

Annual governance statement by the Chair of Trustees

In relation to The Lewis Workplace Pension Trust (TLWPT or the Scheme)

Introduction

As Chair of the Trustees, I need to provide you with an annual statement which explains the steps taken by the trustee board, with help from our professional advisers, to meet new governance standards which have been in place since April 2015.

This statement relates to the accounting period from 1 April 2017 to 31 March 2018, but includes more recent information where available.

I was appointed Chair, representing Capital Cranfield Trustees Limited, with effect from 27 September 2017, replacing Claire Altman.

The Trustees are committed to ensuring that the Scheme meets high standards and I welcome this opportunity to explain what we have been doing.

The Scheme focuses on, but is not limited to, pension provision to companies in the South of England which are clients of Lewis & Co (Investment and Pensions Limited) (referred to in the rest of this statement as “Lewis”) and their employees. It also has the uncommon ability to provide services to overseas companies with UK employees.

The Trustees met formally six times during the reporting year with occasional additional ad hoc meetings as required. There are also regular Investment Sub Committee meetings, the content of which are reported on at the Trustee meetings.

1. Investment arrangements

Default investment arrangement

The default investment arrangement is provided for members who do not choose an investment option for their contributions (although members can also choose to invest in it). At 31 March 2018 there were 5,233 active members and 2,594 deferred members. Of these over 90% had their contributions invested in the default investment arrangement.

Setting an appropriate investment strategy

The Trustees set the investment strategy for the Scheme’s default arrangement. The Trustees know that members have different attitudes to risk and different aims for their retirement saving. When choosing the investment strategy, we have therefore taken into account (amongst other things):

- Kinds of investments to be held
- Balance between different kinds of investments

- Investment risks
- Expected return on investments
- Realisation of investments and liquidity
- Socially Responsible Investment, Corporate Governance and Voting Rights

We have chosen a strategy that changes as the member gets closer to accessing their retirement savings. Whilst the member is a long way off accessing their retirement savings, the strategy focuses on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term, inflation protected growth, switching progressively to 'protection' assets over the years preceding the member's target retirement date so as to protect a member's retirement savings. When the member gets closer to retirement, the default investment strategy progressively switches into a cash fund in order to protect members' capital.

The allocations as at 31 March 2018 were as follows:

- Members aged under 59 are invested in Lifestyle Default 1
- Members aged 59 to 60 are invested in Lifestyle Default 2
- Members aged 61 to 62 are invested in Lifestyle Default 3
- Members aged 63 and over are invested in Lifestyle Default 4

	Lifestyle Default 1	Lifestyle Default 2	Lifestyle Default 3	Lifestyle Default 4
Funds	Weighting	Weighting	Weighting	Weighting
L&G UK 100 Index Trust	45%	42%	24%	5%
L&G International Index	15%			
L&G US Index Trust	15%	10.50%	6%	
L&G European Index Trust	10%	7%	4%	
L&G Japan Index Trust	15%	10.50%	6%	
Cash		30%	60%	95%
	100%	100%	100%	100%
Benchmark				
MSCI World Index GBP	100%	70%	40%	
BlackRock Sterling Liquidity Fund		30%	60%	95%
FTSE 100				5%
	100%	100%	100%	100%

Alternatives to the default arrangements

If members wish to make their own investment asset allocation decisions it is possible for them to choose to invest in one of the following funds:

	Cautious	Moderate	Speculative
	% allocation of the portfolio	% allocation of the portfolio	% allocation of the portfolio
Vanguard UK Inflation Linked Gilt Index	25%	12%	5%
BlackRock UK Gilts All Stocks Tracker	15%		
M&G Global Macro Bond	20%	15%	10%
Artemis Income	18%	23%	25%
Legal & General US Index	12%	15%	15%
Schroder Asian Alpha Plus		10%	15%
Legal & General European Index Trust		10%	10%
First State Global Resources		8%	7%
Legal & General Cash	10%	7%	5%
M&G Japan Smaller Companies			8%
	100%	100%	100%
Benchmark			
MSCI World Index	30%	50%	70%
BlackRock Sterling Liquidity Fund	70%	50%	30%
	100%	100%	100%

Expert advice

The trustees are advised by Lewis Capital Management Limited, their investment advisors on these matters, whom they deem to be appropriately qualified experts. The day-to-day selection of investments in the default range is delegated to their investment managers, Legal & General. The investment manager is authorised and regulated by the Financial Conduct Authority. Within the (non-default) model portfolios offered to members some of

the day-to-day selection of investments is delegated to the investment manager 7IM where these funds are used.

