URENCO UK PENSION SCHEME – DEFINED CONTRIBUTION SECTION AND DEFINED BENEFIT SECTION AVC AND SHIFT PAY PLAN ARRANGEMENTS (COLLECTIVELY REFERRED TO AS THE "SCHEME")

Annual Chair's Statement for the year ending 5 April 2020

prepared in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Regulations")

Summary and Contents

As Chair of the Trustee Board, I am pleased to present the Trustee's statement of governance, covering the period 6 April 2019 to 5 April 2020.

This statement covers the following parts of the Urenco UK Pension Scheme:

- the Defined Contribution ("DC") section, and
- the Additional Voluntary Contribution ("AVC") and Shift Pay Plan arrangements related to the Defined Benefit ("DB") section of the Scheme.

As you will see, this statement is a reasonably formal document as there are certain aspects that must be included to meet legal requirements. In particular, I would like to draw attention to the following areas in relation to the **Defined Contribution section:**

- The Default Investment Arrangements, which are described in **Section 1.** This sets out the current default, including how the investments change as members approach their retirement age.
- The processing of core financial transactions, which are described in **Section 2.** These relate to payments into the Scheme (such as contributions) and payments out of the Scheme (such as benefit payments to members) and we set out the measures taken to ensure that transactions are conducted in both a timely and accurate way.
- The costs and charges applied to members' funds are described in **Section 3.** The UK pensions market is moving towards greater disclosure of costs and the Trustee advocates this improved transparency. **Section 4** develops this by setting out the potential impact that charges can have on a member's fund. We are required to show projected pension pots before and after charges for a range of different funds and separate tables are included for the "typical" member as well as a younger member of the Scheme. We then assess the extent to which the Scheme provides value for members in **Section 5.**

In relation to the **AVCs** and **Shift Pay Plan**, we cover similar aspects, including

- **Section 6** with commentary on the fact that these sections of the Scheme do not have a default as such;
- **Section 7** on the processing of core financial transactions;
- **Section 8** with details of the costs and charges, developed in **Section 9** as to the potential impact of costs and charges on a member's fund and commentary on value for members in **Section 10.**

Finally, **Section 11** provides details of some of the work and training that that the Trustee Board has undertaken over the year. I am grateful to my fellow Trustee Directors for their diligence and commitment over the year. I look forward to working with them in the future with a view to helping our members to achieve good outcomes from the Scheme.

Introduction and Governance Structure

I am pleased to present the Trustee's statement of governance, covering the period 6 April 2019 to 5 April 2020.

This statement describes how the Trustee has governed the Scheme during the period. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This statement covers the following areas:

- The investment strategy relating to the Scheme's default investment arrangements;
- The processing of core financial transactions;
- Charges and transaction costs within the Scheme and the value for money provided to members;
- The Trustee's compliance with the statutory knowledge and understanding requirements.

As Chair of the Trustee Board, it is my pleasure to report to you on these areas in respect of the period 6th April 2019 to 5th April 2020, for the DC section and the AVC and Shift Pay Plan funds, which are linked to the DB section.

In May 2019, the Trustee carried out a provider selection exercise, in order to assess whether the service that members in the Scheme's DC section receive could be better with another pension provider. The Trustee considered a number of areas, which included but were not limited to the following:

- The providers' capabilities – the quality of service members receive, the range of investments, how members are able to access benefits in retirement, and the level of support that members receive;
- The ability to tailor different elements of their providers' offering to Urenco, and flexibility in this area, and;
- Future proofing – the ability to offer alternative saving platforms in the future.

Over the year, the Trustee considered seven different providers (including Aegon, the incumbent) for the DC section's future administration and investment platform provider, and attended provider presentations as well as site visits at shortlisted providers.

The Trustee has also been reviewing the Scheme's investment arrangements and hopes to be able to let members know about the changes over the coming months, including the better terms secured for the membership.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, a list of local independent financial advisors can be obtained on-line at www.unbiased.co.uk,

This statement will be published on a publicly available website and the information with regards to cost disclosures will be signposted in the annual benefit statements.

Defined Contribution Section

1. **Default Investment Arrangement**

1.1 A copy of the Scheme's Statement of Investment Principles ("SIP"), dated September 2020 covering the default investment arrangements is appended to this governance statement. The SIP has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation. The SIP covers our aims and objectives in relation to the default investment arrangements as well as our policies relating to matters such as risk and diversification. In addition to the default funds and the wider fund range, the SIP, and accompanying Investment Policy Implementation Document ("IPID"), covers alternate investment choices under the Scheme, covering a range of funds that our members can choose, which was designed with their needs in mind.

1.2 The performance of the default investment arrangement is reviewed regularly; the Trustee considers the performance of all the Scheme investment funds on a quarterly basis.

1.3 The default investment arrangement follows a pre-set investment route that transitions members' savings gradually over the six years and nine months prior to the Selected Retirement Date ("SRD"). The growth phase has a 30% holding in the Aegon BlackRock Aquila 30:70 Currency Hedged Global Equity Index fund and 70% in the Aegon BlackRock Diversified Growth fund. Investment switches are made gradually, until, at three months prior to retirement, 75% is held in the Aegon LGIM Pre Retirement fund and 25% in the Aegon BlackRock Cash fund.

