Mercer

Roquette UK Limited Retirement Benefit Scheme (The "Scheme")

Value for Members Assessment

Annual report

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May 2024

welcome to brighter

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Agenda

1. Introduction
2. Executive Summary
3. Price Assessment
4. Performance Assessment
5. Productivity Assessment
6. Summary
7. Appendix

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Introduction

1

Introduction
Value for Members assessment

This presentation is addressed to the Roquette UK Limited Retirement Benefit Scheme (the "Scheme"). The purpose of this presentation is to review whether the Scheme is, in the opinion of Mercer, offering good value for members.

Objectives

This year's review is based on the new regulatory requirements for value for members assessments for "small schemes", explained below. Our analysis in this presentation is split between three key areas, as required under the regulations:

- Member-borne **charges and transaction costs**, assessed comparatively with three other DC arrangements.
- **Net investment performance** of the Scheme's investment options, assessed comparatively with three other DC arrangements.
- An assessment of the Scheme's **administration and governance** offering against seven key metrics.

These areas are consistent with the three Ps (as explained on the following slide) we have used in previous year's assessments, which we have adapted slightly to allow for the more prescriptive requirements going forward.

Regulatory Requirements

"Small scheme" Value for Members assessment

- For scheme year ends after 31 December 2021, for schemes with an asset size under £100m*, it is a regulatory requirement to carry out a detailed value for members assessment involving a comparison of reported costs and charges and fund performance (net investment returns) with three other DC arrangements, and a consideration of key governance and administration criteria.
- The outcome of the assessment must be explained in the annual chair's statement, published on a publicly available website and reported to the Pensions Regulator (TPR) via the annual scheme return.
- The purpose of the new 'comparative' element of the assessment is to help trustees determine whether members would achieve better value in an alternative DC arrangement.
- If trustees determine their Scheme does not provide good value for members today, they should look to wind up the scheme and transfer members' rights into a larger DC arrangement or set out the immediate action they will take to make improvements to the existing scheme.

* The legislation specifies the scheme asset size assessed should be that recorded in the audited accounts for the scheme year that ended most recently. We have interpreted this as the scheme asset size in the audited accounts as at 31 December 2022. **This is does not constitute legal advice**; please contact your legal adviser or auditor for any advice on this matter.

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Introduction
Comparative DC arrangements

- The value for members regulations require the Trustees to compare costs & charges, and net performance, of the Scheme against three alternative DC arrangements, that may be able to accept the members and assets of the Scheme should the Scheme be wound up.
- In practice there are different types of arrangement that may meet the definition above. For the purposes of this assessment, we have focussed on the DC 'master trust' market. A master trust is a trust-based DC arrangement that is used by multiple employers. The master trust market has been growing rapidly over the past decade, in terms of asset size and number of members.
- There are c. 34 master trusts in the UK DC market, authorised by the Pensions Regulator, that may be able to take on the Scheme's members and assets should the Scheme be wound up. For the purposes of this assessment, we have used the following master trusts as part of the Price and Performance comparison:

Master Trust	Rationale
Aviva Master Trust	• Aviva is one of our favoured providers in the DC market and operates a DC master trust. • Following discussions, Aviva have been able to provide indicative, scheme-specific pricing, and investment performance data for comparison against the Scheme's investment strategy.
NEST Master Trust	• NEST is a master trust set up by the government and is one of the largest pension schemes in the UK (net assets as at 31 March 2023: £29.6bn). NEST has a long track record, with most funds having been launched in 2011. • Unlike many master trust providers, NEST does not have a minimum asset size requirement to accept schemes transferring in.
The People's Pension Scheme	• The People's Pension is one of the largest master trusts in the UK, with over 5 million members and over £20.4bn of assets as at 31 March 2023. The People's Pension has a long track record, with most funds having been launched in 2013. • Unlike many master trust providers, The People's Pension does not have a minimum asset size requirement to accept schemes transferring in.

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Introduction

Three P framework

In previous years' reviews, Mercer has assessed value using a "**the three Ps" framework**. These areas are aligned with the three assessment areas required under the new regulations; we have therefore retained this framework, while reflecting the prescriptive assessment requirements set out by the regulations.

Price

Was the price paid competitive against comparable alternatives?

- While costs and charges form part of the assessment criteria, net performance is the key measure of overall value offered. Therefore the Price factor has a lower weight to the overall value score than the Performance factor (and Productivity factor).

Performance

Has net performance been competitive against comparable alternatives?

- Net performance of an investment option relative to comparative options within the three comparator arrangements. Past performance is not necessarily an indicator of future performance, however sustained long term underperformance would not be an indicator of good value historically.

Productivity

Does the governance and administration offering provide good value?

- Good governance and administration is essential to the well-running of pension schemes. Regulation requires an absolute (i.e. not relative to the three comparator schemes) and prescriptive assessment against seven key metrics.

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Executive summary

2

Executive summary
Value for Members assessment

Rating	Meaning
	Offers poor value
	Offers reasonable value
	Offers good value

We believe the Roquette UK Limited Retirement Benefit Scheme offers reasonable value for members across a range of factors (3 Ps):

Price

Overall rating:

POOR

Total costs and charges are higher than those of the three comparator schemes, largely due to the high level of transaction costs during the Scheme year. The actively-managed nature of the default strategy fund also results in higher ongoing charges. It should be noted that some of the comparator schemes charge a policy fee and a fee on ongoing contributions, which the Scheme does not.