Social, environmental and ethical considerations

Social, environmental and ethical considerations are set by the investment manager, who also exercises the rights attaching to the investment in the funds they manage. The investment manager acts in the best financial interests of the Scheme's assets to maximise returns for a given level of risk.

Monitoring performance

The Trustees monitor the performance of the investment manager against agreed benchmarks. These are considered at both Investment Sub-Committee meetings and in the main trustee meetings. If there were any concerns in relation to deviation from the benchmark, meetings would be held between the Trustees and the investment manager, but the performance monitoring at the meetings during the review period has established that in the reporting period there have been none. All funds performed positively net of charges and exceeded their benchmarks in the period since the Scheme was established.

Our Investment advisers report to us in respect of any concerns they have in regard to either our investment strategy or the underlying fund managers. These reviews are proactive and would include concerns not immediately obvious by way of performance, for instance change in staffing, structure or culture at the respective managers. The regular reviews also include consideration of potential future additions or changes to our strategies, for instance the use of Environmental, Social and Governance filters and/or alternative asset allocation strategies.

These reviews are conducted in addition to the annual review of the default investment options.

Further information in relation to the investment strategy and investment objectives

Further details in relation to the investment strategy and investment objectives of the default arrangement are recorded in a document called the Statement of Investment Principles. This document is included in Appendix A to this Statement. This is considered (and managers are monitored to ensure they comply with the SIP at the Investment sub-committee's quarterly meetings). The next formal review of the SIP took place in May 2018, just after the end of this reporting period. For completeness, we have also included a copy of that more recent SIP in Appendix B to this Statement.

The Scheme focuses on provision of automatic enrolment services to small and medium sized enterprises and their employees. In the short to medium term, the Trustees expect members to have relatively small pot sizes at retirement and so the majority of them are anticipated to access their retirement savings in a cash lump sum. Over time, allowing for

expected increases in contributions, this may change and we will continue to monitor its appropriateness.

Reviewing the default investment arrangement

This is monitored quarterly but the last review of the standard default arrangement occurred on 5 March 2018.

The review entailed consideration of the default strategy and performance information with our investment advisers and the Investment Sub-Committee. Recommendations were then considered by the full Trustee board. Our aims and objectives are, in summary, to achieve growth in real terms for members; investments while managing risk levels appropriate to their closeness to selected retirement age. The strategy and returns are consistent with these aims and objectives and we have formed this view by regular monitoring of both investment returns and volatility.

Following this review, the Trustees decided to reduce the asset allocation (in the long term portfolio) to the L&G FTSE 100 Fund from 60% to 45%. The resulting 15% free allocation is now invested in the L&G International Index Fund. The purpose of this change was to reduce members' concentration of risk in the UK market and currency.

Going forwards, the trustees will review the investment objectives and the performance of the default arrangement at least once a year and take advice from the Scheme's investment advisers.

The Trustees also monitor members' use of the default investment arrangement (as well as the choices being made by members when benefits come into payment). This helps to inform us about changes which are appropriate in future.

Among other factors, these reviews include consideration of expected future investment growth and risk by asset class, correlation of risks between asset classes, particular issues in relation to specific funds and their managers, member borne fees and transaction costs. In addition, we pay particular attention to the security of members assets and potential compensation available on the failure of any managers in the context of alternatives and any additional costs or inefficiencies affecting member outcomes.

