LV= Employee Pension Scheme

DC Governance statement, covering the period from 1 April 2019 to 31 March 2020

1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the LV= Employee Pension Scheme (DC Section) (the "Scheme") is required to produce a yearly statement (which is signed by the Chair of the Trustee Board) to describe how these governance requirements have been met in relation to:

- the investment options in which members can invest (this means the default arrangement and other funds members can select or have assets invest in, such as "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
- Trustee knowledge and understanding.

This Statement covers the period from 1 April 2019 to 31 March 2020 (the "Scheme year").

The Trustee welcomes this opportunity to explain what they do to ensure that the Scheme operates as effectively as possible. If you have any questions or comments about anything in the Statement, please contact mypension@lv.com in the first instance.

2. Default arrangements

The Scheme is used as a Qualifying Scheme for automatic enrolment purposes.

The Trustee has made available a range of investment options for members. For the period covered by this Statement, the default investment arrangement was the Annuity Focussed Lifetime Strategy and changed to the Universal Lifetime Strategy (the "Default") from 9 July 2019. The Default is designed for members who join the Scheme and do not choose an investment option. It is considered by the Trustee to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meet the Trustee's view of the needs and circumstances of the majority of the membership.

The Trustee recognises that most members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustee decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

In addition to the Universal Lifetime Strategy, the My Cash Fund became a default option over the Scheme year as contributions that would have been invested in the My Property Fund were redirected into the My Cash Fund following suspension of the underlying fund during March 2020. As members' contributions are to be directed into the 'My Cash Fund' without them making an active selection, this fund will be treated as a default for the Scheme year for the purpose of fulfilling legislative requirements.

Details of the objectives and the Trustee's policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Scheme's SIPs covering the default arrangements are attached to this document.

The aims and objectives of the Default, the Universal Lifetime Strategy, as stated in the SIP, are as follows:

- it is designed to be appropriate for members who take an annuity, cash or drawdown at retirement.
- Generate long term growth in excess of inflation whilst members are some distance from retirement, but then switch automatically to gradually lower risk investments as members near retirement.

The aims and objectives of the other default arrangement, the My Cash Fund, as stated in the SIP, is to provide returns in line with short-term interest rates on the financial markets.

The default arrangements were not reviewed during the Scheme year, however changes to the Universal Lifetime Strategy were implemented on 9 July 2019 following the last review. The last formal review was carried out on 20 March 2018, although additional elements to the review continued throughout much of 2018.

In the 2018 review, the performance and strategy of the defaults were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of the defaults as stated in the SIP, and to check that it continues to be suitable and appropriate given the Scheme's risk profiles and membership.

As a result of the review, the Trustee worked with its investment advisers to design an investment strategy taking into account the changing member demographics, retirement choices and to account for broader changes to the way UK members are taking their pension benefits at retirement (a reduction in members purchasing annuities at retirement). The agreed changes were implemented on 9 July 2019 whereby the Trustee has introduced a new default strategy, a 'Universal' Lifetime Strategy, which is agnostic of retirement choices and therefore more appropriate for members who are less certain on their retirement outcome, as the new default arrangement of the Scheme. The Trustee also made changes to the three alternative lifetime strategies and to expand the self-select range by offering three new funds. This year's Statement reflects the changes to the default strategy that occurred over the year.

The Trustee is satisfied that the defaults remain appropriate following the recommended changes being made.

The Trustee regularly monitors the performance of the defaults and will formally review both this and the strategy at least every three years (the next review is intended to begin in March 2021) or immediately following any significant change in investment policy or the Scheme's member profile.

In addition to the strategy review, the Trustee also reviews the performance of the default against its aims, objectives and policies on a tri-annual basis at DC Sub-Committee ("DCSC") meetings. This review includes an analysis of underlying fund and lifestyle strategy performance to check that the risk and return levels meet expectations. The Trustee's reviews that took place during the Scheme year concluded that the default arrangements were performing as expected and are consistent with their aims and objectives as set out above.

3. Requirements for processing core financial transactions

The Trustee is required by law to ensure that core financial transactions are processed promptly and accurately. The processing of core financial transactions is carried out by the administrator of the Scheme, Aviva. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members and beneficiaries.

