

CHAIR'S ANNUAL STATEMENT:
The KB Refrigeration Limited Retirement Benefits Plan ("the Scheme")

Introduction

Governance requirements apply to Defined Contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. In March 2015 the Department of Work and Pensions (DWP) set out new rules for the governance of Defined Contribution (DC) pension schemes. Since 6 April 2015, Trustees have had to produce an annual report, signed by their Chair, setting out a number of prescribed matters. This statement covers governance and charge disclosures in relation to the following:

- The investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "legacy" funds);
- The requirements for processing financial transactions;
- The charges and transaction costs borne by members;
- An illustration of the cumulative effect of these costs and charges;
- A 'value for members' assessment; and
- Trustees' knowledge and understanding.

This is the Chair's statement and covers the period from 1 May 2020 to 30 April 2021.

The Scheme was set up on 1 May 1987. The funds you have that result from any contributions paid before 31 March 1998 are subject to certain guarantees from the Company (see note below) whereas the funds you have that result from contributions paid after that date are not. The Scheme was closed on 31 March 2005 and no member contributions have been received since that date. The Scheme, therefore, does not have a "default fund" in the context of the meaning assigned to such a Fund in connection with auto enrolment.

Note: at retirement, the Company guarantees that funds resulting from contributions paid before 31 March 1998 will provide a certain minimum amount of pension (you should refer to your scheme booklet for more information). This is known as an "underpin". Funds resulting from contributions paid after that date do not have an underpin.

The Scheme operates under a Trust Deed and Rules dated 16 December 1999. These are available from Lisa Brady at KB Refrigeration Limited. This Statement has been prepared to comply with the requirements of the law and the guidance

published by the Pensions Regulator.

Investment Arrangements

The Trustees document their approach to investments within the Statement of Investment Principles (SIP). A copy of the latest SIP dated 28 September 2020 is attached to this Chair's Statement. The SIP includes amendments to document the Trustees' policies on Environmental, Social and Governance factors and on stewardship. Unless you have asked the Trustees to do otherwise, your funds have been invested in the Secure Growth Fund. This is a With Profits Fund managed by Aviva plc. The aim of this Fund is to invest in a mixture of traditional bonds and equities and provide smoother performance by applying interest to the investment annually and historically through special bonus payments and more recently additional interest on monies leaving the Fund. If a member is invested in this Fund, then, unless they make an active choice, they will remain invested in this fund until they reach retirement and choose to access their benefits. During this Scheme Year, no changes have been made to the default strategy. Members are also able to invest in the Managed Fund.

We considered the appropriateness of the funds being used, their performance and whether they deliver value for money to you in the year to 30 April 2021. We made no changes to the investment strategy during the year as the structure of the contract and level of historic bonuses make it inefficient to move the funds. We provide further comment later in this statement on our views on the value for money offered by the fund.

The Trustees receive periodic updates on the performance of the funds. The Trustees are comfortable that the Fund continues to meet the objectives that it is stated to achieve, although do note that the level of bonuses has been, and is expected to be, lower than that achieved in the past.

The fund was last reviewed in 2018. The Trustees are in the process of reviewing the appropriateness of the DC offerings and are considering a number of options for members. The results of which will be outlined to members in early 2022.

Processing of core financial transactions

Processing of core financial transactions is delegated to Mercer, as the Scheme administrator. There is a contract in place between Mercer and the Trustee, clearly setting out the services that they will provide and the cost for these services. The Trustees have agreed Service Level Agreements ("SLAs") for the work undertaken by Mercer which covers the accuracy and timeliness of all core

financial transactions, and performance against these SLAs are reported to the Trustees in regular administration reports. The SLAs are as follows:

Work Type	Service Agreement Level
Benefit Quotation	5 working days
Benefit Payments	5 working days
Death Benefit Quotation	1 working day
General Member Correspondence	5 working days
Investment / Disinvestment Request	10 working days
Member Updates	5 working days

Mercer have confirmed that 92.50% of tasks were completed within the agreed SLAs for the year to 30 April 2021. During the year Mercer received 80 tasks and completed 74 tasks within the agreed SLAs, 6 were completed outside of the agreed SLAs.

The Trustees are comfortable that all core financial transactions have been carried out promptly and accurately, including:

- The transfer of assets relating to members out of the Scheme
- The transfer of assets relating to members between different investments within the Scheme
- Payments from the Scheme to, or in respect of, members

The Trustees have an agreement with Mercer to process core financial transactions as third party administrator on behalf of the fund manager, Aviva plc. As part of the contract with Aviva, Mercer reports management information on a monthly basis to demonstrate that core financial transactions are processed to the agreed standards.

