

AEROMET INTERNATIONAL PLC RETIREMENT BENEFITS SCHEME CHAIR'S STATEMENT FOR YEAR ENDING 5 APRIL 2019

Regulations effective from 6th April 2015 require trustees to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution (DC) benefits. These standards cover the following areas:

1. *The default investment arrangement;*
2. *Core financial transactions;*
3. *Value from member borne deductions;*
4. *The trustees' compliance with statutory knowledge, understanding and resources; and*
5. *Information regarding DC governance and the Trustee's assessment of the Scheme against the DC Code of Practice.*

As Chair of the Trustee, it is my pleasure to report to you on how the Trustee of the Aeromet International Plc Retirement Benefits Scheme (the "Scheme") has embedded these minimum standards in the Scheme over the period 6 April 2018 to 5 April 2019.

We continue to review the Scheme to ensure we are working towards meeting the highest standards expected of us.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, a list of local independent financial advisers can be obtained on-line at www.unbiased.co.uk.

1. Default Investment Arrangements

The Scheme is not being used as a qualifying scheme for auto-enrolment purposes and the Scheme is closed to new members with no further contributions being paid.

A default investment strategy is provided for members of a scheme who do not choose their own investment strategy. As the Scheme is closed to new members and no further contributions are invested, there is no requirement for the Trustee to set a default investment fund.

For those members who have not yet started to take their retirement benefits, the funds are invested in a mixture of with-profits and unit-linked funds with Royal London. The with-profits funds have annual bonuses applied (where applicable) and the unit-linked funds are all invested in a range of investment funds with Royal London.

2. Core financial transactions

The requirements of regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 have been met and core financial transactions have been processed promptly and accurately by:

- Appointing professional advisers and delegating the day to day running of the Scheme to a professional third party administrator, The Royal London Mutual Insurance Society Limited ("Royal London") and working with the Principal Employer (Aeromet International Ltd) to facilitate any payments from the Trustee bank account, including taxable benefits. Royal London are a reputable firm who are trained and conversant with the Scheme's Trust Deed and Rules and the developments in the DC landscape.
- Implementing adequate internal controls. Service Level Agreements (SLAs) are in place with Royal London which cover all core administration processes. The Trustee continues to work with Royal London to review the SLAs and put in place a robust monitoring framework.
- Ensuring that detailed disaster recovery plans are in place with the administrators, other relevant third parties, and within the sponsoring employer.
- Maintaining and monitoring a risk register at least annually which includes risks and controls in relation to core financial transactions.

- Appointing a professional firm, Kreston Reeves LLP, to undertake an annual independent audit to confirm that contributions and benefit payments have been made in a timely manner and in line with the required timescales.

In accordance with regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustee have reviewed their core financial transactions to ensure that they continue to be processed promptly and accurately. There have been no service issues or notifiable events arising during the year.

The Trustee has prepared a Statement of Investment Principles (SIP), in accordance with Section 35 of the Pensions Act 1995 and The Occupational Pension Schemes (Investment) Regulations 2005. This details the Scheme's investment strategy, noting the insured nature of the Scheme and the restrictions this applies. A copy of the SIP is appended to this Statement.

3. Value for member borne deductions

a) Scheme guarantees

The Scheme has a Guaranteed Minimum Pension (GMP) underpin which applies to those members who opted for that benefit. This ensures that, at retirement, such members receive at least the level of the GMP they have built up in the Scheme. As at 5 April 2019 this underpin applied to all eligible members and is funded through an insurance policy with Royal London.

Those members who did not opt for the underpin to be applied (or have paid AVCs) hold a separate DC fund.

b) Fees and costs incurred in running the Scheme

The insurance policy with Royal London (as noted above) ensures that the benefits determined by the underpin are covered. This insurance policy has been funded by previous contributions from the Principal Employer. As part of the policy terms, there are no further charges applicable.

In the event that the DC funds are relevant for the purpose of providing benefits (including those members without the underpin), it is possible for Annual Management Charges to be applied to the unit-linked funds. Most individual accounts are invested in with-profits funds whereby any charges are reflected in the bid-offer spread of the underlying investments. Over the year to 5 April 2019 the annual management charge applied to the unit-linked funds in the Scheme was 1%. We will continue to monitor this on an ongoing basis.

There may be transaction costs which are only incurred when members disinvest from funds (including when switching between funds) but at present we are not aware of Royal London applying any charges in these circumstances.