1.4 The default investment arrangement's growth phase invests in equities though the Aegon Aquila 30/70 Currency Hedged Global Equity Index and within the Diversified Growth Fund, the Diversified Growth Fund introduces other asset types such as property, bonds and money market instruments. Overall these investments are expected to provide long term (above inflationary) growth with some protection against inflation erosion, albeit with volatility. Long-term returns in excess of earnings inflation are generally required for members to attain an adequate income in retirement.

1.5 As members' funds grow, investment risk will have a greater impact on member outcomes. Also, falls in the values of investments could potentially inflict significant losses to members' savings at a time when they have insufficient years of accumulation remaining to recover from such losses, particularly if they choose to make early withdrawals from savings. Therefore, the Trustee believes that a strategy that seeks to reduce risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over the six year and nine-month period prior to a member's retirement date.

1.6 The investment strategy has been reviewed in detail during 2019 and into the early part of 2020, the Trustee has held several workshops with their investment consultant over the year to discuss the default strategy, as well as the other investment options available to members within the Scheme. The investment strategy review and workshops covered:

- The level of risk taken during the "growth" phase of the default investment strategy.
- A review of whether the default arrangement remains appropriate, looking at the current and future needs of the membership, expected retirement pot sizes and current industry trends.

- The pros and cons of using "blended" and "white-labelled" fund options as opposed to investing in funds directly.
- The choice of investment managers used to implement the investment strategy.
- Environmental, social and governance risks and opportunities, and the approach the Trustee's selected investment managers take to managing these issues.

As a result of the review and workshops, the Trustee has decided to make a number of changes to the Scheme's investment strategy, which we will be communicating to the members in the coming months.

2. **Core Financial Transactions**

2.1 The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Having service level agreements ("SLAs") in place with the administrator which cover all core administration processes. The Trustee monitors these SLAs on a regular basis, with the provider being asked to account for shortfalls in performance.
- Ensuring that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.
- Maintaining and monitoring a Risk Register, which outlines the risks to members and the Scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is monitored and reviewed on a regular basis.
- Appointing a professional firm to undertake an annual audit to confirm that contributions and benefit payments have been made in a timely manner and in line with the required timescales.

2.2 As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately. This includes:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to, or in respect of, members.

2.3 Core transactions require liaising with the providers and investment managers. The Trustee has delegated the day-to-day investment management of the DC Section and Shift Pay Plan assets to underlying providers, Aegon and Prudential respectively. The AVC policies are held with Clerical Medial and Prudential. The remainder of this section relates to Aegon – further details on Clerical Medical and Prudential are included later in this Statement.

2.4 The Trustee receives administration reports produced by Aegon, which are reviewed by the Trustee regularly, enabling them to monitor that the requirements for the processing of financial transactions are being met. Aegon are also invited to attend Trustee's meetings and reports are received to support their attendance.

2.5 The SLAs with Aegon sets out the approach (including timescales) regarding the transfer of members' assets into and out of the Scheme, the transfer of members' assets between different investment options available in the Scheme and payments from the Scheme to, or in respect of, members. The service level standards are reviewed periodically to ensure they remain appropriate and meet legislative requirements.

2.6 The Trustee believes that performance against SLAs for work due between the periods of this statement (which ranged from 78% to 93%) was acceptable. It was noted in the August Trustee meeting that SLAs in quarter two were below satisfactory levels. In order for the Trustee to have greater visibility of SLA performance, Aegon agreed to provide SLA reporting to the Trustee on a monthly basis. In Q3 the cases completed inside SLA was 86%, and 93% in Q4.

2.7 The Trustee challenges Aegon further about the processing of core financial transactions. Aegon are aware of the statutory deadlines for the processing of all member-related services, including core financial functions such as investment switches and benefit payments, and have confirmed that all core financial transactions over the year for the Scheme were invested on time and within with the statutory deadlines. The Trustee will continue to seek the relevant details to support effective monitoring of these processes.

2.8 The Trustee appoints an independent auditor to carry out an annual audit of the Scheme, including the material financial transactions that have taken place during the Scheme year. The auditors carry out spot checks to ensure that contributions to the Scheme or payments made by the Scheme are paid in accordance with the Scheme's rules.

2.9 The Trustee is satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the period to which the Statement relates.

2.10 The Scheme's risk register details the key risks to Scheme members and is monitored and reviewed on at least an annual basis. The risk register sets out controls to mitigate the effects of these risks.

3. Charges and Transaction Costs

3.1 As required by regulation 25 of the Administration Regulations, the Trustee is required to report on charges and transaction costs for the investments used in the default investment arrangements and its assessment as to the extent to which these charges and costs represent good value for members.

3.2 The levels of charges and transaction costs applicable to the default investment arrangements during the period are detailed in this section. In relation to transaction costs, we note that when buying and selling investments, transaction costs can be incurred. Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority ("FCA") has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain (on average) from trading activity, whilst a positive figure is effectively a cost from trading activity.

3.3 Charges relating to investment management are deducted from members' funds. The Scheme is used as a qualifying arrangement for auto enrolment and, as such, must comply with regulations on charge controls introduced from April 2015. Specifically, all of the default investment arrangements under the

Scheme must have a total expense ratio equal to, or below, the charge cap of 0.75% p.a. of savings. The Trustee can confirm this threshold is adhered to.

3.4 The table below shows the annual management charge ("AMC"), the total expense ratio ("TER") and the total transaction costs for each of the funds underlying the Scheme's default investment arrangements. The overall charge deducted from a member's fund, if in the default investment arrangements, will reflect the member's allocations to each of the underlying funds.

