

WILLIAMS MOTOR CO. (HOLDINGS) LIMITED RETIREMENT BENEFITS PLAN CHAIR'S STATEMENT ON DC GOVERNANCE YEAR ENDED 30 JUNE 2021

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Williams Motor Co. (Holdings) Limited Retirement Benefits Plan ('the Plan') is meeting the governance standards that apply to occupational pension plans that provide money purchase benefits i.e. Defined Contribution (DC) plans.

Default arrangement

Members of the Plan who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustees with the advice of their Investment Consultant. The Plan has a default lifestyling arrangement in place where members are initially 100% invested in the Scottish Widows (SW) Mixed Fund. When members are 5 years away from their chosen retirement age, their assets begin to switch monthly so that when they reach retirement they are 75% invested in the SW Pension Protector Fund and 25% in the SW Cash Fund.

The funds are described as follows:

- **SW Mixed Fund** - This fund aims to achieve long-term growth by investing in a mixed portfolio that is predominantly comprised of UK and overseas equities, with smaller allocations to bonds, property and cash deposits.
- **SW Pension Protector Fund** - This fund invests mainly in long-dated UK fixed interest securities, the prices of these securities are correlated to the cost of buying an annuity, therefore any investment in the fund should rise and fall broadly in line with annuity prices. The default strategy is therefore tailored towards investors who intend to purchase an annuity in retirement.
- **SW Cash Fund** - This fund aims to provide long-term growth consistent with high levels of capital security by investing mainly in short-term securities.

The default lifestyle is designed to provide members with an investment strategy that has the potential for growing their pension fund in the early years. As they get closer to retirement, exposure to riskier assets is reduced whilst retaining some opportunity for growth but with greater emphasis on protecting members' investments from potential stock-market falls. The strategy is particularly aimed towards members who will withdraw their 25% tax-free cash and purchase an annuity with their remaining savings.

Members who do not wish to invest in the default arrangement have the option to self-select from 130 funds available on Scottish Widow's platform. However, all members are currently invested in the default strategy.

During the period covered by this statement there have been no significant changes to the Plan's investment strategy. The Trustees have not previously reviewed the Plan's investment strategy and are therefore aware that a review is overdue.

The default arrangement is described in further detail in the Plan's Statement of Investment Principles (SIP) which was last reviewed by the Trustees in September 2020. The SIP will be reviewed a minimum of every three years (i.e. by September 2023) or as soon as any significant developments in investment policy or member demographics take place. A copy of the SIP is submitted alongside this governance statement on page 6.

The Trustees continually monitor the performance of the Plan's investments throughout the year and receive regular performance reports from their investment manager. We are happy with the performance over the period covered by this statement and we believe the Plan's investment strategy remains on track to meet our aims and objectives.

The Trustees have set up processes to publish relevant information on the default arrangement online at the following URL: <https://www.williamsgroup.co.uk/sitemap/> and will notify members about this in their annual benefit statements.

Processing Plan transactions

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

These transactions were undertaken on the Trustees' behalf by the Plan administrator, Mercer, and its investment platform provider Scottish Widows. The Trustees periodically review the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustees have a service level agreement (SLA) in place with the Plan administrator which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. We continue to monitor performance against the SLA on a regular basis and will receive an annual Assurance Report on Internal Controls (AAF 01/06) from the administrator.

We also perform periodic assessments of methods and efficiency of the Plan's administrators and challenge them in terms of their efficiency when necessary.

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

Charges and transaction costs

The law requires the Trustees to disclose the charges and transactions costs borne by DC Plan members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

Details of the Total Expense Ratios (TERS) payable for each fund that holds member assets as well as the transaction costs within the Plan's default arrangement are shown below. The data covers the period 1 July 2020 to 30 June 2021.

