,218	£21,170	£20,968	£21,379	£21,133	£21,212	£21,186
3	£24,028	£23,902	£24,028	£23,902	£20,677	£20,090	£21,296	£20,568	£20,800	£20,723
5	£25,940	£25,714	£25,940	£25,714	£20,196	£19,249	£21,213	£20,018	£20,396	£20,270
10	£29,878	£29,372	£31,412	£30,868	£19,041	£17,298	£21,007	£18,707	£19,421	£19,181
11 (retirement)	£30,018	£29,466	£32,638	£32,017	£18,818	£16,932	£20,966	£18,455	£19,231	£18,970
Total Fees	£489		£516		£2,005		£2,536		£274	
Illustrations for a "Young" member										
	Default Strategy		L&G Global Equity 70:30 Index <i>(highest expected return fund)</i>		Aviva Gilt (NU) Standard Series 01 Pension – DB AVCs <i>(lowest expected return fund)</i>		Aviva Global Bond (NU) Standard Series 01 Pension – DB AVCs <i>(most expensive fund)</i>		L&G Cash Fund <i>(cheapest fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£13,618	£13,595	£13,618	£13,595	£12,954	£12,830	£13,081	£12,931	£12,979	£12,963
3	£14,702	£14,625	£14,702	£14,625	£12,652	£12,293	£13,030	£12,585	£12,727	£12,680
5	£15,872	£15,734	£15,872	£15,734	£12,358	£11,778	£12,980	£12,249	£12,480	£12,403

10	£19,220	£18,888	£19,220	£18,888	£11,651	£10,584	£12,853	£11,446	£11,883	£11,736
15	£23,275	£22,673	£23,275	£22,673	£10,985	£9,511	£12,729	£10,697	£11,315	£11,106
20	£26,809	£25,898	£28,185	£27,217	£10,357	£8,547	£12,605	£9,996	£10,773	£10,509
21 (retirement)	£26,934	£25,981	£29,285	£28,230	£10,235	£8,366	£12,580	£9,861	£10,668	£10,394
Total Fees	£713		£737		£2,117		£2,775		£303	

It could be helpful to provide the context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" and "Younger" members' pots at retirement would be £16,326 and £7,804 respectively in today's money.

Assumptions	
<p>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 fund 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.</p> <p>You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.</p>	
Age	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>54 (the average age of the Scheme's membership)</p> <p>44 (the average age of the youngest 10% of members)</p>
Scheme Retirement Age	65
Starting Pot Size	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>£21,421 (the median pot size of the Scheme's membership)</p> <p>£13,107 (the median pot size for the youngest 10% of members)</p>
Inflation	2.5% p.a.
Expected future nominal returns on investment:	
<ul style="list-style-type: none"> Default Strategy <ul style="list-style-type: none"> L&G Global Equity 70:30 Index L&G AAA-AA-A Bonds Over 15 Year Index L&G Cash Fund L&G Global Equity 70:30 Index Aviva Gilt (NU) Standard Series 01 Pension 	<p>4.0% above inflation</p> <p>0.2% below inflation</p> <p>1.0% below inflation</p> <p>4.0% above inflation</p> <p>1.2% below inflation</p>

<ul style="list-style-type: none"> • Aviva Global Bond (NU) Standard Series 01 Pension 	0.2% below inflation
<ul style="list-style-type: none"> • L&G Cash Fund 	1.0% below inflation

Value for members

The Trustee Directors have a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme's members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds. With this in mind, the Trustee Directors have assessed the fees disclosed above and we are satisfied that we have negotiated a good deal for members and that the stated explicit charges for the Scheme's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

The Trustee Directors have set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online at the following URL: www.civica.com/en-gb/resources/corporate-downloads/ and will notify members about this in their annual benefit statements.

Additional Voluntary Contributions (AVCs)

The Trustee Directors also make available a facility to members to pay in additional contributions to boost Defined Benefit section benefits. The AVC arrangements are reviewed at the same time as the review of the main Scheme benefits. The facility is provided via L&G (which is invested in the same way as the DC section) and Aviva which we show below the available funds together with associated fees:

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
Aviva Global Bond (NU) Standard Series 01 Pension	0.88	0.2859
Aviva Pacific Equity (NU) Standard Series 01 Pension	0.88	0.1052
Aviva Gilt (NU) Standard Series 01 Pension	0.88	0.0819
Aviva UK Equity (NU) Standard Series 01 Pension	0.88	0.0651
Aviva European Equity (NU) Standard Series 01 Pension	0.88	0.0568
Aviva Mixed Invest (40-85% Shares) (NU) Standard Series 01 Pension	0.88	0.0429
Aviva Global Equity (NU) Standard Series 01 Pension	0.88	0.0299
Aviva US Equity (NU) Standard Series 01 Pension	0.88	0.0057
Aviva Deposit (NU) Standard Series 01 Pension	0.88	0.0000
Aviva Property (NU) Standard Series 01 Pension	0.88	-
Aviva With-Profit (NU) Standard Series 01 Pension	0.88	-
Aviva With-Profit Guaranteed (NU) Standard Series 01 Pension	0.88	-

Source: Aviva

Aviva were not able to provide the transaction costs applicable to some of the funds above but the Trustee Directors will continue to challenge them to obtain the required information.

Trustee Directors' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustee Directors 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 Trustee Directors properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustee Directors will be putting in place arrangements for ensuring that we take personal responsibility for keeping ourselves up-to-date with relevant developments and carry out a self-assessment of training needs to help identify any knowledge gaps.

Over the last year, the Trustee Directors have received training on ESG, GDPR and how to maintain a training log. 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 our meetings.

All of the existing Trustee Directors have completed the Pension Regulator's Trustee Toolkit and new Trustee Directors are encouraged to complete this in its entirety within six months of taking up office. All the Trustee Directors are also required to familiarise themselves with the Scheme's trust deed, rules and Statement of Investment Principles. Throughout the scheme year the Trustee Directors have demonstrated a working knowledge of the trust deed and rules when investigating a query relating to the possibility of triggering a S75 debt. Legal advice was also sought from CMS where any ambiguities over the interpretation the Rules applied. Scheme documentation was also reviewed and the Trustee Directors demonstrated a working knowledge of current policies when they were looking into the current trustee discretions in place.

In March 2019, the Trustee Directors received training on ESG factors and how these should be reflected in the SIP. This was useful for when the Trustee Directors had to revise the SIP later in the year to account for the new regulations. During this process, the Trustee Directors demonstrated that they are conversant with the SIP. With regards to demonstrating sufficient knowledge and understanding of the law relating to pensions and trusts, the Trustee Directors receive current pension issues documents at every meeting where legal issues are discussed. The Trustee Directors also attended a number of webinars and conferences over the year which helped with understanding of the relevant principles relating to the funding and investment of occupational schemes.

The DC assets and performance are reviewed at each meeting where our investment advisers help support discussions and decision making. The DC Code of Practice was reviewed and is a standing agenda item. Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustee Directors consider that we are enabled properly to exercise our functions as Trustee Directors of the Scheme. Our combined knowledge has helped us over the year with exercising discretions and answering member disputes. In addition, an annual evaluation of the performance and effectiveness of the Trustee board as a whole has been scheduled for 2020.

In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise Trustee Directors cannot be certain that a scheme remains fit for purpose.

Given the extent of the training and ongoing agenda items stated above, the Trustee Directors are comfortable that we 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 Directors have demonstrated a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustee Directors' current policies.

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



Mr D Spicer

Chair of the Trustee

Date: 29/10/2019.