THE ROBERT BOSCH LIMITED MONEY PURCHASE PLAN

Annual statement regarding governance

The Trustees of the Robert Bosch Limited Money Purchase Plan (the ‘Plan’) present their annual Chairman’s statement on governance (the ‘Statement’). This statement covers the year to 5 April 2019.

We have reviewed and assessed that our key governance functions are consistent with the governance standards set out in the Occupational Pension Scheme (Charges and Governance) Regulations 2015, and document our adoption and compliance in this statement.

The Plan’s mission is to help members attain a good financial outcome for life in retirement. This statement describes the work that the Trustees have done to achieve that, and how they seek generally to ensure that the Plan is well-managed and delivers excellent services to members.

This statement covers four key areas:

1. The investment strategy relating to the Plan’s default investment option;

2. The processing of core financial transactions;

3. Charges and transaction costs within the Plan; and,

4. The Trustees’ compliance with the statutory knowledge and understanding (TKU) requirements.

This statement will be published on a publically available website and will be signposted in the annual benefits statements.

1. Default investment option

The current default investment option for the Plan is a Lifestyle strategy, which provides exposure, at retirement, to assets that are broadly appropriate for a member planning to access their savings in the Plan flexibly at retirement.

The growth phase of the default investment option initially invests entirely in equities (High Growth Fund). These investments are expected to provide returns above inflation, in line with equities, over the long term. An allocation to the Moderate Growth Fund is introduced from 25 years to a member’s selected retirement date and invests in a diverse range of asset classes, including equities, multi-asset strategies, bonds and property to provide some downside protection and some protection against inflation erosion. At the member’s selected retirement date, assets will be fully invested in the Cautious Growth Fund. This Fund comprises 25% low volatility equities, 20% bonds, 25% multi-asset funds and 30% in a money market fund. This allocation is expected to provide an element of capital preservation while providing some growth potential for members wishing to access their savings through income drawdown and sufficient liquidity for withdrawal of a 25% tax-free cash lump sum.

The Trustees and their professional investment adviser, Mercer Limited, review how the funds within the default investment option and self-select fund range have performed against the investment managers' objectives and benchmark via quarterly investment performance monitoring reports. Reports are presented and discussed at quarterly Trustee meetings.

The Trustees, with their investment advisor, reviewed the Plan’s investment strategy, including the default investment option during 2016 and 2017 and implemented the changes via a new investment platform hosted by Scottish Widows (was Zurich at time of inception) in November 2017. The Trustees decided to restructure the default investment option using the three funds detailed above, but still maintained the income drawdown target that the old strategy targeted at retirement.

The Trustees also decided to offer a new range of self-select funds. The old funds (with the exception of the With Profits fund) were completely removed by the Trustees and are no longer available for investment as the Trustees believe that the new funds are more appropriate for members to take advantage of the pensions freedoms introduced by the government, provide better value for money and are structured in a way to facilitate more efficient investment.

All members were informed in writing of the changes being made. The Trustees decided to move all members' savings and future contributions to the new default investment option, unless they actively made an alternative investment choice. Members were informed and reminded of the changes being made and the deadline for taking action. As members' contributions have not been directed to any other fund without their instruction, there are no further 'default arrangements' as defined by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

A review of the Multi-Asset Fund was carried out in July 2018 and changes to the underlying managers were implemented in November 2018. This change involved replacing the Newton Real Return Fund with an equal allocation to the Nordea Diversified Returns Strategy and the Invesco Global Targeted Returns Strategy. In March 2019, the Trustees reviewed the structure of the Bond Fund and agreed to implement an allocation to an Absolute Return Fixed Income strategy. This change is scheduled to be take place in July 2019. Both the Multi-Asset Fund and the Bond Fund are underlying components of the Moderate Growth and Cautious Growth funds, which are used in the default investment option.

Statement of investment principles

In accordance with the Administration Regulations, the Trustees have appended the latest copy of the statement of investment principles (the 'SIP') prepared for the Plan under Section 35 of the Pensions Act 1995 (the '1995 Act') and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations').