The default arrangement has higher charges, but the self-select fund range has lower charges versus those of the three comparator schemes.

Performance

Overall rating:

REASONABLE

The default arrangement has tended to underperform the three comparator schemes over the time periods assessed, largely due to its relatively conservative multi-asset approach. We note this has been addressed as part of the investment strategy review completed in 2023, with resultant changes due to be implemented during 2024.

Performance of the self-select fund range has been mixed compared with those of the three comparator schemes.

Productivity

Overall rating:

REASONABLE

The Scheme's governance and administration arrangements have been assessed as adequate to ensure the well-running of the Scheme. We have set out a series of actions the Trustees may want to undertake in light of this assessment to further improve the value members are offered in the Scheme.

Overall

Overall rating:

REASONABLE

Our overall assessment is that the Scheme offers reasonable value for members, based on the assessment criteria shown alongside.

Further explanation of this rating can be found overleaf.

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Conclusion
Proposed actions

- Based on our assessment, we propose the Trustees continue with implementation of the investment strategy changes agreed in November 2023 to improve the expected value offered in respect of Price and Performance going forward.
- In addition, we propose the following actions from a governance and administration perspective to improve the value for members present:
  - Undertake a tracing exercise and put in place an action plan to address the data issues and deal with the data failures identified in the 2023 data audit.
  - Review and update the training log and undertake training to address any knowledge gaps.
  - Consider undertaking a Trustee Effectiveness Review.
  - Consider increasing the frequency of meetings / investment monitoring to a quarterly basis.

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Price assessment

3

Price assessment
Introduction

- The following pages compare the total costs and charges for the Scheme's most popular investment options, against the closest-match investment options offered by the three comparator arrangements, as at 31 December 2023.
- The table below sets out the investment options being compared:

DC arrangement	Default	Self-select (most popular)	Self-select (second most popular)
Roquette UK Limited Retirement Benefit Scheme	Columbia Threadneedle Multi-Asset Fund	BlackRock Aquila Connect 60:40 Global Equity	BlackRock Aquila Connect Over 15 Years Gilt Index
Aviva	My Future Focus	Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Tracker	Aviva Pension MyM BlackRock All Stocks UK Gilt Index Tracker
NEST	NEST Retirement Funds	NEST Higher Risk Fund	NEST Lower Growth Fund
People's Pension	Balanced profile	Global Investments (up to 60% shares) Fund	Annuity Fund

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Price assessment
Default arrangement (1)

Age	Default	Ongoing charges p.a.	Transaction costs p.a.	Total p.a.	Difference in Total (vs Current default)
25	**Current**	**0.56**	**0.40**	**0.96**	-
	Aviva	0.30	0.08	0.38	**-0.58**
	NEST	0.30	0.05	0.35	**-0.61**
	People's Pension	0.50	0.06	0.56	**-0.40**
35	**Current**	**0.56**	**0.40**	**0.96**	**-**
	Aviva	0.30	0.08	0.38	**-0.58**
	NEST	0.30	0.06	0.36	**-0.60**
	People's Pension	0.50	0.06	0.56	**-0.40**
45	**Current**	**0.56**	**0.40**	**0.96**	**-**
	Aviva	0.30	0.08	0.38	**-0.58**
	NEST	0.30	0.06	0.36	**-0.60**
	People's Pension	0.50	0.06	0.56	**-0.40**

Source: *Mobius, Aviva, NEST and People's Pension.*
Mobius as at 31 December 2023.
Aviva TERs as at 31 December 2023, Transaction Costs as at 30 June 2023.
NEST TERs and Transaction Costs as at 31 March 2023. In addition to the annual charge, NEST apply a 1.8% charge on every contribution a member makes into their pot.
People's Pension TERs and Transaction Costs as at 31 March 2023. The People's Pension also charges a policy fee for members.

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Price assessment
Default arrangement (2)

Age	Default	Ongoing charges p.a.	Transaction costs p.a.	Total p.a.	Difference in Total (vs Current default)
55	**Current**	**0.56**	**0.40**	**0.96**	**-**
	Aviva	0.30	0.08	0.38	**-0.58**
	NEST	0.30	0.06	0.36	**-0.60**
	People's Pension	0.50	0.05	0.55	**-0.41**
65	**Current**	**0.56**	**0.40**	**0.96**	**-**
	Aviva	0.30	0.07	0.37	**-0.59**
	NEST	0.30	0.01	0.31	**-0.65**
	People's Pension	0.50	0.04	0.54	**-0.42**

Source: *Mobius, Aviva, NEST and People's Pension.*
Mobius as at 31 December 2023.
Aviva TERs as at 31 December 2023, Transaction Costs as at 30 June 2023.
NEST TERs and Transaction Costs as at 31 March 2023. In addition to the annual charge, NEST apply a 1.8% charge on every contribution a member makes into their pot.
People's Pension TERs and Transaction Costs as at 31 March 2023. The People's Pension also charges a policy fee for members.

