

THE LONDON METAL EXCHANGE LIMITED 1989 PENSION SCHEME

Annual Chair's Statement for the period ending on 5 January 2022

Introduction and Background

This statement covers the period from 6 January 2021 to 5 January 2022 and has been prepared in accordance with regulation 23 of the Occupational Pension Scheme (Scheme Administration) Regulations 1996, as amended (the "Administration Regulations"), and related Pensions Regulator guidance.

The statement relates to the London Metal Exchange 1989 Pension Scheme (the "Scheme") which provides benefits on a money purchase basis. The Scheme was established under a trust deed dated 28th March 1989 by The London Metal Exchange Limited, now known as the London Metal Exchange ("LME"). The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 with effect from 5 April 2006. The Scheme is open to new entrants and includes employees of LME (the sponsoring employer) and also LME Clear Limited (collectively the "Employers").

In preparing this Statement, information has been gathered from Standard Life (the Scheme administrator).

Consideration has also been given to the Pensions Regulator's 'A quick guide to the chair's statement' (March 2022) and to the Department for Work and Pensions guide on 'Reporting of costs, charges and other information' (October 2021).

A copy of the Scheme's latest Statement of Investment Principles ("SIP") is attached to this statement for your information.

During the year in question the Scheme has been governed by a Trustee Board ("the Board"), which comprised of Dalriada Trustees Limited acting as a Professional Corporate Sole Trustee.

There were two meetings with the Employers during the Scheme year, which were also official Board meetings. In addition, the Board meets on a regular basis to discuss Standard Life's quarterly governance reports.

After a very challenging 2020, where the COVID-19 pandemic resulted in extremely volatile markets, we saw a rebound across most asset classes over the year to 5 January 2022. Standard Life had implemented its Business Continuity Plan in 2020, which resulted in all staff being asked to work from home, with the exception of a small group of key works who remain in its Edinburgh office to deliver critical services to members that cannot be carried out from home. Many of the Standard Life staff have continued to work from home over the year, although a return to offices has started to be seen.

The quarterly governance reports from Standard Life in respect of this statement period, confirmed no deterioration in service levels provided as hybrid working becomes the 'new normal'. Member complaints had also not increased over the year and queries raised by the membership also did not increase.

The Scheme's Default Investment Arrangements

The default investment arrangement is provided for members who join the Scheme and do not choose an investment option, although members can also choose to invest in the default investment arrangement. When deciding upon the design of the Scheme's investment strategy, the Board took into account the fact that most members do not make active investment decisions and therefore most members will be invested in the default investment arrangement, which aims to provide an investment solution that represents good value and secures good outcomes for members over the long-term.

During the applicable reporting period, the Scheme's default arrangement (the "Default Strategy") was the Passive Plus III Universal Strategic Lifestyle Profile. 58% of the Scheme members were invested in the Default Strategy as at 31 December 2021, covering about 35.8% of the Scheme's total assets.

The products comprising the Default Strategy are as follows:

- Standard Life Passive Plus III Pension Fund
- Standard Life Pre-Retirement (Passive Plus Universal) Pension Fund
- Standard Life At Retirement (Passive Plus Universal) Pension Fund

The Default Strategy involves gradual switching in the 10 years as members approach their target retirement date, from the Passive Plus III Pension Fund initially into the Pre-Retirement (Passive Plus Universal) Pension Fund, and during the final five years also into the At Retirement (Passive Plus Universal) Pension Fund.

Review of Default Strategy

The Board completed a review of the suitability of the default investment arrangements on 26 February 2019. The review took into account the funds' performance, charges and member demographics, including age and fund size in order to evaluate that the performance is consistent with the aims and objectives of the SIP.

The Board monitors the investment performance of the default investment arrangement at every meeting, supported by the quarterly governance reports provided by Standard Life, to ensure that investment returns (after the deduction of any charges) are consistent with the aims and objectives of the default arrangement and to check that it remains appropriate given the Scheme's membership.