2. The processing of core financial transactions

As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately. This includes:

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

The Trustees operate a system of internal controls aimed at monitoring the Plan's administration and management. They monitor the extent to which the Plan's core financial transactions are processed promptly and accurately through the following framework:

- Reviewing the contribution payment and investment dates relating to each month's contributions to the Plan. This information is detailed within the quarterly administration reports produced by their administrators, Mercer, and are reviewed by the Trustees at each of their meetings.

- The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Plan. However, agreed practice provides for payment of contributions in advance of these timescales. The deduction and payment of contributions is reviewed by the Company.

- Members have access to an online portal that enables them to conduct their own checks in relation to financial transactions such as contribution payments and investment switches.

- Reviewing the extent to which the administrators comply with the relevant Service Level Agreement in place for key transactional work items, such as those in the table 1 below:

Table 1: Core Transaction SLAs

SLA	Transaction type	Target Service Level
3 working days	Death No Annuity - Quotation	95%
3 working days	Processing Monthly Contribution Cycle	100%
3 working days	Death Settle	95%
4 working days	Individual Member Switch	95%
10 working days	UFPLS	95%
10 working days	Retirement	95%
10 working days	Transfer In	95%
10 working days	Transfer Out	95%
35 working days	Divorce	95%

This information is also detailed within quarterly administration reports, which are reviewed by the Trustees at each of their quarterly meetings. Over the year to 5 April 2019 the service standards expected by the Trustees have been met for the processing of core financial transactions.

The processes adopted by the administrator to help meet the SLA's include:

- Transactions recorded and monitored on the workflow system;
- Member / policyholder transactions are independently checked via a quality queue within the workflow process;
- Investment deadline (3 working days) on receipt of DC contributions (from receipt of reconciled and validated contribution data and money) hardcoded into workflow system that feeds into a central investment cycle spreadsheet, which is monitored and reviewed to highlight exceptions;
- Daily monitoring of bank accounts (and separate cheque receipt log-reconciled daily maintained by a central treasury team);
- Two individuals checking all investment and banking transactions;
- Monthly reconciliation of contributions received;
- Input onto the admin system and any subsequent changes approved by an authorised individual.

- The Plan's risk register details the risks to Plan members and is monitored and reviewed on at least a quarterly basis. The Trustees have updated their risk register in line with the DC Code of Practice No.13, which came into effect in July 2016.

- The Plan Auditor carries out regular spot checks to ensure that contributions are paid in accordance with the Schedule of Contributions.

- The Trustees also monitor the accuracy of the Plan's common data annually. A summary report is received from the Plan administrator. In March 2019, the Plan had achieved a score of 94% common data. Additional actions are being taken to improve the score further; e.g. address and postcode traces, investigations into individual 'transfer in' cases, consistency in format of salary data received, removal of tests that are not applicable to the Plan etc.

Based on the above, the Trustees are satisfied that the Plan's core financial transactions have been processed promptly and accurately by the administrator during the period to which this Statement relates.

3. Charges and transactions costs

Charges

The charges borne by members consist of investment management, platform services and insurance intermediary services only, which are deducted directly through the unit prices of the funds they invest in. These combined charges are known as ‘Total Expense Ratios’ (TERs). All other costs associated with running the Plan, including administration, advisory, legal, and other member communications resources are paid for by the Company.

As required by the Administration Regulations, the Trustees are required to report on the charges and transactions costs for the investments used in the default investment options and their assessment on the extent to which the charges and costs represent good value for members.

The total charges payable under the default investment option will vary depending on the stage that each member has reached in the de-risking process. The total expense ratios (“TERs”) shown in Table 2 for each fund are sourced from Scottish Widows. The TERs for the Default Investment Option range from 0.40% p.a. to 0.46% p.a., depending on a member’s time to retirement, which is compliant with regulations on charge controls which limit the combined TER to 0.75% p.a.

