CHAIR’S ANNUAL STATEMENT:
Taylor Hobson Limited Pension Plan (“the Plan”)
5 April 2019

The Trustee is pleased to provide this Statement which gives you information about the governance of the Defined Contribution section of the Taylor Hobson Limited Pension Plan (“the Plan”) and explains how we have looked after the Plan during the year which ended on 5 April 2019.

Background

Pension schemes in the UK are usually either called DC (“Defined Contribution”) or DB (“Defined Benefit”) schemes, depending on how pensions are built up. The Taylor Hobson Limited Pension Plan has both sorts of pension. The Plan is fundamentally a DB pension scheme. The Plan has only ever accrued DB benefits but some members were entitled to transfer benefits from another pension scheme run by the same employer and these transferred in benefits are DC in nature. So all members of the Plan are entitled to their DB benefits and some members also have DC benefit in addition. The Chair's Statement therefore deals only with the DC benefits.

The Plan was introduced under an Interim Trust Deed dated 30 January 1997 and is now governed by a Consolidated Definitive Trust Deed dated 10 March 2004 and subsequent amendments. It provides retirement and death benefits for the employees and directors of the company.

The purpose of this Statement

Every year the Trustee has to confirm in the Chair’s Statement how the Plan meets new governance standards which were brought in by the Pensions Regulator.

The Statement will be published in the annual report and accounts. Much of the thrust of the law applying to these types of statement appears to relate to schemes which are actively being used as a vehicle for ongoing pension contributions, both from existing and from new members.

The Taylor Hobson Limited Pension Plan does not have any contributing members and is not being used as a qualifying scheme for automatic enrolment purposes.

The Plan is not open to DC accrual so there is no new DC benefit accrual. In fact, there has never been any DC accrual in the Plan apart from the one-off transfers into the Plan for a minority of members.

Therefore all the members of the Plan have already made their choices about which fund(s) they wanted their money to be invested in, or, in the absence of any choice, will already be in the default fund.

Your DC investments

In summary members could have DC investments in the Plan with one or more of:

- Standard Life
- Zurich
The default investment strategy

Currently there is one default lifestyling strategy run by Standard Life. The investment options available are as follows:

- Standard Life Managed Pension Fund
- Standard Life UK Mixed Bond Pension Fund
- Standard Life Deposit and Treasury Fund

The members are able to choose their holding in each of these funds or rely on the lifestyling option.

The default option:

The pension account will be invested 100% in the Managed Pension Fund until age 55. In the 10 years before retirement investments are gradually switched so that by age 65 the pension account is invested 25% in the Deposit and Treasury Fund and 75% in the UK Mixed Bond Fund.

The aim of the default strategy is to achieve growth in the early years and steady, low risk returns in the years leading up to retirement. The strategy is designed to be appropriate for individuals who wish to take 25% of their fund as cash at retirement whilst converting the balance of the fund into an annuity. Within the default strategy each fund has its own objectives as set out in the Statement of Investment Principles (“SIP”). The SIP is included as an appendix to this statement.

These funds were reviewed alongside a review of the DC strategy in December 2016.

The Trustee may make their views known to their investment managers on social, environmental and ethical factors and may ask them not to hold certain investments but any request will have regard to the Trustee’s duty to act in the best financial interest of the Plan’s beneficiaries. While the Plan’s assets are held in pooled investments, the Trustee accepts that the policy on social, environmental and ethical factors is set by the fund manager of the pooled investments.

Other Investments

Members who took up the option to transfer their benefits from the employers DC scheme were offered the same investment choice in the Plan as they were in the DC scheme. (Historically the Plan and the DC scheme invested in the same funds). Each member’s DC entitlement is recorded as a number of units within the main funds in which the Plan invests. The Trustee takes advice on, monitors and reviews these investments regularly.

The DC scheme wound up on 4 November 2013 and so no future transfers will take place. The Trustee is aware that since the time of the last transfer from the DC scheme, the DC landscape has changed with the introduction of greater flexibilities for DC members and a greater emphasis on DC governance. The DC strategy was last reviewed in December 2016.

These DC elements are invested in the same funds and with the same lifestyling strategy as the default strategy for AVC funds.

For members who hold AVC funds with Zurich, their funds are held in one of (or a mixture) of the following 2 funds:

- Zurich With Profits 2 EP Fund
- Zurich With Profits 4 EP Fund

These other investments do not have a default fund as members no longer make contributions to these funds.
Review of Investment Strategy and Performance

The Trustee’s policy for the DC Section is to offer a default investment arrangement suitable for the Plan’s membership profile plus a core range of investment funds into which members can choose to invest their contributions. In doing so, the Trustee considers the advice of its professional advisers, who the Trustee considers to be suitably qualified and experienced for this role.

