

The Applied Materials (UK) Pension and Family Security Scheme (the "Scheme")  
Annual governance statement by the Chair of Trustees  
Period ended 5 April 2022

As Chair of Trustees I am pleased to present this statement of Governance, as set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Administration Regulations'), showing how we have met certain minimum governance standards in relation to the defined contribution benefits within the Scheme, over the period from 6<sup>th</sup> April 2021 to 5<sup>th</sup> April 2022. This includes both the Defined Contribution (DC) Section and the AVCs in the Defined Benefit (DB) Section of the Scheme. This Statement is also being published on a publically available website.

The minimum governance standards cover the following principal areas relating to the Scheme's defined contribution benefits:

- The investment strategy relating to the Scheme's default investment arrangement and wider self-select fund range;
- The processing of core financial transactions;
- Net Investment Returns;
- Charges and transaction costs within the Scheme including the pounds and pence illustration of the compounding effect of charges;
- Value for Members assessment; and,
- The Trustees' compliance with the statutory knowledge and understanding (TKU) requirements.

In describing how the Trustees have sought to achieve the standards, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

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, they can get help finding a regulated financial adviser through the MoneyHelper website at [www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser](http://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser).

## The Default Investment Arrangement

The Trustees are responsible for setting the Scheme's investment strategy and for appointing investment managers to carry out that strategy. They must also establish a default investment arrangement for members who do not select their own investment options from the fund range that is available.

The Scheme is used by its sponsoring employer as a Qualifying Scheme for auto-enrolment purposes. Members who join the Scheme and do not choose an investment option are placed into the default investment arrangement for the Scheme. The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement.

The aims of the default investment arrangement are:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk.
- To provide a strategy that reduces investment risk for members as they approach retirement while maintaining some level of growth.

- To provide exposure, at retirement, to assets that are broadly appropriate for an individual planning to access their savings in the Scheme flexibly at retirement (by transferring to an appropriate retirement vehicle).

A full formal review of the default investment strategy and fund range was not undertaken during the year, the last review commenced in 2018 with a recommendation being presented to the Trustees on 27 June 2018. A member engagement survey was undertaken in December 2018 to gain an understanding of members' expected plans for retirement which supported the final decisions made during 2019. The transition to the new default investment strategy was agreed to be implemented in early 2020 but due to the market volatility with the Covid-19 pandemic this was deferred and the switch took place on 28 September 2020. The investment review process included full member analysis as well as considering industry trends to provide the Trustees with a recommendation for changes to the investments strategies under the Scheme. The main conclusions from the review were to:

- Change the default investment strategy to target drawdown rather than annuity purchase at retirement
- Include a diversified growth fund as an element to the investment strategy used in the growth phase – which applies to all of the Scheme's lifestyle strategies
- Remove the option available for members to have lifestyling applied to any investment fund – this was not used by members and potentially complicated communications
- Reduce the de-risking period from 10 years to 8 years – applying this to all lifestyle strategies
- The review also considered the wider fund range and as a result the Standard Life Global Absolute Returns Strategy fund was removed from the platform, this held no investment by members.

The Statement of Investment Principles dated June 2022 sets out the aims and objectives for the investments including the default strategy. This is attached to this Statement and also covers our policies in relation to matters such as risk and diversification.

The default investment strategy for members who do not actively make investment selections in the DC Section is a de-risking strategy over 8 years to retirement which targets drawdown – the underlying investment strategy for the default is set out in the following table:

#### *Lifetime Targeting Drawdown*

Years to Retirement Date	10+	9	8	7	6	5	4	3	2	1	0
Mercer Diversified Growth Fund	50%	50%	50%	50%	50%	50%	50%	38%	25%	12%	0%
BlackRock (30:70) GBP Hedged Global Equity Index Fund	50%	50%	50%	38%	25%	12%	0%	0.0%	0%	0%	0%
Mercer Diversified Retirement Fund	0%	0%	0%	12%	25%	38%	50%	62%	67%	72%	75%
Cash Fund	0%	0%	0%	0%	0%	0%	0%	0%	8%	16%	25%

The Trustees believe that no single default strategy can be designed to suit the needs of all Scheme members, given that individuals will likely have differing investment needs that may change during their working lives. In addition to the default strategy targeting drawdown, there are also lifestyle arrangements targeting cash and annuity which can be selected by members who may want to take their Scheme benefits in a format other than drawdown. To help members make investment decisions based on their individual circumstances the Trustees also make available a range of self-select investment funds, and provides members with access to guides, fact sheets and modelling tools. The list of funds is set out in the section on "Charges and transactions costs".

