CHAIR'S STATEMENT FOR THE KAS BANK (UK) RETIREMENT BENEFITS SCHEME

This Statement has been prepared by the Trustees of the KAS Bank (UK) Retirement Benefits Scheme ('the Scheme') in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended). It sets out how the Trustees have met the statutory defined contribution (DC) governance standards during the Scheme year ended 5 April 2019.

On 25 February 2019, a recommended offer by CACEIS on all KAS BANK shares was announced. The acquisition by CACEIS has now been completed.

Governance

The Trustees continually review and assess systems, processes and controls across key governance functions to determine whether these are consistent with those set out in the Pensions Regulator's:

- Code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits
- Regulatory guidance for defined contribution schemes.

The Trustees maintain the standards of practice set out in the DC Code of Practice and DC regulatory guidance. These standards help to demonstrate the presence of DC quality features which they believe will help to deliver better outcomes for members at retirement.

Additionally, the Trustees have reviewed the new Regulations that were released in 2018 to ensure they are working towards meeting the highest standards expected of them and are considering plans to formally assess the presence of the DC Code of Practice standards using the Pensions Regulator's self-assessment template. Their findings will be discussed and documented over the course of the next year.

Administration standards

- The Trustees have appointed professional advisers and have delegated the day to day running of the Scheme
- The Trustees are aware that the responsibility of the running of the Scheme remains with them and they have implemented adequate internal controls, which are reviewed periodically
- The Trustees have appropriate service agreements in place with their advisers and are aware of their key contacts
- Service agreements set out the scope of work covered by professional appointments. Broadstone Corporate Benefits Limited, the appointed administrators of the Scheme, work to industry standards providing timely turnaround times for both non-financial and financial matters
- The Trustees consider all areas of risk and specifically risks of significant impact such as, fraud (including pension liberation), investment, management of costs, administration, regulatory requirements, operational procedures, communications and member understanding and corporate activity relevant to the Scheme
- The Trustees identify, evaluate, manage and monitor risk. By incorporating risks identified into a risk register they are categorised in accordance to likelihood of occurrence and the potential impact should they occur
- The Trustees recently reviewed their data management procedures and those of their service providers and have a GDPR compliant data protection policy in place.

The Trustees are required to ensure that financial transactions are processed promptly and accurately. In practice the Trustees delegate responsibility for this to BNY Mellon Fund Managers Limited. BNY Mellon Fund Managers Limited provide monthly statements to the Administrators who monitor financial transactions on behalf of the Trustees. Financial transactions are also reviewed annually as part of the audit process.

The Trustees are pleased to note that during the last Scheme year there have been no notifiable events arising in respect of financial transactions that need to be reported by the Trustees. The Trustees remain confident that the processes and controls in place with BNY Mellon Fund Managers are robust and will ensure that the financial transactions which are important to members are processed properly and within a reasonable timeframe.

Default Investment Strategy

A default investment strategy is provided for all members of the Scheme.

The Trustees are expected to review the investment strategy and objectives of the default investment strategy at regular intervals (at least once every 3 years) and take into account the needs of the membership when designing the default strategy.

Following the introduction of Pension Freedoms it is no longer compulsory to purchase an annuity at retirement. In recent years the industry trend has moved away from the traditional lifestyling approach whereby investments were phased into gilts and cash to help protect against any movements in annuity prices.

The Trustees have recently reviewed the default lifestyle strategy and made changes to the funds in the de-risking phase to reflect the fact that DC savers now have more flexibility in the way they access their retirement benefits. Under the new default lifestyle strategy, during the de-risking phase investments will be gradually switched into a diversified multi-asset fund and cash so that at retirement age 25% of investments are held as cash and the remaining 75% in a low risk, multi-asset fund which is designed to manage risk whilst retaining the opportunity for moderate investment growth. The new strategy is due to be implemented by the end of 2019.

The Newton Global Balanced Exempt Fund will remain as the default fund for investments during the growth phase. The Trustees monitor the performance of this fund on a regular basis against its benchmark and general market performance.