The transaction costs shown in the tables below were provided by Aegon, and reflect transactions over the year to 31 March 2020.

Fund	**AMC %p.a.**	**TER %p.a.**	**Total Transaction Cost %p.a.**	**Management Type**
Aegon BlackRock Aquila 30:70 Currency Hedged Global Equity (BLK)	0.42	0.44	0.05	Passive
Aegon BlackRock Diversified Growth (BLK)	0.55	0.63	0.34	Active
Aegon LGIM Pre Retirement (BLK)	0.50	0.50	-0.02	Active
Aegon BlackRock Cash (BLK)	0.30	0.33	0.01	Active

Source: Aegon as at 31 March 2020. The TER includes the AMC plus additional expenses, which can change from year to year.

3.5 The table below shows the same charges and costs in each of the self-select funds. The overall charge deducted from a member's fund will reflect their allocations to each of the underlying funds.

Fund	**AMC % p.a.**	**TER %p.a.**	**Total Transaction Cost %p.a.**	**Management Type**
Aegon BlackRock UK Equity Index (BLK)	0.35	0.36	0.05	Passive
Aegon BlackRock European Equity Index (BLK)	0.35	0.37	0.01	Passive
Aegon BlackRock US Equity Index (BLK)	0.35	0.36	0.01	Passive
Aegon BlackRock Japanese Equity Index (BLK)	0.35	0.36	0.02	Passive
Aegon BlackRock Pacific Rim Equity Index (BLK)	0.35	0.37	0.00	Passive
Aegon BlackRock Emerging Markets Equity Index (BLK)	0.60	0.66	-0.06	Passive
Aegon LGIM Global Equity Index 50:50 (BLK)	0.50	0.50	0.01	Passive
Aegon BlackRock World (ex UK) Equity Index (BLK)	0.35	0.36	0.03	Passive

Aegon BlackRock Index Linked Gilt (BLK)	0.35	0.36	0.00	Passive
Aegon BlackRock Long Gilt (BLK)	0.35	0.35	-0.01	Passive
Aegon BlackRock UK Equity Optimum (BLK)	0.65	0.66	0.14	Active
Aegon Kames Ethical Equity (BLK)	1.00	1.04	0.18	Active
Aegon Russell World Equity (BLK)	1.15	1.31	0.39	Active
Aegon Aberdeen Standard GARS (BLK)	1.10	1.12	0.62	Active
Aegon Property (BLK)	0.98	1.03	-0.06	Active
Aegon Aberdeen Standard Corporate Bond (BLK)	0.60	0.62	0.03	Active

Source: Aegon as at 31 March 2020. TER includes the AMC plus additional expenses, which can change from year to year.

4. Impact of Costs and Charges

4.1 In accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples. The below illustration has taken into account the following elements:

- Savings pot size;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

To make this representative of the membership, the Trustee has based this on the average member age of 42, using an average pot size of members between age 40 and 45 of £52,600 and assumes an overall contribution level of 20%. An assumed average salary of members between age 40 and 45 of £59,600 has been used.

Projected DC Account in Today's Money (£)								
	Most Popular Fund		Most Expensive Fund		Least Expensive & Lowest Expected Growth Fund		Highest Expected Growth	
	Aegon BlackRock Diversified Growth (BLK)		Aegon Russell World Equity (BLK)		Aegon BlackRock Cash (BLK)		Aegon BlackRock Japanese Equity Index (BLK)	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	66,150	65,500	66,400	65,330	63,960	63,740	66,220	65,980
2	80,080	78,630	80,650	78,260	75,210	74,740	80,250	79,700
3	94,400	91,990	95,360	91,400	86,360	85,590	94,690	93,770
5	124,260	119,440	126,230	118,300	108,320	106,880	124,840	123,010
10	206,570	192,490	212,600	189,350	161,420	157,710	208,340	202,880
15	301,100	272,340	313,910	266,190	212,000	205,310	304,840	293,510
20	409,660	359,600	432,740	349,280	260,200	249,900	416,360	396,320
23	482,400	415,810	513,700	402,360	288,020	275,280	491,450	464,530

Notes:

1. Salaries and price inflation are assumed to increase at 2.5% per year
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
3. When allowing for the transaction costs within the growth assumptions, the Trustee has used an average of the transaction costs provided by Aegon for the 2018 calendar year and the year ending 31 March 2020. This is because the transaction cost for each will fund will fluctuate, so using an average is likely to be more accurate over a long time period.
4. Starting pot size is assumed to be £52,600 and future contributions of 20% have been assumed
5. Starting salary is assumed to be £59,600
6. Values are illustrations only and are not guaranteed
7. The projected growth rates assumed for each fund, after the effect of charges, are as follows:
    a. Aegon BlackRock Diversified Growth (Most Popular Fund): 1.79% per year net expected real return above inflation
    b. Aegon Russell World Equity (Most Expensive Fund): 1.58% per year net expected real return above inflation.
    c. Aegon BlackRock Cash (Least Expensive & Lowest Expected Growth Fund): -1.30% per year net expected real return above inflation.
    d. Aegon BlackRock Japanese Equity Index (Highest Expected Growth): 2.56% per year net expected real return above inflation.