There have been no changes to the investment strategy for the DC AVCs of members in the DB section, where the Default strategy gradually switches a member's assets over the 10 year period to the member's selected retirement date (or age 65 if no selection has been actively made) from the Aviva Pension BlackRock (30:70) Currency Hedged Global Equity Index Fund to the Aviva Pension Cash Fund, targeting at the point of retirement the fund being 100% invested in the Cash Fund.

There are also three additional funds available under the AVC arrangement - Aviva Pension BlackRock Japanese Equity Index; Aviva Pension BlackRock Pacific Rim Equity Index; Aviva Pension BlackRock US Equity Index.

The Trustees continue to consider the performance of the investments on a quarterly basis, focusing on the extent that this is consistent with the aims and objectives of the investments and also considering their on-going suitability, taking input from their professional investment advisors. They intend to carry out their next formal review of the default investment strategy and fund range in 2023.

It should also be noted that some historic AVCs are held for six members in Clerical Medical, in the with-profits fund. There is around £22,000 invested in that policy. The Trustees reviewed the policy during 2017 and during 2018 communicated with members who hold these investments to remind them of their investment decision and options. The Trustees monitor these policy holdings annually, and are currently investigating the details of this policy and membership again to assess whether there is any reasonable course of action which may be considered.

## Requirements for processing financial transactions

The Trustees are required to explain how they ensure that core financial transactions are processed promptly and accurately. Core financial transactions include (broadly), but are not limited to:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Switches of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to or in respect of members.

The Trustees operate a system of internal controls to monitor the Scheme's administration and management. Included in this system are mechanisms for ensuring the prompt and accurate processing of financial transactions. Well documented internal controls are a key element in the Trustees being able to deliver a high quality, risk managed service to members. The internal controls along with the risk register for the Scheme are formally reviewed at each meeting.

The Trustees have delegated the administration of member records, in respect of the DC section and the AVCs, to Aviva and Clerical Medical (in respect of those members holding with-profit AVC investments). There are minimum timescales (service level agreements) with the administrators for the processing of all member related services, including core financial functions such as contribution processing, investment switches, retirement or transfer payments. These timescales are understood by the Trustees and are well within any applicable statutory timescale. The Trustees also receive and review Management Information reports from Aviva, particularly reviewing the timing of contribution receipts into the Scheme – no further contributions are paid to Clerical Medical.

Aviva no longer provide the performance against service levels within their regular reporting, instead they focus on the timescales for the 'end to end' processing of administration tasks, which is more reflective of a member's experience. The latest reports (which are provided on a 6 monthly basis) for the year to 30 June 2022 shows that 39% of member demands were dealt with completely within 1 day, with 68% being completed within 5 days. These statistics include administration activity which is not classed as core financial transactions.

For the Scheme year ended 5 April 2022, 100% of the investment of contributions was carried out within agreed timescales and 99.9% of other core financial transactions were completed within the agreed service levels.

The Trustees receive no service updates in respect of the Clerical Medical policy, however interaction with that arrangement is managed by the DB section administrators, Mercer, and there has been no activity in the period to report.

The Trustees also have the knowledge that the Company provide internal pension support within the HR team and there are regular calls between the client manager at Aviva and HR to update on any cases which arise.

The Trustees appoint an independent auditor, Kreston Reeves LLP, to carry out an annual audit of the Scheme, including the core financial transactions which have taken place during the Scheme year to confirm they have been made in an accurate and timely manner and in line with the required timescales.

