

W A Fairhurst & Partners 1997 Retirement Plan (the “Plan”)

Annual Governance Statement from the Chair of the W.A. Fairhurst Trust Company Limited (“the Trustee”)

Introduction

In line with the requirements that apply to defined contribution pension arrangements from 6 April 2015, I am pleased to supply the annual governance statement from the Chair of the Trustee. This statement covers the period from 1 July 2020 to 30 June 2021.

The Trustee is very mindful of all of the relevant legislation and this statement will outline the steps that we have taken, with advice as required from our professional advisers, to meet all governance requirements. The governance requirements are considered by the Trustee at each of our regular meetings and we check directly with the Plan administrators that all of the necessary controls and processes are in place.

After reading this statement, should you have any queries in relation to the running of the Plan, please contact the Trustee, c/o Alistair Scott, Secretary to the Trust Company, Fairhurst, 225 Bath Street, Glasgow, G2 4GZ or by email to: alistair.scott@fairhurst.co.uk

The Trustee has reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in:

- The Pensions Regulator’s Code of practice 13: Governance and administration of occupational defined contribution (“DC”) trust-based Plans
- Regulatory guidance for defined contribution Plans
- The governance standards set out in the Occupational Pension Schemes (Charges and Governance) Regulations 2015

These requirements are underpinned by the DC quality features.

Based on our assessment and subject to the explanations set out below we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance.

These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members at retirement.

Statement of Investment Principles

In line with the requirements of the Pensions Act 1995, the Plan has a Statement of Investment Principles which is available on the employer’s website: www.fairhurst.co.uk or from Alistair Scott, Secretary to the Trust Company upon request. The current investment objectives of the Plan are;

- To offer members sufficient choice to tailor their investments to their own personal and financial circumstances; and
- To consider the cost and complexity of the Plan in terms of administration and communication.

The Trustee believes, having taken professional advice from XPS Administration, that the investment objectives will be met using two different categories of fund type for the different phases in a typical member’s life cycle. These types of funds are termed ‘growth’ and ‘protection’ (gilts/ sterling) and are expected to offer members sufficient choice to meet their own needs. Members can now choose any of three “Growth” funds according to their risk appetite.

The Trustee recognises that by making these types of funds available, they are offering options

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to satisfy, in the broadest terms, the reasonable requirements for return and risk combinations of most members.

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Default Investment Arrangement

Members have the opportunity, through the provision of investment choices, to tailor their investments.

The default option (for those members who do not wish to select their preferred growth fund) is a combination of the Baillie Gifford Managed Pension Fund (from the growth funds) allied with the protection engine. Irrespective of which growth engine the member selects, from age 53, the protection engine would be automatically activated.

This protection engine is a process in which, over the 10 year period from reaching 53 years of age, a member’s fund is gradually transferred to the existing Legal & General Gilt and Cash funds, in order to eliminate the risk of a drop in equity values or change in annuity rates immediately prior to retirement.

The funds will be transferred as per the matrix below:-

Age Attained	Growth engine (%)	Long Gilt Fund (%)	Cash Fund (%)
52	100	0	0
53	95	5	0
54	90	10	0
55	85	15	0
56	80	20	0
57	75	25	0
58	60	35	5
59	45	45	10
60	30	55	15
61	15	65	20
62	0	75	25
63	0	75	25

The risk issues in the default option and the other available Funds have been considered by the Trustee. They concluded that where the members decide to invest outwith the default option the individual members must be responsible for assessing their own risk parameters and for making an informed choice on investments.

The Trustee has reviewed the Investment Manager’s policy on environmental, social and corporate governance (“ESG”) issues and have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan’s Investment Managers. The Trustee Directors require the Plan’s Investment Managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

Furthermore, the Trustee Directors, with the assistance of the Investment Adviser, monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee Directors’ requirements.

The Trustee actively monitors the return achieved by the default investment option and the other fund options made available to the members. The performance against the benchmark is contained in a report received from XPS Investment Limited at each Trustee meeting. These performance reports include 3 year performance information and the Trustee intends to receive and review a report at each of their meetings instead of having a specific 3 year

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performance review.

With regard to the realisation of investments, all of the assets are held in asset classes that are sufficiently liquid to be realised if the Trustee or the members should require (i.e. the underlying investments are traded regularly on a public exchange or invested via units in a pooled fund with frequent dealing dates).

XPS Administration: Administration

The processing of core financial transactions is regularly monitored by the Plan administrators, XPS Administration (XPS), who have implemented internal control procedures that help ensure that core financial transactions are processed promptly and accurately. This includes controls and procedures to manage the receipt and timely investment of contributions, the accuracy of investment allocations, investment switches required by the lifestyling arrangement and the payment of transaction monies to the Trustee for settlement by the onsite team to the member.

XPS provide regular reports which are considered by the Trustee at each of the two meetings held annually. The Plan administrators attend each meeting of the Trustee to discuss the contents of these reports. Should any issues arise in connection with the processing of core financial transactions and/or service delivery, the Trustee would ask XPS to address them promptly.

In line with the assurances received from XPS which include the provision annually of an Assurance Report on Internal Controls (SOC report), the Trustee is confident that the processes and controls operated by the Plan Administrators are robust.

Costs and Charges

Transaction costs and charges borne by members may have a significant impact on their pension savings, so it is important we keep the level of these deductions under review.

On a regular basis we assess the level of charges and, should this be appropriate, the level of transaction costs borne by members. This assessment would include all investments selected by members, i.e. the default arrangement and self-select investment options.

The investment manager’s expenses and fees are met by a charge on the fund, which is incorporated in the price of the units. The charge for each of the investment options made available by the Trustee is as follows;

Baillie Gifford Managed Pension Fund 0.42%

Baillie Gifford Global Alpha Pension Fund 0.60%

Legal & General Diversified Growth Fund 0.31%

Legal & General Over 15 Year Gilts Index Fund 0.10%

Legal & General Sterling Liquidity Fund 0.13%

Does the Plan represent “Good Value” for the members?

As part of our assessment of transaction costs and charges we consider the extent to which they offer good value to the members. Our assessment takes into account the range of

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member deductions including those associated with administration, investment management and investment governance, reflecting on the nature of benefits provided and service quality.

Our assessment therefore considers the benefits of membership in the Plan against costs of membership. This required us to establish what members actually value from participation and this included access to XPS’s “Planner” tool and the regular communications from the Trustee. Based on our assessment we are confident that the Plan is offering good value to members. This will continue to be kept under review.

Trustee knowledge and understanding

Upon appointment and subsequently each trustee director is required to maintain appropriate levels of trustee knowledge and understanding, both individually and collectively. This is managed in a number of ways including:

- All of our Trustee directors are required to complete the Pensions Regulator’s eLearning trustee toolkit.
- The regular reviews of Trustee training requirements with action as appropriate.
- Additional Trustee training provided by our advisers, as required.

In addition to the skills within the Trustee board, we have also appointed a number of professional advisers who provide specialist support and advice. In addition to XPS we have also appointed a Lawyer and an Auditor.

Pooling all these resources means that the Trustee is well equipped to exercise our functions and to manage the Plan effectively.



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M Peden, Chair of the Trustee

31 January 2022
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