

Univar Company Pension Scheme (1978)

Chair's annual statement regarding governance for Year ending 30 June 2019

This statement has been prepared by the Trustees of the Univar Company Pension Scheme (1978) ("the Scheme") in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. It describes how, for Scheme year ending 30 June 2019, the Trustees have met the statutory governance standards in relation to:

- the default investment arrangements
- requirements for processing core financial transactions
- assessment of charges and transaction costs
- the requirement for trustee knowledge and understanding.

The Trustees have decided that the "charges year" for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 shall be the same as the Scheme year.

The report also explains how the Scheme provides value for members and how the Trustees meet their governance duties in relation to the Scheme's legacy Additional Voluntary Contribution (AVC) arrangements.

Default investment arrangement

This Statement is written in reference to the Scheme's latest Statement of Investment Principles which governs its decisions about investments including its aims, objectives and policies for the Scheme's default investment arrangements, prepared in accordance with regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005. The Statement of Investment Principles was reviewed and revised in August 2019 and a copy is appended to this document.

The Trustees invest the Scheme's Defined Contribution ("DC") assets in a range of pooled funds with the investment manager Legal & General Investment Management ("L&G"). The range of investment options is designed to allow the following objectives to be met:

- To maximise the value of the members' assets at retirement.
- To provide protection for members, especially in the years approaching retirement against volatility in the value of the members' accumulated assets and fluctuations in the cost of purchasing retirement annuities.
- To allow members to tailor their investment choices to meet their own needs.

The Scheme's default investment arrangement during the review period was the Medium Risk Lifestyle Fund, which invests 50% in a Diversified Growth Fund and 50% in a Global Equities Fund during the growth phase. As members approach their normal/selected retirement date, the assets switch into a combination of Gilt, Bond and Cash funds.

During the Scheme year, having taken advice, the Trustees decided to make some changes to the default investment strategy, introducing a strategy for DC only members and a separate strategy for members who also hold DC and Defined Benefit section benefits.

The new DC only investment strategy invests 100% in the Global Equities Fund until 20 years from retirement, when it switches to the Diversified Fund so that 10 years from retirement it is 100% in this fund. When a member is 10 years from retirement their account begins to switch into the Pre-retirement Fund and Cash Fund so that, at retirement, they will be invested 20% in the Diversified Fund, 55% in the Pre-retirement Fund and 25% in the Cash Fund. This strategy assumes a member will take 25% of their personal account as tax-free cash and will use the remainder to purchase an annuity. A small allocation of growth assets is held to mitigate risk and give the member some flexibility if they choose a different retirement option.

Members with both DC and DB benefits will be invested in a different Default Lifestyle to reflect the belief that they are likely to use their DC benefits differently when retiring due to having some stable income from their DB benefits. This is the Drawdown Lifestyle, which aims to generate growth over the long term then in the years prior to retirement, aims to invest in suitable assets if members are planning to take a variable income from their account.

It is the same as the new DC strategy until 10 years from retirement when a member's account begins to switch into the Pre-retirement so that 5 years from retirement they are invested 82.5% invested in the Diversified Fund and 17.5% in the Pre-retirement Fund. When a member is 5 years from retirement, the strategy begins to invest in the Cash Fund so that at retirement, members will be invested 65% in the Diversified Fund, 10% in the Pre-retirement Fund and 15% in the Cash Fund.

The Trustees are satisfied that the default investment arrangement and the overall range of funds offered during the review period were appropriate for the Scheme membership and provided adequate diversification of investments. The Trustees also consider ethical investing and the opportunities to develop the investment strategy in the Plan to align with ethical investing options.

The Trustees undertake an annual review of the performance of the default arrangement, the funds underlying the default arrangement and the Scheme's additional lifestyle and self-select funds.

The Trustees will periodically, and on no less than a three yearly cycle, review the appropriateness of the default arrangement. They will undertake an earlier review if there are any significant changes in legislation, investment policy or member demographic.

AVCs

The Scheme's Defined Benefit Section has legacy AVC arrangements with the Prudential Assurance Company, Royal London, Standard Life and the Equitable Life Assurance Society. The last review of the performance of the investment funds and with-profits investments was undertaken in the Scheme year ending 30 June 2018. It was concluded that the AVCs provide average value for members when compared to similar arrangements.

Processing of core financial transactions

The Scheme administrators and Trustees regularly monitor the core financial transactions of the Scheme. This was achieved through the review of quarterly reporting from the Scheme administrator, Barnett Waddingham and the regular monthly monitoring of contribution payments by the Administration Subcommittee.

These include the investment of contributions, transfers of assets into and out of the Scheme, fund switches and payments out of the Scheme to and in respect of members. A service level agreement is in place with the Scheme administrator which covers the accuracy and timeliness of all core transactions with agreed service standards for each task.

The Trustees, having considered the reports received from Barnett Waddingham LLP and the appointed auditors, have concluded that the Scheme's core financial transactions have been processed promptly and accurately during the Scheme year and no issues arose over the scheme year.

