

The Chair’s Annual Governance Statement (‘the Statement’)

This Statement has been prepared by the Trustee of AkzoNobel Benefit Builder (the ‘Plan’) to demonstrate how the Plan has complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This Statement is for the Plan year covering 1 April 2022 to 31 March 2023 (the reporting period, or ‘Plan Year’).

AkzoNobel previously redirected future contributions to its selected master trust arrangement, the Mercer Master Trust (MMT), from October 2020. In addition, the majority of the Plan’s assets were also transferred to the MMT in January 2021. Following this exercise, as at 31 March 2022 the only assets remaining under the Plan were those where members are invested in the Plan’s Active Property Fund. As the underlying fund (the M&G UK Pooled Property Fund) is currently in the process of being closed, investors cannot fully redeem their holdings and are being paid a proportion of their investments on a quarterly basis. The level of payment each quarter is dependent on the level of assets sold by M&G. The Trustee has and will make periodic transfer payments to the MMT based on the level of redemptions provided by M&G.

Investment strategy – relating to the Plan’s default investment arrangements

During the Plan Year no default arrangement applied under the Plan. The Plan is closed to new entrants and contributions and so is not being used as a qualifying automatic enrolment arrangement. In addition, the only investment option remaining is the Plan’s Active Property Fund and all members actively consented to invest in this option.

Net investment returns

The Trustee is required to report on the net investment returns for the default arrangements and for all self-select funds during the Plan Year. When preparing this section of the statement, the Trustee has been unable to fully take account of the guidance issued by the Department for Work and Pensions (DWP) titled ‘Completing the annual Value for Members assessment and Reporting of Net Investment Returns’ dated October 2021. This is due to the Trustee being unable to obtain investment returns information from M&G that is net of the Plan specific member borne charges and transaction costs as at 31 March 2023.

However, M&G has been able to provide investment returns information that is net of the UK Property Fund’s standard charges, and these returns are set out below. The information provided by M&G did not include the longer-term periods as prescribed under the above DWP guidance.

Fund	1 year (%) (Year to 31 March 2023)	5 years (% p.a.) (1 April 2018 to 31 March 2023)
Active Property Fund (M&G UK Property Fund)	-0.1%	4.6%

Core financial transactions

The Trustee monitored the core financial transactions of the Plan during the reporting period. These related predominantly to processing benefits for members that had opted to be excluded from the initial

bulk transfer to the MMT. Activity included transfers out of the Plan, fund switches and benefit payments. The Plan is closed to any further contributions and no further transfer in of any assets is allowed.

All financial transactions are reviewed with transactions over £100,000 also receiving an additional review. The administrator also undertakes daily monitoring of the Trustee bank account.

The Trustee has a service agreement in place with its administrator which covers the accuracy and timeliness expected for processing core financial transactions. Examples of the SLAs for core financial transactions set out above are:

- 5 working days to process member investment switches
- 5 working days to pay payments relating to transfer of member assets out of the Plan
- 5 working days to make payment of a member's retirement benefits

During the reporting period only a small number of members remained under the Plan and the Trustee's administrator has confirmed it has all of the required information to process these members' financial transactions accurately.

During the reporting period, the Trustee monitored the performance of its administrator against the service agreement through reviewing the updates on the administration performance from the Plan Secretary and updates on the small number of payment-related tasks undertaken during the Plan Year. Over the 12-month period from 1 April 2022 to 31 March 2023 the average SLA performance for the Plan was 95%, which is an increase on the previous year and is in line with the Trustee's expectations. There were no individual member requested core financial transactions over the period.

The only payment related task related to a bulk transfer of members' assets to the MMT undertaken in June 2022. This payment process was monitored by the Plan Secretary and the Trustee's investment adviser who were comfortable that this payment was made promptly once final authorisation had been received. The payment was settled into the MMT bank account within two working days. The member information provided to the MMT was reviewed by the Plan administrator to ensure this was accurate to ensure this did not create any delays with the process. The MMT confirmed the data provided was sufficient to invest the proceeds. Overall, the Trustee is comfortable this payment was made both promptly and accurately.