Adherence to the key administration processes is reviewed annually by the Trustees through the AAF01/06 report provided by Aviva which is an independent audit of compliance with their internal controls and processes. The latest report to 31 December 2021, which has been made available to the Trustees (with a bridging letter confirming no significant changes since the end of the period), noted the pension administration activities and controls in place to operate effectively.

The processes adopted by the administrator to help meet the SLA's promptly and accurately include, but are not limited to:

- Contribution processing – the process is automated with validations built in to the administration platform. Manual intervention may be required on an exceptions basis and approval is required separate to the processing; quality audit checks are undertaken on a sample of processes throughout the year; timeliness of processes is monitored and reported on, with escalation where necessary.
- Benefits payable – all processes are undertaken by accredited staff, or appropriately checked; calculations are undertaken on the system with daily price checks and unit reconciliations; for more complex cases specialized processes are in place with additional reviews.
- Investment transactions – dealing teams undertake all transactions on a daily basis, processing movements from the previous day's instructions; dual price checking is in place with additional authorisations required for transactions over a certain size. On-line member switches can only be done within the secure portal after validation of identity. Unit reconciliations are undertaken daily, with weekly checks and approval.
- Cash safeguarding – only authorised individuals have access to the net payment system and all necessary identification and authorisation devices are securely held; all bank accounts or schemes to which payments are made are validated prior to processing the payments.

The Auditor undertakes checks on contributions, which involves obtaining sufficient evidence to give reasonable assurance that contributions reported have in all material respects been paid in accordance with the Schedule of Contributions. The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Scheme.

The Scheme's Risk Register identifies risks relating to promptness, accuracy and security of Scheme financial transactions and prescribes suitable controls aimed at mitigating those risks which are monitored and reviewed regularly by the Trustees.

Any service issues which have been raised are fully investigated and we are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions, which are important to members, are dealt with properly.

The Trustees are satisfied that over the period covered by this statement:

- the administrator was operating appropriate procedures, checks and control;
- there have been no material administration errors in relation to processing core financial transactions that have been brought to the attention of the Trustees and not addressed to ensure no member prejudice; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

## Net Investment Returns

From 1 October 2021 trustees of all relevant pension schemes are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information has been provided by Aviva as at June 2022.

Default strategy		Annualized returns to 5 April 2022	
Age of member at start of period		1 Year	5 Years
25		9.97%	8.82%
45		9.97%	8.82%
55		8.94%	6.16%

Self-select funds	Annualized returns to 5 April 2022		
	1 Year	5 Years	10 Years
Aviva Pension BlackRock Over 5 Year Index-Linked Gilt	4.30%	2.51%	6.15%
Aviva Pension BlackRock World ex UK Equity Index	16.74%	11.82%	13.67%
Aviva Pension BlackRock European Equity Index	5.10%	6.44%	9.68%
Aviva Pension Corporate Bond All Stocks Index Tracker	-5.47%	1.07%	3.80%
Aviva Pension BlackRock Over 15 Year Gilt Index	-7.53%	0.41%	4.60%
Aviva Pension BlackRock Over 15 Year Corporate Bond Index	-8.51%	1.62%	5.46%
Aviva Pension BlackRock (60:40) Global Equity Index (Long Term Fund)	11.02%	6.05%	8.68%
Aviva Pension Baillie Gifford Managed	-8.92%	9.03%	9.81%
Aviva Pension Mercer Diversified Growth	4.21%	4.75%	7.38%
Aviva Pension Cash	-0.32%	-0.11%	-0.10%
Aviva Pension Baillie Gifford International	-4.90%	12.55%	14.36%
Aviva Pension Legal & General Pre-Retirement	-7.06%	0.86%	-
Aviva Pension Mercer Diversified Retirement	3.85%	3.76%	
Aviva Pension Baillie Gifford UK Equity Core Pension	-0.34%	4.58%	7.40%
Aviva Pension BlackRock (30:70) Currency Hedged Global Equity Index	9.97%	8.82%	9.73%
Aviva Pension BlackRock UK Equity Index	11.87%	4.13%	6.75%