Fund	TER (%)	Transaction Cost (%)
Scottish Widows Mixed	1.045	0.33
Scottish Widows Pension Protector	1.000	0.01
Scottish Widows Cash	1.000	0.01

Source: Scottish Widows. Updated to 30 June 2021

Note that the 0.75% fee cap is not applicable to the Plan as the Plan is not used for auto-enrolment purposes.

Members who do not wish to invest in the default arrangement have the option to self-select from 130 funds available on Scottish Widows' platform. However, all members are currently invested in the default strategy.

Cumulative effect of charges

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

Illustrations for an "Average" member						
	Default Strategy <i>(most popular strategy)</i>		Scottish Widows Mixed Fund <i>(most expensive and highest expected return fund)</i>		Scottish Widows Cash Fund <i>(cheapest and lowest expected return fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£15,407	£15,223	£15,407	£15,223	£14,927	£14,777
3	£15,863	£15,300	£15,863	£15,300	£14,426	£13,995
5	£16,333	£15,378	£16,333	£15,378	£13,941	£13,254
7	£16,816	£15,456	£16,816	£15,456	£13,473	£12,552
10	£17,254	£15,310	£17,569	£15,574	£12,800	£11,569
12	£17,077	£14,824	£18,089	£15,653	£12,370	£10,956
13 (retirement)	£16,900	£14,514	£18,354	£15,693	£12,161	£10,662

Assumptions

The above illustrations have been produced for an "average" member of the Plan based on the Plan's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Plan 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 of member	52 <i>(the average age of the Plan's membership)</i>
Plan Retirement Age	65
Starting Pot Size	£15,184 <i>(the median pot size of the Plan's membership)</i>
Inflation	2.5% p.a.
Expected future nominal returns on investment:	
• Scottish Widows Mixed Fund	1.3% above inflation
• Scottish Widows Pension Protector Fund	0.9 below inflation
• Scottish Widows Cash Fund	1.7% below inflation

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

Value for members

Albeit no formal value for money assessment has been carried out over the reporting period, the Trustees have a good understanding of the membership demographics of the Plan and as such have a view as to what good member outcomes should look like for the Plan's members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of the Plan's governance, fund management and performance of the funds.

The Trustees acknowledge that the fees paid by members exceed the charge cap set by the Auto-Enrolment regulations and there are therefore alternative investment options available in the market which could offer better value for members. The fees currently paid by members will serve as a benchmark for when the Trustees formally review the Plan's investment strategy in 2022. The Trustees also intend to carry out a formal Value for Members assessment during 2022.

The Trustees have set up processes to publish relevant information on the costs and charges of the Plan funds online at the following URL: <https://www.williamsgroup.co.uk/sitemap/> and will notify members about this in their annual benefit statements.

Additional Voluntary Contributions (AVCs)

The Trustees also make available a facility to members of the Defined Benefit section of the Plan to pay in additional contributions to boost their benefits. The facility is provided by Prudential and illustrated below are the available funds together with associated fees:

Fund	TER (%)	Transaction Cost (%)
Prudential With-Profits Fund	0.80*	0.10**

Source: Prudential. * Due to the nature of the fund, the exact charge is not known as charges are dependent on investment returns. The figure shown is the current expected charge. ** Transaction costs shown cover the period 01/04/2020 to 31/03/2021 as the figures for 01/07/20 - 30/06/21 were not available at the time this statement was produced.

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension Plans, investment of Plan assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

All the Trustees are required to familiarize themselves with the Plan's trust deed, rules and governing documents. Although there have been no specific examples over the year where the Trustees have had to use their discretionary powers, they are aware of the provisions included in the deed and rules and will exercise these powers when required.

Over the last year, the Trustees have received training on investments, Environmental Social & Governance (ESG) issues, actuarial, governance and legal issues that were relevant to the Plan. In addition, the Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustees consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational schemes.

Considering all the points raised above, the Trustees believe they are enabled properly to exercise their functions as Trustees of the Plan.

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

Trustee: John Penney.....

Date: 27.01.2022.....