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Price assessment
Self-select (two most popular funds)

Arrangement	Self-select option	Ongoing charges p.a.	Transaction costs p.a.	Total p.a.	Difference in Total (vs current default)
Current	**BlackRock Aquila Connect 60:40 Global Equity**	**0.27**	**-0.01**	**0.26**	-
Aviva	Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Tracker	0.26	0.08	0.34	**0.08**
NEST	NEST Higher Risk Fund	0.30	0.08	0.38	**0.12**
People's Pension	Global Investments (up to 60% shares) Fund	0.50	0.05	0.55	**0.29**
Current	**BlackRock Aquila Connect Over 15 Years Gilt Index**	**0.24**	**0.00**	**0.24**	**-**
Aviva	Aviva Pension MyM BlackRock All Stocks UK Gilt Index Tracker	0.20	0.03	0.23	**-0.01**
NEST	NEST Lower Growth Fund	0.30	0.00	0.30	**0.06**
People's Pension	Annuity Fund	0.50	0.01	0.51	**0.27**

Source: *Mobius, Aviva, NEST and People's Pension.*
Mobius as at 31 December 2023.
Aviva TERs as at 31 December 2023, Transaction Costs as at 30 June 2023.
NEST TERs and Transaction Costs as at 31 March 2023. In addition to the annual charge, NEST apply a 1.8% charge on every contribution a member makes into their pot.
People's Pension TERs and Transaction Costs as at 31 March 2023. The People's Pension also charges a policy fee for members.

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Price assessment
Conclusions

- **Default**
  - The Scheme's costs and charges across all ages assessed have been higher than those of the comparator arrangements.
    - While the Scheme's costs and charges are on average higher than those of the comparator arrangements, the Trustees have agreed in principal to make several changes following the recent triennial investment strategy review to address these higher costs. Resultant changes are due to be implemented in 2024 which will be reflected in next year's assessment.
    - The use of active management within the Scheme's default, with the aim of helping manage investment risk, has also resulted in relatively high member charges compared to passive comparator arrangements.
- **Self-select**
  - The Scheme's costs and charges across the two most popular self-select options have been lower than those of similar funds within the comparator arrangements, though it should be noted that, due to the nature of the funds available in the comparator schemes, the comparator funds are not "like for like" in respect of objectives and underlying assets.
  - For example, the Aviva comparator fund (Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Tracker) does not have the same UK weighting as the Schemes' fund (BlackRock Aquila Connect 60:40 Global Equity) and also has currency hedging.
  - Similarly, NEST Lower Growth Fund is a mix of UK and global corporate bonds whereas the Scheme's fund (BlackRock Aquila Connect Over 15 Years Gilt Index) is a government bond fund.

Overall, we view the Scheme's costs and charges as reasonable versus the comparator schemes. The default strategy is entirely actively managed, giving rise to higher investment charges (the changes agreed as part of the November 2023 investment strategy review will increase the proportion of passive management, lowering investment charges), while the Scheme's self-select funds tend to be lower cost than those of the comparator schemes. **We therefore view the Scheme's costs and charges as representing reasonable value for members.**

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Performance assessment

4

Performance assessment
Introduction

- The following pages compare net investment performance for the Scheme's most popular investment options, against the closest-match investment options offered by the three comparator arrangements, as at 31 December 2023.
- For the basis of comparison, the same investment options are considered as in the previous section regarding total costs and charges:

DC arrangement	Default	Self-select (most popular)	Self-select (second most popular)
Roquette UK Limited Retirement Benefit Scheme	Columbia Threadneedle Multi-Asset Fund	BlackRock Aquila Connect 60:40 Global Equity	BlackRock Aquila Connect Over 15 Years Gilt Index
Aviva	My Future Focus	Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Tracker	Aviva Pension MyM BlackRock All Stocks UK Gilt Index Tracker
NEST	NEST Retirement Funds	NEST Higher Risk Fund	NEST Lower Growth Fund
People's Pension	Balanced profile	Global Investments (up to 60% shares) Fund	Annuity Fund

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Performance assessment

Default

Age 25 at start of period	One year to 31/12/2023		Five years p.a. to 31/12/2023	
	Performance	vs Current	Performance	vs Current
Current	**7.8**	**-**	**6.2**	**-**
Aviva	9.5	1.7	6.5	0.3
NEST	12.1	4.3	7.9	1.7
People's Pension	10.8	3.0	6.8	0.6
Age 45 at start of period	**One year to 31/12/2023**		**Five years p.a. to 31/12/2023**	
	Performance	vs Current	Performance	vs Current
Current	**7.8**	**-**	**6.2**	**-**
Aviva	9.5	1.7	6.5	0.3
NEST	12.1	4.3	8.0	1.8
People's Pension	10.8	3.0	6.8	0.6
Age 55 at start of period	**One year to 31/12/2023**		**Five years p.a. to 31/12/2023**	
	Performance	vs Current	Performance	vs Current
Current	**7.8**	**-**	**6.2**	**-**
Aviva	9.4	1.6	5.5	-0.7
NEST	11.7	3.9	6.6	0.4
People's Pension	9.1	1.3	4.3	-1.9

Source: *Mobius, Aviva, NEST and People's Pension, net of member-borne costs and charges*

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Performance assessment
Self-select

Most popular self-select option	One year to 31/12/2023		Five years p.a. to 31/12/2023	
	Performance	vs Current	Performance	vs Current
BlackRock Aquila Connect 60:40 Global Equity	**10.6**	**-**	**8.5**	**-**
Aviva Pension MyM BlackRock (30:70) Currency Hdgd Global Equity Tracker	16.6	6.0	10.1	1.6
NEST Higher Risk Fund	11.7	1.1	8.3	-0.2
Global Investments (up to 60% shares) Fund	9.4	-1.2	5.1	-3.4