AVCs

There are limited financial transactions associated with the AVC arrangements as they are closed to new contributions. The Trustees nevertheless ensure that such transactions are properly monitored via periodic reviews.

Assessment of charges and transaction costs

In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Trustees calculated the charges and, so far as they were able to do so, the transaction costs, borne by members during the Scheme year.

For these purposes "charges" means Scheme administration charges excluding transaction costs, costs relating to certain court orders, charges relating to pension sharing under the Welfare Reform and Pensions Act 1999, winding up costs, or costs solely associated with the provision of death benefits. Transaction costs are those incurred as a result of buying, selling, lending or borrowing investments.

During this period the charges applied to the funds which made up the Scheme's default investment strategy were a maximum of 0.37% p.a. (if members were invested entirely in the default).

The member charges applicable to the non-default arrangements ranged from 0.10% to 0.65% p.a. The charges are shown in the table below, with funds which form the default strategy highlighted.

Fund	Annual Management Charge	Additional Expenses (annual)	Transaction costs (annual)	Total Annual Charge
30:70 Global Equity Fund	0.20%	0.01%	0.04%	0.25%
Diversified Growth Fund	0.18%	0.02%	0.00%	0.20%
Pre-Retirement Fund	0.15%	0.00%	0.02%	0.17%
Emerging Markets Fund	0.45%	0.01%	0.02%	0.48%
LGIM Retirement Income Multi-Asset Fund	0.35%	0.02%	0.04%	0.41%
Cash	0.12%	0.00%	0.00%	0.12%
Ethical Fund	0.30%	0.00%	0.01%	0.31%
UK Small Cap	0.26%	0.34%	0.05%	0.65%
Over 15 Year Index-Linked Gilt	0.10%	0.00%	0.00%	0.10%
Overseas Bond Fund	0.15%	0.00%	0.00%	0.15%

Source: L&G, year to 30 June 2019.

Management costs are what the investment manager charges for use of their funds. Additional expenses includes other cost incurred in the day to day management of the investments which are not fixed. Transaction costs may apply (the costs incurred as a result of buying, selling, lending or borrowing investments).

Administration costs are paid directly by the Company and are not deducted from member funds.

Illustration of the effect of costs and charges

The following tables show the effect that costs and charges can have on the size of your pension savings. We have included three examples to show a range of member ages. We have shown the effect if the example members are invested in the default strategy alongside the effect if you were fully invested in the Cash fund and the 30:70 Global Equity fund (which are expected to grow at different rates over the long-term). Please read in conjunction with the notes that follow.

20 year old member

Years	Lifestyle Strategy (Default)		LGIM Cash Fund		LGIM 30/70 Global Equity Market	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
1	£3,500	£3,500	£3,500	£3,400	£3,500	£3,500
3	£7,400	£7,400	£7,100	£7,000	£7,500	£7,400
5	£11,500	£11,400	£10,700	£10,600	£11,700	£11,600
10	£22,700	£22,400	£19,700	£19,500	£23,500	£23,200
15	£35,400	£34,800	£28,700	£28,400	£37,300	£36,500
20	£49,900	£48,700	£37,700	£37,200	£53,500	£52,100
25	£66,500	£64,400	£46,700	£45,900	£72,600	£70,100
30	£85,300	£82,100	£55,700	£54,600	£94,900	£90,900
35	£104,200	£99,700	£64,700	£63,300	£121,200	£115,100
40	£120,600	£114,700	£73,700	£71,900	£151,900	£143,100
45	£132,800	£125,700	£82,700	£80,400	£188,000	£175,600

40 year old member – 25 years until retirement

Years	Lifestyle Strategy (Default)		LGIM Cash Fund		LGIM 30/70 Global Equity Market	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
1	£42,400	£42,300	£41,400	£41,300	£42,700	£42,600
3	£50,600	£50,300	£47,100	£47,000	£51,400	£51,100
5	£59,200	£58,600	£52,900	£52,600	£60,800	£60,200
10	£82,800	£81,300	£67,300	£66,700	£86,900	£85,200
15	£107,100	£104,500	£81,700	£80,600	£117,600	£114,300
20	£129,300	£125,300	£96,100	£94,500	£153,700	£148,100
25	£147,200	£142,000	£110,500	£108,300	£195,900	£187,200

60 year old member – 5 years until retirement

Years	Lifestyle Strategy (Default)		LGIM Cash Fund		LGIM 30/70 Global Equity Market	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
1	£42,000	£41,900	£41,700	£41,600	£43,000	£42,900
3	£48,900	£48,700	£48,000	£47,800	£52,300	£52,000
5	£55,400	£55,000	£54,300	£54,000	£62,300	£61,600

Notes:

1. Projected pension account values are shown in today's terms.
2. Investment returns and costs/charges are assumed to be deducted at the end of the year.
3. Charges and costs are deducted before applying investment returns.
4. Inflation is assumed to be 2.5% each year.
5. Contributions are assumed to be paid and growth with inflation.
6. Values shown are estimates and are not guaranteed.
7. The real projected growth rates for each fund are as follow:
 - Lifestyle Strategy – from 0.00% to 2.625% (adjusted depending on term to retirement)
 - LGIM Cash fund – 0.00%
 - LGIM 30/70 Global Equity Market – 3.25%
8. Transactions costs and other charges have been provided by Legal and General and covered the year to 30 June 2019.
9. Example members: 20 year old: total contribution, £1,800, starting fund value: £1,650. 40 year old: total contribution: £2,880, starting fund value: £38,500. 60 year old: total contribution: £3,150, starting fund value: £38,500.

AVC charges:

The AVCs are invested in either with-profit or unit linked funds. The charges for with-profits funds are implicit within the bonus rate declared. The charges applying to unit-linked funds ranged from 0.10% to 0.70% p.a.

Value for Members

In accordance with the Pensions Regulator's DC Code of Practice number 13 (paragraphs 113-124) and with the relevant legislation, the Trustees have assessed the extent to which the charges borne by members set out above represent good value. They have concluded that the Scheme represents good value for money, based on the following:

- Charges for the Scheme's default arrangements are significantly below the charge cap of 0.75% p.a.
- The Company pays administration costs directly.
- Members have access to various asset classes, an ethical fund and lifestyle strategies, all of which have competitive fund management charges.
- Members have access to a wide range of services through the Scheme.

AVC Value for Members

The Trustees have concluded that the AVC arrangements represent value for money for members, particularly given the ability for ex-DB Section members to use AVCs as the first port of call for the Pension Commencement Lump Sum.

Trustee Knowledge and Understanding (TKU)

The Trustees have an established TKU process in place, which, together with the advice available to them from the Scheme's appointed professional advisers, enables the Trustees to properly exercise their functions as Trustees of the Scheme.

The Chairman considers the Trustees' effectiveness annually and in his opinion, believes the Trustee Board's TKU is fit for purpose.

The Trustees undertook a formal Trustee Effectiveness Assessment in 2019 with Law Debenture to help them understand what is working well and where improvements can be made. The resulting analysis by the Chairman and the Governance Sub-committee was reviewed with the Trustees in November 2019 and actions identified. The Governance Sub-committee will present a Training plan by February 2020 and continue to monitor the on-going progress and effectiveness of the training.

During the Scheme year, the Trustees' approach to meeting the TKU requirements included:

- Receiving training sessions from its advisers (Willis Towers Watson, DLA Piper and L&G) during meetings.

During the Scheme year the Trustee had specific training sessions on:

- **The Equitable Life proposal** to enhance policy values to enable the Trustees to understand how this may affect Scheme members with Equitable Life AVC holdings.
 - **DC Disclosure requirements** and updates to the Statement of Investment Principles to ensure compliance with regulatory requirements.
 - **Environmental, Social Governance ('ESG') investing.** The Trustees understand the importance of including ESG factors and stewardship approaches in their investment decision-making. The training provided the Trustees with an update on ESG investing and how this is developing with UK DC schemes and the options available to enable them to make more informed investment decisions.
 - **DC scheme design and master trusts.** As the Defined Benefit ('DB') section moves through its journey plan, the Trustees have received training on the range of DC vehicles with particular focus on the use of a Master Trust vehicle in the future.
- Hot topics are circulated to the Trustees as part of the meeting packs.
 - Recording all training and attendance at appropriate seminars in the Trustees' training log.
 - Assessing the training requirements each year as part of the business plan.
 - Considering the Trustees' training requirements, to ensure compliance with the Pension Regulator's Code of Practice regarding TKU. The training programme is reviewed regularly and, after completion, trustees carry out regular self-assessments to identify any knowledge gaps.

- Individual Trustees are expected to complete the relevant modules on the Pension Regulator's Toolkit within the first year of their appointment.

The Trustees have demonstrated that they have: -

- A working knowledge of the trust deed and rules, the Statement of Investment Principles, and any documents setting out the Trustee's current policies; and,
- Sufficient knowledge and understanding of the law relating to pensions and trusts, the principles relating to the funding and investment of occupational DC schemes.

This is demonstrated through the manner in which they have considered and managed all Trustees business that has arisen during the Scheme year, referring to such documentation, law or principles and being generally aware of their powers, duties and responsibilities, taking advice where appropriate and questioning, probing and challenging that advice.

AVCs

The TKU processes described above also cover the legacy AVC arrangements.

Taking into account actions taken individually and as a trustee body, and the professional advice available to them, the Trustees are satisfied that they have met the relevant legislative requirements and are enabled properly to exercise their functions as Trustees.

Signed by the Chair on behalf of the Trustees of the Univar Company Pension Scheme (1978):

Signature: 

Date: 2nd January 2020