The Trustee can confirm that the SL Managed Pension Fund exceeded its benchmark over a one-year period (longer terms not available due to a change to the benchmark). The SL UK Mixed Bond Pension Fund also achieved returns above the benchmark over one, three and five years periods. The SL Deposit and Treasury fund has matched its benchmark over one, three and five year periods. The Trustee is comfortable that the funds have broadly has met their objective.

The Trustee will continue to keep the performance under review.

Core financial transactions

During the year the Trustee ensured the core financial transactions of the Plan were processed promptly and accurately by:

- Having an agreement with their Plan Administrator committing them to defined service level agreements (“SLAs”)
- Retaining the Plan auditor to independently audit the Plan’s accounts.

The core financial transactions include:

- The investment of contributions to the Plan
- The transfer of assets relating to members into and out of the Plan
- The transfer of assets relating to members between different investments within the Plan
- Payments from the Plan to, or in respect of, members

The administrator has adopted a number of processes to ensure core financial transactions are processed promptly and accurately:

- Processes and procedures are in place to ensure all work is done within any agreed SLA in place, or to Quattro’s internal service levels (generally, ten working days for most events) where there is no SLA.
- Quattro employ a workflow management system to ensure that tasks are completed on time, that nothing gets missed and that a full checking process is followed before any tasks are completed. The checking process involves all automated calculations being checked by an administrator and then reviewed by a senior administrator who is independent of the doing stage.
- Monthly SLAs are reported to the administration manager who in turn reports back to the Board of Directors at Quattro each month. Some work will also be selected for audit on a sampling basis. Quattro annually conducts a quality audit, performed by a person of appropriate seniority, who chooses a selection of cases at random from across its schemes, for detailed second-checking. The quality audit is also reported to the Directors of Quattro.
- Quattro are aware of the requirement to complete core financial transactions promptly and therefore these items are given higher priority than other events.
- Directors of Quattro will ensure a sample of work is audited to ensure compliance with the SLA, internal standards and external legislative requirements. Quattro’s ISO9001 accreditation requires them to carry out monthly audits to ensure their quality controls are in place and correctly adhered to. The quality controls are also audited on an annual basis by an accredited, independent company.
- To ensure the work undertaken is accurate, the Trustee receives Quattro’s internal AAF01/06-style report on an annual basis to check their controls have been operating effectively throughout the period.
- The Trustee also reviews member complaints and any breaches to ensure service is being delivered in line with expectations. We have not received any member complaints and SLA performance remains in line with expectations.
- The Trustee has a close working relationship with the administrator and is able to escalate any issues to a senior member of staff to ensure that any issues arising are dealt with promptly if they were to arise.

Charges and transaction costs

As mentioned above, the Standard Life DC “pots” are held in the main Plan assets. The funds currently held by the Plan are:

<table>
<thead>
<tr>
<th>Investment Funds</th>
<th>AMC (annual management charge)</th>
<th>Additional charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Life Managed Pension Fund</td>
<td>0.50</td>
<td>0.025</td>
</tr>
<tr>
<td>Standard Life UK Mixed Bond Pension Fund</td>
<td>0.30</td>
<td>0.012</td>
</tr>
<tr>
<td>Standard Life Deposit and Treasury Fund</td>
<td>0.15</td>
<td>0.009</td>
</tr>
</tbody>
</table>

The “additional charge” arises as a result of buying and selling the funds’ underlying investments in order to achieve their investment objective or to raise or invest cash. These charges 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 transaction charges are not identified separately but they are contained within the “additional charge” and therefore this information does provide the overall level of expenses for each fund.

The Zurich With Profits Funds are not held in the main Plan assets and do not explicitly state their charges. The charges taken from the fund vary with different groups of plans, but have remained on average less then 0.5% of the fund’s value. AMCs of 0.5% have been assumed in the illustration overleaf. As there is no lifestyling applied to the Zurich funds, transaction costs are not applicable.

The level of charges applicable to these funds represents reasonable value for these funds. We believe that the combination of the level of performance and the level of the charges is reasonable.