To support with the processing of core financial transactions over the reporting period, the Plan Secretary regularly liaised with the administration team in relation to member related tasks.

The Trustee is satisfied that the Plan's core financial transactions were processed promptly and accurately during the reporting period in all scenarios.

Member borne costs and charges

Fund Charges

The Trustee reviews the charges paid by members on an annual basis with the help of its advisers. The only fund invested in by members over the reporting period was the Active Property Fund. The investment charge paid by members is known as the total expense ratio (TER) which is a measure of the total costs associated with managing and operating an investment fund. These costs consist primarily of an annual management charge (AMC) and variable additional expenses such as trading, legal, auditor fees and other operational expenses. Over the reporting period the TER for the Active Property Fund was 1.16%. The Trustee has taken into account the statutory guidance in providing this information.

Transaction costs

In some cases, members may be charged transaction costs, for example, when they switch investments. These costs are taken into account via the unit price for each of the funds and are not directly charged to the members. Transaction costs are those incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are typically categorised as:

- Explicit costs which are directly observable and include broker commissions and taxes, or
- Implicit costs which cannot be observed in the same way but can also result in a reduction in the value of capital invested; these implicit costs include market impact or delay costs which can also result in a gain for the fund (i.e., a negative transaction cost).

The FCA's Policy Statement 'Transaction Cost Disclosure in WorkPlace Pensions' establishes a defined methodology to calculate transaction costs (known as the 'slippage cost' methodology).

The transaction costs for the Active Property Fund over the reporting period were 0.359% and M&G has confirmed that no costs were missing. The Trustee has taken into account the statutory guidance in providing this information.

In the context of the information available, the Trustee has concluded that the transaction costs reported over the year are reasonable.

The Trustee confirms that other than the TERs and transaction costs set out above, no other member related charges apply.

Information on the website and illustrative examples of the cumulative effect of costs and charges

The Trustee has taken into account the statutory guidance when preparing this illustration and has not deviated from this. The illustration can be accessed using the website address:

https://benefitbuilder.co.uk/key_documents

The information on the website includes the 'pounds and pence' illustration comparing the cumulative effects of cost and charges on an example member's funds. In addition, an example illustration table is included in Appendix A of this Statement (which has been prepared in accordance with regulation 23(1)(ca) of the Scheme Administration Regulations).

Value for Members

In accordance with regulation 25(1)(b) of the Scheme Administration Regulations, the Trustee, with the assistance of its advisers (WTW), assessed the extent to which the charges and transaction costs above represent good value for members during the reporting period.

Members only bear the cost of investing in the Active Property Fund. All other costs are met by the Trustee. The assessment specifically considered:

The assessment for the Plan Year was undertaken in September 2023 in line with the Pensions Regulator's guidance.

- The competitiveness of the investment charges paid by members. This was assessed through benchmarking these charges against relevant market comparators.
- The value provided by the Active Property Fund including its investment performance.

The broader value of the following services that members do not pay for:

- The performance of the administration service covering the service standards achieved and interactions with members.
- The suitability of the communication services provided to members.
- The quality of the overall governance and management of the Plan.

The assessment showed that broadly members are receiving poor to fair value for the services they pay for. The rationale for this outcome is:

- The remaining members of the Plan are invested in the Active Property Fund (M&G UK Property Fund) which is currently in the process of being closed and members cannot fully redeem their savings. The Trustee believes this detracts from the value being provided to members and no longer believes this fund is suitable for members. The Trustee intends to transfer all remaining members to the MMT as soon as the assets can be fully redeemed to address this value issue.
- The Trustee noted that the performance of the M&G Property Fund over the year to 31 March 2023 was -0.1%. The Trustee believes this performance was reasonable in the light of the significant market volatility seen over the period, and the fact that the performance was higher than that of the ABI UK Direct Property Sector Average which is a common comparator for UK property funds. In addition, the property sales achieved by M&G over the reporting period as part of the closure of the Fund have on the whole been achieved at a premium to their valuation. Both of these areas have helped provide value to members.
- The charges paid by members for the M&G Property Fund are high relative to those that would be available via alternative arrangements such as the MMT.