Transaction Costs

Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (PS17/20) to investment managers regarding calculations and disclosures of transaction costs which comply with regulations. The transaction costs shown in this statement are calculated on a methodology known as ‘slippage cost’. This compares the price of the stocks being traded when a transaction was fulfilled with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative as well as positive. A negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

The Trustees requested this information from Scottish Widows, as their platform provider. In turn, Scottish Widows worked with the various underlying investment firms to collate the required data on transaction costs. The total transaction cost reported by Scottish Widows for each fund is shown in Table 2. The disclosure of transaction costs is still new within the industry and hence there were certain limitations to the data obtained, as detailed below:

- Transaction cost totals represent annualised transaction costs incurred by the fund manager within the underlying fund. Figures do not currently contain impacts of dilution adjustments incurred at the Scottish Widows fund level when Scottish Widows deals in the underlying funds.
- Reporting cycles may differ between fund managers, and so data provided may not align completely across funds. The latest available annualised information has been used in each case.
- Fund managers may use different methodologies to calculate their transaction costs; therefore, overall transaction cost figures may not be directly comparable, or may exclude some elements or breakdowns of the total cost.

The limitations in the data obtained this year are not unexpected given the recent introduction of the requirements to disclose them. Nevertheless, the Trustees, through their platform provider, Scottish Widows, are working with the underlying investment firms to improve the amount and quality of the data received for the next Statement. Improved disclosures are expected as the industry becomes more accustomed to the disclosure requirements over the intervening months before next year’s Statement.

The Trustees fully support transparency of charges and costs for members. However, a key consideration for members is the performance produced net of combined charges and costs. Moreover, a cheaper fund does not necessarily deliver the best value for money.

To illustrate the impact of charges and costs on a typical member's pension pot, we have provided examples in Appendix B on the default investment option and the funds with the highest and lowest charges as well as expected returns. These illustrations take into account savings pot sizes, contributions, investment returns above inflation (before charges and costs), adjustment for the effects for costs and charges and time.

We have shown example illustrations of what money invested (including existing and future contributions, as well as investment returns) in each of these funds could be worth in 1, 3, 5, 10, 15, 20, 25, 30, 35, 40 and 45 years' time, taking inflation, investment costs and charges into account. These figures are shown in today's terms, meaning they show what those pots could buy today. For example, the table shows that £25,000 invested today by an active member in the default investment option, in 25 years' time, could buy what £105,769 could buy today. The figures shown in Appendix B are just illustrations and are not a guarantee of future values.

Table 2: Investment Funds Costs and Charges

Fund	TER (%p.a.)	Transaction Costs (% p.a.)
High Growth*	0.44	0.1028
Moderate Growth*	0.46	0.1055
Cautious Growth*	0.40	0.1236
Global Shares	0.44	0.1028
Bond	0.24	-0.0117
Property	0.75	-0.0594
Multi-Asset	0.85	0.3127
Pre-Retirement Bonds	0.14	0.0157
Cash	0.17	-0.0245
Prudential With Profits	0.65**	-

**These funds are used in the default investment option only and are not available as self-select options.*

***For members in this fund the Trustees also pay £500 p.a. in addition to the member borne charge of 0.65% p.a. TER.*

The TERs shown above include the Annual Management Charge (AMC) and other expenses associated with the running and management of the funds (which will vary slightly from time to time). The charges stated are at 31 March 2019, as provided by Scottish Widows.

Value for Members

In accordance with regulation 25(1)(b), the Trustees are required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for members.

Core among the Trustees' beliefs is that value is about using the resources at its disposal effectively to help members achieve a good outcome for life after work. This means that value is not just about obtaining the lowest costs. Also, while some elements of value should be scrutinised carefully over the short-term (for example, the performance of the Plan administrator), others such as the suitability and performance of investment funds span several years. The Trustees carried out analysis of the member borne charges in June 2019 and are satisfied the Plan provides good value for members. This conclusion is based on the limited track record that the new investment arrangements have been in place. The reasons underpinning this conclusion include:

- Charges for the default investment option are significantly below the charge cap of 0.75% per annum;

- Charges on all of the funds have been assessed by our advisors as comparing favourably with those of peer funds;
- Although the performance of the funds since inception (approximately 16 months) to 31 March 2019 has been mixed, the limited track record means the overall assessment should not be influenced materially by the performance.

In addition to the member borne charges, the Trustees have also analysed the value derived from the wider Plan in order to arrive at this conclusion, having considered:

- Investments (net performance and charges for the default and self-select options);
- Communications;
- Scheme governance;
- Administration services; and
- At-retirement services.

