

# Annual statement regarding governance of the DC Section of the PPG Industries (UK) Limited Pension Plan ("the Plan"), including AVCs

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to prepare an annual statement regarding governance, which should be included in the annual trustee report and accounts. The governance requirements apply to defined contribution ("DC") pension arrangements that are classified as "relevant schemes" and aim to help members achieve a good outcome from their pension savings.

This statement has been prepared by the Trustee and covers the period from 6 April 2022 to 5 April 2023 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. The Plan's default arrangement
2. Net investment returns
3. Member borne charges and transaction costs
  - i. Default arrangement
  - ii. Self-select funds
  - iii. Additional Voluntary Contributions
  - iv. Illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Processing of core financial transactions
6. Trustee knowledge and understanding

## 1. The Plan's default arrangement

**The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Plan's membership.**

The Plan is used as a Qualifying Scheme for auto-enrolment purposes.

The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the Plan's default arrangement - the Aon Managed Retirement Pathway 'flexible glidepath'. This reflects the Trustee expectation that members will take their benefits flexibly through income drawdown in retirement.

Details of the aims, objectives and the Trustee policies regarding the default arrangement can be found in the 'Statement of Investment Principles' (SIP). The Plan's SIP is attached to this statement. However, a summary is provided here for ease of reference:

- The aim of the default arrangement is to try to ensure that members' savings are invested in funds that are appropriate for them, based on their selected retirement date (or Normal Retirement date if no date selected).

- In setting the default arrangement for the DC Plan members, the Trustee has explicitly considered the risk and expected return characteristics of the funds used at different stages before retirement.
- Assets in the default arrangement are invested in the best interests of members and beneficiaries, taking into account the profile of membership.
- Assets in the default arrangement are invested in a manner which considers these against criteria including the security, liquidity and profitability of the member's portfolio as whole.
- Assets are invested in regulated products and mainly on regulated markets (any that are not will be kept to prudent levels).

The default arrangement is a series of Target Date Funds (TDFs), which provide an asset allocation based on the retirement date of the member. The TDFs aim to provide members with the potential for good levels of growth during the build-up of their retirement savings through exposure to growth assets, and then to gradually diversify their investments 15 years before their retirement date to reflect a lower risk asset mix.

### **Investment strategy review**

The Trustee has decided to implement the Plan's DC investment strategy through Aon's Delegated DC Services. Under this approach, the Trustee delegates the selection of the platform provider and day to day management of the funds to Aon, through the Aon Investments Limited ("AIL") Investment Management team ("the Manager").

However, the Trustee maintains responsibility for the investment fund options made available to members and takes expert advice as required from its professional advisors.

The last review concluded on 23 June 2021. The review considered the suitability of the Aon Managed Retirement Pathway 'flexible glidepath' as the default arrangement within the context of the membership demographics of the Plan membership and how members are likely to access their benefits. The range of self-select fund options available to members was also considered.

The review concluded the following:

- the default arrangement remains appropriate for the Plan's membership.
- the targets as set by AIL for the implemented target driven approach to investing are appropriate for the Plan's membership.
- the Aon Managed Global Impact Fund should be added to the self-select range. This took effect in May 2022. This Fund invests in a concentrated portfolio of companies whose products and services are designed to address the planet's long-term challenges and build a more sustainable future.

The Trustee undertakes a formal review of the default arrangement every three years. The next formal review is due to take place by 23 June 2024.

### **Performance Monitoring**

The Trustee reviews that took place throughout the year noted that the default arrangement slightly lagged its benchmark and long-term inflation linked return objectives. Given the heightened inflationary environment, the Trustee accepted that meeting the long-term inflation linked return objective would be increasingly difficult. However, a further deep dive into the performance of the default arrangement was carried out at a number of meetings over the course of the year.

In September, the Trustee considered the default arrangement against a range of peers and were comfortable that performance was among the strongest within the wider DC market. In February, the Trustee carried out in-depth analysis of the performance of the default arrangement relative to a number of market-based comparators and remains comfortable that performance has been appropriate given this wider market background.

## 2. Net investment returns

The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which members were invested in during the Plan year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net annualised returns have been prepared having regard to statutory guidance and are shown in tables (i) to (iv) below.

The net returns for the TDFs shown in tables (i) and (ii) below are based on a member having a Target Retirement Age of 65. As the TDFs have the same type and composition of assets until 5 years before retirement (until age 60 where the Target Retirement Age is 65), the net returns are the same up until this age, and can vary thereafter as the type and composition of assets changes to better match how the member's is expected to take their benefits in retirement (income drawdown, annuity, cash).

