Chair Statement

Ring Automotive Ltd Pension Scheme

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustees to prepare an annual statement regarding governance, which should be included in the annual report.

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

- The Default Arrangement,
- Processing of core financial transactions,
- Member borne charges and transaction costs,
- Value for Members assessment, and
- Trustee knowledge and understanding.

This statement issued by Corporate Trust (Trustees) covers the period from 1 August 2017 to 31 July 2018 and is signed on behalf of the Trustees by the Chair, which as a Corporate Trust is a representative from the Company, Ring Automotive Ltd.

1. The Default Arrangement

The Trustees are responsible for investment governance, this includes the Trustees reviewing the default arrangement remains in the best interests of the members.

When the Scheme was originally established the Trustees took professional advice and selected a pension scheme where the Unitised With Profits Fund was the only available investment fund option available to members.

Full details of the Unitised With Profits Fund are recorded in the Scottish Widows Principles and Practices of Financial Management (PPFM). In summary the key points to note in relation to the Unitised With Profits Fund are as follows:

i. Smoothing helps to reduce some of the significant volatility of investing in the stock market. The fund aims to grow in value from year-to-year by holding back some investment return in good years to top up bonuses in poorer years.
ii. The fund invests in a range of different assets rather than just one to increase diversification and manage non-systematic risk; including equities, property, gilts, corporate bonds and cash.
iii. Risks and how these are measured and managed.
iv. The expected returns.

A review of performance has been carried out by the Trustees advisers, Aon Consulting Ltd, based on information provided by Scottish Widows, year ending 31 December 2018. The review took into account the membership profile, the needs of the members as well as consideration of expected member outcomes at retirement and associated risks. Although there are no alternative investment strategies that the Trustees could utilise, the main concern is that there is no 'de-risking' element in the investment fund, however as the investment fund uses a 'smoothing' feature the risk profile remains appropriate for the members in light of the overall objective of the default arrangement strategy. Additionally, the Guaranteed Annuity Rates (GAR), which apply to qualifying contractual values amounts to £111.11 per £1,000 of the fund value at age 65. This rate is only available from Scottish Widows at age 65 on a non-escalating single life basis payable in monthly instalments and guaranteed for five years. Also, if member savings are switched to an alternative investment vehicle they will lose their contractual benefits under the traditional with profit contract and the benefit of the GAR.

The trustees along with their advisers, Aon Consulting Ltd feel the advantages of the GAR outweigh the negative aspects mentioned above and that the scheme currently offers value for money to the members. Maintaining the scheme so that members can benefit from the GAR in the Trustees opinion will deliver the best retirement outcome for members wishing to take an annuity. Pension Freedoms are available to the member's; however, the GAR is only applicable when purchasing an annuity with Scottish Widows.

This Scheme is closed to new joiners and there were four members, of which one member has taken benefits, and one is deferred.

The latest Statement of Investment Principles (SIP), dated February 2019, which governs decisions about the default arrangement is included in the appendix of this statement. This is based on data as at 31 December 2018. The Trustees must review the default arrangement again within the next three years.

2. Processing of Core Financial Transactions

The Trustees are required to report the processes and controls in place in relation to the 'core financial transactions'. The law specifies that these include the following:

- Investment of contributions to the Scheme;
- Payments from the Scheme to, or in respect of, members/beneficiaries;
- Transfer of member assets into and out of the Scheme; and
- Transfers between different investments within the Scheme

The Trustees must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme administrator, Scottish Widows. The Scheme is set up on a Level Direct Debit which means that the monthly payment is automatically collected on the 1st of each month.

The Scheme administrator provides an annual Disclosure Statement to the Trustees which allow us to assess how quickly and effectively the core Scheme financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as soon as possible.

Scottish Widows have stated that currently they do not have any Service Level Agreements or Key Performance Indicators. Scottish Widows have confirmed that this will be addressed in future; however, at present they are unable to confirm a timescale for this.

There are no material administration service issues in the last Scheme year (1 August 2017 to 31 July 2018), which need to be reported here by the Trustees. There are processes and controls in place with the administrator and we will ensure that the financial transactions, which are important to members, are dealt with properly.

In light of the above, the Trustees consider that the requirements for processing core financial transactions have been met.

3. Member Borne Charges and Transaction costs

The Trustee regularly monitor the level of charges borne by members through the Unitised With Profits Fund. The charges comprise of:

- Explicit charges
- Transaction Costs

From 6 April 2018, The Trustee is also required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values.

