The Emerson UK Pension Plan
The Chair's Annual Governance Statement – year ended 31 March 2023

This statement has been prepared by the Trustee of the Emerson UK Pension Plan ("the Trustee" of "the Plan") to demonstrate how the Plan has complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ("the Regulations") as well as the Pensions Regulator's ("TPR's") expectations of pension schemes published in its draft General Code of Practice. It covers the Plan Year from 1 April 2022 to 31 March 2023 and relates to the DC arrangements within the Plan. It has been prepared taking the statutory guidance into account.

This Statement is for the period 1 April 2022 to 31 March 2023 inclusive and covers the following key areas:

1. Assessment against TPR's expectations for a well-governed scheme (TPRs's draft General Code of Practice)
2. The Plan's investment options, including the default investment strategy
3. The processing of core financial transactions
4. Charges and transaction costs
5. Assessment of the value the Plan provides to members
6. Compliance with the statutory Trustee knowledge and understanding (TKU) requirements

The Trustee receives professional Defined Contribution ('DC'), investment and governance advice from WTW ('the Professional Adviser'). The Plan is currently administered by Buck ('the Plan Administrator') for both the DC and Defined Benefit Sections of the Plan.

1. Assessment against the Pensions Regulator's expectations for a well-governed scheme

The Trustee last undertook an assessment of how the Plan complies with the Code of Practice 13 in May 2021. The assessment highlighted that the Plan met all of the legal requirements and the majority of the expectations.

In addition, the Trustee is aware that TPR is proposing to publish a new General consolidated Code of Practice ("the General Code"), which rationalises the current 10 existing Codes of Practice and introduces an increased focus on climate change, cyber security, stewardship and IT maintenance.

The Trustee, in conjunction with its Professional Adviser, undertook a gap analysis of how the Plan complies with the draft General Code in September 2021. The analysis considered all five sections currently included in the draft General Code:

1. The Governing Body
2. Funding and Investment
3. Administration
4. Communications and Disclosure
5. Reporting to the Regulator

The Trustee will continue to work with its advisers to ensure that the governance standards are in line with the requirements and expectations of the new General Code, which is expected to come into force later in 2023.

2. The Plan's default investment strategy

In this section, we have outlined the various processes we maintain to govern the Trustee's decision-making process in connection with the Plan's investment strategy, including the default investment arrangements.

Statement of Investment Principles

The Trustee has prepared a Statement of Investment Principles ('SIP') which governs its decisions about investments, including the default investment arrangements. The latest SIP is dated May 2022 and a copy is appended to this Statement. The SIP can also be accessed using the following link: https://www.oneemerson.co.uk/resources/statements.

In particular, the SIP covers:

- The aims and objectives of the default investment arrangements, including an explanation of how assets held in the default strategies are invested in the best interests of beneficiaries.
- The Trustee's policies in relation to the kinds of investment that should be held, risks (including how these are measured and managed) and policies on investment.

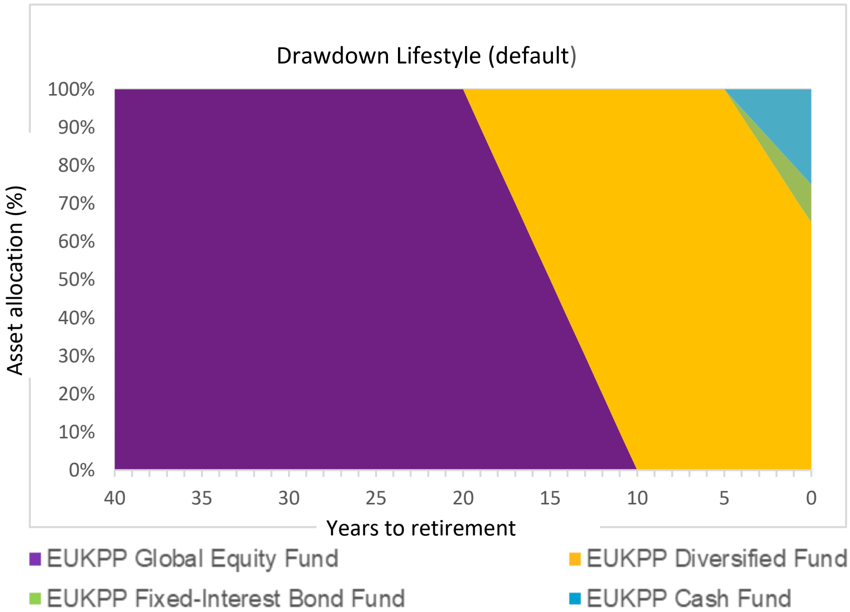
The Trustee receives regular advice from its Professional Adviser on the design of the Plan's investment strategy and updates on market practice.