The above net returns prepared by Aviva are subject to the following comments:

- Returns net of all costs and charges have been calculated in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and accompanying statutory guidance.
- The charges assumed are those currently applicable to a single contribution of £10,000 paid into your scheme at the beginning of the reporting period.
- Returns are annualised geometric means over the time periods displayed. For example, if a net fund return over a 5 year period was 15.9% this would be shown as 3% p.a. in the '5 year' column.
- Returns are net of all costs and charges borne by members, including platform or product administration charges, fund management charges, additional fund expenses and transaction costs. When comparing charges you should ensure that comparator schemes have included all charges, including any initial contribution based charges.
- The net returns reflect the current charge arrangement. These charges could vary in the future.  
For age specific returns, a normal retirement age of 65 has been used. Please note that if you are comparing returns with a comparator scheme that has chosen a later retirement age this will generally inflate the comparator scheme returns.

## Charges and transactions costs

The Trustees are required to report on the charges and transaction costs for the investments used in the default arrangement and their assessment of the extent to which these charges and costs represent good value for members.

The Scheme complies with regulations on charge controls introduced from April 2015. Specifically, all of the funds used in the Scheme's current default investment strategy have a total expense ratio that is below the charge cap of 0.75% p.a. on member-borne deductions.

The table below shows the Administration Cost (the fund's administration and investment cost for the Scheme) and the Total Transaction Cost (which represents the total of the buying and selling costs and lending and borrowing costs). Transaction costs are the expenses associated with a member trading in and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty. Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction cost, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

The detail here has been provided by Aviva. The funds in bold text show the investments underlying the default strategy of the DC section.

Fund Name	Admin Cost (%)	Total Transaction Cost (%)
Aviva Pension BlackRock European Equity Index	0.50	0.0393
Aviva Pension Baillie Gifford International	0.72	0.1089
Aviva Pension Baillie Gifford UK Equity Core Pension	0.82	0.0940
Aviva Pension BlackRock (30:70) Currency Hedged Global Equity Index	0.50	0.1014
Aviva Pension BlackRock (60:40) Global Equity Index (Long Term Fund)	0.50	0.0912
Aviva Pension BlackRock UK Equity Index	0.50	0.2386
Aviva Pension BlackRock World ex UK Equity Index	0.50	0.0381
Aviva Pension Baillie Gifford Managed	0.72	0.1432
Aviva Pension BlackRock Over 15 Year Corporate Bond Index	0.50	0.0988
Aviva Pension Mercer Diversified Growth	0.67	0.1862
Aviva Pension Mercer Diversified Retirement	0.65	0.1018
Aviva Pension Corporate Bond All Stocks Index Tracker	0.50	0.1257
Aviva Pension BlackRock Over 15 Year Gilt Index	0.50	0.0036
Aviva Pension BlackRock Over 5 Year Index-Linked Gilt	0.50	0.0095
Aviva Pension Legal & General Pre-Retirement	0.51	0.0250

Aviva Pension Cash	0.50	0.0000
Aviva Pension BlackRock Pacific Rim Equity Index*	0.50	0.1040
Aviva Pension BlackRock Japanese Equity Index*	0.50	0.1894
Aviva Pension BlackRock US Equity Index*	0.50	0.0499

\* only available in the AVC policy

The charges levied on the investments cover both the investment charges and the administration services provided by Aviva. The Company pays for all advisory costs associated with the operating of the Scheme, which enhances the value that members receive.

#### *With-Profits Investments*

It should also be noted that with-profits investments are used by some members under the Scheme, with six DB Section members having AVCs in Clerical Medical's with-profits fund. Given the implicit charging structure on with-profits investments, we have not included costs and charges information in this Statement.