4.2 The Trustee has presented a further illustration below. This is based on a member of age 17, using a starting pot size of £1,800 and a salary of £13,200 based on the average pot size and salary of the 11 members in the Scheme aged under 20. It also assumes an overall contribution level of 19% per annum. The purpose of this illustration is to demonstrate how charges would affect a member's pension pot over their working life.

Projected DC Account in Today's Money (£)								
	Most Popular Fund		Most Expensive Fund		Least Expensive & Lowest Expected Growth Fund		Highest Expected Growth	
	Aegon BlackRock Diversified Growth (BLK)		Aegon Russell World Equity (BLK)		Aegon BlackRock Cash (BLK)		Aegon BlackRock Japanese Equity Index (BLK)	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	4,390	4,350	4,400	4,330	4,280	4,260	4,390	4,380
2	7,050	6,940	7,090	6,900	6,740	6,700	7,070	7,020
3	9,790	9,580	9,870	9,520	9,170	9,100	9,810	9,730
5	15,500	15,000	15,690	14,870	13,960	13,810	15,560	15,370
10	31,240	29,430	31,980	29,000	25,550	25,050	31,460	30,760
15	49,310	45,200	51,090	44,290	36,590	35,590	49,830	48,220
20	70,070	62,440	73,510	60,810	47,110	45,450	71,070	68,030
25	93,910	81,280	99,800	78,690	57,130	54,690	95,610	90,510
30	121,290	101,870	130,640	98,020	66,680	63,340	123,980	116,010
35	152,740	124,370	166,820	118,930	75,780	71,440	156,770	144,940
40	188,860	148,970	209,250	141,540	84,450	79,030	194,660	177,760
45	230,340	175,850	259,030	165,990	92,710	86,140	238,450	215,000
48	258,130	193,160	292,940	181,600	97,480	90,190	267,940	239,710

Notes:

1. Salaries and price inflation are assumed to increase at 2.5% per year
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
3. When allowing for the transaction costs within the growth assumptions, the Trustee has used an average of the transaction costs provided by Aegon for the 2018/19 and 2019/20 Scheme years. This is because the transaction cost for each will fund will fluctuate, so using an average is likely to be more accurate over a long time period.
4. Starting pot size is assumed to be £1,800 and future contributions of 19% have been assumed

5. Starting salary is assumed to be £13,200
6. Values are illustrations only and are not guaranteed
7. The projected growth rates assumed for each fund, after the effect of charges, are as follows:
    a. Aegon BlackRock Diversified Growth (Most Popular Fund): 1.79% per year net expected real return above inflation
    b. Aegon Russell World Equity (Most Expensive Fund): 1.58% per year net expected real return above inflation.
    c. Aegon BlackRock Cash (Least Expensive & Lowest Expected Growth Fund): -1.30% per year net expected real return above inflation.
    d. Aegon BlackRock Japanese Equity Index (Highest Expected Growth): 2.56% per year net expected real return above inflation.

4.3 The Trustee acknowledges the requirement to publish these illustrations on a website and this Statement will be available in time for the deadline of seven months following the Scheme year-end.

5. Value for Members

5.1 When assessing the charges and transaction costs which are payable by DC members, the Trustee is required to consider the extent to which these represent good value for members.

5.2 The Trustee with support from its advisors, Mercer, has undertaken a value for members ("VFM") assessment.

5.3 The Trustee concluded that it believes the DC section's overall benefits and options represent reasonable VFM in relation to the costs payable by members. The reasons underpinning this conclusion includes:

- Charges for the Schemes default investment arrangement are below the charge cap of 0.75% per year and the Aegon BlackRock Diversified Growth (which makes up 70% of the Scheme's growth phase) is comparatively cheap compared to alternate funds in the market.
- The performance of the funds making up the growth phase of the default investment arrangement have performed in line with their benchmark over a long period of time.
- The majority of funds used by the Scheme are rated by Mercer as having good prospects of achieving their objectives over the long term.
- The majority of the Scheme's passive funds performed favourably against the benchmark set by the Trustee. The active funds have mixed performance, with some funds under performing. The Aegon DC Property and LGIM Pre-Retirement Fund underperformed against their benchmark across the one, three and five year period. The Aegon Russell World Equity Fund and Aegon Aberdeen Standard GARS underperformed against their respective benchmarks over the three and five year periods.
- A number of active and passive funds are considered to be relatively expensive compared to comparable funds in the market, however, the Trustee have taken demonstrable steps to secure better terms for all funds used by the Scheme, which will be reflected in future Statements.

5.4 Additionally, the Company pays for governance costs, together with various member communication, administration and advisory costs associated with operating the Scheme, which further enhances the value that members receive.

5.5 The non-financial benefits of membership were also considered and included (amongst other things): the efficiency of administration processes and the extent to which Aegon as administrator met its SLAs for the year; the communications delivered to members including on-line access to information, literature and modelling tools; and the quality of Scheme governance.

AVC and Shift Pay Plan funds linked to the Defined Benefit Section

The Trustee commissioned a detailed AVC and Shift Pay Plan fund and performance reviews in 2015, and monitors the performance of these funds on an annual basis. The AVC and Shift Pay Plan are related to the Defined Benefit Section of the Scheme only and no contributions are being paid into these arrangements.

6. Default Investment Arrangement

6.1 There is no requirement to operate a default strategy for the AVC and Shift Pay Plan investments. Members therefore invest their monies in any of the available funds, in the proportions they select, where appropriate.