The Plan's principal default lifestyle investment strategy

The Plan is used as a Qualifying Scheme for automatic enrolment. Members who join the Plan and who do not choose an investment option, or who are automatically enrolled into the Plan, are placed in the default lifestyle investment strategy – the Drawdown Lifestyle.

The funds used in the default lifestyle investment strategy, including details of the retirement glidepath, are set out in the table and chart below.

	Default Lifestyle strategy
Initial accumulation phase	100% EUKPP Global Equity Fund
End of consolidation phase	65% EUKPP Diversified Fund 10% EUKPP Fixed-Interest Bond Fund 25% EUKPP Cash Fund
Interim consolidation phase start date	20 years to retirement
Final consolidation phase start date	5 years to retirement



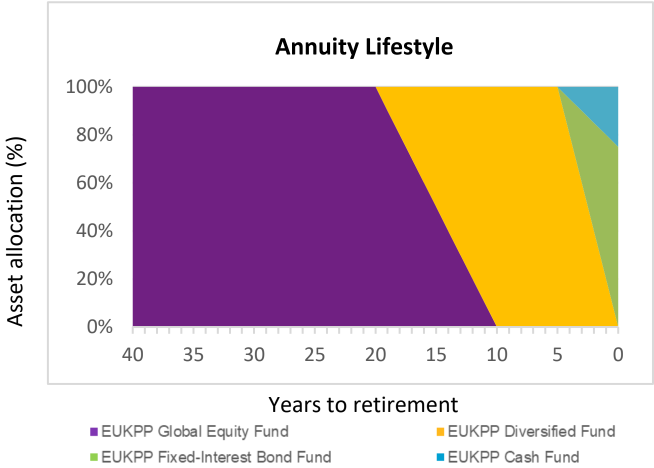
The Plan's default investment strategy targets income drawdown at retirement (after taking the permitted maximum tax-free cash). The default investment strategy aims to grow long-term savings by investing in global equities in the accumulation phase through the EUKPP Global Equity Fund. In the 20 years before a member's target retirement age, the EUKPP Diversified Growth Fund is introduced. At five years before a member's target retirement age, investments are then switched into relatively lower risk funds to provide some capital protection for the member's invested assets and to cater for the maximum tax-free cash entitlement, currently 25%.

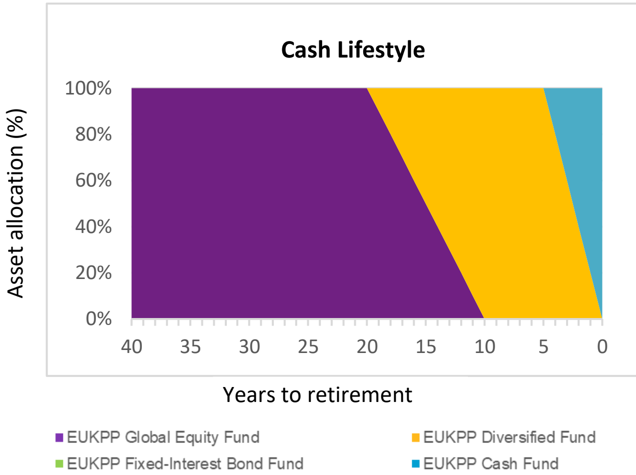
For members that may wish to take their DC account entirely as a cash lump sum or who wish to purchase an annuity, the Plan has two additional lifestyle strategies specifically targeting these flexibilities which were also implemented during the Plan year.

