



Mitie Group Plc Retirement & Death Benefits Scheme

Annual governance statement for the Scheme year ending 31 March 2022

Introduction

This statement has been prepared in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Administration Regulations").

As Trustee of the Mitie Group Plc Retirement & Death Benefits Scheme (the Scheme), we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's:

- code of practice 13: governance and administration of occupational trust-based schemes
- providing money purchase benefits (the DC Code); and
- regulatory guidance for defined contribution schemes (DC Regulatory Guidance).

Based on our assessment, the Trustee continues to work towards adopting the standards of practice set out in the DC Code and DC Regulatory Guidance.

As at 31 March 2022, there were sixteen deferred members of the Scheme. There were no other members in the Scheme.

Governance of the default arrangement

The Scheme's assets are invested wholly in an insurance policy provided by Aviva Life & Pensions UK Limited (Aviva), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct and the Prudential Regulation Authority.

The Trustee has not prepared a statement of investment principles (SIP) in relation to the Scheme because:

- the Scheme has fewer than 100 members, it is exempt from providing a SIP under regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005; and
- the Scheme ceased to receive contributions before 6 April 2015 and therefore Aviva does not operate a default arrangement in relation to members of the Scheme. Further, the Scheme is not being used for automatic enrolment purposes. As such, the Trustee is not required to prepare a default fund SIP under regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme is not used as a Qualifying Scheme for auto-enrolment.

Objectives of the Scheme's default approach

Aviva does not operate a default arrangement for members of the Scheme as no contributions have been paid to the Scheme since 6 April 2015 and the Scheme is not used for automatic enrolment purposes. Accordingly, there is no default strategy nor default arrangement(s) to review.

Core financial transactions

The Trustee has a duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the

Scheme are processed promptly and accurately. The Trustee delegates the processing of these transactions to Aviva.

The Trustee has not identified any issues in terms of the processing of core financial transactions during the Scheme year. The Trustee compares Aviva's performance against targets set out in the policy to ensure no issues arise. The Trustee keeps the processing of core financial transactions under regular review through reports received from Aviva which are reviewed by the Trustee.

Members' benefits are invested in unit-linked funds or in Aviva's conventional with profits fund.

Unit linked funds

Members' benefits are invested in one or more of the following unit linked funds:

- Av FP With-Profits Sub-Fund (Series I)
- Aviva Pension European FPP
- Aviva Pension Managed FPP
- Aviva Pension North American FPP
- Aviva Pension Pacific Basin FPP
- Aviva Pension Stewardship Managed FPP

Units are calculated daily using the bid price. The current bid /offer spread is approximately 5%.

Aviva has advised that non with-profits sub-funds have a management charge of 0.75% a year. This is not deducted directly from the unit values but has the effect of reducing the unit prices.

There is no explicit management charge in respect of the Av FP With-Profits Sub-Fund (Series I) as Aviva accounts for the cost of running the fund when it reviews the regular bonus rates each year.

Some funds invest through Aviva unit trusts. Although these trusts carry their own initial and annual management charges, these are not payable in addition. However, a share of the trust's fees to trustees, auditors etc., is payable which has the effect of increasing the annual management charges.

All premiums receive an allocation rate based on the level of premium paid. Allocation rates for single premiums are determined by the amount of the single premium and the term for which the premium will be invested. As the last active member left the Scheme on 1 May 2005, we have not set out details of the current premiums applicable to the funds in this statement.

A market value reduction does not currently apply to the funds.

There is no exit charge if the benefits are taken or transferred before the date chosen for retirement.

The Scheme does not benefit from guaranteed annuity rates, guaranteed bonus rates, guaranteed minimum pensions or guaranteed investment returns.

Av FP With-Profits Sub-Fund (Series I) information

As the Scheme is invested in the Av FP With-Profits Sub-Fund (Series I), it is entitled to a share of the profits of that fund. The profit shares are added as bonuses that are added to the plan. The with-profits unit price increases in line with the rate of regular bonus declared by Aviva.

On retirement, death, transfer and switching out of the Av FP With-Profits Sub-Fund (Series I), Aviva might add a final bonus to the value of the units. Aviva calculate the final bonus based on the

period the investment has been held continuously in the fund and the performance of the fund over that time.

Conventional With-Profits Fund (the Fund)

Aviva has confirmed that, as at 31 March 2021, one member's benefits were invested in the Aviva the Fund. There is no market value adjuster charged against the member's benefits, nor are there any bid /offer spread attached to the Fund. Therefore, the charges borne by the member are implicit within the securing rates.