Moreover, the Company, not the members, pay for all communication, scheme governance and administration costs associated with operating the Plan. Hence, the Trustees concluded that the Plan's overall benefits and options represent good value in comparison to the costs payable by members.

4. 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 that is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

The Trustees must also be conversant with the Plan's own documentation. These are described in legislation as the Trustees Memorandum and Articles of Association, trust deed and rules, statement of investment principles. The Trustees must also be conversant with any other document recording current policy relating to the administration of the Plan generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustees are able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustees.

This requirement has been met during the course of the Plan year as the Trustees have undertaken ongoing training, both as a group and individually to keep abreast of relevant developments. During the year, the Trustees completed the following:

Requirement	How met
Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets	The Trustees review their training needs on a regular basis and at least annually. During the Plan year the Trustees undertook a knowledge gap assessment using a skills matrix to identify areas for focused future training. The matrix is reviewed and updated regularly. During the Plan year the Trustees reviewed the DC Code of Practice, which has been adopted as the Risk Register. All new Trustees are required to have completed the Pensions Regulator's Trustee toolkit within six month of initial appointment and familiarize themselves with the Plan, stakeholders, advisers and providers and working methods. During the Plan year, one new Trustee joined the Scheme and a Trustee Toolkit training session has been arranged for September this year.
Trustees must be conversant with the Scheme's own documentation	Trustees undertake an annual evaluation of training requirements, which includes specific consideration of whether any further training is required in respect of

Requirement	How met
	these documents, further details are outlined in the last section of the table. The Trustees have access to all key Plan documentation and as part of their gap analysis a number of the Trustees will be reviewing the Plan documentation. The Trustees undertook training on the security of assets at the Trustee meeting June 2018 and understood the potential impact on investments in pooled funds from the insolvency of third parties involved and the levels of compensation available in the event of a third-party default.
Knowledge and resources generally	The Trustees comprise individuals with diverse professional skills and experiences, reflecting the varied nature of the challenges that its governance must address. The employer pays all reasonable expenses of Trustees attending conferences relevant to their role. The Trustees meet with their professional investment advisors quarterly. The Trustees maintain a training log that sets out individual and whole-board based training activity. The Trustees' professional advisors attend all meetings and are asked to input into the agenda. The Trustees regularly receive email bulletins and updates from its advisers on the latest developments affecting defined contribution pension schemes.
Assessing Knowledge and Understanding	The Trustees completed a training questionnaire (based on the TPR toolkit assessment questions), the results of which were discussed at the 5th December 2018 trustee meeting. Given the change in Board members, the Trustees agreed to reconsider the most important areas of knowledge improvement after the new Trustees had completed the required training and updated the matrix. The next training session has been scheduled for June 2019 to cover ESG matters.

Taking into account the review carried out by the trustee body, and the professional advice available to them, the Trustee Board consider they are properly enabled to exercise their function as Trustees.

Chair's declaration

This statement is required under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

I confirm that the above statement has been produced by the Trustees to the best of our knowledge.

Signature:

Name:

Position: Chairman of the Trustees of the Robert Bosch Limited Money Purchase Plan

Date:

Appendix A

Statement of Investment Principles effective July 2018

Appendix B

Example illustrations showing the impact of charges and transaction costs within the Plan

To ensure that these calculations are representative of the membership, the Trustees have made some assumptions in producing these illustrations:

1. Values shown are estimated projections and are ***not*** guarantees.

2. The illustration starts at age 20 (the age of the youngest member) and continues for a period of 45 years until age 65 (normal retirement age);

3. The starting pot size is assumed to be £25,000, which is the median pot size of a representative member (age 44);

4. For the illustrations for active members: Inflation and salary increases are assumed to be 2.5% each year.

5. For the illustrations for active members: A salary of £30,000 which is the average salary of members in their forties;

6. For the illustrations for active members: The total employee and employer contributions are 6% per year;

7. The projected growth rates before ongoing charges are as follows:

   A. Default investment option: 1.0% to 3.0% per year above inflation, with ongoing charges between 0.40 and 0.46% a year and transaction costs between 0.10% and 0.12%p.a.
   B. Global Shares Fund: 3.0% per year above inflation, with ongoing charges of 0.44% a year and transaction costs of 0.10%p.a.
   C. Multi-Asset Fund: 2.5% above inflation, with ongoing charges of 0.85% a year and transaction costs of 0.31%p.a.
   D. Pre-Retirement Bonds Fund: 0.3% below inflation, with ongoing charges of 0.14% a year and transaction costs of 0.02%p.a.
   E. Cash Fund: 1.0% below inflation, with ongoing charges of 0.17% a year and transaction costs of 0.00%p.a. for prudence.