The Scheme has a service level agreement ("SLA") in place with Aviva which covers the accuracy and timeliness of all core financial transactions. The SLA sets out the Trustee's expectations for the promptness and accuracy of processing core financial transactions and commits Aviva to regularly report on their performance against the SLA, including quality of service and speed of service measures. Any mistakes or delays are investigated and corrected as quickly as possible. The Trustee continues to work with its Pensions Team, their DC advisers and Aviva to ensure that the SLA is upheld as is the overall quality of servicing.

The key processes undertaken by Aviva are as follows:

- Contributions and Payments
- Transfer In
- Fund Switch
- Customer Arrangements
- New Entrant / Joiner
- Transfer Out Process
- Leaver Process
- Retirement Quotes
- Retirement Payments
- Death Claim Process
- General Administration

The Trustee has agreed a target of 95% with Aviva for all items to be completed within the agreed service level in any given period. Aviva's SLA timeframe is 5 working days, except for death claims for which it is 3 working days. In addition, end-to-end service monitoring began halfway through the Scheme year: this measures the time taken to complete all elements of a request starting from when the member first makes contact, whereas SLA reporting measures the time taken for each stage and does not include periods during which the request may be open. The end to end service process is now part of a more holistic service monitoring approach, giving the Trustee an even stronger understanding of the service being experienced by members.

In order to adhere to these SLAs, Aviva employs the following measures:

- a customer management tool to support the allocation and control/ measurement of work demands;
- monitoring of the speed of service members receive;
- quality of service is monitored by establishing a split between which remains available to members as an alternative investment option n 'value' and 'non-value' demands which members make;
    - a 'value' demand is something that the Trustee would expect members to want to contact Aviva about;
    - a 'non-value' demand reflects a situation where a member should not have to make contact with Aviva, e.g. a member not receiving what they expected; a member not understanding what they have received; and, a member making contact to understand the position with their previously submitted request, due to a lack of an update being provided. Aviva aims to identify non-value demands, allowing it and the Trustee to understand where Aviva can improve the service it is delivering and how to do it, in order to enhance the member journey and overall service experience.

The Trustee has received assurance from Aviva that there are adequate internal controls to ensure that core financial transactions for the Scheme are processed promptly and accurately. This has been demonstrated in the Aviva AAF 01/06 report[1], with no discrepancies found this year.

To help the Trustee monitor whether service levels are being met, the Trustee receives quarterly reports about the administrator's performance and compliance with the SLA. Any issues identified by

[1] This report is an administrative report which covers their internal controls.

the Trustee as part of its review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

The Trustee has monitored Aviva's performance by:

- reviewing Aviva's quarterly governance reports; and
- instructing the Pensions Team to monitor performance in the interim and to report any concerns back to the Trustee. This has been achieved by running regular calls with Aviva and making changes as required.

As the Scheme's administrator and platform provider, on 9 July 2020, Aviva implemented changes to the default and self-select range. An error was made in executing this implementation which affected a number of members. These members have subsequently been written to and the Trustee has worked with Aviva to get these issues resolved and Aviva has since updated its processes.

As a result, Aviva has reported service levels of 93% for the year to 31 March 2020. This service level marginally below the agreed target of 95%. The Trustee has worked with Aviva to understand the rationale behind the slight dip in service levels and is comfortable with this rationale but is committed to continuing to work with Aviva to improve these levels going forward.

It is worth noting that during the initial stages of the COVID-19 pandemic in Q1 2020, Aviva was able to keep its call centres open (with reduced opening hours) for members and managed to achieve their SLA of 95% during this time.

In the Scheme year, Aviva have confirmed that a core financial transaction error relating to one member's single premium, which invested erroneously in a Fund not offered by the Trustee to Scheme members on 31 March 2020. This was subsequently corrected on 11 April 2020.

Based on its review processes, the Trustee, is satisfied that over the period covered by this Statement:

- Any problems in dealing with member requests were dealt with appropriately and according to the correct protocols
- Other than the error investing a member contribution described above, there have been no material administration errors in relation to processing core financial transactions.