Second most popular self-select option	One year to 31/12/2023		Five years p.a. to 31/12/2023	
	Performance	vs Current	Performance	vs Current
BlackRock Aquila Connect Over 15 Years Gilt Index	**1.8**	**-**	**-6.8**	**-**
Aviva Pension MyM BlackRock All Stocks UK Gilt Index Tracker	3.5	1.7	-2.9	3.9
NEST Lower Growth Fund	6.0	4.2	1.1	7.9
Annuity Fund	7.3	5.5	-2.5	4.3

Source: *Mobius, Aviva, NEST and People's Pension, net of member-borne costs and charges*

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Performance assessment
Conclusion

- **Default**
  - The Scheme's net investment returns across the majority of ages assessed have been lower than those of the comparator arrangements.
    - While the Scheme's investment performance is, on average, lower than those of the comparator arrangements, the Trustees are taking action following the recent triennial investment strategy review to address this. Resultant changes are due to be implemented in 2024.
- **Self-select**
  - The Scheme's net investment returns across two most popular self-select options have been mixed when compared to those of similar funds within the comparator arrangements.
    - BlackRock Aquila Connect 60:40 Global Equity: the performance of this fund has been higher than two of the three comparator funds. The overweight to the UK may have influenced returns when in comparison, the Aviva Pension MyM BlackRock (30:70) Currency Hedged Global Equity Tracker is currency hedged and is invested in a higher allocation to global equities.
    - BlackRock Aquila Connect Over 15 Years Gilt Index: this fund has performed behind its comparator funds. This is largely due to the bond market volatility over the last few years. Corporate bond funds have faired better in comparison and the comparator funds hold an allocation to these types of bonds so the performance is not like-for-like.
  - While the self-select fund comparators are the most similar available through the comparator schemes, their objectives differ from the Scheme's self-select funds. This has resulted in performance of the comparators generally being higher than that of the Scheme's funds.

We therefore believe while there is scope to improve the long term expected investment performance within both the default strategy and self-select fund range, which has been addressed as part of the recent investment strategy review.

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Productivity assessment

5

Productivity
Governance and Administration

Introduction

- The DWP states: effective scheme governance is essential for the operational and financial sustainability of pension schemes, for good outcomes from investment, and for the trust and confidence of scheme members.
- The DWP sets out seven key metrics that must be considered and assessed, including core financial transactions, investment governance, and trustee knowledge and understanding.
- Reflective of the DWP's guidance that it is not enough to simply state that the Trustees of the Scheme have met the requirements, we have set out explanations of how the requirements have been met.

Summary

- Our overall assessment of the Scheme indicates that it offers reasonable value for members across the governance and administration requirements set out.

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Productivity
Overview

Area	Assessment	Comments
Promptness and accuracy of core financial transactions		99% of core financial transactions were processed promptly and accurately over the Scheme year.
Quality of record keeping		The Trustees undertook a review of the Scheme's data in April 2023 which highlighted some issues with the records. **We recommend the Trustees undertake a tracing exercise to address these issues.**
Appropriateness of the default strategy		A full review of the default investment strategy was carried out in November 2023, with resultant changes due to be implemented in 2024.
Quality of investment governance		The Scheme has a strong governance structure in place through the Trustees. The investment strategy is reviewed triennially to ensure ongoing appropriateness for the Scheme's membership. Ongoing investment performance monitoring takes place at Trustee meetings with the support of the Trustee's investment adviser. The Trustees also have a detailed Risk Register in place which is reviewed regularly, as well as a Business Plan and Governance Report summarising key information relating to Funding, Investment and Scheme Documentation. This is reviewed at each Trustee meeting.
Level of trustee knowledge, understanding and skills to operate the pension scheme effectively		The Trustees have a wide range of backgrounds, experience and skills and are confident that their combined knowledge and understanding enables them to exercise properly their function as the Trustees to the Scheme. The Trustees receive updates on topical pension and investment issues from their advisers at each Trustees' meeting, and between meetings as they arise. However, evidence of Trustee training was not reflected in the Governance Report over the Scheme year so **we recommend the Trustees review the training log and undertake training to address any knowledge gaps**.

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Productivity
Overview (cont.)

Area	Assessment	Comments
Quality of communication with scheme members		Regular communications are issued to members which include the Annual Benefit Statement and a Newsletter. However, members do not have online access to view these documents. The Trustees review member communications to ensure they are in a format that is clear for members. Ad hoc or targeted communications are considered as required by the Trustees.
Effectiveness of management of conflicts of interest		The Trustees have a Conflicts of Interest Register which is reviewed at each Trustee meeting and any new conflicts are recorded.

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Productivity

Promptness and accuracy of core financial transactions

Overall rating

Area	Assessment	Comments
The following core financial transactions were processed promptly and accurately over the Scheme year:		
Payment in and investment of member and employer contributions		All contributions were received within the timescales required by TPR and no errors were identified.
Transfers between schemes		All transfers were completed within the SLAs required and no errors were identified.
Transfers and switches between investments within a scheme		All investment switches were completed within the SLAs required and no errors were identified.
Payments out of the scheme to beneficiaries		All payments to beneficiaries were completed within the SLAs required and no errors were identified.

