

Statement regarding DC governance

Investment Strategy

A copy of the Trustees Statement of Investment Principles (SIP) has not been provided because the scheme has less than 100 members and is therefore exempt from these requirements. The Trustees have purchased an insurance policy from The Royal London Mutual Insurance Society. The underlying stocks and shares are owned by The Royal London Mutual Insurance Society. The Trustees have therefore outsourced the investment decisions to Royal London. The Trustees however review the suitability of Royal London as the Investment Manager and the current fund selection, the Royal London Managed Fund once a year. The review during the scheme year ending 31st December 2020 was completed 10th August 2020, this was carried out over MS Teams as a result of the global coronavirus pandemic. The performance of the underlying Royal London Managed fund was discussed, it was raised that the fund was at the time ranking as a 3rd quartile fund in the 'Mixed Investment 40-85% shares' sector, but that the choice of alternative funds with the Royal London Crest Contract (the underlying product) was limited. It was agreed that further information would be obtained from the fund manager to try to assess whether we should have faith in the fund manager going forward.

The fund manager acknowledged that the UK equity performance has lagged but confirmed this was a result of a fund biases to value-based stocks rather than growth stocks. Even though growth stocks were performing better as markets recovered from the pandemic their stance is to remain diversified to better withstand shocks and dampen losses compared to Global stock markets. This approach has softened the absolute returns delivered however, it should be balanced against the fact Royal London were overweight equities and high yield going into the downturn which has impacted their short-term performance. The view of Royal London is that the fall in global high yield is overdone and this represents an opportunity in the medium to long term which they feel they are well placed to take advantage of. The long-term assumptions backing these decisions have been reviewed and Royal London are comfortable they remain valid.

RLP Managed has a long term track record over the longer term. It has been noted that the fund looks slightly overweight in property, in October 2020 Royal London confirmed that in their view they were broadly neutral to slightly underweight in UK Commercial property, whilst they expect rents could fall and capital values could see downward pressure, particularly in the retail and leisure sectors; exposure to property gives diversification benefits to the portfolio. Royal London confirmed that so far rents to their property fund have been fairly strong but they continue to monitor the situation.

The Trustees concluded that the fund remained the most appropriate multi asset fund available, taking the appropriate level of risk without incurring additional charges for members. The Trustees believe the fund is being well managed despite the recent asset allocations being slightly unfavorable in recent markets.

We discussed the age demographic of the scheme and the liabilities per member and on that basis whether it would be appropriate to change the risk of the fund. It was agreed that for the time being it would not be, but we would keep monitoring this. It was agreed to reassess this at the next meeting, and it was confirmed that it was possible to switch the fund at a member level.

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Trustee's Report & Financial Statements

The Annual statements are issued to members each year following the scheme year end. These annual statements include the following wording;

'We offer a range of funds which you can invest in, each with its own investment objective. It is important that you consider which type of fund is suitable for you. Although it is not certain, it is likely that funds invested mainly in deposits (cash) or government securities (fixed interest and index linked) will give lower returns than the funds invested mainly in company shares (equities) or property over the longer term. However, the increased potential returns from equities and property carry an increased risk of poor returns and have a higher risk to the value of your capital. It is possible that the return will be below the lowest growth rate illustrated. When considering the potential returns from your investments it is important that you take account of the type of fund you are investing in.'

Each member statement is issued with a cover letter from the scheme adviser, Bartlett Wealth Management asking the members to use the telephone and/or email address provided should they have any queries. Whilst the Trustees have looked at the feasibility of providing the members with a link to the latest scheme accounts and the funds available it has been agreed that instead members will be invited to contact Bartlett for a copy of the accounts and/or a list of funds available if required. This wording has been included in the wording of the cover letters for the statements issued to members, for the year ending 31st December 2020.

It is important to note that this pension is not a qualifying workplace pension and therefore is a paid-up scheme.

Member Charges and Transaction costs

Core financial transactions have also been outsourced to Royal London. All transfer values are calculated in accordance with the instructions specified by the Trustees and procedures set out by the scheme actuary. At the time of each transfer out a letter detailing the member and their benefits is issued to the Trustees for their records, this helps the Trustees ensure core financial transactions are processed promptly and accurately during the scheme year. No administrative issues occurred during the scheme year. There were no core transactions completed during the year, no transfers out, no investment of contributions, no switching of investments within the scheme and no payments out of the scheme to members or beneficiaries. There is no Service Level Agreement in place with Royal London however they do monitor their service levels on a daily basis to ensure transactions do not fall outside of quoted timescales. Their work is regularly monitored by a Quality Assurance team and they are internally audited from time to time.

The level of charges borne by member during the scheme year amount to no more than 1% of the fund value, this charge will be the same irrespective of the Royal London fund selected by the member. There may be additional charges for any external fund selected but the member would be made aware of these before the fund switch would be implemented. The charges associated with all the funds are noted on the fact sheets for the funds which are available on the Royal London website. Copies of these fact sheets can be provided to members on request. No additional transaction costs were levied. Whilst there was a 5% bid offer spread when contributions were paid into the scheme this no longer applies as the scheme is paid up and it does not apply to fund switches. Illustrations are provided to each member each year as part of

Holmen Paper Pension Scheme
Trustee's Report & Financial Statements

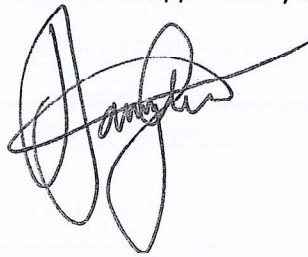
their annual statement which illustrates the effect of the charges. The Trustees believe that the charges associated with the scheme represent good value to the members, albeit that the overall charge of 1% exceeds the 0.75% charge cap associated with auto enrolment schemes. A 1% charge is typical for an older style scheme which includes a defined benefit underpin. The 1% annual management charge not only covers the administrative costs of Royal London and their investment management charges but it also covers the actuarial expenses. There are other costs associated with the administration of the scheme, but these are all borne by the employer. The Trustees believe therefore that the scheme represents good value for the members.

Trustee Knowledge and Understanding

In order for the Trustees to be able to demonstrate they have a working knowledge of the trust deed and rules they take advice from Bartlett Wealth Management who are able to advise them with regards to the Deed as required. The scheme does not have a Statement of Investment Principles (SIP) as this is not a requirement, because the scheme has less than 100 members. The Trustees ensure they have sufficient knowledge and understanding of the law relating to pensions and trusts by ensuring they keep up to date with their reading of The Pension Regulator website and by taking advice from professional advisors including a financial adviser, legal adviser and scheme actuary. The Trustees believe their knowledge and use of professional advisers ensures they are able to exercise their functions. Any new trustee is expected to complete the Trustee Toolkit available on The Pension Regulator website to ensure they have the required knowledge.

The statement regarding DC governance was approved by the Trustees 7/7/2021 ~~2021~~
and signed off on their behalf:

Chairman



J.J. Lowe