6.2 At retirement, AVC and Shift Pay Plan members have the option of using their funds as additional tax-free cash (up to the HMRC maximum) or can transfer them to the DB section in order to purchase additional DB benefits. The exchange is made on the current DB Section terms for cash commutation, or on pre agreed guaranteed terms in respect of certain elements of Shift Pay Plan Funds.

7. Core Financial Transactions

7.1 The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Ensuring that detailed disaster recovery plans are in place with the administrator, other relevant third parties and within the sponsoring employer.
- Maintaining and monitoring a Risk Register, which outlines the risks to members and the Scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is monitored and reviewed on a regular basis.
- Appointing a professional firm to undertake an annual audit to confirm that contributions and benefit payments have been made in a timely manner and in line with the required timescales.
- The AVC and Shift Pay Plan are related to the Defined Benefit Section of the Scheme only. There are no contributions being paid into these policies, so the requirement to process contributions promptly does not apply to these benefits.

8. Charges and Transaction Costs

8.1 The Trustee holds member AVC monies with Prudential and Clerical Medical. The Prudential monies are held in both unit-linked and with-profit funds, whilst the Clerical Medical monies are held in unit-linked funds only.

The total expense ratio and transaction costs associated with the AVC funds are shown in the table below:

Fund	TER %p.a.	Total Transaction Cost %p.a.

BlackRock Aquila World ex-UK Equity Index	0.75	0.04
Prudential All Stocks Corporate Bond	0.75	0.02
Prudential Cash	0.55	0.00
Prudential Discretionary	0.75	0.09
Prudential UK Equity	0.75	-0.06
Prudential Fixed Interest	0.75	0.22
Prudential Global Equity	0.75	0.02
Prudential Index Linked	0.75	0.23
Prudential International Equity	0.75	0.08
Prudential Long Term Bond	0.65	-0.06
Prudential Long Term Gilt Passive	0.65	-0.08
Prudential UK Equity Passive	0.65	0.14
Deposit Fund	*	0.00
Baillie Gifford Diversified Growth	1.25	0.64
LGIM Ethical Global Equity Index	0.75	0.00
Prudential Dynamic Growth II	0.72	0.17
Prudential Dynamic Growth IV	0.72	0.12
Prudential Positive Impact	0.75	0.03
Prudential Dynamic Global Equity Passive	0.64	0.23
Prudential UK Property	0.75	0.31
Clerical Medical Balanced	0.50	0.19
Clerical Medical Cautious Pension	0.50	0.18
Clerical Medical Ethical Pension	0.50	0.10
Clerical Medical European Pension	0.50	0.26
Clerical Medical Far Eastern Pension	0.50	0.17
Clerical Medical International Growth Pension	0.50	0.28
Clerical Medical UK Growth Pension	0.50	0.39

Clerical Medical UK Equity Income Pension	0.50	0.34
Clerical Medical UK Property Pension	0.50	0.07

Source: Prudential (TER as at April 2020, transaction costs as at 30 September 2019) and Clerical Medical (TER as at April 2020, transaction costs as at 30 June 2019)
** Prudential have advised that there are no explicit charges associated with this fund, and is only open to existing investors*

8.2 Where AVC funds are concerned, the Trustee has taken a proportionate approach to a market review of price and performance, given the number of members using the policies and the level of member savings invested. The assets with Prudential that are invested in with-profits funds are deemed to be good value, due to the limited availability of and suitability of alternative options associated with this type of arrangement and further due to potentially significant penalties for members if disinvesting before retirement. Given the size of the arrangements, our advisor has confirmed that it is unlikely that the Trustee will be able to secure better terms from another provider for these assets; hence, provide good value given the limited alternatives available.

8.3 For the with-profits funds, there are no explicit charges, with costs being deducted from the annual bonus before distribution. The Trustee has therefore considered how the with-profits funds have performed in comparison to other providers based on data provided to the Prudential Regulation Authority. The figures show that performance, when compared with other similar funds, has been above market averages in the short to medium term (3 to 10 years), but below market averages over the longer term (15+ years).

8.4 The Shift Pay Plan funds are held in a with-profits arrangement with Prudential.

8.5 For the unit-linked funds, the Trustee has considered the AMC deducted from funds when making comparisons. Members have AMCs that do not exceed the DC charge cap of 0.75% p.a., with the exception of the LGIM Ethical Global Equity Index and the Baillie Gifford Diversified Growth funds. These charges are comparable with the wider AVC market, having regard to the funds under management.

9. Impact of Costs and Charges

9.1 The Trustee has presented further illustrations below, which are designed to be representative of members with AVCs. They are based on a member of age 36 (the youngest member with AVCs), using a starting pot size of £10,400 based on the average for members aged between 36 and 40

Projected DC Account in Today's Money (£)								
	Most Popular & Lowest Expected Growth Fund		Most Expensive Fund		Least Expensive Fund		Highest Expected Growth	
	Prudential Index Linked		Baillie Gifford Diversified Growth		Prudential Cash		Clerical Medical Ethical Pension	
Year End	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	10,310	10,220	10,690	10,520	10,300	10,240	10,720	10,650
2	10,220	10,050	10,980	10,640	10,200	10,090	11,040	10,910
3	10,130	9,870	11,290	10,770	10,100	9,930	11,370	11,170
5	9,950	9,540	11,920	11,020	9,900	9,630	12,070	11,720
10	9,520	8,750	13,670	11,670	9,430	8,920	14,020	13,200
15	9,110	8,020	15,670	12,360	8,980	8,260	16,270	14,870
20	8,720	7,350	17,970	13,090	8,550	7,660	18,890	16,750
25	8,340	6,740	20,600	13,870	8,140	7,090	21,930	18,870
29	8,050	6,290	22,990	14,520	7,830	6,670	24,720	20,760