The Trustees have also taken the decision to make three additional lifestyle options available for members that do not wish to be invested in line with the default strategy. These new strategies will be available by the end of 2019.

Further details of the default lifestyle arrangement are set out in the Scheme's Statement of Investment Principles and Investment Arrangements contained as **Appendix B** of this Statement.

Costs and charges borne by members

In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustees are required to calculate the charges and transaction costs paid by members.

No administration costs are paid by the member. A professional administration service is used by the Trustees and the costs for this service are met separately by the Employer.

Explicit charges paid by members are the fund annual management charges, these are clearly identifiable and range from 0.20% to 0.45% depending on the fund selected. The maximum fund charge currently utilised is 0.45% per annum.

All investment funds have "transaction costs" which are not charged directly to the investor (member). However, these charges are taken from the fund and therefore reflected in the performance of the fund and in the overall return received by the investor (member).

Different funds have different levels of transaction costs depending on the number of assets that are bought or sold within the fund. It is generally expected that the more actively a fund buys and sells assets the higher the transaction fees will be.

A full list of charges (including the transaction charges during the period from 6 April 2018 to 5 April 2019) is included in **Appendix A**.

In accordance with regulation 25(1)(b) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustees have assessed the extent to which these charges paid by members represent good value for members.

The Trustees are satisfied that the Scheme's investments and the associated total costs represent good value for members. No charges over all periods in the lifestyle strategy exceed the 0.75% charging cap.

The Scheme's Statement of Investment Principles, prepared in accordance in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and regulation 2A (default investment strategy) of the Occupational Pension Scheme (Investment) Regulations 2005, provides further details of the funds available for investment. A copy of this statement is contained as **Appendix B** of this Statement.

Appendix A provides an illustrative example of the cumulative effects over time of charges and costs borne by members. Four separate periods of accumulation have been considered for the illustrations covering a 40 year period, a 30 year period, a 20 year period and a 10 year period.

Trustee knowledge and understanding

The law requires the Trustees to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively.

The following actions have been taken by the Trustees to gain the appropriate knowledge and understanding required to effectively run the Scheme with good governance.

- All Trustees have completed the online Trustee Toolkit
- The Trustees are conversant with the Trust Deed and Rules and the powers granted to them
- The Trustees are conversant with the Statement of Investment Principles for the time being maintained under Section 35 of the Pensions Act 1995
- The Trustees take regular investment advice from their Investment Consultant on matters relating to the Scheme's investments
- The Trustees keep up to date with developments in the DC landscape and new guidance issued by the Pensions Regulator.

During the Scheme year the Trustees have met the requirements of Section 247 and 248 of the 2004 Act (requirement for knowledge and understanding) by holding regular Trustee meetings and ensuring the Scheme is run in accordance with the Scheme Rules and in line the Pensions Regulator's guidance notes. Additional ad hoc meetings by conference call are also held when required.

The Trustees, together with assistance from their professional advisers, use their combined knowledge and understanding of Pension Law, specific Scheme documentation, legal requirements and the Pensions Regulator's guidance to ensure that the Scheme is run effectively and members' benefits are paid in accordance with the Scheme rules. This combined knowledge helps the Trustees to ensure that good scheme governance is a priority and identify where any improvements can be made to existing procedures and processes. The Trustees knowledge of the Scheme rules ensures that they can consider non-standard benefit request options, whether this is permissible under the current rules and whether legal opinion is required and / or a rule change needed.

Ensuring good governance helps the Trustees determine whether the Scheme is good value for money, whether members and beneficiaries are being treated fairly and seeks to safeguard the interests of all members and beneficiaries.