At least every 3 years and without delay after any significant change in investment policy or demographic of membership, the Board carries out a formal strategic review of the default arrangement.

The 2022 review has been deferred by the Board for two core reasons:

Firstly, the Trustees does not believe it should dictate the nature of an employer's workplace pension. The Board believes this is for the employer to determine. However, the Board believes that a more contemporary workplace pension schemes could offer members better value than the current Scheme, which was established in 1989. The Board therefore recommended to the Sponsor, LME, that it obtain advice in this respect and assisted LME in selecting an adviser. In the fourth quarter of 2021 LME appointed Barnett Waddingham to provide it with advice on the most suitable workplace pension arrangement for its employees.

While the advice process was not complete at the time of writing this Chair's Statement, the progress made indicated that an alternative pension arrangement was most likely in future, which would provide an updated default fund.

Secondly, at the start of 2022, the Board was informed by Standard Life of its intention to amend the current default fund, the Standard Life Passive Plus III Pension Fund:

Changes to the Default Strategy to be implemented by Standard Life during 2022

The current default fund is to be renamed the Sustainable Multi-Asset Universal Strategic Lifestyle Profile. N.B. Standard Life has confirmed that this is not an investment switch from the current default fund into the Sustainable Multi-Asset Universal Strategic Lifestyle Profile. The current default fund will be renamed and the underlying investments changed.

Standard Life's stated aim for the changes are to improve the long-term returns while focusing on a more responsible approach and the changes will commence from May 2022.

In summary, Standard Life has confirmed the main changes are:

- Higher equity content – Standard Life believes that this type of investment has the potential to achieve greater growth, although its accepts this potential comes at a greater risk. Standard Life has confirmed to the Board that the current growth assets held in the Passive Plus III Pension Fund is 49.4%, which will be moving to 69.3% in the Sustainable Multi-Asset Universal Strategic Lifestyle Profile.
- For the majority of the investments in the Sustainable Multi-Asset Universal Strategic Lifestyle Profile to be passively invested, when the investment aims to track the performance of a market index, subject to charges.
- To enhance the approach to responsible investment within the lifestyle profile. Standard Life has stated it will avoid investing in companies that it considers presents a risk, e.g. controversial weapons or tobacco production.
- To reduce the charges members pay. The Annual Management Charge for all members invested in Standard Life's Active and Passive Plus range began being reduced from early March 2022.

Statement of Investment Principles

The Statement of Investment Principles governs decisions about investments and explains the aims and objectives of the Board which are intended to ensure that the assets are invested in the best interests of members and beneficiaries. It also describes the strategy and objectives for the default arrangement and the self-select funds. The SIP is attached as an appendix to this statement and has been prepared in accordance with Section 35 of the Pensions Act 1995 and Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

Self-Select Funds

The Board recognises that no single default investment strategy can be designed to suit the needs of all Scheme members. The members have access to the full range of funds on the Standard Life platform as the Board does not wish to restrict them when investing their own savings.

The Board monitors the performance of the self-select funds, in which the members invest, at each meeting, supported by the Standard Life quarterly governance report. The changes to the self-select funds over the year are provided in the Implementation Statement.

Core Financial Transactions

The Board has a duty to ensure that "core financial transactions" relating to the Scheme are processed promptly and accurately, and that the controls in place are reported to members.

Core financial transactions include, but are not limited to:

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

The Board has, in accordance with its powers under the rules of the Scheme, delegated the day-to-day administration of the Scheme, including the processing of core financial transactions, to the Scheme administrator, Standard Life. During the reporting period, the following arrangements have been made to ensure that core financial transactions are processed promptly and accurately:

- Investment fund administration and custody of assets is undertaken by Standard Life;
- The Board has in place with the Scheme's administrators and investment managers a Service Level Agreement which includes relevant key performance indicators (KPIs) regarding the accuracy and timescales for processing core financial transactions;

- The Board receives quarterly governance reports from the Scheme’s administrators which set out the administrators’ performance against the KPIs in the service level agreement, including in relation to accuracy and timeliness of processing;
- The reports also note any errors identified by the administrators in relation to the processing of core financial transactions, together with the steps taken to rectify those errors and any changes to the administrators’ processes which have been implemented to ensure that there is no repetition of such errors;
- The governance reports also monitor the timely receipt of contributions;
- The Board meets regularly with Standard Life to review the monitoring reports.