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. Starting pot size is assumed to be £10,400 and no future contributions have been assumed
3. When allowing for the transaction costs within the growth assumptions, the Trustee, where available, has used an average of the transaction costs provided by Prudential and Clerical Medical in 2019 and 2020. This is because the transaction cost for each will fund will fluctuate, so using an average is likely to be more accurate over a long time period.
4. Values are illustrations only and are not guaranteed
5. The projected growth rates assumed for each fund, after the effect of charges, are as follows:
    a. Prudential Index-Linked (Most Popular and Lowest Expect Growth Fund): -1.72% per year net expected real return above inflation
    b. Baillie Gifford Diversified Fund (Most Expensive Fund): 1.16% per year net expected real return above inflation.
    c. Prudential Cash (Least Expensive Fund): -1.52% per year net expected real return above inflation.
    d. Clerical Medical Ethical Pension (Highest Expected Growth): 2.41% per year net expected real return above inflation.

10 Value for Members

10.1 As part of the 2020 VFM assessment, the Trustee concluded that the AVC and Shift Pay Plan funds' overall benefits and options represent satisfactory value for money in comparison with the costs payable by members (subject to the above comments regarding the with-profits funds). The reasons underpinning this conclusion include:

- Member charges for the unit-linked investment funds are comparable to other AVC providers;
- Where rated by Mercer, the funds used by the Scheme are generally considered as having good prospects of achieving their objectives over the long term;
- The Prudential unit-linked funds performed well against their respective benchmarks over a 3, 5 and 10 year period.
- The Clerical Medical unit-linked generally underperformed against their respective benchmarks over a 1, 3 and 5 year periods.

10.2 Additionally, the member option to use the funds as additional tax free cash or to purchase extra benefits from the DB section at retirement, and the Company funding of the costs associated with operating the arrangements, further enhances the value that members can potentially receive.

10.3 Assessing the value for money of a with-profits fund is directly related to an individual's attitude towards, and capacity for, investment risk. An individual may find comfort in the fact that a with-profits fund provided guarantees; whether that is a guaranteed pension, investment return or "just" capital security. Therefore, the Trustee did not consider it appropriate to reach an overall conclusion as this will vary by member perception.

11 Trustee Knowledge and Understanding

11.2 In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

11.3 This requirement has been met during the course of the Scheme year and the Trustee has undertaken regular training throughout the year.

- As part of the provider selection exercise, the Trustee received a number of training sessions throughout the year relating to investment managers and how they differ in their approaches, together with discussions regarding the default investment strategy and self-select fund choices. These training sessions helped the Trustee fully understand the offering of the different providers, for the Trustee to be able to properly challenge shortlisted providers and ultimately make an informed decision as to where the future of the DC Section's investments should be.

- The Trustee received a training session on investment beliefs and how their investment consultant rates different investment managers from an Environmental, Social and Governance perspective in June 2019.

- Trustee Directors attended general training sessions on DC matters from investment managers and legal professionals.

- A training session on new requirements relating to how the Trustee is required to set objectives for their investment consultancy provider.

11.4 The Trustee is conversant with, and has a working knowledge of, the Trust Deed and Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Scheme's legal advisors.

11.5 The Trustee is conversant with, and has a working knowledge of, the current SIP. The Trustee undertakes regular training on investment matters and reviews the investments held by the Scheme at each meeting. The Trustee has sufficient knowledge of investment matters to be able to challenge their advisors.

11.6 The Trustee receives professional advice from Mercer and other advisors to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules, and the relevant skills and experience of Mercer is a key criterion when evaluating advisor performance or selecting new advisors. The advice received by the Trustee along with its own experience allows them to properly exercise their function as Trustee.

11.7 The Trustee also reviews and assesses, on an ongoing basis, whether the systems, processes and controls across key governance functions are consistent with those set out in the Pension Regulator's Code of Practice 13.

11.8 In December 2019, the Trustee Directors were presented with the results of a 'Trustee Knowledge and Understanding Survey' that measured the confidence of the Trustee to suitably carry out the role. In areas where the score was low (relative to other areas), the Trustee will carry out training with their professional advisors.

11.9 The Trustee has a robust training programme in place for newly appointed Trustee Directors. Upon appointment, a Trustee Director is required to undertake completion of the Pensions Regulator's online training programme. The Trustee toolkit is expected to be completed within six months of appointment.

11.10 The Trustee undertook a number of activities over the past year which demonstrates how they have a working knowledge of pension & trust law, funding & investment principles, Trust Deed and Rules and the SIP. These activities include:

- The Trustee carried out a review of the DC Rules, with support from their legal adviser.
- The Trustee discussed with their legal advisers the Company's Modern Slavery Statement in the context of the Scheme.
- The Trustee exercised its discretionary power relating to the payment of death benefits during the Scheme year.
- Over the period to which this Statement relates, the SIP was updated following discussions on environmental, social and governance factors in March 2019.
- The Trustee are in the process of updating the SIP to include the Trustee's policy on implementation and engagement with investment managers.
- The Trustee understand that they will need to update the SIP following implementation of the upcoming investment changes.
- The Risk Register is reviewed and updated regularly, it will next be reviewed once the changes to the Scheme (outlined earlier in this Statement) have been implemented.