### (i) Default TDF: The Aon Managed Retirement Pathway 'flexible glidepath'

Performance to 31 March 2023	Net return (% p.a.)	
Age of member at start of investment reporting period	1 year	5 years
25	-2.1	7.2
45	-2.1	7.2
55	-3.5	5.7

Source: AIL

### (ii) Self select TDFs:

The Aon Managed Retirement Pathway 'annuity' and the Aon Managed Retirement Pathway 'cash'

Performance to 31 March 2023	Net return (% p.a.)	
Age of member at start of investment reporting period	1 year	5 years
25	-2.1	7.2
45	-2.1	7.2
55	-3.5	5.7

Source: AIL

### (iii) Self-select investment funds

Performance to 31 March 2023	Net return (% p.a.)	
Fund name	1 year	5 years
<i>Objective based funds</i>		
Aon Managed Bond Phase Fund	-5.6	-0.1
Aon Managed Long Term Inflation Linked Fund	-29.8	-4.3
Aon Managed Pre-Retirement Bond Fund	-19.9	-3.4
Aon Managed Liquidity Fund	1.8	0.4
<i>Asset class funds</i>		
Aon Managed Global Equity Fund	-0.2	7.8
Aon Managed Active Global Equity Fund	0.0	9.4
Aon Managed Global Impact Fund <sup>1</sup>	-4.9	-
Aon Managed Property and Infrastructure Fund	-16.2	4.3

Aon Managed Diversified Multi Asset Fund	-4.0	2.0
Aon Managed Passive Corporate Bond Fund	-10.6	-1.1
<i>Non-Aon managed funds</i>		
Aegon HSBC Islamic Global Equity Index Fund	-3.4	14.6
Aegon LGIM Ethical Global Equity Index Fund	0.3	11.5
Aegon BlackRock UK Equity Index Fund	2.1	4.5
Aegon BlackRock World (ex-UK) Equity Index Fund	-1.5	10.9
Aegon BlackRock Emerging Markets Equity Index Fund	-6.7	1.2

Source: AIL

<sup>1</sup>Fund performance over a five year period is not available since fund inception was 31/10/2020.

**(iv) Additional Voluntary Contributions**

<b>Performance to 31 March 2023</b>	<b>Net return (% p.a.)</b>	
<b>Funds</b>	<b>1 year</b>	<b>5 years</b>
<b>Aviva</b>		
Aviva With Profit Guaranteed Fund (NU)	4.0	4.0
Aviva With Profit (NU) Fund	3.5	3.0
Aviva European Equity Fund	7.8	4.4
Aviva Pacific Equity Fund	-3.9	4.9
Aviva UK Equity Fund	2.7	4.6
Aviva US Equity Fund	-6.1	12.6
<b>Phoenix Life</b>		
London Life Mixed Fund	-2.1	4.4
<b>Prudential</b>		
Prudential With Profits Cash Accumulation Fund	1.5	1.2

Source: Providers, Financial Express Analytics

It is important to note that past performance is not a guarantee of future performance.

For the With Profits funds, the net returns shown are the bonus rates declared on the funds over the relevant period. Whilst in practice we would expect a terminal bonus to increase returns close to the returns on the underlying assets in the With Profits funds over the period held (after all costs of running the funds, including the cost of any guarantees), these amounts are unknown and are not guaranteed. Furthermore, a market value reduction which can reduce the return delivered to investors may be applied on exit at any time other than maturity date, or in the event of death before retirement.

### 3. Member Borne Charges and Transaction costs

The Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- **Charges:** these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;
- **Transaction costs:** these are not explicit and are incurred when the Plan's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.

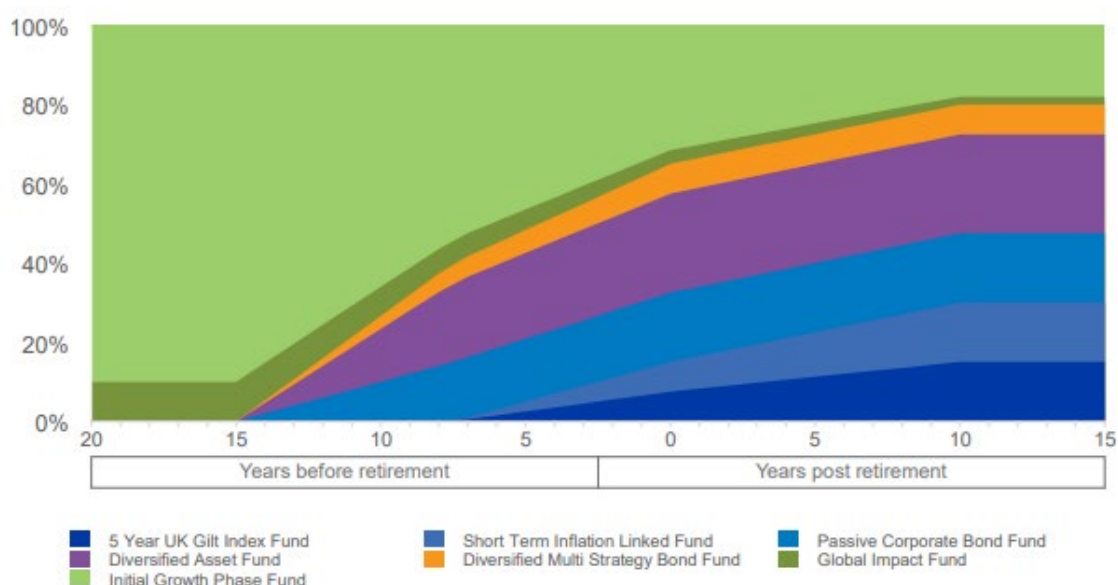
The Trustee is also required to confirm that the charges on the default arrangement have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

Details of the charges and transaction costs for the funds available to members are shown below and in the Appendix. For a few of the funds, the charges or transaction cost information is not available, either because the type of fund means it does not have explicit costs, e.g. with-profits funds, or the information was not available at the time of publishing this statement. Where the information was not available, the Trustee will continue to liaise with the provider to obtain the required data.