The Trustees also monitor members' use of the default investment arrangement. During the reporting period we have considered reports on member use at our regular meetings. This, together with member feedback on our website, helps to inform us about changes which are appropriate in future. Lewis also conducts site visits to employers and pro-actively solicits feedback from both employers and members on these visits. We welcome any comments you may have, please direct them to Marie Northover at Lewis Workplace Pension Team on 01202 718400 or mnorthover@lewisinvestment.co.uk

Security of members investments

The security of members' investments is of paramount importance to the Trustees. The Scheme invests either directly or via an investment platform in funds where the manager is authorised and regulated in the UK. Where investments are held directly with the manager they are subject to protection by custodian or depositary arrangements and ultimately covered by the Financial Services Compensation Scheme (FSCS). The level of cover depends on the structure of the funds ("life wrapped" funds are covered up to 100% of value without an upper limit). All of the LGIM funds the Scheme uses, including all in its default arrangement, are structured as life wrapped funds and so covered by the FSCS. Some funds used in the model portfolio (those managed by 7IM) are structured as collective investment funds (UCITS) that are not life wrapped funds. These are covered under the "investments" sub-scheme of the FSCS. We do not consider there to be a significant risk given the managers and nature of the funds.

2. Charges and transaction costs paid by members

We need to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Scheme) which are paid by members and your employer.

Where information about member costs and charges is not available, we have to make this clear to you together with an explanation of what steps we are taking to obtain the missing information.

The level of charges and transaction costs applicable to the Scheme's default arrangement during the last scheme year depended on where members were within their Lifestyle switching profile (as set out in "Setting an appropriate investment strategy" above) but were up to a maximum of:

- 0.57% of assets under management

The actual charges will depend on which stage of the Lifestyling Profile the member is at:

	Lifestyle Default 1	Lifestyle Default 2	Lifestyle Default 3	Lifestyle Default 4
Charge at end of period	0.53%	0.54%	0.55%	0.57%

The range of charges and transaction costs applicable to the funds offered under the Scheme which are not part of the Scheme's default arrangement during the scheme year were:

- A maximum of 1.396% assets under management
- A minimum of 1.316% assets under management

The individual fund charges for the actual funds were:

Fund	Annual Charge
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Cautious Portfolio	1.316%
Moderate Portfolio	1.356%
Speculative Portfolio	1.396%

It is clear that the administration charges charged to members are all within the 0.75% charge for the default funds. Lewis pays an additional £1.50 per active member and £0.75 per non active member to Carey Corporate Pensions UK Ltd (referred to in the remainder of this statement as Careys) for pension administration services. This additional payment is not charged to members.

The Trustees are in the process of ascertaining whether and if so to what extent there are any additional transaction charges deducted by the investment manager from members' funds as we have not been able to obtain this information yet. From January 2018 the Government has now required regulated investment managers to disclose transaction charges in a prescribed format with the first report required in respect of charges incurred to April 2018 and reported from July 2018. There is only a small overlap with these new requirements and the scheme year to which this statement relates. We continue to work with our investment manager for all of the relevant information so we can report on these costs to members in our next review. In any event, we believe that any transaction charges in relation to any of the default funds would not exceed 0.05% given the index tracking nature of funds invested in.

3. Good value for members

When assessing the charges and transaction costs which are payable by members, the Trustees need to think about whether the investments, options and the benefits offered by the Scheme represent good value for members when compared to other options available in the market.

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.

We report here on the historic value criteria at the end of the scheme year in the form of "spider graph" charts. We also consider value for members on an ongoing basis as part of our regular Trustee meetings.

We followed the following process:

Step 1: We collected information in relation to the total benefits of scheme membership and the total charges and (to the extent available) transaction costs borne by members.

We considered that the benefits of membership included (amongst other things):

- the financial sustainability of the Master Trust Sponsor (Lewis) together with its

- commitment to the market;
- plan design, that is the structure and flexibility for members to vary contributions;
- investment performance, the design of the default arrangement and how this reflects the interests of members; the range of investment options;
- the efficiency of administration processes and the extent to which administrators meet their service level standards for the scheme year;
- the quality of communications delivered to members;
- at and past retirement services, which are not currently a major priority but are likely to be in the future;
- the quality of scheme governance.

Step 2: Determine criteria for assessing value

We considered that the investment performance delivered to members in the context of the investment objectives was critical. Against this we looked at what we considered that members would value most highly, considering the profile of the membership, pot size, membership status and level of engagement.

In addition, generic research (such as that instigated by Sackers on behalf of insurers IGCs, Corporate Adviser magazine's survey of master trusts and the Pension Administration Standards Association's Guidance report of 2018) has been used to identify key areas of concern.