There are no ongoing charges. Whilst fund switches are not allowed, there are no early exit charges if the member decides to transfer out of the Scheme.

The Fund includes a guaranteed annuity rate, but it no longer applies as the member has passed normal retirement age.

Transaction costs

Aviva's transaction cost disclosures are set out in Schedule I.

Costs illustration

Despite asking Aviva to provide the Trustee with an illustration of the charges and transaction costs as required under the Occupational Pension Schemes (Administration and Disclosure) Amendment Regulations 2018 and relevant statutory guidance, for reasons outside of the Trustee's control, Aviva have not yet provided this illustration. We will chase Aviva for the illustration and will provide an updated Chair's statement as soon as this information is available.

Net return on investments

At the time of preparing this report, the Trustee has requested but not yet received sufficient information from Aviva to enable the Trustee to include the returns on the Scheme's investment funds, net of transaction costs and charges. We will chase Aviva for this information and provide an updated Chair's statement as soon as this information is available.

Conclusion

To determine whether the transaction costs taken from members' savings represent good value for members, the Trustee has taken into account the balance of the costs against the benefits (including the fund performance, policy features, retirement support, member communication and the overall quality of Aviva's service).

The Trustee's assessment is that the charges are competitive when all of the benefits are taken into account. Therefore, the Trustee of the Scheme is sufficiently comfortable that the charge and costs referred to by Aviva in respect of the Scheme represent good value for members.

Trustee Knowledge and Understanding ("TKU")

Section 248 of the Pensions Act 2004 requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. This includes having a working knowledge of the Scheme's trust deed and rules, and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally. The Trustee Directors also need to have an appropriate level of knowledge and understanding of matters such as the law relating pensions and trusts, and the principles relating to investment of pension scheme assets.

The Trustee combines the knowledge and understanding of the members of the board, together with the advice which is available to them through their professional consultants and advisers, to enable them to properly exercise their function as Trustee of the Scheme.

The Trustee takes training and development responsibilities seriously and training requirements are assessed quarterly. Trustee directors attended quarterly Pensions Governance Committee meetings which include training sessions provided by professional consultants and advisers. During the year, the Trustee Directors received training in respect of investment and funds, ethical investments and defined contribution pension legal and regulatory updates. In addition, at each Pensions Governance Committee meeting, there is a Q&A Open Forum session to allow trustee directors to discuss pension matters with advisers.

Each of the members of the board of directors has access to the Scheme's documents in order to ensure they are conversant with those documents.

Signed:

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Robyn Fisher
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Date:

03 october 2022

Director of Mitie Trustees Limited
(Chair of Trustees)

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Annual governance statement for the Scheme year ending 31 March 2021

Schedule I - Aviva Transaction Cost Disclosures

Transaction Cost Disclosure for Workplace Pensions

| | |
|----------------|--|
| Scheme Name: | Mitie Group PLC Retirement and Death Benefits Scheme |
| Scheme Number: | F29366 |
| Date: | 31/03/2022 |

| | |
|--------------------|--|
| Explanatory Notes: | In accordance with FCA & DWP regulations, Governance bodies of workplace pension schemes must perform a value for money assessment for their scheme which includes looking at the costs involved in managing pension funds. This table shows the administration and transaction costs for each fund in your scheme and is provided to assist with value for money / value for member assessments. The FCA has prescribed the 'slippage cost' methodology for calculating transaction costs. The slippage cost methodology calculates the transaction cost of buying or selling an investment as the difference between the price at which an asset is valued immediately before an order is placed into the market and the price at which it is actually traded. Where fund managers have not used this methodology it is shown below. |
|--------------------|--|

The data in the table below shows the following:

| | |
|--|---|
| Administration Cost | This is the fund's annual administration cost for the scheme. |
| Total Transaction Cost | Where the 'Total Transaction Cost' is 0 (zero) but there are 'Buying & Selling', and 'Lending & Borrowing' costs, this reflects modifications made to the calculation and reporting methodology set by the FCA. This modification means that: 1) Where the sum of the 'Buying & Selling,' 'Lending & Borrowing' and 'Anti-dilution' costs are greater than the 'Anti-dilution', then the 'Transaction Cost' is the sum of the 'Buying & Selling' and 'Lending & Borrowing' costs. 2) Where the sum of the 'Buying & Selling' and 'Anti-dilution' costs is less than 0 (Zero), then the 'Total Transaction Cost' is the sum of 'Buying & Selling', 'Lending & Borrowing' and 'Anti-Dilution.' 3) For other scenarios the 'Total Transaction Cost' is to be shown as 0 (zero). |
| Buying and Selling Transaction Cost | Where it is an internal fund, which is a fund managed to an investment mandate set by Aviva UK Insurance, these are the costs incurred in buying and selling units in the Aviva insured fund and the costs incurred by this fund in buying and selling its holdings. Where the Aviva insured fund invests in an external fund these are the annual costs incurred in buying and selling units in the underlying external fund and the annual costs incurred by the underlying fund in buying and selling its holdings. |
| Lending and Borrowing Transaction Cost | The annual costs incurred by either the Aviva insured fund and / or the underlying fund in lending and borrowing its holdings. |
| External Transaction Cost Data Missing | The percentage of the fund value for which underlying fund cost data is missing. As a result of this we cannot provide the total transaction costs for this fund. This includes when: a) the external fund manager has provided no transaction costs b) the external fund manager has not provided costs for a certain percentage of their fund |
| Slippage Cost methodology not used | The percentage of the fund for which transaction costs have been calculated using a method other than the slippage cost methodology. |

| Fund Name | Administration Cost | Total Transaction Cost | Buying and Selling Transaction Cost | Lending and Borrowing Transaction Cost | External Transaction Cost Data Missing | Slippage Cost methodology not used | Comments/ Additional Information |
|--|---------------------|------------------------|-------------------------------------|--|--|------------------------------------|--|
| Av Cash | 0.77% | 0.0002% | 0.0002% | 0.0000% | 0% | 100% | |
| Av European | 0.78% | 0.2190% | 0.2164% | 0.0026% | 0% | 100% | |
| Av Fixed Interest | 0.77% | 0.1110% | 0.1110% | 0.0000% | 0% | 50% | |
| Av FP With Profits Fund (DTB Series) | | | | | | | Required underlying data is not available. |
| Av FP With Profits Fund (Main Series 1) | 0.25% | 0.0640% | 0.0640% | 0.0000% | 0% | 0% | |
| Av FP With Profits Fund (Main Series 21) | 0.75% | 0.0640% | 0.0640% | 0.0000% | 0% | 0% | |
| Av Global Equity | 0.78% | 0.1587% | 0.1570% | 0.0017% | 0% | 100% | |
| Av Index Linked | 0.77% | 0.0105% | 0.0105% | 0.0000% | 0% | 100% | |
| Av Managed | 0.76% | 0.0597% | 0.0597% | 0.0000% | 0% | 100% | |
| Av Managed Balance Exempt | 1.14% | 0.2727% | 0.2727% | 0.0000% | 0% | 100% | |
| Av North American | 0.77% | 0.0821% | 0.0813% | 0.0008% | 0% | 0% | |
| Av Pacific Basin | 0.80% | 0.0486% | 0.0486% | 0.0000% | 0% | 68% | |
| Av Pre-retirement Fixed Interest | 0.76% | 0.0111% | 0.0111% | 0.0000% | 0% | 0% | |
| Av Property | 0.75% | 0.2087% | 0.2087% | 0.0000% | 0% | 0% | The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not include those incurred by the Aviva fund in buying and selling units in the underlying fund(s). |

| Fund Name | Administration Cost | Total Transaction Cost | Buying and Selling Transaction Cost | Lending and Borrowing Transaction Cost | External Transaction Cost Data Missing | Slippage Cost methodology not used | Comments/ Additional Information |
|--------------------------|---------------------|------------------------|-------------------------------------|--|--|------------------------------------|--|
| Av Stewardship Bond | | | | | | | Required underlying data is not available. |
| Av Stewardship Int Eq | | | | | | | Required underlying data is not available. |
| Av Stewardship Managed | 0.77% | 0.1747% | 0.1747% | 0.0000% | 0% | 0% | |
| Av Stewardship UK Equity | 0.77% | 0.0805% | 0.0805% | 0.0000% | 0% | 0% | |
| Av UK Equity | 0.77% | 0.1419% | 0.1414% | 0.0005% | 0% | 100% | |
| Av UK Index Tracking | 0.80% | 0.0310% | 0.0310% | 0.0000% | 0% | 100% | The costs provided represent those incurred by the underlying fund in buying and selling its holdings and do not include those incurred by the Aviva fund in buying and selling units in the underlying fund(s). |