#### (i) Default arrangement: Aon Managed Retirement Pathway 'flexible glidepath'

The Aon Managed Retirement Pathway Funds are TDFs. Member's assets are invested in the TDFs relative to their retirement date, e.g. a member due to retire in 2023 will be invested in the Retirement Pathway 2022-2024 Fund. The funds relating to different retirement years are known as "vintages".

The following Glidepath shows the type and composition of the assets with term to retirement.



The table below shows the TER and transaction costs for the funds available to members. The TERs have been supplied by Aon who are the investment manager and the transaction cost information has been supplied by Aegon, the platform provider for the Plan.

There can, on occasion, be negative transaction costs (profit) as a result of the underlying trades in a fund. However, a floor of 0% p.a. has been applied in these instances to avoid potentially understating the total level of costs and charges.

	<b>TER (% p.a.)</b>	<b>Transaction costs (% p.a.)</b>	<b>Total costs (% p.a.)</b>
<b>Aon Managed Retirement Pathway 'flexible glidepath'</b>			
▪ 2022-2024	0.44	0.15	0.59
▪ 2025-2030	0.45	0.14 – 0.15	0.59 – 0.60
▪ 2031+	0.46	0.09 – 0.13	0.55 – 0.59

## (ii) Self-select funds

There are two further TDFs that are available to members that target Annuity or Cash at retirement.

	<b>TER (% p.a.)</b>	<b>Transaction costs (% p.a.)</b>	<b>Total costs (% p.a.)</b>
<b>Aon Managed Retirement Pathway 'annuity'</b>			
▪ 2022 - 2024	0.43	0.03	0.46
▪ 2025 - 2027	0.45	0.10	0.55
<b>Aon Managed Retirement Pathway 'cash'</b>			
▪ 2022 - 2027	0.44	0.02 – 0.10	0.46 – 0.54

A full listing of the underlying funds in each of the Retirement Pathway Funds, and the respective transaction costs is shown in the Appendix.

The following self-select funds are also available to members of the Plan.

<b>Fund name</b>	<b>TER (% p.a.)</b>	<b>Transaction costs (%)</b>	<b>Total (% p.a.)</b>	<b>Maximum TER (% p.a.) *</b>
<b>Objective based funds</b>				
Aon Managed Bond Phase Fund	0.40	0.30	0.70	0.69
Aon Managed Long Term Inflation Linked Fund	0.27	0.08	0.35	N/A
Aon Managed Pre-Retirement Bond Fund	0.39	0.02	0.41	0.42
Aon Managed Liquidity Fund	0.40	0.01	0.41	N/A
<b>Asset class funds</b>				
Aon Managed Global Equity Fund	0.37	0.07	0.44	0.44
Aon Managed Active Global Equity Fund	0.86	0.02	0.88	1.24
Aon Managed Global Impact Fund	0.84	0.08	0.92	1.24
Aon Managed Property and Infrastructure Fund	0.58	0.21	0.79	0.64
Aon Managed Diversified Multi-Asset Fund	0.41	0.24	0.65	0.59

Fund name	TER (% p.a.)	Transaction costs (%)	Total (% p.a.)	Maximum TER (% p.a.) *
Aon Managed Passive Corporate Bond Fund	0.28	0.06	0.34	0.32
<b>Non-Aon managed funds</b>				
Aegon BlackRock UK Equity Index Fund	0.25	0.02	0.27	N/A
Aegon BlackRock World (ex UK) Equity Index Fund	0.25	0.01	0.26	N/A
Aegon BlackRock Emerging Markets Equity Index Fund	0.44	0.00	0.44	N/A
Aegon LGIM Ethical Global Equity Index Fund	0.55	0.01	0.56	N/A
Aegon HSBC Islamic Global Equity Index Fund	0.54	0.00	0.54	N/A

TERs are as at 31 March 2023 and include Additional Fund Expenses (AFEs). Transaction costs are as at 31 March 2023.

\*Some funds have a maximum TER charge. Members will not be notified if a change to the annual management charge results in a change in the fund charge, provided that the TER is less than or equal to this maximum charge.

### (iii) Additional Voluntary Contributions (AVCs)

Charges and transaction costs for the funds held with the Plan's AVC providers are shown in the table below. A floor of 0% p.a. has been applied to any negative transaction cost to avoid potentially understating the total level of costs and charges.