For areas such as administration we reviewed how well service standards had been met. For communication we reviewed timeliness and accuracy alongside more subjective criteria such as the "readability" of our communications and applied external metrics such as the Flesch-Kincaid reading age to form an objective view.

Step 3: Compare the criteria with other schemes

We sought information in relation to other similar schemes, such as charging structures, investment performance and service provision. In this area we considered both short term and long-term costs borne by members so as to properly contrast the differing market charge structures.

Our analysis considered both "raw" scores and those weighted against our current priorities (as informed by our member research). So, for instance, although Lewis does not currently offer retirement options such as flexible drawdown from the Scheme, we have applied a low weighting to this area as very few of our members are likely to require such flexible option in the short to medium terms. Clearly our weightings, and therefore priorities for review, are likely to change over time.

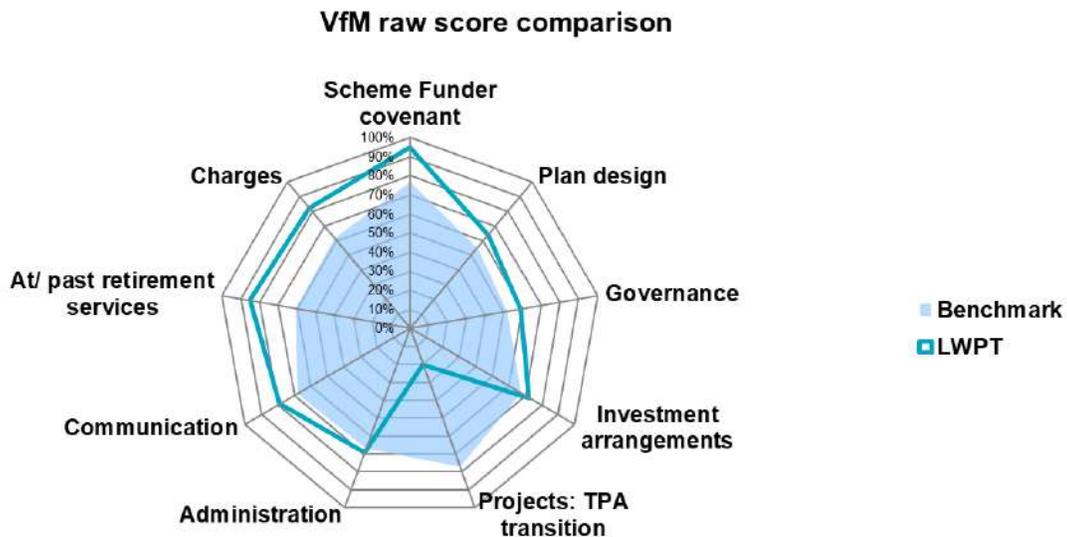
Equally, we note that some areas such as financial sustainability and plan design are probably

more important to employers than members (although still fundamental to the latter), therefore these areas have lower weightings as our aim in this section is to assess value for **members**.

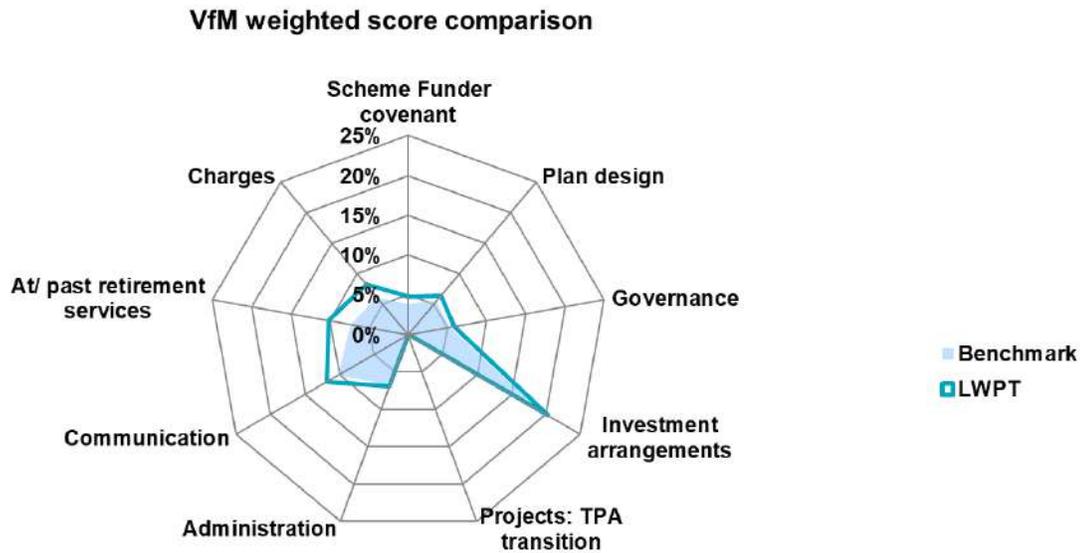
The descriptions in step 4, "Evaluate and act", reflect the position for the Scheme year ending 31 March 2018. However, in order to help demonstrate changes between years of review, we will in future include charts as below, which were produced taking into account more recent data.