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Productivity
Quality of record keeping

Overall rating

Area	Assessment	Comments
Security of data:		
Controls are in place to ensure that scheme members data is secure and processed in accordance with the Data Protection Act 1998		Data protection agreements are in place with all third party providers. Data protection is tested as part of the annual audit. At a provider level, data protection is tested as part of the annual AAF report which is reviewed by the Trustees.
Security features prominently in the scheme's risk register		Individual risks are noted on the Risk Register for business continuity, data protection and cyber security. The Risk Register was last updated in September 2023 to reflect the significant rise in gilt yields and its impact on assets and funding.
Data security controls are put in place by the outsourced provider		Evidenced by the provider's AAF report which is reviewed by the Trustees' annually.

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Productivity
Quality of record keeping (cont.)

Area	Assessment	Comments
Accuracy and scope of records/data kept:		
The Trustees are holding all the data they are required to hold by law		The administrator holds all member data. Minutes of Trustees' meetings are recorded and details discussions and decisions made.
The common data held is of sufficient quality and accuracy		The Scheme's common data score was 90% for April 2023. The failures are primarily because of member addresses or post codes. There is no indication of any future tracing exercises to address these gaps. **We recommend the Trustees consider undertaking a tracing exercise to address these issues.**
The scheme-specific data held is of sufficient quality and accuracy		The Scheme's scheme-specific data score is 86.6% for April 2023. **We recommend that an action plan is put in place to deal improve the data score as soon as possible.**
Review of data:		
A review of member records has been carried out in advance of this VFM assessment		A review of member records was carried out during the Scheme year as confirmed above. **We recommend an action plan is put in place to address the issues identified.**

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Productivity

Appropriateness of the default strategy

Overall rating

Area	Assessment	Comments
The following statements apply to the Scheme:		
The investment strategy is clear, is appropriate for each stage of the member journey, and is consistently followed in accordance with strategy objectives		The default investment strategy for the Scheme is the Columbia Threadneedle Multi Asset Fund (MAF) which members are invested in throughout their time to retirement. This strategy has been in place since 31 January 2017. Currently there is no lifestyling so members are not de-risked as they approach their retirement date. This strategy is clearly illustrated in publicly-available scheme documents such as the Chair's Statement. The Trustees instigated their triennial investment strategy review in November 2023, with resultant changes due to be implemented during 2024.
The value added from portfolio construction, asset allocation and manager selection is assessed when the investment strategy is reviewed		The latest default investment strategy review was carried out in 2023. The strategy outlined above was assessed as part of this review and, as a result, the Trustees agreed in principle to the recommended changes. These investment strategy reviews should take place triennially to ensure it remains appropriate for members.

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Productivity
Appropriateness of the default strategy (cont.)

Area	Assessment	Comments
The following statements apply to the Scheme:		
The risk and return in the investment strategy is properly considered and is suitable for the objectives of the scheme and the demographic profile of the members		The risk and return of the default investment strategy was assessed as part of the latest review of the default investment option, carried out in 2023, in relation to the Scheme objectives and demographics. The Trustees considered both quantitative and qualitative measures for these risks as well as how best to manage the various risks facing DC members. In addition to the default investment option, the Trustees make available a range of self-select funds for members to choose from that cover a wider range of asset classes.
The policies on ESG and climate change risks and opportunities in the statement of investment principles are not generic, but are tailored to the investment strategy of the scheme or fund		The Trustees review the ESG rating assigned by Mercer to each of the funds used within the Scheme on a biannual basis, as part of their ongoing investment governance. Mercer's ratings are assigned by its global manager research team, and indicate how well managers integrate ESG factors into the investment process. The Statement of Investment Principles ("SIP") includes policies on ESG and climate change risks and opportunities. However, these are not explicitly reflected in the current strategy. ESG was considered as part of the recent investment strategy review which recommended changes to the default strategy that would offer more focus on ESG factors.

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Productivity
Quality of investment governance

Overall rating

Area	Assessment	Comments
The following measures of good governance are in place for the Scheme:		
Documented and robust investment governance procedures are in place and adhered to. In schemes where there is more than one trustee, there is a clear investment governance structure in place and each member within that structure is clear about their role and level of authority in decision making.		The Trustees have a wide range of backgrounds, experience and skills and are confident that their combined knowledge and understanding enables them to exercise properly their function as the Trustees to the Scheme. **However, there is no record of an evaluation of the effectiveness of the Trustees and as such, we recommend the Trustees consider undertaking one.**

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Productivity
Quality of investment governance (cont.)

Area	Assessment	Comments
The following measures of good governance are in place for the Scheme:		
Where tasks and decisions in relation to investment are delegated, those individuals have the required knowledge and expertise to perform their role competently in accordance with sections 34 and 36 of the Pensions Act 1995 and are being held to account.		The Trustees receive advice from their investment advisor, Mercer, and continually assess and review the performance of its adviser in a qualitative way. The Trustees receive semi-annual monitoring reports on the performance of the underlying investment managers from Mercer, which presents performance information over 3 months, 1 year, and 3 years. The reports show the absolute performance, performance against the managers' stated target performance (over the relevant time period) on a gross of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance. The Trustees takes a long term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team ("MMRT"). This in turn would be due to a significant reduction in Mercer's confidence that the investment manager would be able to perform in line with their fund's mandate over the long term. Further to this, the SIP is reviewed triennially (or as required in response to any regulatory/legislative changes) and the investment strategy is reviewed at least triennially to ensure ongoing appropriateness for the Scheme's membership.

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Productivity
Quality of investment governance (cont.)