Fund / Provider as at 31 March 2023	AMC (% p.a.)	TC (%) <sup>1</sup>	Total (% p.a.)
<b>Aviva<sup>2</sup></b>			
Aviva Deposit NU	0.88	0.00	0.88
Aviva European Equity NU	0.88	0.06	0.94
Aviva Global Equity NU	0.88	0.04	0.92
Aviva Mixed Investment (40-85% Shares) NU	0.88	0.05	0.93
Aviva Pacific Equity NU	0.88	0.09	0.97
Aviva UK Equity NU	0.88	0.07	0.95
Aviva US Equity NU	0.88	0.00	0.88
Aviva With-Profit Guaranteed NU	0.88	0.04	0.92
Aviva With-Profit NU	0.88	0.04	0.92
<b>Prudential<sup>3</sup> (Deposit Fund transferred out May 2023)</b>			
With-Profits Cash Accumulation <sup>4</sup>	See note 3	0.20	See note 3
<b>Phoenix Life<sup>5</sup></b>			
London Life Mixed Fund	0.90	Not available	0.90

Notes:

- Where the transaction cost information is not available, the Trustee will continue to liaise with the provider to obtain the missing information. For some funds, e.g. with-profits funds transaction costs may not be applicable due to the type of fund.
- Aviva transaction costs provided to 31 March 2023 for the period covered by this statement.
- Prudential are unable to provide transaction costs covering the year to 5 April 2023 as they have a delay of approximately 8 months for making these available to Trustees after the end of each quarter. Therefore, transaction costs are shown for the 12 months to 30 September 2022.
- Charges on the Prudential With-Profits fund are inherent within the annual bonus declarations. This charge is deducted through the bonus mechanism.
- Only one remaining member with this legacy provider.

#### (iv) Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided three illustrations of their cumulative effect on the value of typical Plan members savings over the period to their retirement.

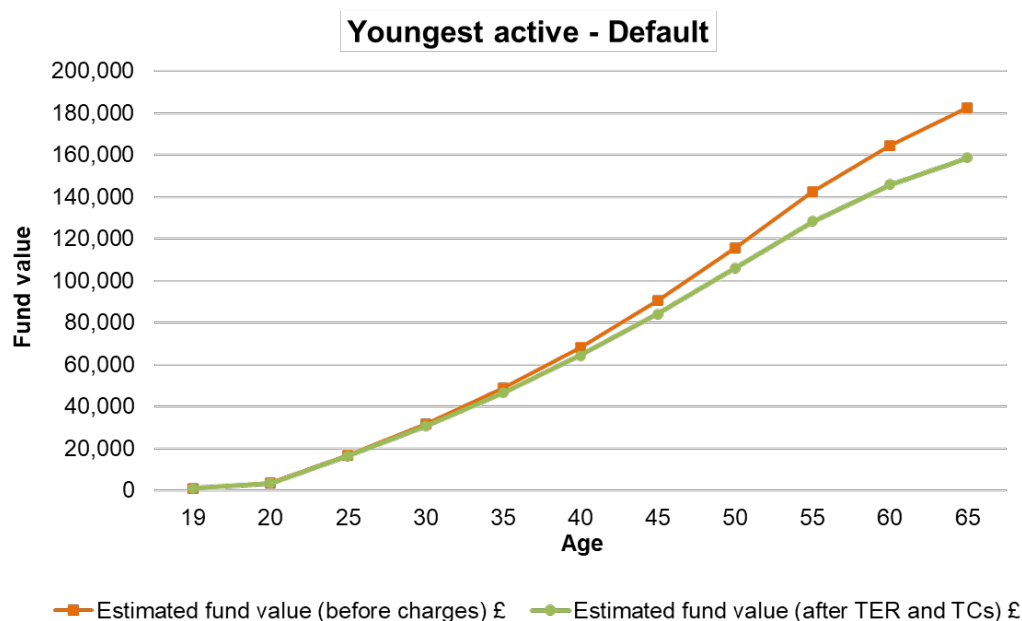
The illustrations have been prepared having regard to statutory guidance and selecting suitable representative members. They are based on a number of assumptions about the future which are set out below. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Because the illustrations are based on typical members they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

Each illustration, A, B and C is shown for a different type of member invested in the Aon Managed Retirement Pathway 'flexible glidepath', as this is the arrangement that most members are invested in. As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have included comparison figures with two other investments:

- the Aon Managed Active Global Equity Fund – a higher charging fund
- the Aegon BlackRock World (ex-UK) Equity Index (BLK) a lower charging fund