Providing a comparison between one with-profits fund and its peers is extremely difficult. Each with-profits fund offers different terms and guarantees and, hence, will invest very differently from one another, which in turn impacts the performance received through payouts. Indeed, a specific with-profits fund will often provide different guarantees dependent on when a member started contributing or when each contribution was actually invested. The available universe of with-profits funds is not sufficiently alike to enable relative assessments based on just past or even potential performance.

Payouts on surrender and maturity will reflect all charges incurred, though they are not separately identified. Moreover, the actual performance received by members, net of charges, is only ever known upon maturity/surrender, after any augmentation for guaranteed terms and after the effect of 'smoothing'.

'Smoothing' is an additional comfort factor within with-profits funds. In years when investment performance is high, some of the return is held back to 'top-up' returns when lower performance occurs. Hence, at the point a specific member disinvests, smoothing may reduce or increase the payout relative to the underlying investment performance of the assets, thereby reducing investment risk for the individual investor. Insurers are required to stipulate that the payout in the event of early disinvestment will fall within a specified percentage of the underlying share of the assets attributable to the specific investor. These ranges are targets, they are not guaranteed.

The charging structure on the with-profits fund is not explicit and it is extremely difficult to provide a comparison in a peer group due to the different terms and guarantees on this type of investment. The amount invested in this policy is small in relation to members' overall rights under the Scheme and, following the Pensions Regulator's guidance, the Trustees have adopted a proportionate approach in relation to the amount of governance time and effort expended on AVCs.

#### Illustration of the compounding effect of charges and transaction costs on members' benefits

In accordance with regulation 23(1) (ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have set out below a series of illustrations, as provided by Aviva, detailing the impact of the costs and charges typically paid by a member of the DC Section of the Scheme on their retirement savings pot, considering the investments available during the period covered by this Statement. The statutory guidance provided has been considered when providing these examples and the illustrations have been prepared by Aviva.

The below illustration has taken in to account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of cost and charges;
- Adjustment for the effect of costs and charges; and
- Time

The Trustees have considered the following when preparing the illustrations:

- The most popular funds (the Mercer Diversified Growth Fund and BlackRock 30:70 fund for the DC Section and the Baillie Gifford Managed fund for the AVC policy)
- The most expensive fund
- The fund with the lowest expected growth
- The funds with the highest expected growth

At end of year	Av Mercer Diversified Growth-FPMIDIGP		Av BlackRock (30:70) Currency Hedged Global Equity (Aq C)-FPBRCHGP		Av BlackRock (60:40) Global Equity Index Tracker-FPWIT__P		Av Baillie Gifford International-FPINT__P		Av Mercer Diversified Retirement-FPMERDDP	
	Assumed growth rate 3.6%		Assumed growth rate 4.5%		Assumed growth rate 4.5%		Assumed growth rate 4.5%		Assumed growth rate 2.4%	
	Assumed costs and charges 0.86%		Assumed costs and charges 0.62%		Assumed costs and charges 0.59%		Assumed costs and charges 0.79%		Assumed costs and charges 0.76%	
1	£1,190	£1,190	£1,200	£1,200	£1,200	£1,200	£1,200	£1,190	£1,190	£1,180
2	£2,400	£2,380	£2,420	£2,410	£2,420	£2,410	£2,420	£2,400	£2,370	£2,350
3	£3,620	£3,570	£3,670	£3,630	£3,670	£3,630	£3,670	£3,620	£3,550	£3,510
4	£4,850	£4,770	£4,940	£4,880	£4,940	£4,880	£4,940	£4,860	£4,740	£4,660
5	£6,100	£5,960	£6,230	£6,140	£6,230	£6,140	£6,230	£6,110	£5,920	£5,800
10	£12,500	£12,000	£13,100	£12,700	£13,100	£12,700	£13,100	£12,600	£11,800	£11,400
15	£19,300	£18,100	£20,700	£19,700	£20,700	£19,700	£20,700	£19,400	£17,700	£16,700
20	£26,500	£24,200	£29,000	£27,200	£29,000	£27,200	£29,000	£26,700	£23,500	£21,800
25	£34,000	£30,500	£38,200	£35,100	£38,200	£35,300	£38,200	£34,300	£29,300	£26,700
30	£42,000	£36,700	£48,300	£43,600	£48,300	£43,900	£48,300	£42,500	£35,100	£31,400
35	£50,400	£43,100	£59,400	£52,700	£59,400	£53,100	£59,400	£51,100	£40,800	£35,800
40	£59,200	£49,500	£71,700	£62,500	£71,700	£62,900	£71,700	£60,200	£46,500	£40,100
45	£68,600	£56,000	£85,200	£72,800	£85,200	£73,400	£85,200	£69,800	£52,200	£44,200
50	£78,400	£62,600	£100,000	£83,900	£100,000	£84,700	£100,000	£80,000	£57,900	£48,200