Therefore, the Trustee is satisfied that, on the whole, the core financial transactions were processed promptly and accurately during the Scheme year.

Additional Voluntary Contributions ("AVCs")

The Trustee also has AVC policies with Standard Life and Utmost. The Trustee has requested information relating to the processing of core financial transactions from the AVC providers.

At the time of writing, Standard Life have confirmed that all core financial transactions were dealt with promptly and accurately over the period. There is a standard SLA covering the accuracy and timeliness of all core transactions which targets 10 working days for core financial transactions and has an internal controls statement which outlines information about processing of these core financial transactions. Governance and oversight arrangements are in place to monitor SLA performance against defined service levels and risk standards. Authorising and processing transactions and achieving the stated SLA is managed through controlled systems including, but not limited to, the following actions:

- Automated systems are designed to ensure consistent, timely and accurate receipt and allocation to the correct funds for regular and single payments;
- Regular monitoring of process and people performance, including control self-assessment reviews;
- Reconciliations are carried out between Finance and Customer Operations to ensure contributions are accurately recorded;
- Documented business procedures are in place for contributions processes;

- Compliance with processes is supported by an automated workflow system that ensures work is enabled, tracked and managed;
- A dedicated control team actively manages manual payments (including automation failures) and the reporting of missed contributions to the Pensions Regulator;
- An automated quotes system, which ensures the consistent application of calculations;
- Scheme rules and policy provisions are coded within automated systems that have been built and tested to establish project management practices; and
- A quality assurance framework is in place to ensure that payments are processed in line with the defined processes and service levels.

Utmost were only able to provide information relating to core financial transactions for the period from 1 January 2019 to 31 December 2019 (so part of this Scheme year) 97% of payments were completed within 5 working days and 98% of illustration and general queries in 10 working days. The Trustee will continue to follow-up with Utmost to obtain this information for the full Scheme year. The Trustee does not have an individual SLA in place with the Utmost; Utmost does not provide specific service level agreements. However, Utmost has confirmed that it has its own, internal service level standards which cover the accuracy and timeliness of all core transactions and has pledged to complete on receipt of requests:

- 95% of payments within 5 days;
- 95% of benefit illustrations within 10 days; and
- 90% of all general servicing within 10 days.

In addition, Utmost has produced a detailed statement, which confirms that it has a system of internal controls for ensuring its effectiveness. Although the system is designed to manage rather than eliminate the risk of failure, it provides reasonable assurance to the Trustee against material loss or misstatement.

The key processes adopted by Utmost to help it meet its internal SLAs are as follows:

- Utmost has internal standards which ensure that staff are properly trained, qualified, supervised and monitored.
- Staff are encouraged to enhance their skills and knowledge by also attending external training courses where appropriate.
- Administration procedure manuals are regularly reviewed and updated.
- Both automated and manual processes and work are subject to checking and/or regular quality sampling.
- Utmost conducts a data review exercise on an annual basis. It also updates its data when it receives new information from the Trustee.

The Trustee receives the members' annual benefit statements and reporting on the Scheme information, including details of the members, any transactions and fund values. Reporting from Utmost includes annual updates of upcoming retirements during the Scheme year. All transactions (e.g. retirement quotations, transfer quotations) are sent by Utmost to the Trustee to communicate to the member. This allows the Trustee to monitor that transactions are accurately performed within the agreed target turnaround performance standards for different activities specified under Utmost's internal service level standards.

4. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges also include any costs, e.g. administration and investment costs, since members incur these costs.

The Trustee is also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Aviva who are the Scheme's platform provider. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustee has shown any negative figure as zero.

4.1 Default arrangements

From 9 July 2019, the Default for the Scheme was the Universal Lifetime Strategy. Prior to this date, the default arrangement was the Annuity Focussed Lifetime Strategy, which remains available to members as an alternative investment option. As explained above, there is also an additional default arrangement, the My Cash Fund.

The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which fund they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following tables.

Universal Lifetime Strategy - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.35	0.09
10 years to retirement	0.46	0.13
5 years to retirement	0.56	0.17
At retirement	0.58	0.19

The My Cash Fund is also a default investment option for the Scheme year and the charges and transaction costs for this fund are outlined in the table in section 4.3.