Although the illustrations are described as being from age 20 to age 65, they are equally valid for projections over similar periods at/to other ages.

Active Members (those still contributing to the Plan regularly)

Years form today	Default Investment Option		Global Shares Fund		Multi-Asset Fund		Pre-Retirement Bonds Fund		Cash Fund	
	Current default investment option and most popular option		Fund with highest gross expected return		Fund with highest total expense ratio		Fund with lowest total expense ratio		Fund with lowest gross expected return	
	Before Charges & Costs	After Charges & Costs	Before Charges & Costs	After Charges & Costs	Before Charges & Costs	After Charges & Costs	Before Charges & Costs	After Charges & Costs	Before Charges & Costs	After Charges & Costs
	(£)		(£)		(£)		(£)		(£)	
1	27,575	27,426	27,575	27,426	27,448	27,129	26,735	26,693	26,542	26,498
3	32,961	32,459	32,961	32,459	32,528	31,473	30,193	30,057	29,579	29,442
5	38,674	37,740	38,674	37,740	37,867	35,932	33,634	33,395	32,556	32,317
10	54,528	52,117	54,528	52,117	52,431	47,604	42,160	41,619	39,742	39,219
15	72,911	68,341	72,911	68,341	68,914	60,068	50,581	49,676	46,575	45,728
20	94,206	86,631	94,224	86,649	87,571	73,375	58,896	57,570	53,074	51,868
25	117,229	105,726	118,936	107,308	108,688	87,584	67,109	65,304	59,254	57,658
30	140,327	124,041	147,588	130,621	132,589	102,756	75,219	72,880	65,131	63,120
35	165,683	143,537	180,808	156,929	159,641	118,956	83,228	80,303	70,721	68,271
40	192,415	163,414	219,326	186,617	190,259	136,253	91,137	87,575	76,036	73,129
45	214,116	178,499	263,984	220,118	224,914	154,722	98,948	94,699	81,091	77,712

Deferred Members (those no longer making contributions to the Plan)

Years from today	Default Investment Option		Global Shares Fund		Multi-Asset Fund		Pre-Retirement Bonds Fund		Cash Fund	
	Current default investment option and most popular option		Fund with highest gross expected return		Fund with highest total expense ratio		Fund with lowest total expense ratio		Fund with lowest gross expected return	
	Before Charges & Costs	After Charges & Costs	Before Charges & Costs	After Charges & Costs	Before Charges & Costs	After Charges & Costs	Before Charges & Costs	After Charges & Costs	Before Charges & Costs	After Charges & Costs
	(£)		(£)		(£)		(£)		(£)	
1	25,751	25,612	25,751	25,612	25,627	25,330	24,937	24,898	24,750	24,709
3	27,321	26,880	27,321	26,880	26,928	26,003	24,813	24,694	24,257	24,138
5	28,986	28,211	28,986	28,211	28,296	26,694	24,689	24,493	23,775	23,579
10	33,608	31,835	33,608	31,835	32,027	28,502	24,382	23,995	22,610	22,239
15	38,967	35,925	38,967	35,925	36,249	30,433	24,079	23,508	21,501	20,975
20	45,171	40,531	45,180	40,540	41,028	32,495	23,779	23,031	20,448	19,783
25	51,610	45,051	52,384	45,747	46,437	34,697	23,483	22,564	19,446	18,659
30	57,598	48,878	60,736	51,624	52,560	37,047	23,191	22,106	18,493	17,599
35	64,110	52,884	70,420	58,255	59,489	39,557	22,903	21,657	17,586	16,599
40	70,802	56,789	81,649	65,738	67,332	42,237	22,618	21,217	16,724	15,655
45	75,383	58,867	94,668	74,183	76,210	45,099	22,336	20,787	15,905	14,766