Communicating with members

- The Trustees endeavour to provide Scheme communication that is accurate, clear, understandable and engaging

- The Trustees, with their advisers, carefully consider all member communications and review common communications periodically (such as benefit statements)
- The Trustee works closely with the Scheme advisers to try to ensure member interests are understood and represented in all decision making
- Members are regularly informed about the importance of reviewing their investment choices
- In addition to annual benefit statements, annual newsletters are sent to all members providing details of current issues in pensions
- Ad hoc announcements are sent periodically as the Trustees deem necessary
- The Trustees issued their privacy notice covering General Data Protection Regulation requirements to all members
- The Trustees are considering issuing future member communications and benefit statement electronically
- The Company was recently acquired by CACEIS and this was communicated to Scheme members via the annual newsletter.

This Statement along with its Appendices has been made publicly available on the Scheme Website and can be accessed at the following site https://kasukpensionscheme.co.uk/

Signed:

Claire Linane, Chair of the Trustees

Date:

Appendix A

KAS BANK (UK) Retirement Benefits Scheme – Costs and Charges in Financial Year 2018/19

In accordance with the Occupational Pension Schemes (Administration and Disclosure) Regulations 2018, this is a disclosure of the level of costs applicable to members of the KAS BANK (UK) Retirement Benefits Scheme.

Summary:

- Total costs: 0.572% of net asset value.
- Transaction costs: 0.079% of net asset value.
- Assumed projected returns: 3.160% p.a.

The table below details pension pot projections, before and after cumulative costs, for an individual member of the scheme. Projections are based on the average starting pension pot for a member of the scheme by age and display the predicted pension pot in the years until retirement (at the current State Pension age of 67). There are no hidden fees or charges outside of the "Total costs", and investment costs do not exceed the charge cap of 0.750%. Based on the thorough cost analysis conducted, the trustees are satisfied that the scheme's investments and the associated total costs represent good value for money.

An exhaustive list of assumptions for the following projections are detailed on page 7.

Projected pension pot before and after cumulative costs (£)												
	Current age											
	25			35			45			55		
End of year	Pension pot value before costs[1]	**Total costs[2]**	Pension pot value after all costs deducted[3]	Pension pot value before costs	**Total costs**	Pension pot value after all costs are deducted	Pension pot value before costs	**Total costs**	Pension pot value after all costs are deducted	Pension pot value before costs	**Total costs**	Pension pot value after all costs are deducted
2	7,743	**68**	7,675	20,648	**207**	20,441	43,872	**460**	43,412	79,593	**850**	78,743
12	56,327	**1,881**	54,446	88,351	**3,281**	85,070	138,957	**5,603**	133,354	212,565	**9,056**	203,509
22	136,108	**7,209**	128,899	198,232	**11,185**	187,047	291,325	**17,428**	273,897	-	**-**	-
32	261,556	**18,018**	243,537	369,670	**26,570**	343,100	-	**-**	-	-	**-**	-
42	453,057	**37,148**	415,909	-	-	-	-	**-**	-	-	**-**	-

1. *"Pension pot value before costs" is the projected pension pot value, including annual contributions, adjusted for salary growth. This also incorporates annual investment returns.*
2. *"Total costs" are the cumulative total costs incurred after 2, 12, 22, 32, 42 years' worth of investing, at the annual cost rate of 0.572%.*
3. *"Pension pot value after all costs are deducted" is the projected pension pot value including annual contributions adjusted for salary growth and adjusted for investment returns, minus the cumulative "Total costs".*

For greater transparency, and based on the above projections, the table below breaks out the total cumulative cost projections for an individual member of the scheme, in the years until retirement, at the current State Pension age of 67. There are no hidden fees or charges outside of the "Total costs".

Investment costs are broken down into implicit transaction costs, explicit transaction costs, and other investment costs.