Any additional charges of running the Scheme, including regulatory levies, are met by the Employer as and when they arise.

c) Value for members

It is the Trustee's policy to review all member-borne charges on a regular basis and to aim to ensure that members are obtaining value, given the circumstances of the Scheme. The Trustee notes that value does not necessarily mean the lowest fee, and the overall quality of the service received has been taken into account in this value assessment.

The Trustee consider the level of member benefits provides good value, given the Scheme guarantees, the relative size of the funds and the availability of alternative investment vehicles. This view is based on the level of fees available on other investments of similar types, the level of service provided and the ability of the funds to meet their objectives (a typical market rate of fees is around 0.7% p.a.).

d) Illustration of the impact of member-borne charges

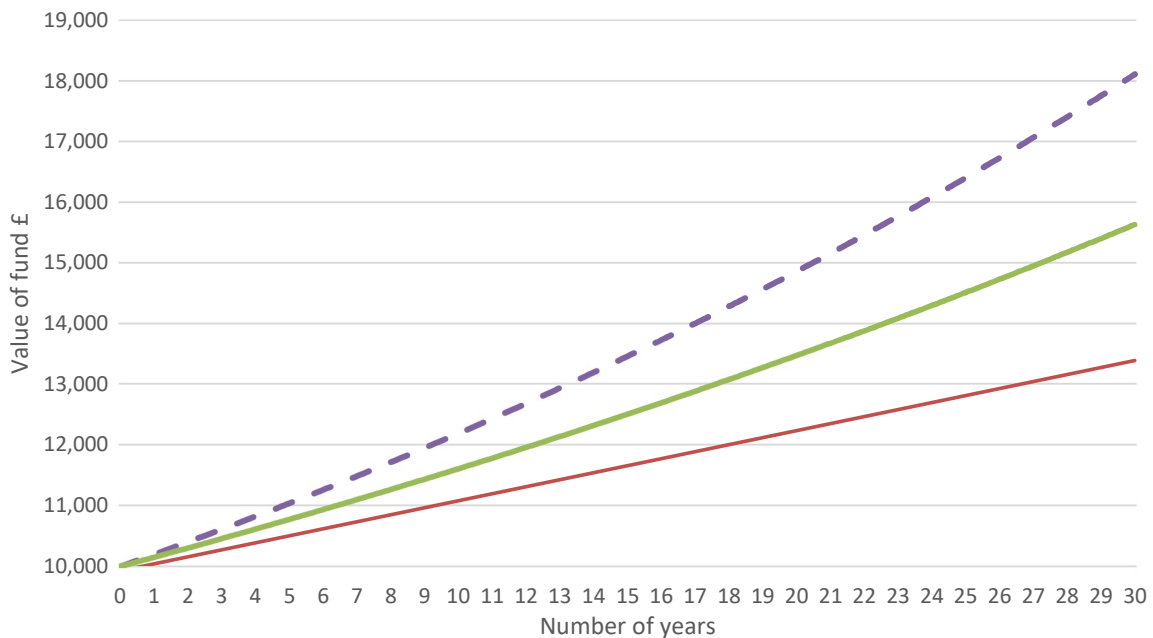
The chart and table below provide an illustrative example of the cumulative effects over time of charges borne by members. Three separate periods of accumulation have been considered for the illustrations covering a 30 year period, a 20 year period and a 10 year period. The illustration projects the cumulative value of a pension fund of £10,000.

Three different charges have been used to provide a broad spectrum of projections demonstrating how a higher charge may result in a lower final fund value at the end of the period.

A gross investment return of 2% per annum has been assumed over all illustration periods and the charges applicable for each example are deducted from this.

It should be noted that these are only illustrations and actual fund values will depend on actual investment returns achieved on investments, the time under investment, the actual charges applied and the amounts invested.

Illustration of the effect of different charges on a projected fund value



	No Charges	0.5% p.a. Charge	1.0% p.a. Charge
Value at 10 years	£12,190	£11,610	£11,050
Value at 20 years	£14,860	£13,470	£12,200
Value at 30 years	£18,110	£15,630	£13,480

4. Information regarding DC governance and the Trustee’s assessment of the Scheme against the DC Code of Practice

Within the last Scheme year we have reviewed and assessed our systems, processes and controls against key governance functions for consistency 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)
- Regulatory guidance for defined contribution schemes.