11.11 The Trustee believes that the best run pension schemes utilise the combined skill and knowledge of both the Trustee and its professional advisors. The relevant skills and experience of those advisors are key criteria when evaluating advisor performance and selecting new advisors. Additionally, the following measures have applied during the period:

- The Trustee's professional advisors and independent Trustee attend their formal meetings;
- The Trustee Board contains Trustee Directors with wide ranging skills and experience, including pension experience;
- The Trustee receives briefings from their advisors on all legislative and regulatory developments at each meeting.

This Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee and is correct to the best of my knowledge.

Signed for and on behalf of The URENCO UK Pension Scheme

……………………………… Chair of the URENCO UK Pension Scheme

Date ……………………...

Appendix 1 – Statement of Investment Principles – Default Option

1. INTRODUCTION

The Trustee of the Scheme has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and subsequent legislation.

For members in the DC Section of the Scheme who do not wish to take an active role in investment decisions, the Trustee offers a default option, which is a lifestyling arrangement ("the Default Lifestyle Option"). This is a pre-set strategy whereby asset allocation changes at defined points relative to a member's nominated retirement age. The lifestyle arrangement de-risks investments to an asset allocation designed to be appropriate for a typical member who intends to access their benefits via an annuity and cash at retirement.

As recently communicated with members, the Default Option will be changing from November 2020. This Statement will subsequently be updated as a result.

2. AIMS AND OBJECTIVES

The aims of the default option are:

- To provide an income for members in retirement.
- To generate returns in excess of inflation during the "growth" phase of the strategy whilst managing downside risk.
- To provide protection as a member's nominated retirement age nears. As a member's pot grows, investment risk (defined as volatility of returns) will typically have a greater impact on member outcomes than contributions.
- To provide a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits as an annuity and cash.

3. INVESTMENT POLICIES

The Trustee has appointed Aegon as provider of the DC arrangement. The Default Lifestyle Option is implemented using a range of pooled funds made available via Aegon's platform. The Trustee is responsible for the selection, appointment, monitoring and removal of these investment managers and funds. The Trustee delegates the selection, retention and realisation of individual investments within each fund to the chosen investment manager.

Assets in the Default Lifestyle Option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. All funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand, under normal market conditions.

A range of asset classes are included within the Default Lifestyle Option, including: developed market equities, emerging market equities, a diversified growth fund, a pre-retirement fund and cash. Both actively and passively managed funds are utilised, depending on the asset class.

The Default Lifestyle Option adopts a lifestyle approach to manage risk throughout a member's lifetime in the Scheme. As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that it is appropriate to reduce investment risk as the member approaches retirement; this is expected to reduce the chance of market shocks producing unfavourable outcomes for members at retirement. The Trustee is responsible for the lifestyle asset allocation phasing, with implementation delegated to the provider and the investment managers of the selected investment funds.

- If the member is more than 6 years and 9 months from their expected retirement date contributions will be invested in units of an equity fund and units of a diversified growth fund, with the objective of providing growth whilst mitigating inflation erosion and downside risk. The target mix is 30% equity fund, 70% diversified growth fund. The provider rebalances assets to this mix each quarter. The diversified growth fund provides exposure to a wide variety of different assets and investment management strategies which seek to provide growth but with lower variability in returns than equities. The appointed investment managers are responsible for day to day management of the assets making up the units and for meeting any cash flow requirements of the Scheme administrators.
- Once the member is within 6 years and 9 months from their expected retirement date, the Default Lifestyle Option sells units from the equity and diversified growth funds, and buys units in two funds; one fund providing exposure to money market instruments and one expected to broadly track a non-increasing retirement income. The latter fund seeks to broadly reflect the changing cost (up or down) of an annuity that would provide this income. The target mix is 25% money market fund, 75% retirement income fund. Members do not have to take their benefits in this format at retirement.
- Full details of the underlying pooled funds and the lifestyle matrix are set out in the separate Investment Policy Implementation Document.

4. RISK

In designing the default option, the Trustee has explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustee considers risk quantitatively, in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustee also considers risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option. Non-financial matters are not considered in the design of the Default Lifestyle Option.

The Trustee has considered risks from a number of perspectives. The list below covers the main risks that the Trustee considers financially material to the default arrangement and how they are managed.