Transaction costs are largely the result of buying and selling investments in a fund. Scottish Widows have confirmed that the bid/offer spread was removed with effect from 15 May 2017. Scottish Widows have confirmed that the Annual Management Charge of 0.875% and this is built into the bid price increases.

Scottish Widows have confirmed that they make charges to recover most of their expenses, although some of their expenses are deducted directly from the Scottish Widows With Profits Fund. Expenses that are deducted directly from the With Profits Fund are mainly investment dealing expenses.

Scottish Widows have confirmed from 1 January 2019 for pre 3 March 2000 policies they have changed the way they apply a reduction that goes towards the cost of guarantees. Rather than applying the reduction directly to asset shares when calculating terminal bonus rates, it is now applied to the Additional Account reducing the level available for distribution.

The Trustees have requested details of transaction costs from Scottish Widows. Scottish Widows have confirmed that the Transaction costs are 13 basis points based on 92% of assets reported, which have been calculated using the slippage methodology. This is the total transaction cost figure for the fund (i.e. for Buy & Sell transactions and Lending & Borrowing transactions). Where the percentage of investments for which transaction costs has not been obtained (8%) Scottish Widows are awaiting the fund manager to confirm the transaction costs. The reporting period is from 1 October 2017 to 30 September 2018, which is Scottish Widows most recent calculated reporting period.

These charges are above the charges cap of 0.75% set by the Department of Work and Pensions (DWP), therefore this Scheme cannot be used for auto enrolment purposes. The Company have established a separate scheme for auto enrolment purposes.

Illustrations – Impact of charges:

Scottish Widows were unable to provide example illustrations for both active and deferred members, therefore our Advisers, Aon have produced the following illustrations. These illustrative examples below set out transactional costs and charges which apply to the With Profits Fund together with illustrative examples of the cumulative effect of these costs and charges incurred by members.

Strawman 1: Average Active

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
60	82,394	81,706	688
65	95,284	90,763	4,521

Strawman 1: Average Deferred

Age	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
60	182,810	181,273	1,537
65	197,530	187,775	9,755

Notes

1. Projected pension pot value are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. Retirement is assumed to be at age 65
3. The starting pot size is assumed to be £80,000 for deferred members and £180,000 for active members.
4. Inflation is assumed to be 2.5% each year
5. The starting gross contribution is assumed to be 2.5% per month for active members. Gross contributions are assumed to be paid from the start of the projection period until retirement.
6. The projected growth rate for the Unitised With-Profits Fund is 1.6% above inflation

4. Value for Members assessment

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for members.

There is no legal definition of 'good value' and so the process of determining good value for members is a subjective one. We have received advice on how to assess good value from our advisers and considered regulatory guidance.

Together with its advisers Aon Consulting Ltd, the Trustee has established an assessment framework in order to assess the benefits of membership of the Scheme. The framework considers the following areas where benefits can be financial or non-financial in nature.

Member communications

- The Scheme administrators, Scottish Widows provides effective communications that are accurate, clear, informative and timely.
- The main communication is the statement provided to members on an annual basis.
- Member data held by the Company is accurate and does not need to be reviewed
- Members have access to Aon Consulting Ltd Retirement Service online tools and helpful information around retirement planning by contacting Aon Consulting Ltd.
- Members can access help to support them in their decision making in the form of decision trees, factsheets and by contacting PensionWise.

Investments

- The Unitised With Profits Fund is the only available investment option available to members. However, the risk profile remains appropriate for the members in light of the overall objective of the default arrangement strategy. As part of the annual Scheme Review the Trustees will continue to review this fund to ensure it remains suitable for the membership. Along with the GAR, which in the Trustees opinion will deliver the best retirement outcome for members wishing to take an annuity.

Sound administration

- The Trustee has appointed Scottish Widows to provide administration services to the Scheme and is satisfied that Scottish Widows has sufficient checks in place to monitor and report on the standard of the administration service and to ensure that when administrative errors do occur, members are not disadvantaged as a result.

- However, Scottish Widows have stated that currently they do not have any Service Level Agreements or Key Performance Indicators. Scottish Widows have confirmed that this will be addressed in future; however, at present they are unable to confirm a timescale for this.

Scheme governance

- Scheme governance covers the time spent by the Trustee to ensure the Scheme is run in compliance with the law and regulation, including taking account of the interests of its members. An annual Governance meeting is held by the Company and this Scheme in included within the review.