All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

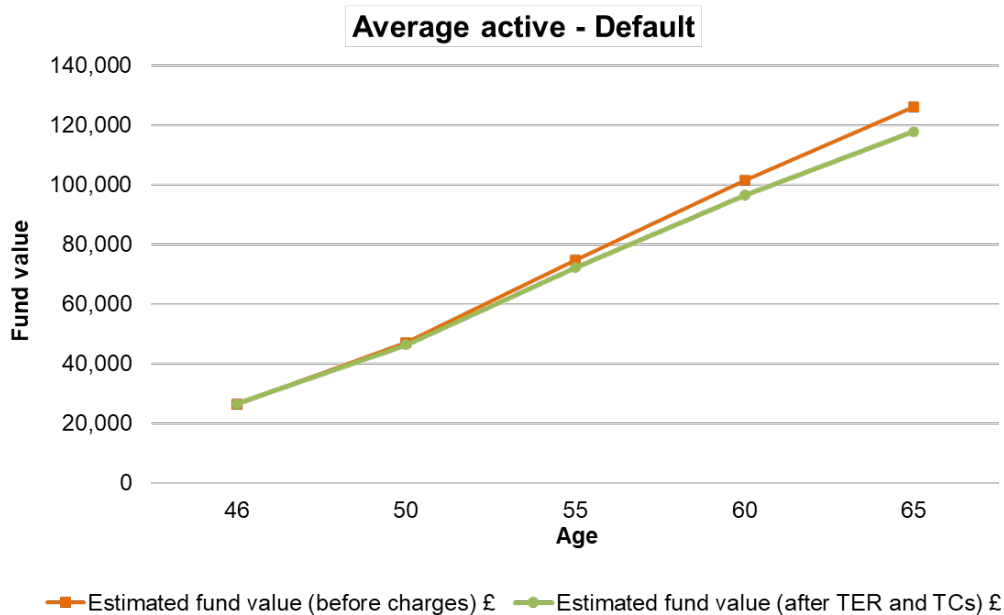
**Illustration A:** Active Plan member who has 46 years to go until their retirement at age 65. The member has a current salary of £20,000 and future contributions of 12% p.a. of salary. The member has a current fund value of £1,000 and is invested in the Aon Managed Retirement Pathway 'flexible glidepath' 2070-2072).





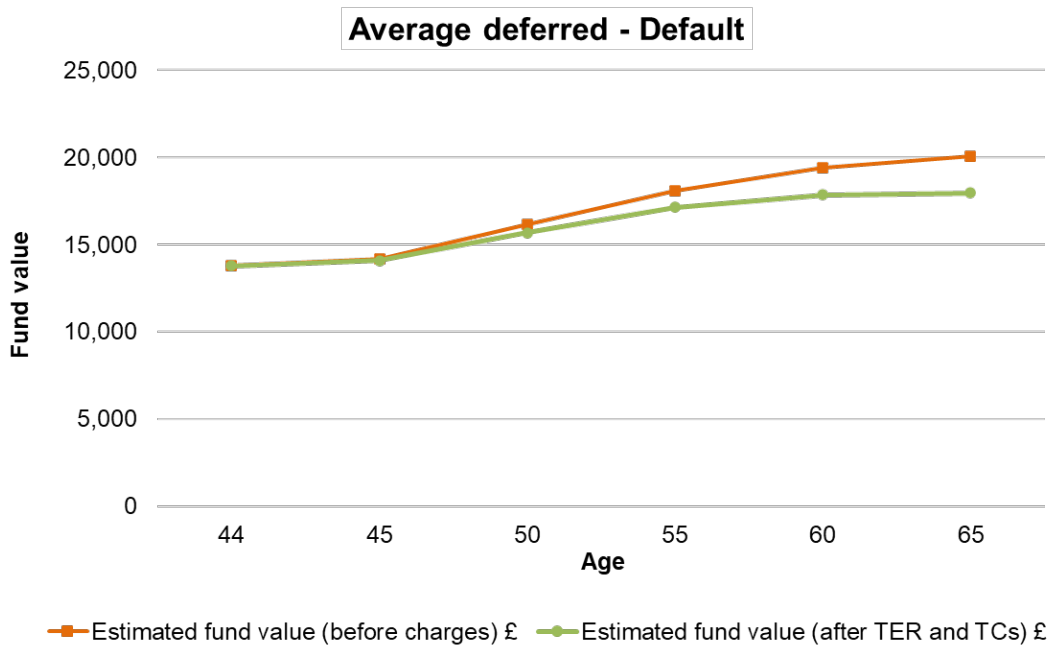
Projected retirement savings in today's money									
Age	Aon Managed Retirement Pathway 'flexible glidepath' (2070-2072)			Aon Managed Active Global Equity Fund			Aegon BlackRock World (ex-UK) Equity Index		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
19	1,000	1,000	0	1,000	1,000	0	1,000	1,000	0
20	3,429	3,418	11	3,426	3,407	19	3,429	3,423	6
25	16,579	16,313	266	16,525	16,055	470	16,587	16,451	136
30	31,579	30,664	915	31,393	29,789	1,604	31,607	31,138	469
35	48,689	46,636	2,053	48,268	44,705	3,563	48,754	47,694	1,060
40	68,206	64,410	3,796	67,422	60,902	6,520	68,327	66,358	1,969
45	90,468	84,191	6,277	89,163	78,491	10,672	90,671	87,398	3,273
50	115,862	106,206	9,656	113,840	97,592	16,248	116,177	111,117	5,060
55	142,279	128,329	13,950	141,850	118,335	23,515	145,294	137,856	7,438
60	164,621	145,869	18,752	173,642	140,860	32,782	178,531	167,999	10,532
65	182,290	158,604	23,686	209,728	165,321	44,407	216,473	201,980	14,493

**Illustration B:** Active Plan member who has 19 years to go until their retirement at age 65. The member has a current salary of £32,400 and future contributions of 13% p.a. of salary. The member has a current fund value of £26,600 and is invested in the Aon Managed Retirement Pathway 'flexible glidepath' (2040-2042).