Service Level Agreement

- The Board has a contract with the Scheme administrator and has agreed the service level standards set out in the table below. Breaches of these standards are reported to the Board:

Core financial transaction	Length of time to process
Investing Contributions	N/A. Standard Life has applied Straight Through Processing such that this transaction is carried out automatically by the administration software.
Processing Disinvestment instructions	N/A. Standard Life has applied Straight Through Processing such that this transaction is carried out automatically by the administration software.
Processing Investment Switches	N/A. Standard Life has applied Straight Through Processing such that this transaction is carried out automatically by the administration software.
Processing Retirements	10 working days.
Processing Transfers Out	10 working days.

- The overall service level target is to complete over 90% of all tasks within the above timescales.
- The Board receives quarterly Governance Reports from the Scheme administrator, which report on the administration of the Scheme over the period and include details of the core financial transactions over the reporting period. The Board reviews these and investigates any errors or delays to decide if any action is required. In the event of breaches of the SLA the Board would ask for explanation of the breach and controls put in place to stop it re-occurring.
- The Board is pleased to note that during the period under review 97% of administrative tasks carried out by the Scheme’s administrators were completed within 10 working days.
- During the year, two member complaints against Standard Life were received. The Board maintained oversight over the handling of these, and is comfortable that they were resolved satisfactorily.
- The governance reports from the Scheme’s administrators also confirmed that the monthly contributions due during the reporting period were all received well within the relevant deadline for receipt.
- The Board has assessed the information on Standard Life’s internal controls in its Pensions Internal Control Statement.

The Board has additional controls in place regarding the accuracy and completeness of the contributions to the Scheme. These controls include investigation of variances and matters that are

raised by the Scheme's auditors as part of their annual audits. The Scheme's Auditors perform testing to ensure that contributions have in all, material respects been paid in accordance with the payment schedule.

The Board is satisfied that the Scheme administrator is performing core financial transactions promptly and accurately.

The Board's assessment of the Core Financial Transactions

Overall, the monitoring and reporting activities undertaken allow the Board to be confident that the core financial transactions were processed promptly and accurately during the scheme year.

In addition, acknowledging that the Board needs accurate member data for the processing of member benefits, contributions, and payments, the Board has carried out analysis of 'common data' and 'scheme specific data' (as defined by the Pensions Regulator). This helps the Board ensure the integrity of member data that is processed by the Scheme administrator on behalf of the Board. The results of the analysis are illustrated in the Value for Member section.

Charges and Transaction Costs

The Administration Regulations require the Board to assess the investment management charges and transactions costs borne by the Scheme members and the extent to which those charges and costs represent good value for money for members. The Board has calculated the charges and, insofar as they were able to do so, assessed the transaction costs, borne by Scheme members over the reporting period. In this context, "charges" means (subject to some specific exceptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. "Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments. The Board believes that it has been able to obtain all the necessary information about transaction costs, which are available to review on the following website, together with Standard Life's Guide to Transaction costs and Transaction costs data guide:

<https://www.lme.com/en/about/governance/The-London-Metal-Exchange-1989-pension-scheme>

Charges for the Default Strategy

The Board has negotiated a Scheme rebate of 0.40% on the Fund Management Charges (FMCs) from Standard Life. After allowing for this rebate, the level of effective total annual fund charges which applied to the Default Strategy during the reporting period was 0.63%.