The Trustee is committed to having high governance standards and aims to monitor the controls and processes in place in connection with the Scheme's investments and administration. During the period, the Trustee has been carrying out due diligence on the Scheme, including a review of the DC arrangements provided.

The Trustee is currently using the Pension Regulator's Self-assessment template – "Presence of DC code standards" to assess whether they can improve further their Plan governance and whether better practices can be established.

As part of this ongoing review, we have identified the following areas where further work is required to meet the standards set out in the above code and regulatory guidance:

Administration: Further transparency is required from the administrators in relation to overall performance of the administration services provided and adherence to the SLAs. Currently the administrators do not produce stewardship reports which makes it difficult to regularly monitor the services we are receiving. The Trustee is aware that the responsibility of the running of the Scheme remains with them and is working with Royal London to implement adequate controls to monitor the administration services.

Communicating and reporting: The Trustee endeavours to provide member communication that is accurate, clear, understandable and engaging. We are due to issue a Summary Funding Statement setting out the results of the latest actuarial valuation (as at 6 April 2017) and the 2019 funding position, along with a general newsletter including appropriate contact details. The Summary Funding Statement is in respect of the GMP underpins but the announcement was issued to all members to ensure an open and clear message is delivered.

The Trustee is working closely with the Scheme advisers to ensure members are regularly informed about their retirement choices, how they work and details of the Government's Pension Wise service and other advisory services can help with retirement planning. The communication to members which accompanies the Summary Funding Statement will cover these points.

The Trustee is currently adopting an action plan to address the areas identified above. Our review of the arrangements remains ongoing and any strategic changes will be implemented to maintain the standards of practice set out in the relevant code and regulatory guidance. Therefore, for the purposes of completing this statement, the Trustee have taken a proportionate view of the arrangements, based on the available information.

5. The trustees' compliance with statutory knowledge, understanding and resources

The law requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. The Trustee meets with the Scheme's advisers and the Company on a regular basis to discuss matters relating the Scheme and ensure appropriate procedures are in place to run the Scheme. Over the Scheme year the Trustee met with the Company and advisers via conference calls and informal meetings, as such there are no formal meeting minutes to disclose.

In particular:

- All Trustees have completed the online Trustee Toolkit and complete new modules or amended modules as they are added or changed. In addition, the Trustees will revisit modules to refresh their knowledge periodically as necessary.
- The Trustees receive regular investment training and receive manager presentations
- The Trustees are conversant with the Trust Deed and Rules and the powers granted to them
- The Trustees keep up to date with developments in the DC landscape and new guidance issued by the Pensions Regulator.

The Trustee receives advice from professional advisers and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

The Trustee, together with assistance from their professional advisers, use their combined knowledge and understanding of Pension Law, specific Scheme documentation, legal requirements and the Pensions Regulator's guidance to ensure that the Scheme is run effectively and members' benefits are paid in accordance with the Scheme rules and to carry out the fiduciary duties required of them. This combined knowledge helps the Trustee to ensure that good Scheme governance is a priority and where any improvements can be made to existing procedures and processes. Ensuring good governance helps the Trustee determine whether the Scheme is good value for money and whether members and beneficiaries are being treated fairly and seeks to safeguard the interests of all members and beneficiaries. The Trustees knowledge of the Scheme rules ensures that they can consider non-standard benefit request options and whether this is permissible under the current rules and whether legal opinion is required and / or a rule change needed.

20-20 Trustees Limited is a professional independent trustee firm, represented by a team of professionals with a wealth of experience in the pensions industry. The representatives of 20-20 Trustees carry out regular training to keep updated on developments in the industry and are subject to requirements of Continued Professional Development (CPD) from either the Institute and Faculty of Actuaries or Pensions Management Institute, which was completed over the period from 6 April 2018 to 5 April 2019.

20-20 Trustees undertake any necessary training to enable them to carry out their role as Trustee of the Scheme and regularly monitor at trustee meetings to ensure the skills and knowledge are appropriate and any training needs are assessed. Over the period, other than the CPD carried out by the Trustee representatives, there were no additional training requirements identified.

Taking into account the above, and the professional advice available to them, the Trustee has met the requirements of Section 247 and 248 of the 2004 Act (requirement for knowledge and understanding) during the Scheme year.

Signed:

A handwritten signature in black ink, appearing to read 'Antony Miller', written in a cursive style.

Antony Miller, Chairman
2020 Trustees Limited