Area	Assessment	Comments
The following measures of good governance are in place for the Scheme:		
Trustees can demonstrate that where fiduciary managers and investment managers are used, trustees remain actively engaged with such managers when investment decisions are made.		Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class in which they invest. The Trustees receive biannual monitoring reports on the performance of the underlying investment managers from their investment adviser. The Trustees' responsibilities include assessing the quality of the performance and processes of the investment managers by means of regular reviews of investment returns and other relevant information, in consultation with their investment adviser. The Trustees may meet with investment managers if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit. Over the Scheme Year, while no changes to the investment strategy were made, the Trustees reviewed their investment strategy and any resultant changes would be reflected in the next Scheme year.

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Productivity
Quality of investment governance (cont.)

Area	Assessment	Comments
The following measures of good governance are in place for the Scheme:		
The trustee board as a whole has the knowledge and competence to oversee investment effectively, they ensure investment objectives and strategies are understood and followed, and are able to challenge investment advice where necessary.		The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping up-to-date with relevant developments and carry out a self-assessment of training needs to help identify any knowledge gaps. It has been agreed that relevant agenda items for Trustees' meetings will be treated as Trustee training topics. The Trustees receive updates on topical pension and investment issues from their advisers at each Trustees' meeting, and between meetings as they arise. The latest investment strategy review was conducted during the Scheme year, with the Trustees discussing the advice provided and challenging where appropriate. The relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. The Trustees also include legislative updates on the agenda for each meeting.
Reviews of how funds are performing against those objectives and reviews of portfolios are being carried out regularly.		The Trustees receive semi-annual monitoring reports on the performance of the underlying investment managers from Mercer, which presents performance information over 3 months, 1 year, and 3 years. The reports show the absolute performance, performance against the managers' stated target performance (over the relevant time period) on a gross of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance. A full review on the investment strategy was undertaken in November 2023.

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Productivity
Quality of investment governance (cont.)

Area	Assessment	Comments
The following measures of good governance are in place for the Scheme:		
Trustees recognise the role of trustees in asset allocation, setting investment strategy and the selection, monitoring and retention of managers.		The Trustees are actively involved in setting the investment strategy for the Scheme. They review the advice of the investment advisor at each biannual Trustee meeting and challenge advice received as necessary.
Trustees have risk management and continuity plans in place to deal with economic crises and market volatility, and clear governance structures in place in relation to long term financial sustainability of investments including consideration of climate change and ESG factors.		The Trustees recognise members are exposed to different types of risk at different stages of their working lifetimes. They consider both quantitative and qualitative measures for these risks as well as how best to manage the various risks facing DC members. The Trustees provide a range of investment options which enable members to reflect in their selection of funds the level of risk they wish to take in light of their own individual circumstances. The Scheme's Risk Register refers to the potential adverse impact of investment performance and business continuity and the SIP includes policies on ESG and climate change risks and opportunities, which are specifically tailored to the investment strategy of the Scheme.

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Productivity
Quality of investment governance (cont.)

Area	Assessment	Comments
The following measures of good governance are in place for the Scheme:		
Trustees have good oversight of the communication strategies used to keep members informed about their investment options.		The Trustees are actively involved in setting the tone and topics covered by communications, including communications relating to investments. The Trustees review all communications issued, which for the last Scheme year included Annual Benefit Statements and an annual Newsletter. However, there are no online access or tools provided for members. At the September 2023 Trustee meeting, it was agreed that the feasibility of implementing a member portal would be discussed early next year.

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Productivity

Level of trustee knowledge, understanding and skills to operate the pension scheme effectively

Overall rating

Area	Assessment	Comments
The following are demonstrable for the Trustee Board:		
Sufficient time is spent running the scheme.		Trustee meetings are held biannually, when TPR guidance is that meetings are held at least quarterly. **We recommend the Trustees increase the frequency of meetings to at least a quarterly basis.**
The trustee board is diverse in terms of background, experience and skills.		When establishing the structure of the Trustees, time was spent ensuring that a breadth of skills and backgrounds were incorporated. This not only included different areas of the business, but different skillsets. Additionally, the Trustees, where appropriate, have sought to ensure a good diversity in relation to age, gender and race.
The trustee board has good quality leadership and is effective in making decisions.		The Trustee has not carried out a Trustee Effectiveness Review during the Scheme year and **we therefore recommend the Trustees consider undertaking one**.
The trustee board has the necessary knowledge and understanding to carry out its role and act in the best interest of its members.		The Trustees consider any relevant agenda items for Trustees' meetings will be treated as Trustee training topics. The Trustees receive updates on topical pension and investment issues from their advisers at each Trustees' meeting, and between meetings as they arise. However, there is no record of training in the Governance Report during the Scheme year. **We recommend the Trustees regularly update the record to identify any knowledge gaps.**

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Productivity

Level of trustee knowledge, understanding and skills to operate the pension scheme effectively (cont.)

Area	Assessment	Comments
The following are demonstrable for the Trustee Board:		
The trustee board has good quality working relationships with employer and third parties.		The Trustees review their advisers on an ongoing basis with a more formal review undertaken annually. For the Scheme year, the Trustees confirmed they were satisfied with the investment advisor and the service provided relative to the agreed CMA objectives.