A separate statement setting out the Value for Members assessment is available on request from the Scheme Administrators.

5. Trustees' 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.

Ring Automotive is appointed as the Corporate Trustee. The Trustees have met the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) during the Plan year through the following measures:

- The Trustee is conversant with the Trust Deed and Rules and the Statement of Investment Principles for the Plan. The Trustee reverts to the legal advisor for any clarification, if required.
- Some of the Corporate Trust representatives have completed the Pension Regulator's trustee toolkit, including the modules relating to running a DC occupational arrangement. The other potential representatives are arranging to complete the toolkit shortly.
- Assess training needs and consider whether any gaps exist in Trustees knowledge and understanding.

In addition to the knowledge and understanding of the Corporate Trustees, the Trustee has engaged with their appointed professional advisers to ensure that they run the DC Section and exercise their functions properly, including the following:

- Reviewing Disclosure Statement from Scottish Widows, to monitor service delivery against agreed service levels
- Reviewing the default arrangement against its benchmark with advice from its adviser Aon Consulting Ltd, to monitor performance of the Schemes funds against targeted benchmarks and overall aim and objectives
- Ongoing review of the Scheme to ensure the current Scheme remains appropriate in the long term.
- The auditor provides a yearly statement confirming whether or not contributions to the scheme have been paid in a timely manner to Scottish Widows in accordance with pension regulations.

Signed on behalf of the Corporate Trust of the Ring Automotive Ltd Pension Scheme

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Name / Position ---------MD---------/Chair
Date of signing 20.2.19

Appendix 1

Ring Automotive Ltd Pension Scheme (the "Scheme") Statement of Investment Principles (the "Statement")

Scheme Details and Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004) and the Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations").

The Scheme operates for the exclusive purpose of providing retirement benefits to eligible participants and beneficiaries ("Members"). The Scheme is a Defined Contribution ("DC") pension arrangement.

The Trustees investment responsibilities are governed by the Scheme's Trust Deed and the Statement takes full regard of its provisions. A copy of the Scheme's Trust Deed is available, upon request.

The effective date of this Statement is February 2019, which includes the latest investment fund information from Scottish Widows dated 31 December 2018.

The Trustees will review this Statement at least every three years and after any significant change in investment policy, without delay.

Consultations Made

The Trustees are responsible for the investment options made available to members of the Scheme. When the Scheme was originally established the Trustees took professional advice and selected a pension scheme where the Unitised With-Profits Fund was the only investment fund option available to members.

Therefore, the Trustees are unable to make investment decisions or change the investment funds, as the With-Profits Fund remains the only investment fund available to the Scheme.

The Trustees are also responsible for the preparation of this Statement. The Trustees have asked their current financial adviser, Aon Consulting Ltd, who are authorised and regulated by the Financial Conduct Authority, to draft this Statement on behalf of the Trustees.

The Trustees consult with the employer and take into consideration, where appropriate, the employers comments.

The Trustees have established the following structure:

Trustees:

- Sets structures and processes for carrying out their role;
- Define and monitor investment strategy and structure;

Aon Consulting Ltd:

- Advises on all aspects of the investment of the Scheme assets for 2017 and 2018, where required;
- Advises on this Statement;

Scottish Widows, the scheme provider:

- Operates with the terms of this Statement and the written contract;
- Provides information in respect of transactions in units in the underlying funds and valuations of the units.

Investment Principles

Trustees' aims and objectives for investment options

As mentioned earlier, when the Scheme was originally established the Trustees took professional advice and selected a pension scheme where the Unitised With-Profits Fund was the only available investment fund option available to members.

The key aim is to ensure that this fund remains suitable for meeting both members' long and short-term investment objectives. The Trustees must take into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

The Trustees review the appropriateness of the With-Profits Fund; however, the Trustees are unable to make changes to the fund. Scottish Widows have a With-Profits Committee, the responsibility of the Committee is to provide an independent view on the management and operations of the with-profits business. The Committee reviews how the Scottish Widows With-Profits Fund is managed and scrutinises any major proposal that affects the Fund. The Committee meets separate from and provides advice to Scottish Widows Board.