Our latest high-level analysis (each of the areas considered has its own detailed sub-analysis) for the reporting year is as follows:

Basic "raw" score review



Weighted score review



Step 4: Evaluate and act

Finally, we evaluated the total benefits of membership and the total costs to members against what members valued most and compared that to what was available from other schemes.

We took particular note of the following –

Investment

- We have assessed members' investment returns and overall fund performance to ensure that the costs borne by the members are reasonable for each fund we offer under the Scheme taking into account the outcomes expected from investment.
- The use of passive (index-tracking) funds reduces manager risk for members.

Administration

- Although we had some operational reporting issues with our administrators early in the reporting year, these have been resolved positively (see "Core Financial Transactions" below). We are now much more confident that we can identify any issues quickly before they lead to concerns of member detriment.
- We obtained Master Trust Assurance Framework certification (externally audited approval of our administration standards) during the year and this will be now an annual exercise

- However, we believe there are a number of improvements that we can make to the efficiency of our management reporting functions and we are in the process of implementing these.
- We started work during the year to ensure that we complied with new General Data Protection Regulations 2016/679 (“GDPR”) from their introduction in May 2018.

Scheme governance

- The Scheme has the advantage of independent trustees, a professional scheme secretary and good professional advisers. However, as at 31 March 2017 there were only three trustees (of whom two were non-affiliated). As we believe an expansion of the trustee board would improve governance, we have decided to increase the board to five during the next year following authorization by the Pensions Regulator (while ensuring the non-affiliated trustees remained in the majority).
- The Trustees have arranged for the Scheme to be audited in accordance with the Master Trust Assurance Framework which has given further reassurance as to the high standards of scheme governance.

Communications and member support

- Scheme communications are well-written in plain English with a reading age for most material of between 13 and 16.
- The Trustees are not authorised to provide members with investment advice but advice is available via Lewis & Co Investment and Pensions Ltd.
- A member portal allows on-line access to recent pension pot value and is a valuable tool for members.
- Member contribution rates are monitored by Lewis and increases facilitated where members wish to do so.

We have considered the extent to which the Scheme represents good value for members throughout this assessment.

Based on our assessment, we have concluded that the Scheme provides good value for members. We nonetheless see areas for improvement, particularly as members’ needs change over time and we are working to implement these over 2018/19.

4. Core financial transactions

The Trustees are required to report to you about the processes and controls in place in relation to the “core financial transactions”. The law specifies that these include, but are not limited to, such things as:

- investing contributions paid into the Scheme; ^[L]_[SEP]
- transferring assets related to members into or out of the Scheme; ^[L]_[SEP]
- transferring assets between different investments within the Scheme; and ^[L]_[SEP]
- making payments from the Scheme to or on behalf of members. ^[L]_[SEP]

We must ensure that these important financial transactions are processed promptly and accurately. This is how we do it. In practice we delegate responsibility for this to the Scheme administrators. Our Scheme administration during the reporting period has been delivered by Carey Corporate Pensions UK.^[SEP] We have service level agreements in place with the administrators which cover the accuracy and timeliness of all core financial transactions such as investment of contributions within 5 days of receipt and account reconciliation. The Scheme administrators provide weekly reports to the Trustees which allows us to assess how quickly and effectively the core scheme financial transactions are completed.