Projected retirement savings in today's money									
Age	Aon Managed Retirement Pathway 'flexible glidepath' (2040-2042)			Aon Managed Active Global Equity Fund			Aegon BlackRock World (ex-UK) Equity Index		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
46	26,600	26,600	0	26,600	26,600	0	26,600	26,600	0
50	47,102	46,350	752	46,950	45,616	1,334	47,125	46,741	384
55	74,704	72,281	2,423	75,467	71,219	4,248	76,036	74,791	1,245
60	101,475	96,537	4,938	107,834	99,023	8,811	109,039	106,412	2,627
65	126,056	117,926	8,130	144,573	129,217	15,356	146,713	142,058	4,655

**Illustration C:** Deferred Plan member (a member who is no longer making contributions to the Plan) who has 21 years to go until their retirement at age 65. The member has a current fund value of £13,800 and is invested in the Aon Managed Retirement Pathway 'flexible glidepath' (2043-2045).



Projected Pension Account in today's money									
Age	Aon Managed Retirement Pathway 'flexible glidepath' (2043-2045)			Aon Managed Active Global Equity Fund			Aegon BlackRock World (ex-UK) Equity Index		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
44	13,800	13,800	0	13,800	13,800	0	13,800	13,800	0
45	14,168	14,098	70	14,154	14,029	125	14,170	14,135	35
50	16,161	15,690	471	16,066	15,235	831	16,176	15,934	242
55	18,102	17,135	967	18,235	16,545	1,690	18,465	17,963	502
60	19,388	17,866	1,522	20,698	17,967	2,731	21,079	20,250	829
65	20,053	17,974	2,079	23,493	19,511	3,982	24,063	22,828	1,235

Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the funds) in making investment decisions.

#### Assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

- Annual salary growth and inflation is assumed to be 2.5% per annum.
- The starting fund values and future contributions used in the projections are representative of each illustrative member based on the Plan membership demographics.
- The projected annual gross returns are as follows:

Fund name	Projected annual gross returns (% p.a.)
Aon Managed Global Impact Fund*	5.2
Aon Managed Initial Growth Phase Fund*	5.2
Aon Managed Diversified Asset Fund*	3.5
Aon Managed Diversified Multi Strategy Bond Fund*	0.5
Aon Managed Passive Corporate Bond Fund*	1.7
Aon Managed Short Term Inflation Linked Fund*	1.0
Aon Managed up to 5 year UK Gilt Index Fund*	1.0
Aon Managed Active Global Equity Fund	5.1
Aon Managed Liquidity Fund	0.7
Aegon BlackRock World (ex UK) Equity Index Fund	5.3

\*Funds underlying the default arrangement

- The projected returns are on the basis set out in the Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council.
- The transaction costs have been averaged over a five year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.
- Member data used is as at 31 December 2022.

#### **4. Value for Members assessment**

**The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.**

There is no legal definition of "good value" or the process of determining this for Plan members. Therefore, working in conjunction with our advisers, Aon, the Trustee has developed a cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Plan relative to the costs and charges they pay.

The costs have been identified as the TERs and transaction costs and are set out in section 3 and the Appendix of this statement. The Trustee has considered the benefits of membership under the following five categories: Governance, investments, administration, member communications and retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

The Trustee's beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

##### **(i) Governance**

The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.

The Trustee has built a robust governance approach for the Plan, including obtaining and reviewing quarterly administration reports, regular reviews of the Plan's risk register and assessment of the effectiveness of the Trustee board in their oversight of the Plan.

The Trustee Board has a DC and Communications Sub-Committee (DCCSC) to provide greater strategic focus and time commitment to the DC arrangements.

##### **(ii) Investments**

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of its suitability for the membership will make a large contribution to the delivery of good member outcomes.

The Plan offers TDFs aimed at taking benefits flexibly at retirement, as an annuity or as cash. There are also self-select funds available covering a range of member risk profiles and asset classes. The Trustee, with advice from their investment adviser, regularly reviews the funds available and their performance to ensure they continue to remain suitable for the needs of the Plan membership.

Performance of the funds is reported to the Trustee on a quarterly basis, and performance is reviewed against agreed market benchmarks. The default arrangement is also reviewed against inflation-linked return objectives on a quarterly basis.

##### **(iii) Administration**

The Trustee believes that good administration and record keeping play a crucial role in ensuring that members receive the retirement income due to them. In addition, the type and quality of service experienced by members has a bearing on the level of member engagement.

The Trustee obtains information to assess the member experience through quarterly administration reports and discussions with the administrator. Service credits are payable for any unexpected drop in core service levels.

#### **(iv) Member communications**

The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.

The Trustee delegates responsibility for the majority of communications to the DC and Communications Sub-Committee (DCCSC) – a sub-group of the full Trustee Board which was formed in May 2022 to offer more strategic focus to the DC arrangements.

The DCCSC review communications for the Plan for accuracy and clarity to ensure key messages are delivered consistently. Members have access to PPG Pension Hub – a website that brings the Plan's online resources together securely and gives members a clear picture of their Plan benefits in one place to further enhance the member experience.