Unitised With-Profits Fund

The Scottish Widows With-Profits Fund is a medium to long-term investment, each policy:

- Has guaranteed minimum benefits payable at specified times; and
- May have bonuses added to these guaranteed minimum benefits

Scottish Widows regularly review the asset mix of the With-Profit Fund, their aim is to:

- Target the best long-term performance
- Ensure the With-Profits Fund can always meet its guarantees.

Scottish Widows have confirmed that in order to meet these aims, the Scottish Widows Limited Board specifies how much of the With-Profits Fund can be invested in each type of asset (shown below). It does this by setting ranges for each asset type, such as company shares (also known as 'equities'), fixed interest bonds, property and cash. The fund manager, a subsidiary of Aberdeen Standard Investments, is then responsible for investing the funds into the underlying asset types. Specialist fund managers are responsible for managing each respective portion of the fund.

Full details of the Unitised With-Profits Fund are recorded in the Scottish Widows Principles and Practices of Financial Management (PPFM) www.scottishwidows.co.uk/PPFM. The key points to note in relation to the Unitised With-Profits Fund are:

v. Smoothing helps to reduce some of the significant volatility of investing in the stock market. The fund aims to grow in value from year-to-year by holding back some investment return in good years to top up bonuses in poorer years.

vi. The fund invests in a range of different assets, rather than just one, to increase diversification and manage non-systematic risk; including equities, property, gilts, corporate bonds and cash.

vii. Risks and how these are measured and managed.

viii. The expected returns.

The Equity Backing Ratio (EBR), which is the combination of shares, property and absolute return, was 75% at the end of 2017, which is an increase over the year. Equity market exposure has increased off the back of strong returns, while fixed interest produced low returns and saw exposure decrease.

The majority of with-profits policies are currently backed by the same mix of assets. This mix for the last year is as follows:

	31 Dec 2017	30 Jun 2018	31 Dec 2018
UK Gov't Fixed-Interest	3%	3%	3%
Corporate Fixed-Interest	10%	10%	10%
Loans secured against commercial property	4%	4%	3%
Property	11%	11%	13%
Equity UK shares	22%	23%	22%
Equity Non-UK shares	29%	30%	27%
Absolute Return	13%	13%	14%
Other investments (mainly cash deposits)	8%	6%	8%

Source: Scottish Widows

The top 10 holdings (excluding cash deposits) as at 31 December 2018 are as follows:

- 11.3% Scottish Widows UK Equity All Share Tracker
- 10.9% Scottish Widows Pooled Property Fund
- 10.5% Scottish Widows Corporate Bond Fund
- 7.5% Scottish Widows Fundamental Index Global Equity Fund
- 5.9% Aberdeen Liquidity Fund Lux
- 3.7% Scottish Widows Fundamental Index UK Equity Fund
- 3.6% Scottish Widows Low Volatility Index UK Mutual Fund
- 3.4% Scottish Widows Emerging Market Equity Fund
- 3.1% Scottish Widows Fundamental Index Emerging Market Equity
- 2.8% Scottish Widows Unit Trust Man European Equity Fund

Risk Management

Under Unitised With-Profits policies, bonuses are declared in two forms.

Regular Bonus

- Increases in the unit price, which are declared in advance and are used to calculate the daily increase in unit price. Regular Bonus rates are reviewed on 1 January and 1 July each year.
- Scottish Widows aim to set the rate of regular bonus so that the guarantees do not become too large relative to the relevant assets in the fund. They may raise or lower rates of regular bonus in several stages and there could be no regular bonus in some years.

Final Bonus

- May be payable when a claim arises. These vary dependent on when the policy was taken out and are confirmed in the Scottish Widows annual benefit statement.
- If the policy was taken out on or before 3 March 2000, when Scottish Widows demutualised, they may add a small figure to the final bonus.
- Scottish Widows aim that the total pay outs over many years are at least equal to the asset shares.
- The Scottish Widows annual benefits statement will include the value that a member could receive upon transfer.

Scottish Widows manage risk within the With-Profits fund by using a feature called 'Smoothing'. Smoothing works by keeping back some of the gains earned in good investment years and using them to help pay bonuses in poor investment years.

Scottish Widows review the investment return in the last two years and if returns have been better than expected they hold some of the return back when deciding on final bonuses. When returns have been poorer than Scottish Widows expected they add to the returns when deciding on the final bonuses.

Smoothing will not protect the With-Profits Fund fully from stockmarket steep or long-term falls in the value of investments. Scottish Widows constantly monitor investment conditions and may change levels of final bonus at any time. Final bonuses can sometimes move up or down very significantly, even within a few months, in spite of smoothing.