	Av Baillie Gifford Managed-FPBMAN_P		Av Cash-FPCASH_P	
At end of year	Assumed growth rate 3.6%		Assumed growth rate 0.5%	
	Assumed costs and charges 0.89%		Assumed costs and charges 0.5%	
	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,190	£1,190	£1,170	£1,170
2	£2,400	£2,380	£2,320	£2,310
3	£3,620	£3,570	£3,450	£3,430
4	£4,850	£4,760	£4,560	£4,510
5	£6,100	£5,960	£5,640	£5,570
10	£12,500	£12,000	£10,800	£10,500
15	£19,300	£18,000	£15,400	£14,900
20	£26,500	£24,200	£19,600	£18,700
25	£34,000	£30,300	£23,400	£22,100
30	£42,000	£36,600	£26,900	£25,100
35	£50,400	£42,900	£30,000	£27,800
40	£59,200	£49,200	£32,800	£30,100
45	£68,600	£55,600	£35,400	£32,200
50	£78,400	£62,100	£37,700	£34,000

The assumptions used by Aviva in preparing these illustrations are as follows:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
2. Starting pot size is assumed to be nil and future contributions of £100 monthly increasing at 2.5% per annum
3. The table shows an adequate range to cover all members up to normal retirement age
4. Values are estimates and are not guaranteed

Please note the information above provides no guarantees of expected returns and is simply an illustration of the effect of charges that we are required to provide under regulations. When choosing the fund(s) to invest your pension, it is important to consider all the information available and not just the charges. We would recommend members take independent financial advice if they require any assistance with their choice of funds.

#### *Value for Members*

The Trustees are committed to ensuring that members receive good value from the Scheme. There is no legal definition of "good value", so the process of determining good value is a subjective one. "Value" is not a straightforward concept to quantify and can be open to broad interpretation.

The Trustees have assessed the extent to which the charges and transaction costs set out above offer good value for members, and are regularly exploring ways in which to enhance the value received by members of the Scheme. A formal Value for Members assessment has been completed for the Trustees dated October 2022.

The Trustees recognise that good value does not necessarily mean the cheapest fund and, in counsel with their advisers they have assessed the Scheme as providing good value for members considering the following aspects:

- Member borne investment charges for the default and self-select options against comparable alternatives;
- Net of fees investment performance;
- Investment fund range and ratings, including ratings in respect of Environmental, Social and Governance (ESG) considerations;

- Other services paid for by members within the annual charges including administration (considering the performance of Aviva as administrator) and communication, including on-line functionality, modelling tools etc; and
- Wider key areas of the Scheme including governance oversight and features paid for by the Company.

The reasons underpinning the Trustees' conclusion include:

- The funds available were deemed as offering good value in relation to pricing (member-borne charges), performance and our independent investment advisor's investment manager research ratings.
- The Scheme was deemed to be well governed which helps the chances of members achieving good member outcomes in retirement.
- The members also receive value from features provided by Aviva including pre-retirement seminars and those paid for by the Company, including the cost of maintaining a Trustee board with duties to act in the best interests of beneficiaries. These costs include the board's advisory costs.

The Trustees concluded that the Scheme provides good value for members in relation to member-borne deductions. Moreover, additional services such as Trustee governance, adviser fees and additional communications that are paid for by the Company further add value for members at a Scheme-wide level.