Other deemed default funds in the Plan

The two new alternative lifestyle strategies are deemed to be default arrangements in the Plan due to the mapping exercise that was undertaken during the implementation of the investment changes. Details are set out in the section 'implementation of the investment strategy changes' in March 2022.

The funds used in the new alternative lifestyle investment strategies, including details of the retirement glidepaths, are set out in the charts below.





Review of the Plan's default investment options

The Trustee, with the support of its Professional Adviser, undertook a full review of the Plan's investment strategy (including the default investment arrangements), which concluded on 8 December 2020. The review included a detailed analysis of the membership profile.

As a result of the review, the Trustee made the following changes:

Default investment strategy changes:

- *Implementing a new default lifestyle strategy targeting income drawdown at retirement* Membership analysis showed that a large proportion of members were likely to have significant DC account sizes at retirement and therefore, were more likely to enter into an income drawdown arrangement.
- *Implementing a 'white-labelled' fund structure* for all the investment options.
- *Introducing an Environmental, Social and Governance ("ESG") fund* into the default investment strategy and the alternative lifestyle strategies. The Trustee agreed that ESG considerations should be integrated into the default investment strategy and the alternative lifestyle strategies. This was achieved by switching the underlying passive global equity fund (L&G Global Equity 30:70 Index Fund) to the L&G MSCI ACWI Adaptive Capped ESG Index Fund (non-hedged).
- *Further diversifying the default investment strategy and the alternative lifestyle strategies* This was achieved by introducing the L&G Diversified Fund as the multi-asset fund for all three lifestyle options.

Self-select changes:

- Replacing the L&G Global 30:70 Hedged Fund with the L&G MSCI ACWI Adaptive Capped ESG Index Fund (non-hedged).
- Adding the HSBC Islamic Global Equity Index Fund as a self-select option.

The next full review of the Plan's investment strategy (including the default investment arrangements) will take place in 2024, or following any significant change in investment policy or the Plan's membership profile (if earlier).

The implementation of the changes to the Plan's investment options set out above were undertaken in March 2022.

The Trustee worked with its advisers, WTW, the investment platform provider, Legal & General, and the administrator, Buck, to move members' accounts into the appropriate new strategies and funds, and to ensure that investment risks were minimised as far as practical. Details of the investment changes were communicated to members in early January 2022, including details of the investment strategies / funds that they would be mapped to.

The transfer of assets from the L&G Global Equity 30:70 Index Hedged Fund to the L&G MSCI ACWI Adaptive Capped ESG Index Fund (non-hedged) was undertaken via in-specie transfer. This was implemented on 17 March 2022.

Performance monitoring

The Trustee is responsible for governing and monitoring the investment options available under the Plan (including the default investment arrangements). The Trustee, with the support of its Professional Adviser, reviews how the funds within the default investment options (and self-select fund range) have performed against the investment managers' objectives and benchmarks at each Finance & Investment Sub-Committee meeting ("FISC"). The analysis and advice provided supports the Trustee in determining whether it should consider making any changes.

For the year to 31 March 2022, all of the investment funds, produced returns broadly in line with their benchmarks, net of charges. The LGIM Diversified fund failed to track its inflation linked objective over the past 3 years due to high inflation over the past year. The Trustee will be closely monitoring the Diversified fund's performance over the coming scheme year.

Legacy Additional Voluntary Contributions ("AVCs")

There are a number of legacy AVC policies associated with the Plan, arranged through policies issued by Royal London, Clerical Medical, Scottish Widows and Prudential.

The Trustee has agreed to consolidate the AVC policies into the main DC fund range. The transition is expected to take place later in 2023. Further information on this will be provided to members prior to the transition and in next year's Chair's Statement.

Net investment returns

The Trustee is required to report on the net investment returns for the default arrangements and for all self-select funds during the Plan year. The net investment return is after taking into account all transaction costs and charges. When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns". The figures for net investment returns in the tables below are for the funds available to members within the Plan and have been provided by Legal & General Investment Management.

Members pay an investment charge known as the Total Expense Ratio (TER) which varies by fund (these are set out in section 4), and an annual administration charge of 0.55% of a member's accrued pension account up to a maximum annual charge of £25 a year to help cover some of the Plan's operating costs.