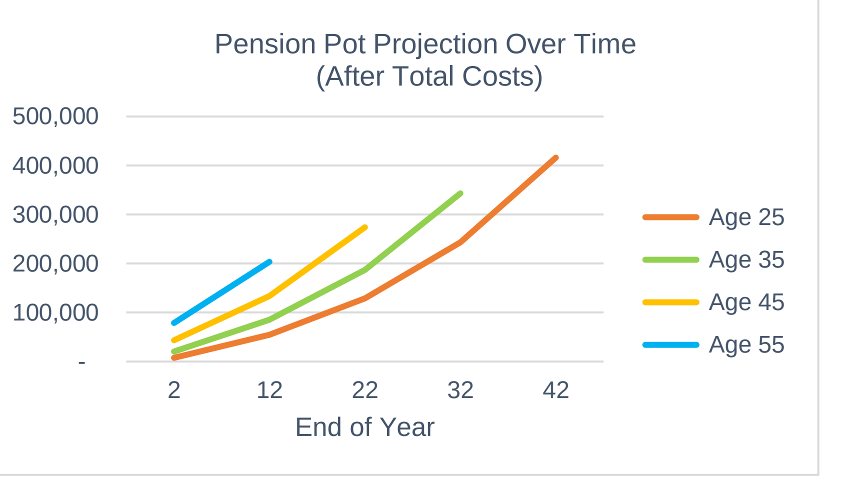
- *Explicit transaction costs* consist of transaction taxes, broker commissions & exchange fees, transaction related services, and other explicit charges.
- *Implicit transaction costs* represent the loss of value implied by the difference between the actual transaction price and the mid-market value of the asset.
- *Other costs* comprise, management costs, performance costs, and miscellaneous costs.

It should be noted that all investment funds have "transaction costs" which are not directly charged to the investor (member). Transaction costs are incurred during the process of buying, selling, lending, or borrowing of financial instruments, and are a common element of investing. These charges are taken directly from the fund and are therefore reflected in the performance of the fund, and in the overall return received by the member.

Cumulative cost projections paid from pension pot (£)

	Current age															
	25				35				45				55			
End of year	Implicit TC	Explicit TC	Other	**Total costs**	Implicit TC	Explicit TC	Other	**Total costs**	Implicit TC	Explicit TC	Other	**Total costs**	Implicit TC	Explicit TC	Other	**Total costs**
2	4	5	59	**68**	12	16	178	**207**	27	35	397	**460**	51	65	734	**850**
12	112	145	1,623	**1,881**	195	252	2,830	**3,281**	333	431	4,833	**5,603**	539	697	7,812	**9,056**
22	429	555	6,218	**7,209**	665	861	9,649	**11,185**	1,036	1,341	15,035	**17,428**	-	-	-	**-**
32	1,072	1,387	15,544	**18,018**	1,580	2,045	22,922	**26,570**	-	-	-	**-**	-	-	-	**-**
42	2,209	2,859	32,047	**37,148**	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**

The following charts display cumulative projected pension pots and costs for each member based on the projections above.



Assumptions:

- *Values shown are estimates and are not guaranteed.*
- *Projected pension pot values are shown with no adjustments for inflation.*
- *Assumed starting pension pots (based on mean pension pot size by age):*
    - *25: £902*
    - *35: £10,533*
    - *45: £29,400*
    - *55: £55,725*
- *Contributions are assumed from age 25 to 67 (youngest members to their current retirement age).*
- *Contributions each year assumed to be 10.5% (KAS BANK Defined Contribution Benefits Rate) of salary. A 25-year old's estimated salary is £30,000; this starting figure is adjusted each year at an assumed annual salary growth of 2.8% (from the scheme's last actuarial report). Based on this, a 55-year old's estimated salary is £68,693.*
- *Net returns p.a.:*
    - *Default fund: 3.160%*
- *The fund has a total cost to members of 0.572%.*
    - *Investment costs: 0.572%*
        - *Implicit transaction costs (Implicit TC): 0.034%*
        - *Explicit transaction costs (Explicit TC): 0.044%*
        - *Other investment costs: 0.493%*
- *Assumed that no returns have been lost over time.*
- *Net asset value for the scheme as of 31/03/19: £9,599,351.*

N.B. Cost figures have been calculated using exact percentages, this report reflects those figures to three decimal places.