The Trustees have reviewed Mercer's internal controls document for the year ended 31 December 2020 including the commentary from KPMG confirming JLT had complied with these controls. As part of the contract with Aviva, Mercer

reports management information on a monthly basis to demonstrate core financial transactions are processed to the agreed standards. The Trustees are satisfied that they have done all that they reasonable could to secure that core financial transactions are processed promptly and accurately.

Mercer has confirmed to the Trustees that the membership movements that occurred during the year to 30 April 2021 were processed within their standard service level agreements.

Member borne charges and transaction costs and value for members

The Trustees are required to assess the costs which are paid by the members. The charge applied to the arrangement during the year was a management charge of 1% of the assets. The annual charge to other funds available to members is also 1% of the assets. In addition, a per member charge of £50.60 was applied in the year (£50.60 as at 30 April 2020).

On 6 April 2015 rules came into force imposing a duty of the governance bodies of DC workplace pension schemes to request and report on the level of charges and transaction cost in their scheme on an annual basis.

On 20 September 2017, the FCA made rules (PS17/20) placing an equivalent duty on asset managers to provide the necessary information about charges and transaction costs and specified a detailed methodology for calculating transaction costs. These rules came into force on 3 January 2018. Transaction cost arise as a result of buying and selling the funds' underlying investments in order to achieve their investment objective or to raise or invest cash.

Transaction costs are comprised of both explicit and implicit components and include payments such as stockbroker commissions, custodian fees, and transaction taxes such as stamp duty. The table below shows the administration and transaction costs for each fund in the Scheme in which members hold assets.

Fund Name	Administration Cost	Buying and Selling Transaction Costs	Lending and Borrowing Costs	Total Transaction Costs
Managed Fund	1.04%	0.0876%	0.000%	0.0876%
Secure Growth Fund - With Profit	1.09%	0.0120%	0.002%	0.0140%

The Trustees are required to consider whether the charges represent good value for members. The Regulations do not prescribe how to go about assessing this and instead it is up to Trustees to develop their own assessment framework. The Trustees have identified the following assessment criteria:

- Scheme management and governance;
- Administration;
- Investment governance; and
- Communication

The Trustees have considered the services, features, benefits and costs associated with the Scheme. Our conclusion is that:

- you are getting good value in relation to the funds you have that result from any contributions paid before 31 March 1998 as a result of the impact of the underpin; but
- you are not getting good value in relation to any other funds in relation to contributions paid after 31 March 1998 as a result of the level of charges being levied in comparison to other products available on the market.

The level of administration and investment governance carried out by Mercer and Aviva are believed to be reasonable. However, it would be possible to provide a higher level of engaging paper and online communications to members that help them understand the choices that they should be making and highlighting the need to review their investments and retirement plans regularly. The returns offered by the Secure Growth Fund are awarded as bonuses. These have typically been around 6.5% (plus some special bonuses) in the past, but have now reduced to around 4%. It is now questionable whether the bonuses are at a level that provides good value for money in relation to the fees that are being charged.

The Trustees are constrained with the investment choices that can be made available to members given the historic nature of the contract underpinning the

actuarial, administration and investment services provided under it. To enjoy more flexibility the Trustees would have to disaggregate these services and consider moving members out of With Profits Fund. In the past, the benefits of doing this have not been deemed to sufficiently outweigh the costs and complexities of doing so. The Trustees continue to review this position and have been carrying out a more detailed review of the viability of making changes to the Funds available to members over the course of 2021 and are looking to update members in 2022.

The illustration set out in Appendix A, shows the impact of the cumulative effect over time of the charges that are applied to your funds. We have provided two illustrations:

- 1) An "Average" member aged 54 (the average age of the Scheme's membership) with a pot size of £23,413 (based on the median pot size of the Scheme's membership); and
- 2) A "Young" member aged 41 (based on the youngest member of the Scheme) with a pot size of £17,229 (based on the median pot size for the youngest 10% of members).

Our advisers have prepared this part of the statement for us and have taken account of statutory guidance.

Trustees' knowledge and understanding

Legislation requires the Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes. The Trustees each have a copy of the Scheme's Trust Deed and Rules and a short "Balance of Powers" report, setting out their key powers. The Trustees also each have a copy of the Scheme's Statement of Investment Principles. They have no other policies.

The combined knowledge of the Trustees together with the advice which is available to them enables them to properly exercise their functions.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board. In addition, we would note that:

- The Trustees have made progress in completing the Pensions Regulator's online trustee toolkit and have committed to completing this over the next 6 months.
- The Trustees receive the relevant training prior to decision points and as and when there are changes to legislation. As a result of this continuous training, the Trustees are able to draw on their understanding of legislation and best

practice when considering important agenda items.