Lifestyle Strategies

To demonstrate how investment returns, net of investment charges and administration fees, vary depending on how far a member is from their retirement age when invested in a lifestyle and their account size, the Trustee has provided investment returns for three example members:

- Age 22 (45 years away from their assumed retirement age of 67) with an account size of £3,000
- Age 40 (27 years away from their assumed retirement age of 67) with an account size of £35,000
- Age 60 (7 years away from their assumed retirement age of 67) with an account size of £80,000

Age (current) and account size	Lifestyle	Annualised investment returns		
		1 year	3 years	5 years
Age 22 - £3k account	Drawdown	-2.13%	14.87%	7.16%
	Cash	-2.13%	14.87%	7.16%
	Annuity	-2.13%	14.87%	7.16%
Age 40 - £35k account	Drawdown	-1.65%	15.35%	7.63%
	Cash	-1.65%	15.35%	7.63%
	Annuity	-1.65%	15.35%	7.63%
Age 60 - £80k account	Drawdown	-5.96%	6.46%	4.02%
	Cash	-5.96%	6.46%	4.02%
	Annuity	-5.96%	6.46%	4.02%

Self-select funds

The net investment returns for the self-select funds will not vary by age, but will vary by account size due to the administration charge. Therefore the Trustee has illustrated the investment returns net of all fees for account sizes of £3,000 and £35,000.

Account size	Fund	Annualised investment returns		
		1 year	3 years	5 years
£3K	EUKPP Global Equity Fund	-2.13%	14.87%	7.16%
	EUKPP Inflation-Linked Gilts Fund	-30.03%	-10.95%	-4.56%
	EUKPP UK Corporate Bond Fund	-10.66%	-4.55%	-1.81%
	EUKPP All Stocks Gilts Fund	-17.03%	-9.96%	-3.72%
	EUKPP Cash Fund	1.53%	0.12%	0.07%
	EUKPP Fixed-Interest Bond Fund	-20.33%	-9.09%	-3.76%
	EUKPP UK Equity Fund	1.83%	13.72%	4.48%
	EUKPP World (ex-UK) Equity Fund	-4.31%	15.35%	10.33%
	EUKPP Diversified Fund	-6.48%	5.94%	3.50%
	EUKPP Shariah Global Equity	-5.53%	-	-
£35k	EUKPP Global Equity Fund	-1.65%	15.35%	7.63%
	EUKPP Inflation-Linked Gilts Fund	-29.55%	-10.47%	-4.08%
	EUKPP UK Corporate Bond Fund	-10.18%	-4.08%	-1.33%
	EUKPP All Stocks Gilts Fund	-16.55%	-9.48%	-3.24%
	EUKPP Cash Fund	2.00%	0.60%	0.55%
	EUKPP Fixed-Interest Bond Fund	-19.85%	-8.61%	-3.28%
	EUKPP UK Equity Fund	2.31%	14.19%	4.96%

	EUKPP World (ex-UK) Equity Fund	-3.83%	15.82%	10.81%
	EUKPP Diversified Fund	-6.00%	6.42%	3.98%
	EUKPP Shariah Global Equity	-5.05%	-	-

During the Plan Year, the Plan also held AVC assets held principally through policies issued by Royal London, Clerical Medical, Prudential and Scottish Widows. The Trustee has requested the same investment return information for those arrangements and have been advised of the following:

Fund name	1 year investment return to 31 March 2023 (%pa)	5 year annualised investment return to 31 March 2023 (%pa)
Royal London		
Deposit Administration fund (Crest Secure fund)**	Not available*	Not available*
Clerical Medical		
Clerical Medical With Profit Fund***	0.10%	Not available*
Clerical Medical Balanced Pension	-4.3%	2.6%
Clerical Medical Ethical Pension1	-7.5%	7.4%
Clerical Medical Cash*	2.2%	0.44%
Scottish Widows		
Scottish Widows Mixed Pension Fund	-4.2%	3.65%
Prudential		
Prudential S3 Discretionary Pension fund	Not available*	Not available*

*Data has not been made available by for this fund at the time of signing of this statement.
* Clerical Medical Cash effective 30/06/2023
**This Policy is invested in the Crest Secure fund which operates as a with-profit arrangement, therefore returns illustrated are smoothed annual bonuses provided to member accounts rather than invested fund returns.
***This fund is a with-profits fund and therefore returns illustrated are smoothed annual bonuses provided to member accounts rather than invested fund returns.