#### *Value for Members - Clerical Medical With-Profits fund*

As noted, members historically had the option to invest in a With-Profits fund with Clerical Medical and some AVCs remain in that fund. Assessing value for money on a with-profits fund is directly related to an individual's attitude towards, and capacity for, investment risk. An individual may find comfort in the fact that the with-profits fund provides guarantees, whether that is a guaranteed pension, investment return or "just" capital security. Hence, we feel that a general conclusion on whether a with-profits fund offers value for money, ignoring an investor's objectives, is inappropriate as this will vary by member.

## Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme to run the Scheme efficiently.

The Trustees recognise that each Trustee must:

- Be conversant with the trust deed and rules of the Scheme, the Scheme's statement of investment principles and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally,
- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustees have measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustees receive professional advice from Mercer and their legal advisers to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules. The relevant skills and experience of those advisers is a key criterion when evaluating adviser

performance or selecting new advisers. The Trustees also regularly consider the performance of their advisers.

The Trustees are conversant with, and have demonstrated a working knowledge of the Trust Deed and Rules by referring to the Rules as required for the day-to-day running of the Scheme, in addition to their knowledge of all documents setting out the Trustees' policies. The current Statement of Investment Principles was effective from June 2022 at which point the Investment Adviser to the Trustees provided an update to the Trustees on the changes being implemented. The conflicts of interest policy is considered at each Trustee meeting and has been updated in the period with the introduction of a new Trustee; the risk register is reviewed at each meeting. During the period covered by this statement the Trustees have introduced process documentation in respect of Scheme Pays and the Annual Allowance with advice from their advisers when implemented.

The Trustees maintain a training log which is reviewed and updated at each Trustee meeting. Topics for future trustee training are considered in line with Scheme activities.

During the period and in more recent months:

- The Trustees have undertaken ongoing training, both as a group and individually to keep abreast of relevant developments including regularly receiving email bulletins and updates from their advisers on the latest developments affecting defined contribution pensions schemes and include a standing DC section on the agenda for every Trustee Meeting;
- The Trustees (including those newly appointed) have all undertaken modules of TPR's Trustee Toolkit with long standing Trustees having completed a majority of core modules and new Trustees having a target to complete all modules within 6 months of appointment;
- The Trustees are all conversant with the Scheme's own documentation noting the various updates referenced above as well as having referenced the Scheme Rules in respect of specific scenarios as they have arisen including consideration on death benefits and divorce cases;
- The Trustees attended a training session in June 2022 from their legal advisers, which included the potential risks associated with transfers into the Scheme, Trustee obligations under the forthcoming TPR Single Code of Practice and wider legal and regulatory developments they should be aware of;
- Within the meetings during the year the Trustees also received updates from their consultants and legal advisers with regard to ESG investments and the Pensions Dashboard as well as wider pension topics like the impact of the Russia/Ukraine crisis upon markets;
- The Trustees reviewed and updated their Statement of Investment Principles and Summary of Investment Arrangements in June 2022 and prepared their first Implementation Statement for the year to 5 April 2022 ;
- Within trustee meetings the Trustees have been kept abreast of current issues by their advisers including climate change impact on pension schemes; as well as receiving updates on consultations such as those considering Value for Money assessments for small schemes, the single code of practice and benefit statements;
- The Trustees have agreed to undertake the TPR training on Pension Scams.

The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees' advisers would typically deliver training on such matters at Trustee meetings if they were material.

Taking into account the knowledge and experience of the Trustees with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers, the Trustees believe they are well placed to exercise their functions as Trustees of the Scheme properly and effectively.

## Chair's Declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees of the Applied Materials (UK) Pension and Family Security Scheme and is correct to the best of my knowledge.

Signed for and on behalf of Applied Materials (UK) Pension and Family Security Scheme.

Gillian Martin

Name: \_\_\_\_\_  
Position: Chair of the Trustees

3 November 2022

Date: \_\_\_\_\_

Appendix  
Statement of Investment Principles dated June 2022