- Relevant advisers are in attendance at meetings and in frequent contact with the Trustee Board to provide information on topics under discussion, either specific to the Plan or in respect of pension or trust law.
- The Trustees have a training plan in place which ensures that they are conversant with the legislation and best practice.
- The Trustees have received training to ensure they are well equipped to consider the options for members of the DC.

As a result of the training activities which have been completed by the Trustee Board individually and collectively, and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to properly exercise our functions as Trustees.

A copy of this Chair's Statement can be found at:

<https://www.ptluk.com/chairs-annual-statements>

Chair of the Trustees

24 November 2021

Appendix A- Cumulative Effect of Charges

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: KB REFRIGERATION LIMITED RETIREMENT BENEFITS PLAN

Cumulative effect of charges

Using the charges and transaction cost data provided by the relevant parties and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance has been considered when providing these examples – the Plan has only two funds available to members and both these funds have been illustrated below.

The examples below illustrate the impact of charges on a typical active member's retirement savings pot. The illustrations account for all estimated member costs, including the TER, transaction costs and inflation.

Illustrations for an "Average" member				
	Secure Growth Fund – With Profits		Managed Fund	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£24,007	£23,758	£24,022	£23,754
2	£24,616	£24,109	£24,646	£24,099
3	£25,241	£24,464	£25,287	£24,450
4	£25,882	£24,825	£25,945	£24,805
5	£26,538	£25,191	£26,620	£25,166
6	£27,212	£25,563	£27,312	£25,532
7	£27,902	£25,940	£28,022	£25,903
8	£28,610	£26,323	£28,751	£26,280
9	£29,336	£26,711	£29,498	£26,662
10	£30,081	£27,105	£30,265	£27,050
11 (retirement)	£30,844	£27,505	£31,052	£27,444
Illustrations for a "Young" member				
	Secure Growth Fund – With Profits		Managed Fund	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£17,666	£17,483	£17,677	£17,480
2	£18,114	£17,741	£18,137	£17,734
3	£18,574	£18,003	£18,608	£17,992

4	£19,046	£18,268	£19,092	£18,253
5	£19,529	£18,538	£19,589	£18,519
6	£20,024	£18,811	£20,098	£18,788
7	£20,533	£19,089	£20,621	£19,062
8	£21,054	£19,370	£21,157	£19,339
9	£21,588	£19,656	£21,707	£19,620
10	£22,136	£19,946	£22,272	£19,906
11	£22,697	£20,240	£22,851	£20,195
12	£23,273	£20,539	£23,445	£20,489
13	£23,864	£20,841	£24,055	£20,787
14	£24,469	£21,149	£24,680	£21,089
15	£25,090	£21,461	£25,322	£21,396
16	£25,727	£21,777	£25,980	£21,707
17	£26,380	£22,099	£26,656	£22,023
18	£27,049	£22,425	£27,349	£22,343
19	£27,736	£22,755	£28,060	£22,668
20	£28,440	£23,091	£28,790	£22,998
21	£29,161	£23,432	£29,538	£23,332
22	£29,901	£23,777	£30,307	£23,672
23	£30,660	£24,128	£31,095	£24,016
24 (retirement)	£31,438	£24,484	£31,903	£24,365

Assumptions

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 individual fund illustrations assume 100% of the member’s assets are invested in that fund up to 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.

Age	<ul style="list-style-type: none"> • “Average” member • “Young” member 	<p>54 (<i>the average age of the Scheme’s membership</i>)</p> <p>41 (<i>the youngest member of the Scheme</i>)</p>
Scheme Retirement Age		65
Starting Pot Size	<ul style="list-style-type: none"> • “Average” member • “Young” member 	<p>£23,413 (<i>the median pot size of the Scheme’s membership</i>)</p> <p>£17,229 (<i>the median pot size for the youngest 10% of members</i>)</p>
Inflation		2.5% p.a.

Expected future nominal returns on investment:	
<ul style="list-style-type: none"> • Secure Growth Fund • Managed Fund 	<p>2.5% above inflation</p> <p>2.5% above inflation</p>
TERs	
<ul style="list-style-type: none"> • Secure Growth Fund • Managed Fund 	<p>1.00%</p> <p>1.02%</p>
Transaction Costs (average of last 3 years*)	
<ul style="list-style-type: none"> • Secure Growth Fund • Managed Fund 	<p>0.037%</p> <p>0.098%</p>

**statutory guidance states that the average transaction costs over the last 5 years should be used. However, only the transaction costs for the last 3 years was available*

Appendix B- Statement of Investment Principle