3. The processing of core financial transactions

The Trustee has a specific duty to ensure that core financial transactions to and from the Plan are processed promptly and accurately. TPR lists core financial transactions as the following, but not limited to:

- receipt and investment of contributions
- transfer of member assets into and out of the Plan
- transfers between different investments within the Plan
- payments to and in respect of members/beneficiaries

These transactions are undertaken on the Trustee's behalf by the Plan's Administrator ("the Administrator"), Buck.

The Trustee is satisfied with the service received since the administration of the plan moved to Buck from Capita at the end of 2021.

The Trustee regularly monitors the core financial transactions of the Plan through the review of quarterly reporting from the Administrator. These include the investment of contributions, switches between investment choices, transfers into and out of the Plan and payments out of the Plan to and in respect of members.

Where any issues are discovered, the Trustee works together with the Administrator to resolve the issues, and to put in place measures to improve the performance in future.

Buck carries out monthly monitoring, reconciliation and record keeping of member contributions, investments and payments from the Plan. All contribution discrepancies are investigated and reconciled with Emerson's payroll team.

In addition, the Trustee has ensured that all the required processes and controls are in place for the Plan to appropriately comply with TPR's DC Code of Practice 13, and is working towards full compliance with TPR's General Code. The Plan is also compliant with the Code of Practice 5 (Reporting late payment of contributions to occupational pension schemes) and with the relevant legislation.

The Trustee has Service Level Agreements (SLA) with the Administrator which covers the accuracy and timeliness of all core transactions and requires them to be made within statutory timescales.

Service Level Agreements (1 April 2022 to 31 March 2023)

Over the period covered by the report, the SLAs for the DC section of the Plan were as follows:

Q2 2022	Q3 2022	Q4 2022	Q1 2023
95%	98%	99%	99%

Given the above, the Trustee is satisfied that the requirement to process core financial transactions promptly and accurately has been met during the year in relation to the DC arrangements provided by the Plan.

In addition, the Trustee is satisfied with the processing of the relevant core financial transactions undertaken by the Plan's legacy AVC providers.

The Trustee feels that it maintains a proportionate monitoring approach for these legacy AVC policies, given they account for circa £400,000 whereas the AVC and DC investments with Legal & General accounted for circa £150 million at 31 March 2023

4. Charges and transaction costs

Plan DC section charges

The current annual investment charges for the DC Section funds available for selection by members during the year to 31 March 2023 are set out below:

Fund name	**Total Expense Ratio (TER)**** (% of fund value p.a. as at 31 March 2023)	**Aggregate transaction costs** (% of fund value p.a. for the year to 31 March 2023)
EUKPP Global Equity Fund*	0.16	0.049
EUKPP Inflation-Linked Gilts Fund	0.10	0.021
EUKPP UK Corporate Bond Fund	0.15	0.000
EUKPP All Stocks Gilts Fund	0.10	0.148
EUKPP Cash Fund*	0.12	0.042
EUKPP Fixed-Interest Bond Fund*	0.15	0.029
EUKPP UK Equity Fund	0.15	0.029
EUKPP World (ex-UK) Equity Fund	0.18	0.065
EUKPP Diversified Fund*	0.20	0.000
EUKPP Shariah Global Equity Fund	0.33	0.000

Figures have been rounded to the nearest two decimal places and have been provided by Legal & General who is the Plan's investment manager.

**These are the underlying funds used in the Plan's current default lifestyle strategy.*

*** The TER provides investors with details of the total annual costs involved in running an investment fund. This includes the annual management charge, plus other charges incurred in administering the fund (these include share registration fees, legal fees, auditor fees, custodian fees etc.). Transaction costs are not included and so these are shown in a separate column.*

Transaction costs and gains are those incurred by fund managers as a result of buying, selling, lending or borrowing; and the underlying transaction costs are reflected in the unit price of each fund. This information has been provided by Legal & General on a basis prescribed by the Financial Conduct Authority and are set out in the table above.