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Productivity

Quality of communications with scheme members

Overall rating

Area	Assessment	Comments
Does the trustee board communicate the type of information required under the Disclosure Regulations, to scheme members?		Yes, the SIP, Chair's Statement, Implementation Statement and any correspondence pertinent to Scheme members are disclosed within each Annual Benefit Statement.
Is information given to scheme members in an accurate, clear and concise way which is easy for them to understand?		Yes, standard format used for regular communications which are clear and member friendly.
Have scheme members' preferences for mode of communication been considered and technology and digital platforms used as appropriate?		Members do not have access to an online portal. The Trustees agreed to discuss the feasibility of offering online access to members in 2024.
Good quality and timely information is provided to scheme members in the following areas:		
Information and guidance in relation to the rights to transfer to another scheme		Yes, highlighted as part of standard communications.
Guidance on spotting potential scams		Yes, warnings and guidance are enclosed with Annual Benefit Statements.
Information to help with decision-making on investment options		Yes, outlined in member communications when any strategy changes are implemented and included on the Scheme's switch form. Additional information available on request.
Information in the retirement wake up pack		Yes, standard pack provided to members.

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Productivity

Quality of communications with scheme members (cont.)

Area	Assessment	Comments
General signposting of members to various guidance bodies		Yes, included as standard and in line with requirements as part of member quotations.
Information to help with decision making on pension saving, including, for example, an indication of the value at retirement and the impact of contribution levels on that value		Yes, included as part of Annual Benefit Statements.

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Productivity

Effectiveness of management of conflicts of interest

Overall rating

Area	Assessment	Comments
The Scheme has:		
A robust policy and written procedures in place that identify, manage and monitor conflicts of interest effectively, which is regularly reviewed		The Trustees have a Conflicts of Interest register which is tabled at each meeting.
Controls in place to ensure that all trustees are aware of the requirement to declare and discuss any potential conflicts		The Trustees have a standing item on conflicts of interest at each Trustees' meeting where they are reminded of the requirements.
A conflicts of interest register in place to record and declare interests that is discussed at every Board meeting		Yes, and tabled at each meeting.
Controls in place to ensure that all conflicts of interest are declared upon appointment of trustees and other service providers		Yes, new trustees are requested to complete the conflicts of interest register.

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Summary

7

Executive summary
Value for Members assessment

Rating	Meaning
	Offers poor value
	Offers reasonable value
	Offers good value

We believe the Roquette UK Limited Retirement Benefit Scheme offers reasonable value for members across a range of factors (3 Ps):

Price

Overall rating:

POOR

Total costs and charges are higher than those of the three comparator schemes, largely due to the high level of transaction costs during the Scheme year. The actively-managed nature of the default strategy fund also results in higher ongoing charges. It should be noted that some of the comparator schemes charge a policy fee and a fee on ongoing contributions, which the Scheme does not.

The default arrangement has higher charges, but the self-select fund range has lower charges versus those of the three comparator schemes.

Performance

Overall rating:

REASONABLE

The default arrangement has tended to underperform the three comparator schemes over the time period assessed, largely due to its relatively conservative multi-asset approach. We note this has been addressed as part of the investment strategy review completed in 2023, with resultant changes due to be implemented during 2024.

Performance of the self-select fund range has been mixed compared with those of the three comparator schemes.

Productivity

Overall rating:

REASONABLE

The Scheme's governance and administration arrangements have been assessed as adequate to ensure the well-running of the Scheme. We have set out a series of actions the Trustees may want to undertake in light of this assessment to further improve the value members are offered in the Scheme.

Overall

Overall rating:

REASONABLE

Our overall assessment is that the Scheme offers reasonable value for members, based on the assessment criteria shown alongside.

Further explanation of this rating can be found overleaf.

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Conclusion
Proposed actions

- Based on our assessment, we propose the Trustees continue with implementation of the investment strategy changes agreed in November 2023 to improve the expected value offered in respect of Price and Performance going forward.
- In addition, we propose the following actions from a governance and administration perspective to improve the value for members present:
  - Undertake a tracing exercise and put in place an action plan to address the data issues and deal with the data failures identified in the 2023 data audit.
  - Review and update the training log and undertake training to address any knowledge gaps.
  - Consider undertaking a Trustee Effectiveness Review.
  - Consider increasing the frequency of meetings / investment monitoring to a quarterly basis.

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Draft chair's statement wording

We propose the following wording is included within this year's chair's statement, summarising the results of the Trustee's value for members assessment:

- The Trustee is required to assess the extent to which the Scheme delivers value for members across three key areas:

Assessment area	Type of assessment
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.
Governance and administration	Standalone assessment of the Scheme's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest

- The Trustee has carried out a value for members assessment as at 31 December 2023. The conclusions of this assessment are set out in the table below:

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Draft chair's statement wording

Assessment area	Conclusion
Costs and charges	The Trustees have assessed the Scheme as offering poor value from a costs and charges perspective. The Scheme's costs and charges across the majority of ages assessed have been have been higher than those of the comparator arrangements. However, the use of active management within the Scheme's default, with the aim of helping manage investment risk, is the reason for the relatively high member charges compared to the comparator arrangements. The Scheme's costs and charges across the two most popular self-select options have been lower than those of similar funds within the comparator arrangements, though it should be noted that, due to the nature of the funds available in the comparator schemes, the comparator funds are not "like for like" in respect of objectives and underlying assets. The Trustees are taking action following the recent triennial investment strategy review to address these higher costs. Resultant changes are due to be implemented in 2024.
Net investment performance	The Trustee has assessed the Scheme as offering reasonable value from a net investment performance perspective. The Scheme's default strategy's net investment returns across the majority of ages assessed has been lower than those of the comparator arrangements. The Scheme's net investment returns across the two most popular self-select options have been mixed compared with similar funds within the comparator arrangements. We therefore believe there is scope to improve the long term expected investment performance within both the default strategy and self-select fund range, which has been addressed as part of the recent investment strategy review.
Governance and administration	The Trustees have assessed the Scheme as offering reasonable value from a governance and administration perspective. Areas for improvement include a data tracing exercise to improve the Scheme's data scores and assessing the feasibility of offering members access to an online portal to view information relating to their Scheme savings. The Trustees are due to address these items during 2024.