In terms of broader value:

- In terms of the administration service, the assessment showed that members received poor to fair value for this service. The Trustee based this rating on:
 - Service levels over the reporting period were in line with the Trustee's expectations (noting there was only a small number of tasks completed).
 - An error was identified with the data included in the annual benefit statements issued to members during the reporting period due to the WTW administration not updating their systems correctly. This raised concerns around the controls in place. This concern and the fact that incorrect information was provided to members was reflected in the Trustee's rating in this area.
- In terms of the governance and oversight undertaken by the Trustee, these aspects provided fair value to members. During the Plan Year the Trustee has continued to focus on key areas of importance to remaining members of the Plan. This has included monitoring the closure process of the M&G UK Property Fund, communicating key developments to members and supporting a process to make an interim payment to the MMT of the redemptions from the M&G UK Property Fund.
- In terms of the communication support provided to members this is providing fair value. Due to the nature of the Plan and the fact that members' only remaining investments are in a fund where they cannot fully disinvest, the Trustee has focused its communication efforts on updating members when appropriate around developments with their remaining Plan savings. Members also continue to have online access where they can review their current savings.

Trustee Directors' knowledge and understanding (TKU)

The Trustee has a TKU process in place which enables it, together with utilising the professional advice available to it, to exercise its function as Trustee of the Plan. The Trustee Board includes individuals who have a long and broad experience of the pensions industry, and individuals who, outside of their Trustee role, have worked in a variety of business areas. The Trustee Board includes a professional independent trustee firm which has been in the position since the formation of the Plan. The Trustee Directors therefore bring a broad range of knowledge that is relevant to the Plan.

The Trustee's approach to meeting the TKU requirements during the Plan Year included:

- The representative for the Plan's professional trustee is required to maintain a higher level of knowledge to support their role and to evidence this the Trustee receives an annual update on the continuous professional development activity they have undertaken. log.
- The Trustee has in place a new Trustee Director training process which involves the training needs being assessed and then appropriate training being given in the first 6 months from the appointment date. New Trustee Directors are provided with the opportunity to attend a new trustee training course provided by WTW as the Trustee's adviser. All new Trustee Directors are expected to complete the Pensions Regulator's trustee toolkit within six months of their appointment. No new Trustee Directors were appointed over the reporting period.
- The Trustee traditionally undertook an assessment and review of each Trustee Director's knowledge and training needs covering key knowledge areas including an understanding of pension and trust law and the investment and funding of defined contribution schemes. However, due to the movement of the majority of the Plan's assets to the MMT, the Trustee agreed via a peer review discussion that its focus should be on ensuring it had sufficient knowledge in relation to managing the wind up of the Plan and the Plan's sole remaining fund, the Active Property Fund. To support this the Trustee received updates at the September 2022 and March 2023 Trustee meetings around the closure of the M&G Property Fund and what this would mean for the redemption of the Plan assets from this Fund.
- All training and attendance at appropriate seminars are recorded via the Trustee training logs.
- Training and relevant updates were provided during Trustee meetings by the Plan's advisers during the Plan Year including.
 - Receiving investment updates at each Trustee meeting in relation to the M&G Property Fund including in relation to the Fund's closure process and timeframes, performance update and the progress M&G had made in selling the Fund's assets.
 - Topical updates on industry and regulatory developments including:
 - WTW DC savings survey
 - Pension dashboards
 - DWP's consultation on supporting individuals with their retirement decisions
 - Update on Statutory Money Purchase Illustrations assumptions and requirements
 - TPR's Equality, Diversity and Inclusion Action Plan
 - TPR statement: DC member support in current market conditions
 - Changes to the PLSA retirement living standards following rising inflation
 - DWP's consultation on deferred DC pots
 - DWP's consultation on value for money in DC arrangements
- All Plan documents including the Trust Deed & Rules are reviewed by the Trustee and available on the dedicated Trustee site. The Trustee previously received legal advice that confirmed that the Plan is no longer required to have a Statement of Investment Principles due to the fact that it has less than 100 members and does not have a 'default arrangement' as defined under the Regulations. At regular Trustee meetings key Plan documents including the Trust Deed & Rules are referred to and reviewed, if required, to ensure these are being adhered to correctly when making decisions. Over the reporting period, the Trustee maintained its knowledge of the Plan's key documents through:
 - Reviewing the Trustee's priorities document at each meeting.
 - Reviewing the content of the conflicts of interest policy and Declaration of Hospitality and Gifts at each Trustee meeting.