Member administration charge

In addition, the members pay an annual administration charge of 0.55% of their accrued pension account up to a maximum annual charge of £25 a year to help cover some of the Plan's operating costs.

Default Lifestyle strategy charges

The default investment strategy is constructed using the investment funds highlighted in the table above. Therefore, the charges for members invested in the default investment strategy will vary over time depending on a member's term to retirement. However, the maximum charge is 0.20% of the account plus the member administration charge. As a result, the charges for the default investment strategy are substantially below the charge cap of 0.75% set out in the Regulations for the majority of members.

Legacy Royal London AVC Policy – member charges

The Plan includes AVC assets held through policies issued by Royal London. This policy is closed to future contributions. The charges and transaction cost information for the fund that all members were invested in for the year to 31 March 2023 are set out below:

Fund name	Annual Management Charge (% of account value)	Aggregate transaction costs (% of account value)*
Crest Secure Fund	1.45%	N/A

* Figures have been rounded to the nearest two decimal places. Aggregate transaction costs have not been provided by Royal London and are implicit within the annual management charge.

Legacy Clerical Medical AVC Policy – member charges

The Plan includes AVC assets held through policies issued by Clerical Medical, which are also closed to future contributions. The charges and transaction cost information for the funds that members were invested in for the year to 31 March 2023 are set out below:

Fund name	Annual Management Charge (% of account value)	Aggregate transaction costs (% of account value)*
Clerical Medical With Profit Funds	0.495%	0.33%
Clerical Medical Balanced Pension	0.495%	0.38%
Clerical Medical Ethical Pension	0.495%	0.20%
Clerical Medical Cash Pension	0.495%	0.20%

* Figures have been rounded to the nearest two decimal places.

Legacy Scottish Widows AVC policy – member charges

The Plan also holds legacy AVC assets in Scottish Widows policies, which are invested in the Mixed Pension Fund and are closed to future contributions. The charges and transaction cost information for the fund that all members were invested in for the year to 31 March 2023 are set out below:

Fund name	Annual Management Charge (% of account value)	Additional expenses (% of account value)	Aggregate transaction costs (% of account value)*
Scottish Widows Mixed Pension Fund	0.875%	0.064%	0.21%

* Figures have been rounded to the nearest two decimal places.

Legacy Prudential AVC policy – member charges

The Plan also holds legacy AVC assets in Prudential policies, which are invested in Prudential S3 Discretionary Pension fund and are closed to future contributions. The charges and transaction cost information for the fund that all members were invested in for the year to 31 March 2023 are set out below:

Fund name	Annual Management Charge (% of account value)	Aggregate transaction costs (% of account value)*
Prudential S3 Discretionary Pension fund	0.75%	0.05%

* Figures have been rounded to the nearest two decimal places.

Illustration of charges

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to produce a "£ and pence" illustration showing the compounded effect of costs and charges. As a result, the Trustees has set out an illustration below which shows the projected value, over different time horizons, of the three investment lifestyles that are defined as default arrangements.

The Trustee has also set out illustrations for the self-select fund with the lowest charge (EUKPP Inflation-Linked Gilts Fund), and the self-select fund with the highest charge that is considered the highest risk fund (EUKPP Shariah Global Equity Fund). When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes."

The following table gives a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 67. The figures are presented against one member example.