Following a review of the investments with Standard Life, the Trustees took the decision to transfer the Plan’s assets to funds where all the investment charges (including AMCs) are invoiced to the employer so that members do not bear this cost. The funds are mirror funds to the existing funds except the pricing reflects the fact that the charges fall separately outside the fund. The change took place on 3 April 2017.

As the Zurich With Profits funds are not held in the main Plan assets, the members bear the cost of all expenses on these funds.

The Trustee is required to provide members with information on the effect of costs and charges on their pension pot. Members are directed towards this information in their annual benefit statements.

We have illustrated the cumulative effect of charges over time on a pot size of £35,000 for the lifestyle strategies that the majority of members are invested in.

We have complied with the statutory guidance in producing these examples:
Notes:

1. The projected pension values are shown in today’s terms and take into account the effect of future inflation, which we’ve assumed will be 2.5% pa.

2. The starting pot size is assumed to be £35,000 and that no further contributions will be made.

3. Lifestyle strategies reduce how much exposure is placed upon the retirement savings the closer the member gets to their chosen retirement age. The SL Default Lifestyle is invested in the Managed Pension Fund in the early years and the closer they are to retirement, are gradually switched into the UK Mixed Bond Pension Fund and Deposit and Treasury Fund. Whilst this reduces their exposure to more volatile markets, the expected growth rate can change depending on how long is left until retirement. Within these projections we’ve calculated we’ve allowed for the changes to the expected growth rate over the years to retirement.

4. The projected growth rates are as follows:
   - Standard Life Managed Pension Fund: 2.50% pa above inflation
   - Standard Life UK Mixed Bond Pension Fund: 0.50% pa below inflation
   - Standard Life Deposit and Treasury Fund: 1.60% pa below inflation
   - Zurich With Profits Funds: 0.34% pa above inflation
   - No investment: Zero growth, ie. 2.5% below inflation

5. Values shown are estimates and are not guaranteed.

<table>
<thead>
<tr>
<th>Term until retirement</th>
<th>Comparator with no investment</th>
<th>SL Default Lifestyle</th>
<th>Zurich With-Profit Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Before charges &amp; costs deducted</td>
<td>Before charges &amp; costs deducted</td>
</tr>
<tr>
<td>1</td>
<td>34,146</td>
<td>34,789</td>
<td>34,785</td>
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<tr>
<td>3</td>
<td>32,501</td>
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<td>34,713</td>
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<tr>
<td>5</td>
<td>30,935</td>
<td>35,145</td>
<td>35,119</td>
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<td>40</td>
<td>13,035</td>
<td>78,722</td>
<td>77,991</td>
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Projected Pension Pot in Today’s Money

<table>
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<th>Investment approach</th>
<th>SL Default Lifestyle</th>
<th>Zurich With-Profit Funds</th>
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Value for Money Assessment

The Trustee has undertaken a value for money assessment by comparing the charges paid by the member against the benefits provided by the Plan.

The Trustee recognises that low cost doesn't necessarily mean good value.

Members currently receive annual statements as required by law, and then a statement outlining their retirement options six months before their Normal Retirement Date.

Members have a range of funds available to them. Members investing with Standard Life have a choice of 3 unit-linked funds. There is also a default lifestyle option. Zurich members are invested in a choice of with-profits funds.

The Trustee feels that the annual management charges are reasonable for the Zurich investments, whilst they employer bears the cost in relation to the Standard Life arrangements.

Overall, the Trustee feels that members are getting good value from the investment managers, but will keep this under review.

The Trustee recognises that the fund choices are rather limited and discussions have arisen as to whether to make a wider range of funds available to members, possibly through the introduction of a new manager.

Knowledge and understanding of the Trustee

The Trustee consists of a corporate trustee which is made up of lay trustee directors. The trustee company has a number of directors, all of whom keep their knowledge up to date by attending seminars and reading material from the Regulator and other pension service providers.

Quattro Pensions Consulting Limited, Clifford Chance LLP and Barnett Waddingham LLP provide professional advice to the Trustee and support them in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules.

The Trustee is aware of their training requirements and have a policy on “Trustee Knowledge and Understanding”. The Trustee also seeks advice on their arrangements from their appointed professional advisers.

The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by having access to the documents on their online directory and providing decisions in line with the Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Plan’s legal advisers.

The Trustee is conversant with, and has a working knowledge of, the current SIP. The Trustee has sufficient knowledge of investment matters to be able to challenge their advisor.

Signed

[Signature]

Name PETER DAVID KITCHEN

Position CHAIR TRUSTEE DIRECTOR

Date 04-11-2019