4.2 Alternative Lifetime Strategies

In addition to the default, members also have the option to invest in three other lifetime strategies, targeting drawdown, annuity purchase and cash withdrawal. The annual charges for these strategies during the period covered by this Statement are set out in the tables below.

Annuity Focused Lifetime Strategy* - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.35	0.09
10 years to retirement	0.46	0.13
5 years to retirement	0.56	0.17
At retirement	0.29	0.00

***Former Default for the Scheme until 9 July 2020**

Drawdown Focused Lifetime Strategy - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.35	0.09
10 years to retirement	0.46	0.13
5 years to retirement	0.56	0.17
At retirement	0.49	0.13

Cash Focused Lifetime Strategy - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.35	0.09
10 years to retirement	0.46	0.13
5 years to retirement	0.56	0.17
At retirement	0.43	0.09

4.3 Self-select funds

Members also have the option to choose a number of self-select investment options. The level of charges for these funds (including those used in the default) and the transaction costs over the period covered by this Statement are also set out in the table below. The underlying funds used within the default, the Universal Lifetime strategy are shown in **bold**. The My Cash Fund, also considered a default arrangement for the Scheme year is indicated below with a *. Underlying funds used in the alternative lifestyles are shown in i*talics*.

Fund name	TER (% pa)	Transaction costs (%)
My Global Shares Fund	**0.35**	**0.09**
My Balanced Growth Fund	**0.56**	**0.17**
My Approaching Retirement Fund	**0.58**	**0.19**
My Lump Sum Targeting Fund	*0.43*	*0.09*
My Pre-Retirement (Annuity Focused) Fund	*0.30*	*0.00*
*My Cash Fund**	*0.26*	*0.01*
My Diversified Growth Fund	0.47	0.00
My Diversified Growth (Active) Fund	0.55	0.62

Fund name	TER (% pa)	Transaction costs (%)
My Property Fund	0.86	0.00
My UK Shares Fund	0.28	0.14
My Ethical Global Equity Fund	0.51	0.00
My Emerging Markets Equity Fund	0.61	0.03
My Islamic Global Equity Fund	0.66	0.04

4.4 AVC assets

The Trustee has requested the charges and transaction costs information from the AVC providers but at the time of writing this information wasn't available. The Trustee is continuing to follow-up with the providers to obtain this information.

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustee has had regard to the relevant statutory guidance. In order to provide this example, the Trustee has to make a number of assumptions; these assumptions are explained below:

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past two years (where available), subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past two years for the My Cash Fund, My Diversified Growth (Active) Fund and My Pre-retirement (Annuity-focused) Fund, as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Scheme year. For the My Universal Lifetime Strategy and the My Emerging Markets Equity Fund, we have used one-year transaction costs figures as these were added over the Scheme year.
- The illustration is shown for the current Default (the Universal Lifetime Strategy) since this is the arrangement with the most members invested in it, as well as four funds from the Scheme's self-select fund range. The four self-select funds shown in the illustration are:
    - the fund with the highest before costs expected return – this is the My Emerging Markets Equity Fund
    - the fund with the lowest before costs expected return – this is the My Cash Fund
    - the fund with highest annual member borne costs – this is the My Diversified Growth (Active) Fund
    - the fund with lowest annual member borne costs – this is the My UK Pre-Retirement (Annuity Focused)