The processes adopted by the administrator to help meet the SLA included daily monitoring of bank accounts, a dedicated contribution processing team, and weekly reporting to the Trustee.

Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.^[SEP] Based on this method of monitoring and reporting, we consider core financial transactions to have been processed accurately and promptly. Findings of note are included below.

In regard to the 4 key areas referred to above - being contributions, transfers, investment switches and payments – there have been no significant concerns.

In the reporting period we have considered the scheme administrator reports at our regular meetings under two broad headings: firstly enrolment, member transactions and member communication.

Although we had some operational reporting issues with our administrators early in the reporting year, these have been resolved positively by the Trustees and administrators working together. This has ensured the timeliness and completeness of exception reporting, which means we have reduced the potential risks of administrative failures to members. I am, therefore, pleased that in the last scheme year there have been no material administration service issues affecting members in regard to core financial transactions. They have been monitored by reference to the various service standards in place together with spot checks and by considering both member and employer feedback.

The second area includes accounting matters together with initial investments, switching and rebalancing of funds. Our fund administrators had standard accounting controls in place, including daily balancing. Again, I am pleased that in the last scheme year there have been no material administration service issues affecting members in regard to these.

We are confident that the processes and controls in place with the administrators will be sufficiently robust so as to ensure that the financial transactions which are important to members are dealt with properly.^[SEP] In addition, noting that we need accurate member data to process contributions and payments correctly, we take steps to review and correct any problems with the member data which is held by the Scheme administrators.

5. Trustee knowledge and understanding

The law requires the Trustee board to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. This includes a working knowledge of the Trust Deed and Rules, pensions law and law relating to trusts, the principles of funding and investment, Statement of Investment Principles, and all other Scheme process and policy documents. This working knowledge is demonstrated by regular reference to and discussion of key documentation and principles during meetings (with input from advisers) and any amendments considered as specific agenda items. Advice is also taken as appropriate to support this working knowledge.

We take our training and development responsibilities seriously and keep a record of the training completed by each member of the board. Our training is updated at each Trustee meeting and requirements are reviewed at least quarterly (and prior to any significant decision) to identify any gaps in the knowledge and understanding across the board as a whole. This allows us to work with our professional advisers to fill in any gaps. In order to ensure there are no unrecognised gaps in trustee knowledge the trustees complete an annual self-assessment questionnaire and comment on how they have met their individual training needs at each trustee meeting

All of the Trustees have completed the Trustee Toolkit made available by the Pensions Regulator. Further background in relation to each of the Trustees is set out at the end of this statement, including their particular areas of expertise.

During the reporting period, specific consideration has been given to a full understanding of the Scheme's Trust Deed and Rules, together with other scheme documentation, including but not limited to, processes for ensuring "fit and proper" status for trustees, potential conflicts of interests, complaints and death benefit procedures.

Each trustee meeting includes a period of training where we are updated on legislation by external advisers. The subject matter of this training has been driven by a combination of actual and prospective changes in regulation, changes in the member demographic as we grow and regular review of our effectiveness and training needs. To supplement the extensive investment experience of the trustees, external investment advisors provide appropriate training and context when scheme investments are considered at board meetings. In the relevant scheme year, that training includes strategic, structural advice on investment asset classes, protection for members under the Financial Services Compensation Scheme, the implications of GDPR and legal areas such as changes to pension legislation. We expect this training to continue with further input from external advisers in respect of the effectiveness of our trustee group.

As you can see from the background information on the Trustees, the Trustee board comprises individuals with different areas of expertise, such as governance, investment, communications, and wide experience of pension schemes and DC benefits. Having a wide spread of experience through the Trustee board, together with the ongoing training and development that has been undertaken and the use of appointed third party advisers on matters such as investment and legal matters, enables the Trustees to exercise properly our functions as the trustee of the Scheme.

The combined knowledge and understanding of the Trustees (along with advice) as described above enables the Trustees to properly exercise their functions as trustees of the Scheme because it is directly applicable to the circumstances of the Scheme, in particular it covers governance, administration and investment of defined contribution pension schemes.