Example Member	Projection period (years)	Drawdown lifestyle		Cash Lifestyle		Annuity lifestyle	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member	1	£2,800	£2,700	£2,800	£2,700	£2,800	£2,700
	3	£8,800	£8,700	£8,800	£8,700	£8,800	£8,700
	5	£15,500	£15,300	£15,500	£15,300	£15,500	£15,300
	10	£35,700	£35,000	£35,700	£35,000	£35,700	£35,000
	15	£62,100	£60,500	£62,100	£60,500	£62,100	£60,500
	20	£96,700	£93,600	£96,700	£93,600	£96,700	£93,600
	25	£141,900	£136,300	£141,900	£136,300	£141,900	£136,300
	30	£199,500	£190,300	£199,500	£190,300	£199,500	£190,300
	35	£271,100	£256,800	£271,100	£256,800	£271,100	£256,800
	40	£361,300	£339,700	£361,300	£339,700	£361,300	£339,700
	45	£460,800	£430,100	£431,100	£402,800	£435,800	£407,000

Example Member	Projection period (years)	EUKPP Inflation-Linked Gilts Fund		EUKPP Shariah Global Equity Fund	
		Before charges	After charges	Before charges	After charges
Youngest member	1	£2,700	£2,700	£2,800	£2,700
	3	£8,300	£8,200	£8,800	£8,700
	5	£14,200	£14,000	£15,500	£15,200
	10	£29,900	£29,300	£35,700	£34,800
	15	£47,200	£46,000	£62,100	£60,000
	20	£66,300	£64,300	£96,700	£92,400
	25	£87,300	£84,300	£141,900	£134,100
	30	£110,600	£106,200	£200,900	£187,800
	35	£136,300	£130,100	£278,000	£256,900
	40	£164,700	£156,300	£378,800	£345,900
	45	£196,000	£184,900	£510,600	£460,300

Assumptions and notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. Contributions and costs/charges that are shown as a monetary amount reduction are made halfway through the year.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
4. Charges and costs (including a flat £25 charge) are deducted before applying investment returns.
5. Switching costs are not considered in the lifestyle strategy.
6. Inflation is assumed to be 2.5% each year.
7. Contributions are assumed to be paid at 9% (3% employee and 6% employer) from age 20 to 67 and increase in line with assumed earnings inflation of 0% per year (in real terms).
8. Values shown are estimates and are not guaranteed.
9. The real projected growth rates for each fund are as follows:

Fund	Real projected growth rate (p.a.)
Drawdown lifestyle	From 3.825% to 5.500% (adjusted depending on term to retirement)
Cash Lifestyle	From 1.500% to 5.500% (adjusted depending on term to retirement)
Annuity lifestyle	From 1.875% to 5.500% (adjusted depending on term to retirement)
EUKPP Inflation-Linked Gilts Fund	2.000%
EUKPP Shariah Global Equity Fund	5.500%

10. Transactions costs and other charges have been provided by Legal and General and cover the period 1 April 2019 to 31 March 2023 for all funds except the EUKPP Shariah Global Equity Fund which covers the period 1 April 2022 to 31 March 2023. Transaction costs have been averaged by WTW using a time-based approach. The transaction costs for blended funds were estimated by WTW based on the transaction costs for the underlying funds.
11. Example member: Example member: age 22, total initial contribution: £2,700, starting fund value: nil.

5. Assessment of the value the Plan provides to members

The Trustee is committed to ensuring that members receive good value from the Plan (i.e. that the costs and charges members pay provide good value in relation to the benefits and services provided) and so consider this on an on-going basis. Members meet the cost of the investment options in the Plan and some of the Plan's operating costs. The annual administration charge is 0.55% of a member's accrued pension account up to a maximum annual charge of £25 a year.

Assessment

In June 2023, the Trustee received an independent assessment of the Plan's value for members (VfM) from its Professional Advisers in respect of the Scheme Year 1 April 2022 to 31 March 2023. This assessment takes account of the new VfM requirements and supporting guidance from the Department for Work & Pensions (DWP) for smaller DC schemes (specifically those with total assets below £100 million). While these regulations don't apply to the Plan due to the size of the assets under management at the time of this statement, the new VfM approach considers evolving best practice.

The assessment looked at three areas including:

1. Costs and charges
2. Net investment returns, and
3. Governance, administration and communications.

Results

Having considered the review, the Trustee concluded that the Plan offers fair value for members I.e. it is in line with other schemes.