The other main areas of risk with this type of arrangement that the Trustees must consider are:

- **Volatility risk**– smoothing will not protect the With-Profits Fund fully from stockmarket steep or long-term falls in the value of investments. Scottish Widows constantly monitor investment conditions and may change levels of final bonus at any time. Final bonuses can sometimes move up or down very significantly, even within a few months, in spite of smoothing.
- **Inflation risk** – the risk that the level of inflation over members' working lives reduces the real level of return on the member's' investment.
- **Manager risk** - the risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed.
- **Unsuitability** – the risk of the With-Profits Fund being unsuitable for the requirements of some members. This is a concern to the Trustees as the With-Profits Fund is the only available fund choice.
- **Operational risk** - the risk of fraud, poor advice or acts of negligence. The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced.
- **Assets may not be readily realisable** – a member may want to take benefits at a time when a Market Value Reduction may be applied. This could happen if a member wishes to access their pension funds prior to the retirement date chosen when the member policy was taken out.

Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustees' policy is to review the With-Profits Fund at least every three years. These risks are considered as part of each normal strategy review.

Choosing Investments

The Trustees do not believe that the investment options under the Scheme provide all members with a reasonable choice in pursuit of their individual investment objectives, as there is only one investment option available to the members. However, the Trustees believe that the With-Profits Fund does provide investment options in the best interests of most members and is properly diversified.

The Trustees financial adviser, Aon Consulting Ltd, have stated that the Scottish Widows With-Profits Fund is an average With-Profits fund with no major concerns. Despite a high EBR, annual bonuses are low preferring to pay through the final bonus, with some pre-demutualisation policies also benefitting from an enhancement. Policies contain potentially valuable guarantees which members should consider in the context of their transfer value and whether their investment remains appropriate.

Compliance

Section 36 of the Pensions Act 1995 requires that the Trustees will exercise their powers of investment in a manner which is consistent with their investment objectives. Under Section 36 regulation, the Trustees are required to invest the Scheme's assets in the best interests of the members and beneficiaries. The Trustees must also ensure that the Scheme's investments predominantly consist of assets traded on Regulated Markets, and that they be properly diversified in a prudent manner.

The Trustees are unable to specify the asset allocation of the With-Profits Fund. The fund manager, a subsidiary of Aberdeen Standard Investments, is then responsible for investing the funds into the underlying asset types. Specialist fund managers are responsible for managing each respective portion of the fund.

Investment manager structure

The Trustees appointed Scottish Widows as the provider of administration services and the investment platform to the Scheme. The assets are divided between a number of investment managers to reduce the risks associated with one investment manager having responsibility for all of the Scheme's assets.

Manager monitoring

Whilst the Trustees are not involved in the investment managers' day to day method of operation and so cannot directly influence attainment of the performance target, they will assess performance and review appointments. Objectives have been developed by each investment manager and are considered in line with the Scheme's longer-term objectives and an acceptable level of risk.

These investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Scheme or any part of it.

The managers should demonstrate that the skill exercised in managing the assets is consistent with the target, given the levels of risks adopted.

Fee Structure for Investment Manager

The investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including other annual charges levied by the investment manager and some administration charges) are met by the members by deduction from the unit price.

Environmental or Ethical Consideration

Unfortunately, the Trustees are unable to offer a range of funds aimed to address environmental and ethical considerations under the current Scheme as the only fund available under the Scheme is the With-Profits Fund.

Activism and the Exercise of the Rights Attaching to Investments (Social Responsibility)

As the assets are held indirectly through unit linked funds, it is the responsibility of the underlying investment manager of each of the pooled funds to exercise the rights attaching to the investments.

The Trustees do not actively engage with investment managers in terms of exercising ownership rights on socially responsible issues.

The Trustees will review from time to time the underlying investment managers' principles and how these have been applied in exercising these rights. Scottish Widows have confirmed that when investing on behalf of members, they consider their primary objective is to achieve the best investment return while allowing for an acceptable level of risk. In pursuing this objective, they will consider a number of factors what will affect performance, including Socially Responsible Investment issues. If Scottish Widows consider that a company's social, environmental or ethical record will adversely affect its financial performance and result in poor returns, then the stock will not be held in their portfolios.

J. F. SKALSKI	[signature]	20.2.19
Name (Print)	Signature	Date