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Draft chair's statement wording

Assessment area	Conclusion
Overall	Overall, considering all three areas set out above, the Trustees have assessed the Scheme as offering reasonable value for members.

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Appendix

8

Appendix A
Investment returns: chair's statement disclosures

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Scheme year. The format of the data shown is consistent with that required to be shown in the Scheme's Chair's Statement, for Scheme year ends following 1 October 2021. For the avoidance of doubt, performance shown earlier in this report is also net of all charges and transaction costs.

Default strategy	Annualised returns to 31/12/2023 (%)	
Age of member at start of period	1 year	5 years
25	7.8	6.2
45	7.8	6.2
55	7.8	6.2

Self-select fund	Annualised returns to 31/12/2023 (%)	
	1 year	5 years
BlackRock Aquila Connect Cash Fund	4.5	1.2
BlackRock Aquila Connect 60:40 Global Equity*	10.6	8.5
BlackRock Aquila Connect Over 15y UK Gilt Index Fund	1.8	-6.8
BlackRock Aquila Connect Over 5y Index Linked Gilt Fund	0.5	-5.4

Source: *Mobius*
Performance shown net of all charges and transaction costs. Performance of standalone self-select options is independent of age, therefore performance is shown in a different format to the lifestyle performance on the previous page.
**The Scheme invested into this fund in Q2 2023, hence longer term performance is shown for information purpose only. Performance is shown on a Net Asset Value (NAV) basis, with gross income reinvested where applicable.*

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Appendix B
Additional Voluntary Contributions (AVCs)

The Trustees also make available a facility to Defined Benefit ("DB") section members to pay in additional contributions to boost their DB benefits, which is provided by Utmost. There is currently one member with assets in this arrangement and their assets are invested in Utmost's Investing by Age Strategy which includes the following funds:

AVC Funds	TER (%)	Transaction Costs (%)
Utmost Multi-Asset Moderate	0.75	0.00
Utmost Multi-Asset Cautious	0.75	0.00
Utmost Money Market	0.50	0.00

The below table sets out the performance of the AVC funds available to members over the 1 and 5 period to 31 December 2023.

AVC funds	Annualised returns to 31 December 2023 (%)		
	1 year	3 years	5 years
Utmost Multi-Asset Cautious	1.3	-2.1	-0.9*
Utmost Multi-Asset Moderate	4.2	1.6	1.3*
Utmost Money Market	4.4	1.7	1.0

Source: *Utmost, as at 31 December 2023*
**This fund was launched on 1 January 2020, therefore 5 year performance was not available. We have shown performance since inception.*

The Trustees have not undertaken a review of the AVCs in some time and given there is only one member with assets in this arrangement, we recommend the Trustees continue to monitor the AVCs as part of annuals scheme reporting.

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Appendix C
Risk warnings

- The value of stocks and shares, including unit trusts, can go down as well as up and members may not get back the amount they invested.
- The value of gilts, bonds, and other fixed income investments including unit trusts can go down as well as up and members may not get back the amount they invested.
- Investments denominated in a foreign currency will fluctuate with the value of the currency.
- The value of investments in real estate can go down as well as up, and members may not get back the amount they invested. Valuation is generally a matter of a valuer's opinion, rather than fact. It may be difficult or impossible to realise an investment because the property concerned may not be readily saleable.
- Certain investments, such as illiquid, leveraged or high-yield instruments or funds and securities issued by small capitalisation and emerging market issuers, carry additional risks that should be considered before choosing an investment manager or making an investment decision.
- For higher volatility investments, losses on realisation may be high because their value may fall suddenly and substantially.
- Where investments are not domiciled and regulated locally, the nature and extent of investor protection will be different to that available in respect of investments domiciled and regulated locally. In particular, the regulatory regimes in some domiciles are considerably lighter than others, and offer substantially less investor protection. Where an investor is considering whether to make a commitment in respect of an investment which is not domiciled and regulated locally, we recommend that legal advice is sought prior to the commitment being made.

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Appendix D
Caveats

- The information, advice and recommendations contained in this report are not intended to constitute investment advice or investment recommendations. It is based around our understanding of the regulatory requirements relating to the Trustee's assessment of the value for members offered by the Scheme. It does not indicate whether the investments are suited well to the needs of the Trustee or the Scheme's membership.
- If the Trustee wishes to receive information on Mercer's own ratings and views on particular investment strategies or managers, they can do so by contacting their Mercer investment consultant.
- None of the information, advice and recommendations contained in this report is intended to constitute legal advice.
- The value assessments in this report are as at the date of this report and may change. Mercer's remit does not include keeping these assessments under review or alerting the Trustee to any change.

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