Key findings from the assessment were as follows:

- The total charges, which include both investment charges and administration charges, are assessed as "good value" when benchmarked against other trust based arrangements.
- When benchmarked against similar asset classes in the market, the transaction costs for most of the Plan's DC funds are below the average charge. However, two were above and as a result, the Plan's transaction costs were assessed as providing "fair value" to members.
- *Overall, the costs and charges paid by members of the Plan offer good value to members.*
- Primarily due to high inflation over the past year the Diversified fund has failed to track its inflation linked objective over the past 3 years, the Trustee will be closely monitoring the Diversified fund's performance over the scheme year to ensure that the fund meets it's objectives. However, all other components of the default investment strategy have performed in line with their benchmarks over a 3 year period to 31 March 2023. As a result, the default investment strategy's net returns were assessed to deliver "fair value" to members.
- Over the 5 year period to 31 March 2023, all of the other self-select funds performed broadly in line (i.e. +/- 0.5% p.a.) with their benchmarks. As a result, the net returns for the self-select fund range were assessed to have delivered "good value" to members.
- *Overall, the investment returns achieved in the Plan offer fair value to members.*
- WTW assessed the scheme against a list of 80 possible features which are typically available within the leading DC arrangements. This covers areas including: scheme governance, risk management, core financial transactions and record-keeping, investment governance, communication and engagement, at-retirement options and support and broader financial support. When assessing the Plan against these key features, the Plan currently has over 75% of the key features set out in the checklist.
- *Therefore, the administration, governance and communications provided by the Plan were assessed to provide "fair value" to members.*

The Trustee will continue to work with its advisers to ensure that the Plan continues to provide value to members and stays abreast of market developments where appropriate.

6. Compliance with the statutory knowledge and understanding (TKU) requirements

The Trustee Board has a strong process in place to ensure that it maintains and develops TKU to properly fulfil its role and responsibilities. The Trustee's approach to meeting the TKU requirements includes (but is not limited to):

- Agreeing training that needs to be undertaken, which is delivered at Trustee meetings or Sub-Committee meetings, where appropriate.
- Assessing legislation and general updates / current pension issues at Trustee meetings.
- Periodically, reviewing the training needs of the Trustee, with the latest assessment undertaken in December 2022.
- Carrying out a Trustee effectiveness survey with the latest results discussed at the meeting in December 2022.
- For new Trustee Directors, completion of an induction programme, which includes completing TPR's online trustee toolkit within six months of their appointment.
- The Trustee Secretary keeps a training log of all Trustee training undertaken, and it is updated after each Trustee meeting.

In addition, the Trustee has a good working knowledge of the documentation in place for the Plan, and review the documentation when appropriate. All documentation is saved onto OnePlace, WTW's online web sharing facility, in order for the Trustee to easily find documents relating to the Plan and previous meeting papers and minutes.

Specific training undertaken during the period included (but was not limited to):

- Investment training from the Trustee's investment advisers, including specific training on Climate-Related Financial Disclosures.
- Training on Environmental Social Governance from the Trustee's legal advisers.
- Training on TPR's draft General Code of Practice from the Trustee's DC advisers.
- Training on how to ensure the Plan is inclusive and diverse from the Trustee's DC and DB advisers.
- Attendance at WTW's Navigating Risks of auto enrolment Webcast.
- Attendance at WTW's Pensions and Savings Virtual Conference.
- Stronger Nudge to Pension Wise guidance.
- The inflation challenges
- Insurer buyout training
- Legal updates including recent pensions cases, Pensions Ombudsman decisions and hot topics updates

For the period covered by this Statement, the TKU requirements were met through a combination of the above and the Trustee is therefore compliant with TPR's DC Codes of Practice 7 and 13. The Trustee is satisfied that it has met the relevant legislative requirements enabling the Board to properly exercise its duties.

Trustee board members undertook an aggregate of 68 hours of training during the period covered by this Statement, not including any training provided at Trustee and/or Sub-Committee meetings. All training is documented in the Trustee's training log.

The Trustee is satisfied that its combined knowledge and understanding, coupled with advice from specialist pensions, legal and communications advisers, has enabled it to carry out its functions as Trustee of the Plan properly, and to achieve its goals effectively for the year.

Signed by the Chair of the Trustee of the Emerson UK Pension Plan

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Print name: DAVID A MEADE Date: 25 AUGUST 2023