Projected pension pot in today's money

	Universal Lifetime Strategy		My Emerging Markets Equity Fund		My Cash Fund		My Diversified Growth (Active) Fund		My Pre-Retirement (Annuity Focused) Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£11,500	£11,400	£11,600	£11,500	£11,000	£10,900	£11,300	£11,200	£11,000	£11,000
3	£16,700	£16,500	£17,100	£16,800	£14,800	£14,600	£16,000	£15,600	£15,000	£14,900
5	£22,300	£21,900	£23,100	£22,600	£18,400	£18,200	£20,900	£20,100	£18,900	£18,700
10	£37,800	£36,800	£40,400	£38,800	£26,900	£26,300	£33,700	£31,500	£28,200	£27,700
15	£56,100	£53,800	£61,800	£58,100	£34,600	£33,600	£47,600	£43,200	£37,000	£36,000
20	£77,600	£73,400	£88,100	£81,200	£41,500	£40,000	£62,400	£55,100	£45,200	£43,700
25	£102,700	£95,900	£120,500	£108,700	£47,800	£45,700	£78,500	£67,300	£52,900	£50,800
30	£129,900	£119,100	£160,400	£141,600	£53,500	£50,800	£95,800	£79,800	£60,100	£57,400
35	£156,600	£140,000	£209,500	£180,900	£58,600	£55,300	£114,400	£92,500	£66,900	£63,400
40	£175,200	£152,200	£269,900	£227,800	£63,300	£59,300	£134,400	£105,600	£73,300	£69,100

Notes

Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £9,000. This is the approximate average (median) pot size for active members aged below or equal to the active median age of 36 years (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection).
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- The starting salary is assumed to be £24,000. This is the approximate median salary for active members aged below or equal to the active median age of 36 years.
- Total contributions (employee plus employer) are assumed to be 9.0% of salary per year.
- The projected annual returns used are as follows:
- Universal Lifetime Strategy: 3.25% above inflation for the initial years, gradually reducing to a return of 0.25% above inflation at the ending point of the lifestyle.
  - My Emerging Markets Equity Fund: 4.25% above inflation
  - My Cash Fund: 2.00% below inflation
  - My Diversified Growth (Active) Fund: 1.50% above inflation
  - My Pre-retirement (Annuity focused) Fund: 1.25% above inflation
- No allowance for active management outperformance has been made.

5. Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee has worked with their advisers, Lane Clark & Peacock LLP, to carry out a detailed assessment of the extent to which all key elements of the Scheme represent value for money over the Scheme Year ending 31 March 2020.

The Trustee's review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was 10 July 2020 which covered the same period as this Statement. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee assessment rated the Scheme against eight criteria.

The summary below sets out the Trustee's rating for each of the criteria and the high-level rationale behind it. The Trustee has chosen a rating ranging from poor, fair, good to very good, the same ratings as during the last Scheme year to ensure continuity. Where relevant, the rating also incorporates a comparison of how the Scheme is benchmarked against other UK Pension Schemes.

1. **Charges** – Very good – the costs borne by members are good value given the size of the Scheme and was benchmarked against other similar sized schemes. The Trustee's investment advisors negotiated fees on behalf of the Trustee as part of the recent strategy review and these are very competitive. Trustee actively monitors fees on a regular basis.
2. **Administration** – Fair – Whilst the first quarter of 2020 saw an improvement, overall Aviva missed its SLA target over the year. Further, there were some administrative problems in implementing the investment changes in July 2019, for which Aviva had to write to members impacted to resolve. The Trustee has worked with Aviva to get these resolved and Aviva has since updated its processes.
3. **Governance** – Very good – the Trustee is very committed to the Scheme and how it is run.
4. **Communications** – Very good – communications and support services are clear, tailored and informative.
5. **Default investment arrangement** – Very good – the new "Universal" default investment strategy, implemented in July 2019, was designed considering the unique requirements of the Scheme and is appropriate for members targeting all three retirement outcomes. The Trustee is confident that this new strategy is relevant for the majority of members. The additional default, the My Cash Fund, has performed in line with expectation and is appropriate as a temporary fund for member contributions. The My Property Fund was suspended in March 2020. This suspension was lifted in September 2020.
6. **Self-select investment range** – Very good – the Scheme offers three alternative lifetime strategies which target the three main retirement choices. The self-select fund range is concise, good value and covers all major asset classes.
7. **At - retirement services** – Good – members have access to a wide range of investment options, paid for advice in respect of annuity options and support when making decisions. The Trustee considered offering a post-retirement solution (such as partnering with a Master Trust or SIPP) but have decided not to proceed with this for now due to low demand from membership.
8. **Scheme design** – Very good – the Company's and Trustee's commitment to the Scheme is strong and demonstrated in the design and contributions.