- *Contribution risk.* The risk that low contribution levels over members' working lives secure inadequate benefits. The Trustee makes available a range of contribution levels and, via the provider of the arrangement, provides access to software to model the potential impact of adopting different contribution levels with different asset allocations.
- *Pension Conversion risk.* The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement. The default option is a lifestyle strategy which automatically switches member assets into investments whose value is expected to move broadly in line with the cost of a non-increasing annuity income and cash. The strategy is clearly outlined with alternative approaches available should members not believe this is appropriate for them. As part of the triennial default strategy review, the Trustee considers whether the lifestyle strategy remains appropriate.
- *Risk of erosion by inflation.* The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension. The Trustee invests the growth phase of the Default Lifestyle Option in assets expected to exceed inflation over time. It reviews performance against various benchmarks, including inflation.
- *Environmental, Social and Corporate Governance ("ESG") risk.* The risk that environmental, social or corporate governance issues, including climate change, have a financially material impact on the return of members' investments. The Trustee reviews how well the investment managers integrate such issues into their investment approach. Where funds are passively managed the Trustee acknowledges that the focus will be on voting and engagement practices.
- *Currency risk.* The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate. The global equity fund hedges its currency risk within developed equity markets, whilst the diversified growth fund actively considers its currency exposure in managing risk and seeking return.
- *Active management risk.* The risk that the investment vehicle in which monies are invested underperforms the expectation of the Trustee. By its nature the diversified growth fund is actively managed. The Trustee reviews performance each quarter with a focus on longer term returns. This risk is managed within the equity holding by investing in a passively managed fund.
- *Lack of diversification risk.* The Trustee recognises the risks that may arise from the lack of diversification of investments. The Trustee therefore invests in pooled fund vehicles to ensure an adequately diversified portfolio for each fund option and also designs the default to not be concentrated in one asset class.
- *Custody risk.* The safe custody of the Scheme's assets is delegated to professional custodians appointed by the investment manager of each fund.

The details in Sections 3 and 4 are in relation to what the Trustee believes are 'financially material considerations'. The Trustee's view is that the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire. It is partly for this reason that the default investment option is a lifestyle strategy.

5. IMPLEMENTATION AND ENGAGEMENT POLICY

The Trustee selects funds from those made available by Aegon. The Trustee does not have a direct relationship with the investment managers of those funds.

When deciding on the funds and investment managers to implement the Trustee's Default Lifestyle Option, the Trustee is concerned that, as appropriate and to the extent applicable, the investment managers are incentivised to align their strategy and decisions with the objectives of the Default Investment Option. However, as the underlying funds used within the Default Lifestyle Option are invested in multi-client pooled funds, the Trustee acknowledges that it does not have the ability to determine the risk profile of each individual fund, so the Trustee has created a blend of funds to closer align with the overall investment strategy.

The Trustee selects investment managers from the Aegon platform based on their capabilities and therefore, their perceived likelihood of achieving the expected risk and return characteristics for their portion of the Default Lifestyle Option. The investment managers are incentivised by the knowledge that the Trustee will review their appointment if, over time, they do not meet expectations. The Trustee receives reports from Aegon on a quarterly basis giving performance figures of the underlying pooled funds of the Default Lifestyle Option over both short and long periods, which is compared to a suitable index as a benchmark. The Trustee focuses on long-term performance, but will review an investment manager if short-term performance creates concerns. The Trustee will seek to meet with the investment manager, noting the Trustee is not a direct client of the investment manager.

The Trustee's investment consultant provides a forward-looking assessment of the managers' ability to deliver over a full market cycle. This view will be based on the consultant's assessment of the managers' idea generation, portfolio construction, implementation and business management in relation to the default. The consultant's manager research ratings assist with due diligence and questioning the managers directly during any presentations received. These ratings are used in decisions around selection, retention and realisation of manager appointments.

Transaction costs, which include portfolio turnover costs, are monitored and assessed within the annual Value for Money assessment but the Trustee has not set portfolio turnover targets. However the Trustee will engage with the investment manager if portfolio turnover is higher than expected.

If the investment objective for a particular fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the objectives set out in Section 2.

The funds used within the Default Lifestyle Option are open-ended with no set end date. A review of the investment is carried out on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy.

6. RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE (VOTING AND ENGAGEMENT)

The Trustee believes that good stewardship is in the best interests of the Scheme's beneficiaries and aligned with fiduciary duty, as it can enhance long-term portfolio performance and preserve value for companies and markets as a whole.

The Trustee believes that environmental, social and corporate governance ("ESG") issues can have a material impact on investment risk and return outcomes and should therefore be considered as part of the Scheme's investment process alongside other risks.

The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. At the current time the Trustee has not set any ESG (including climate change) related investment criteria for the investment strategy or restrictions on the selected investment managers in the default arrangement. The Trustee will review this decision periodically and at least every three years as part of the triennial review of the default.

The Trustee has given the investment managers full discretion in evaluating ESG factors, including climate change considerations. In addition, they have delegated to the investment managers' engagement with companies (including collaboration with others and escalation), and exercising voting rights and stewardship obligations attached to the investments, including considering climate change impacts. The Trustee reviews their Investment Consultant's ESG ratings for the funds each quarter, reflecting how well the Investment Consultant believes the manager has integrated such factors into the investment process.

When appointing, monitoring and withdrawing from investment managers, the Trustee considers, amongst other factors, how ESG, climate change and stewardship is integrated within investment processes, making use of the Investment Consultant's ESG ratings.

7. MEMBERS' INTERESTS

The Trustee is aware that no default option can be appropriate for all members because of members' varying needs and attitudes to risk. The Trustee has undertaken a review of the DC arrangement. Revised arrangements have been communicated t members and are to be implemented in November 2020.

The Trustee will continue to review the default strategy formally at least triennially, or after significant changes to the Scheme's demographic profile, if sooner. This will take account of the demographics of the Scheme membership, industry offering, Scheme development (for example, assets under management) and how the Trustee believes members will take their benefits at retirement.

Member views are not explicitly taken into account in the selection, retention and realisation of investments within the Default Lifestyle Option.

Members are able to opt out of the Default Lifestyle Option at any time.

Aegon is responsible for transacting member instructions including switches, investments and withdrawals.