- Reviewing the Trustee's General Data Protection Regulation policy, Plan Privacy notice and TKU policy at the September 2022 meeting.
 - Considering the Trustee's Internal Dispute Resolution procedure to support an ongoing complaint case.
- All Trustee Directors have completed the Pensions Regulator's trustee toolkit including a revised pensions scams related module during the reporting period.

Due to the small amount of assets and members remaining and the fact the Plan is in the process of being wound up, the Trustee agreed that it was not proportionate to undertake a formal board performance and effectiveness assessment. As noted previously, the Trustee's key focus during the Plan Year was around ensuring that the remaining Plan's assets held in the Active Property Fund were redeemed and paid as swiftly as possible to the MMT. In addition, due to the long-standing nature and experience of the Trustee Directors and the fact that a professional trustee firm is in place as a Trustee Director, the required skillsets to do so were in place. The Trustee continues to believe the Board is run effectively and has the necessary skillset to fulfil their roles.

On behalf of the Trustee, I hope the information provided above is helpful. Should you have any queries, please contact the pension administration team on 01707 607597 or by emailing: benefit.builder@willistowerswatson.com

Signed by the Chair on behalf of the Trustee of the Plan

October 2023

Appendix A – costs and charges illustrations

The below illustrations have been prepared in accordance with the relevant statutory guidance and reflect the impact of costs and charges for an example member of the Plan.

In the below table we have provided the impact of costs and charges for the Active Property Fund as this was the only investment option with assets and members remaining as at 31 March 2023. The example member is based on the remaining members under the Plan as at 31 March 2023. The example member is aged 30, has no ongoing contributions, a starting fund value of £1,500 and normal retirement age of 66.

As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained in the Notes section below the illustrations.

The illustrations below show the projected fund values (rounded to the nearest £100) based on certain assumptions before and after charges so that the potential impact of charges is clearly shown. Members should be aware that these are simply illustrations, and so the actual fund values and implication of charges for members' investments may be different if members' personal details or investment choices differ from those shown or the assumptions are not borne out. Due to the effect of rounding, the impact of charges on member account values may appear uneven, particularly in the early years. The information contained in this Appendix is not a substitute for the individual and personalised illustrations which are provided to members each year by the Plan.

	Years of Investment	Active Property Fund	
		Before charges	After charges
Example Member	1	£1,500	£1,500
	3	£1,600	£1,600
	5	£1,700	£1,600
	10	£2,000	£1,800
	15	£2,300	£1,900
	20	£2,700	£2,100
	25	£3,100	£2,300
	30	£3,600	£2,500
	35	£4,100	£2,700
	36	£4,300	£2,800

Assumptions and notes

1. Projected pension account values are shown in today's terms.
2. Charges applying are in line with those outlined in the 'Fund charges' section.
3. No further contributions are assumed to be paid.
4. Investment returns and percentage costs and charges are assumed to be deducted at the end of the year.
5. Charges and costs are deducted before applying investment returns.

6. Inflation is assumed to be 2.5% each year.
7. Values shown are estimates and are not guaranteed.
8. The real projected growth rates (net of inflation at 2.5%, charges and transaction costs) for the Active Property Fund is: 2.94%.
9. Transactions cost assumptions are based on the latest information which has been supplied by M&G (the manager of the Active Property Fund). The transaction costs have been averaged by WTW using a time-based approach covering a period from 1 April 2018 to 31 March 2023.
10. Where the Trustee has been provided with negative transaction costs, it has used a zero cost to reflect this. Negative costs are a feature of price movements in a fund as members trade in and out of the fund and are not a reflection of explicit costs paid by members. It is important to note that using a negative or zero cost during any one Plan year may not accurately represent the actual transaction costs a member may expect to see in any future Plan year.