The PPG Pension Hub is a mechanism to deliver employees a clear overview of their pension on their desktop, laptop, tablet or mobile, providing expert pension insights and access to preferred modelling tools to help them forecast their finances.

#### **(v) Retirement support**

The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.

Members are able to access support for their retirement decisions in a variety of ways. A dedicated helpline and guidance material are available through the Aon Retirement Service, and members can receive one free round of advice with the Independent financial adviser that the Trustees have facilitated access through.

Additional support and information is available on the member website, TargetPlan. The Plan's microsite also highlights the help, advice and support mechanisms available, and the PPG Pension Hub brings together the Plan's online resources in one place.

#### **Value for Members**

The Trustee assessed the AVC providers and funds in addition to the funds held on the Aegon platform. In respect of the latter the Trustee concluded that the charges and transaction costs borne by Plan members are competitive in comparison to current market rates and represent good value for members relative to the benefits of Plan membership. In respect of the AVCs the Trustee assessment concluded that better value for most could be achieved through the Plan as opposed to the AVC provider. The Trustee is continuing with its project to consolidate the remaining AVCs, where possible, into the Plan and onto the Aegon platform.

### **5. Processing of Core Financial Transactions**

**The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members/beneficiaries.**

The bulk of the core financial transactions are undertaken on behalf of the Trustee by Aon, who undertake certain administrative duties in partnership with Aegon as the platform provider for the DC Section of the Plan. The Company is responsible for ensuring that contributions are paid to the Plan promptly. The timing of such payments is monitored by the Trustee from quarterly administration reports submitted by Aon.

In order to determine how well the administrator is performing the Trustee has service level agreements ("SLA") in place with Aon. These SLAs detail a number of key administration processes to be performed and the target timescales within which each of these processes must

be completed. Processes are divided into groups, each with a target SLA. The table below provides an indication of the type of tasks completed in each of the four groups and how the administration function performed relative to the target SLA for the year ending 31 March 2023:

<b>Tasks and completion periods</b> (example task provided)	<b>Target % of tasks to complete in specified number of days</b>	<b>Actual % of tasks completed in specified number of days</b>
<b>Retirements</b> <i>Percentage of tasks for be completed mostly in 1 to 5 days.</i>	90%	91%
<b>Transfer in or out</b> <i>Percentage of tasks for be completed mostly in 1 to 5 days.</i>	95%	88%
<b>Transaction reversal</b> <i>Percentage of tasks for be completed in 6 days.</i>	98%	100%
<b>Investment switch request</b> <i>Percentage of tasks for be completed in 1 day.</i>	100%	99%

Over 5,900 tasks were completed by the administrator in this period.

Aon attends quarterly Governance Sub-Committee (GSC) meetings to present the administration reports. Attendance at these meetings provides an opportunity for members of the GSC to discuss any issues that might arise, and report back to the Trustee board as required. The GSC has discussed below target performance with the administrator and will continue to monitor over the coming year. Core financial transactions are service creditable items where a service credit payment is made if performance falls short of agreed core service levels. No financial service credits were payable over the Plan year and the Trustee has taken comfort that core financial transactions have not been negatively impacted and processed as promptly as possible.

The Trustee has also reviewed the key processes adopted by the administrator, in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes include:

- Provision of quarterly administration reports – enabling the Trustee to check core financial transactions and review processes relative to any member complaints made.
- Monthly contribution checks and daily reconciliation of the Trustee's bank account.
- Checks for all investment and banking transactions prior to processing.
- Straight-through processing for many tasks, avoiding the need for manual intervention and, in turn, significantly reducing the risk of error.
- Documentation and operation in line with quality assurance policies and procedures.
- Operation in line with the business continuity plan and confirmation that the administrator has prioritised core financial transactions during this period.

During the year, the Trustee carried out benchmarking of the Plan administrator in relation to core administrative tasks against four other mainstream DC administrators. The analysis did not raise any concerns with the service received or SLAs agreed.

The Trustee is satisfied that over the period:

- the administrator was operating appropriate procedures and checks and controls;
- there have been no material administration errors in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately

## 6. Trustee Knowledge and Understanding

**Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.**

The comments in this section relate to the Plan as a whole and not solely the DC Section.

The Trustee has processes and procedures in place to meet the Pension Regulator's Trustee Knowledge and Understanding requirements (as set out in their Code of Practice No 7); some of which are identified below:

- A structured training programme for newly appointed Trustee Directors including completion, within their first six months of formal appointment, of the Pension Regulator's Trustees toolkit, which is an online learning programme. New Trustee Directors are also required to complete a Trustee knowledge and understanding self-assessment within their first year in the role.
- Current Trustee Directors have completed the Pension Regulator's Trustee toolkit, including completion of the latest pension scams module
- Assessing training needs and identifying gaps in knowledge through annual assessments.
- Undergoing regular training for the year which included training on:
  - Evolution of the DC Section
  - Deep dive into the delegated DC arrangement
  - Pensions Dashboards
  - Environmental, Social and Governance (ESG) principles and Task Force on Climate-related Financial Disclosures (TCFD)
  - Cyber security and the requirement of the General Code
  - Cyber review of third party providers
  - Benefit discretions
- Maintaining training logs for each Trustee, recording collective training undertaken as a Trustee board and any training the Trustee Directors undertake individually.
- Trustee policy and practices are detailed in the Trustee Manual which is designed to be used as a key reference document for all new and existing Trustees.
- Annual one-to-one Trustee performance assessments.