Overall, the Trustee believes that members of the Scheme are receiving good value for money for the charges and cost that they incur. The Trustee believe this for the following reasons:

- The costs and charges deducted from members provide good value in relation to the benefits and services they receive, when compared to other options available in the market.
- The charges for the default investment fund are below the charge cap (0.75% pa).
- The Scheme offers a wide range of services to ensure members receive a quality service.
- The Trustees carry out regular strategic reviews (for example benchmarking the fees members pay and the fund range available against other UK Pension Schemes) to monitor whether the Scheme provides good value for members on an on-going basis.
- The Trustees include assessing value for members on the Scheme's risk register.
- A good fund range is offered to members, with funds across the risk/return spectrum to cater for a range of member needs.

6. Trustee knowledge and understanding

The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustee, with the help of its advisers, regularly consider training requirements to identify any knowledge gaps. There are at least two dedicated training days each year. The Trustee's investment advisers assist by proactively raising any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material.

All the Trustee Directors are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out the Trustee's policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, the Trustee believe they have sufficient 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 to fulfil their duties.

All new Trustee Directors must complete an induction plan within the first six months of appointment. The Induction covers the following areas:

- Overview of the Scheme;
- Introduction to Trustee role;
- Overview of a DC Scheme;
- Pension scheme funding training;
- Pension scheme investment training;
- GDPR; and
- Trustee toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law).

All the Trustee Directors are required to commit to completing the training, either at the relevant meetings or by personal study. Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

There is a Training and Development Framework in place which was last updated in March 2019. This document sets out the structure of identifying any gaps in the Trustee Directors knowledge via self-assessment questionnaires which are reviewed at least every two years, or more regularly if there is a significant change in Trustee expectations from the Pensions Regulator. The results from these are discussed 1:1 with the Chair of the Trustee Board at a development discussion to agree individual training and development activities for the year ahead. The Trustee also appointed an external advisor to undertake a Trustee effectiveness analysis, which was concluded in 2019, to ensure that Trustee skills and core competencies are identified.

A training log is maintained and updated on a quarterly basis in line with best practice. Progress against the agreed plan will be discussed at the following year's 1:1 review session.

The Trustee's approach to meeting the TKU requirements includes:

- Maintaining a rolling programme of bespoke Trustee training which is delivered during two designated training days and within Trustee meetings where appropriate;

- recording all training and attendance at appropriate seminars in the Trustee training log in order to support the Chair's statement;
- circulating to each Trustee Director "hot topics" and general updates from its advisers about DC and legal matters;
- reviewing the training programme annually following an assessment of Trustee knowledge, understanding and skills;
- carrying out an effectiveness self-assessment from time to time; and
- update on DC Developments (Cold-calling regulations, Auto-enrolment, Brexit, Environmental, Social and Governance, Trustee Role and DC Scheme Overview).

Over the Scheme year, the Trustee Directors have received training on the following:

- Environmental, Social and Governance ("ESG"), including current and upcoming regulatory developments on ESG;
- Responsible investing principles;
- The new SIP requirements;
- New DC investment guidance;
- TPR update on regulatory activity;
- Chair's Statement;
- Cyber security, admin issues highlighted by TPR;
- New TPR consultation of Trusteeship and governance;
- PLSA Retirement Living Standards;
- Climate-related risk assessment and disclosure; and
- PLSA stewardship and voting guidelines.

The knowledge and experience the Trustee Board possesses includes:

- The Trustee Board is conversant with the Scheme's trust deed and rules, SIP and other key administrative documents, and has appropriate knowledge of pensions and trust law and matters relating to scheme funding and investment.
- The Chair of the Trustee Board is a professional trustee who has many years' experience of acting as a pension scheme trustee for a number of different schemes.
- The Trustee Board's specialist legal, actuarial and DC advisers attend trustee meetings as appropriate to advise on specific matters on the agenda.
- The combined experience of the Trustee Board includes expertise on a broad range of business disciplines and commercial expertise.

Considering the knowledge and experience of the Trustee Directors and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.

Huw Evans

for BESTrustees Limited acting as Chair of the Trustee Board of the LV= Pension Scheme Trustee

25/09/2020

Date