Nonetheless there is always room for improvement and when we expand the trustee board to five in number (expected in 2019) we intend to widen our knowledge and skill set further with appointment of those with both wider experience and perception of the scheme services (including a member representative).

6. Areas of governance specific to Master Trusts

Member and employer engagement

Members (and employers) can contact the Scheme to express their views on matters relating to the Scheme. However, it is not typical for them to do so and so our arrangements to encourage them to do so include Lewis pro-actively canvassing opinions through member surveys and meetings.

Given the demographics of our membership, we use both electronic means of providing member feedback and group meetings with members at their employer worksites. We consider these to be most user friendly for members and effective for the Scheme to canvass opinion from different demographic groups.

We monitor on-line usage to keep us informed about what our members are most interested in.

We would be happy to address any queries or suggestions you may have. Please direct them to Marie Northover at Lewis Workplace Pension Team on 01202 718400 or mnorthover@lewisinvestment.co.uk

Appointment of non-affiliated trustees

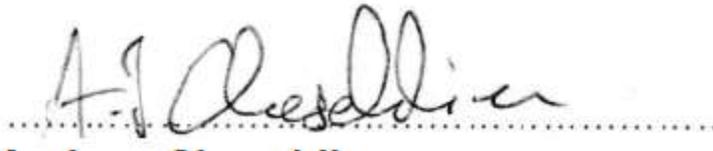
The legislative requirement for the majority of the Trustees (including the Chair) to be non-affiliated has been met during the reporting period by the Trustee board being made up of three trustees (with a minimum of two non-affiliated trustees who are independent of Lewis and all other undertakings which provide advisory, administration, investment or other services in respect of the Scheme). During the reporting period, the non-affiliated trustees were Capital Cranfield Trustees Limited, and Richard Shepherd.

Capital Cranfield Trustees Limited (CCTL) has remained an independent (non-affiliated) trustee director throughout 2017 and 2018, however I replaced Claire Altman as its representative and Chair of Trustees in September 2017. I was appointed by Lewis following consideration of a number of cvs prepared by CCTL and interviews of a short list of candidates with a particular focus on DC skills and experience.

No other trustees (non-affiliated or otherwise) were appointed during the reporting period of the year to 31 March 2018 although we have conducted interviews with a number of potential non-affiliated trustees representing organisations other than CCTL to ensure the widest range of experience and perspective.

Please see the attached cvs of the Trustee Directors for more details.

Andrew Cheseldine

A handwritten signature in black ink, appearing to read 'A. Cheseldine', is written over a horizontal dotted line.

Capital Cranfield Pension Trustees Ltd

Chair of Trustees

Trustee Board during the year covered by this report

Andrew Cheseldine, professional independent trustee, Capital Cranfield Pension Trustees Ltd

Andy joined Capital Cranfield Trustees in 2017. Before that, Andy acted as adviser to trustees and employers at consulting actuaries Watson Wyatt, Hewitt Bacon & Woodrow and latterly as a partner at Lane Clark & Peacock LLP.

Andy has a long and successful record of advising on regulatory, governance, change management, investment, provider selection and communication issues.

He was elected to the DC Council of the Pension and Lifetime Savings Association in 2013 and re-elected in 2016.

He was appointed as independent (non-affiliated) Chair of Trustees to the Lewis Master Trust in November 2017, the Autoenrolment.co.uk Master Trust in September 2017, and Chair of the Mizuho International Retirement Benefit Scheme in December 2017.

Richard Sheppard, independent trustee

Richard has over 32 years of experience as a financial professional and acts as an independent (non-affiliated) trustee to the Lewis Master Trust. He holds the Diploma in Financial Services qualification and lectures on pension matters with The Personal Finance Society, the professional body for financial advisers within the UK. He was invited to assist with the initial establishment of the automatic enrolment regulations as an adviser to the DWP and continues to actively participate in the issues facing the ageing population in the UK.

Lee van Hoyland, Employer Nominated Trustee, Lewis Investment

Lee is a Chartered Financial Planner with 13 years' experience and is a director of Lewis & Co, the scheme sponsor. He holds the position of the scheme funder's head of Auto Enrolment and plays an integral part in the investment committee that oversees all of the scheme portfolios to include the default fund.