The Trustee has engaged with their professional advisers regularly throughout the year to ensure that they exercise their functions properly and take professional advice where needed. Exercising their functions has required that the Trustee has knowledge of the key Plan documents such as

the Trust Deed & Rules, Trustee Report & Accounts and SIP. All Plan documents are accessible to the Trustee via a secure online web sharing facility.

The Trustee is familiar with trust and pension law and the Trustee legal adviser regularly attends meetings to answer any questions that may arise.

A few of the activities undertaken during the period of review are set out below:

- Review of quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience.
- Review of quarterly investment reports to assess fund performance against benchmarks, and funds against overall Plan aims and objectives, as set out in the SIP.
- Maintaining a regime for proper governance – quarterly review and assessment of progress against the annual business plan for each sub-committee.
- Work in relation to reviewing and updating Plan policies, processes and procedures in preparation of the release of the General Code.

The Trustee board is made up of nine Trustee Directors, including one independent professional Trustee. The Trustee Directors bring a diverse range of skills and experience to the board.

There are three sub-committees that provide support to the Trustee with the effective running of the Plan. The purpose of the DCCSC is to focus attention on DC members of the Plan in support of the delivery of good member outcomes and communication matters. There is also the GSC who assist the Trustee in relation to governance and Defined Benefit administration matters and the Funding and Investment Sub-Committee (FISC) who assist the Trustee in relation to funding and Defined Benefit investment related matters. The composition of the GSC, FISC and DCCSC utilise the different strengths and backgrounds of the Trustee Directors in the right areas. All of the sub-committees have common additional purposes in relation to their focus noted above:

- a) Assist the Trustee in carrying out its responsibilities
- b) Maximise efficiency
- c) Provide specialist expertise amongst a subset of members of the Trustee
- d) Promote effective collaboration between the Trustee and the Company

As a minimum, the full Trustee board meets four times per year with the GSC, FISC and DCCSC meeting more regularly as required, to progress actions and monitor and review the administration and investment performance, audit and approve the Trustee Report and Accounts amongst other tasks.

There is also a Guaranteed Minimum Pension (GMP) Equalisation Working Party that has been managing the GMP Equalisation project.

The Trustee considers that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly exercise their functions as the Trustee of the Plan.

Signed on behalf of the PPG Industries (UK) Pension Trustee Limited (the Trustee)

Name	Claire Sherwood, Chair of Trustee
Signature	
Date	



## Appendix

The table sets out the transaction costs for the underlying funds in each Retirement Pathway Fund. The TER for each Retirement Pathway Fund and the blended transaction cost, reflecting the mix of the underlying funds at each age, is set out in the tables shown in section 3 of this statement.

<b>Fund name</b>	<b>Transaction costs (% p.a.)</b>
<b>Aon Managed Retirement Pathway 'flexible glidepath'</b>	
<i>Aon Managed Initial Growth Phase Fund</i>	0.09
<i>Aon Managed Global Impact Fund</i>	0.08
<i>Aon Managed Diversified Multi-Asset Fund</i>	0.24
<i>Aon Managed Diversified Multi Strategy Bond Fund</i>	0.54
<i>Aon Managed Passive Corporate Bond Fund</i>	0.06
<i>Aon Managed Short Term Inflation Linked Fund</i>	0.01
<i>Aon Managed up to 5 year UK Gilt Index Fund</i>	0.17
<b>Aon Managed Retirement Pathway 'annuity'</b>	
<i>Aon Managed Initial Growth Phase Fund</i>	0.09
<i>Aon Managed Global Impact Fund</i>	0.08
<i>Aon Managed Diversified Multi-Asset Fund</i>	0.24
<i>Aon Managed Diversified Multi Strategy Bond Fund</i>	0.54
<i>Aon Managed Passive Corporate Bond Fund</i>	0.06
<i>Aon Managed Short Term Inflation Linked Fund</i>	0.01
<i>Aon Managed up to 5 year UK Gilt Index Fund</i>	0.17
<i>Aon Managed Pre-Retirement Bond Fund</i>	0.02
<i>Aon Managed Liquidity Fund</i>	0.01
<b>Aon Managed Retirement Pathway 'cash'</b>	
<i>Aon Managed Initial Growth Phase Fund</i>	0.09
<i>Aon Managed Global Impact Fund</i>	0.08
<i>Aon Managed Diversified Multi-Asset Fund</i>	0.24
<i>Aon Managed Diversified Multi Strategy Bond Fund</i>	0.54
<i>Aon Managed Passive Corporate Bond Fund</i>	0.06
<i>Aon Managed Short Term Inflation Linked Fund</i>	0.01
<i>Aon Managed up to 5 year UK Gilt Index Fund</i>	0.17
<i>Aon Managed Liquidity Fund</i>	0.01

A floor of 0% p.a. has been applied to any negative transaction cost to avoid potentially understating the total level of costs and charges.