Charges for Other Funds

The level of effective total FMCs which applied to other funds (comprising the top 20 by asset value invested by members), also allowing for the rebate, during the reporting period was as follows:

Standard Life Pension Millennium With Profits 2006 Fund*	N/A
Standard Life Pension Millennium With Profits Fund*	N/A
Standard Life Pension With Profits Fund*	N/A
Standard Life Passive Plus III Pension Fund	0.62%
Standard Life Balanced Managed II Universal Lifestyle Profile**	0.64%
Standard Life Active Plus III Pension Fund	0.73%
Standard Life Balanced Managed Universal Lifestyle Profile**	0.64%

Standard Life Stock Exchange Pension Fund	0.63%
SL ASI UK Smaller Companies Pension Fund	1.10%
Passive Plus I Lump Sum SLP	0.61%
Standard Life Managed Pension Fund	0.62%
Standard Life Global Equity 50:50 Tracker Pension Fund	0.61%
SL JP Morgan Emerging Markets Pension Fund	1.44%
SL ASI MyFolio Managed V Pension Fund	1.04%
Standard Life International Equity Pension Fund	0.63%
Standard Life Global Equity 50:50 Pension Fund	0.61%
Standard Life Nrth American Equity Pension Fund	0.61%
Passive Plus V Universal SLP	0.64%
Standard Life Deposit & Treasury Pension Fund	0.61%
Standard Life European Equity Pension Fund	0.62%

* The Standard Life Pension Millennium With Profits 2006 Fund, Standard Life Pension Millennium With Profits Fund and Standard Life Pension With Profits Fund are with-profits funds and, as such, do not have applicable annual management charges.

Further information on Standard Life's With-Profits funds are provided in the following link:

<https://www.standardlife.co.uk/investments/funds/with-profits-information>

** These funds are 'fund of funds' meaning that they invest in other Standard Life funds on the platform, typically during the lifestyle process. As such, the FMC will vary, depending on which underlying funds are invested in. The FMC illustrated in the table above relates to the highest charge of the underlying funds during the reporting period.

There are a total of 110 other funds (the figures for which are available on request) in which members are invested.

The list of all funds available to the members can be found on the Scheme's website:

<https://www.lme.com/en/about/governance/The-London-Metal-Exchange-1989-pension-scheme>

It is important to remember the impact of costs on the fund. The example below shows the cumulative effect over time of the application of the default charge on a notional fund value, and how higher charges would impact this. This does not relate to any individual member's fund. These illustrations have been prepared in line with statutory guidance issued by the Department for Work and Pensions: Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes (September 2018) and show the potential impact of an Annual Management Charge (AMC) of 0.75% per annum (Option 1) and 1.5% per annum (Option 2), though in practice the charges for most funds available are below these levels (as shown above).

Year	Before Charges	AMC Option 1 0.75% charge per year	AMC Option 2 1.5% charge per year
0	£10,000.00	£10,000.00	£10,000.00
1	£13,612.27	£13,526.14	£13,439.96
2	£17,482.97	£17,279.67	£17,077.57
3	£21,626.95	£21,272.19	£20,921.68
4	£26,059.88	£25,515.84	£24,981.49
5	£30,798.24	£30,023.34	£29,266.59
6	£35,859.40	£34,807.99	£33,786.93
7	£41,261.66	£39,883.70	£38,552.88
8	£47,024.26	£45,265.04	£43,575.23
9	£53,167.47	£50,967.24	£48,865.18
10	£59,712.65	£57,006.24	£54,434.41
11	£66,682.26	£63,398.73	£60,295.02
12	£74,099.94	£70,162.14	£66,459.65
13	£81,990.60	£77,314.71	£72,941.40
14	£90,380.44	£84,875.54	£79,753.89
15	£99,297.02	£92,864.58	£86,911.32
16	£108,769.37	£101,302.70	£94,428.40
17	£118,828.03	£110,211.72	£102,320.46
18	£129,505.12	£119,614.47	£110,603.43
19	£140,834.46	£129,534.80	£119,293.83
20	£152,851.63	£139,997.67	£128,408.89
21	£165,594.03	£151,029.15	£137,966.47
22	£179,101.05	£162,656.50	£147,985.14
23	£193,414.11	£174,908.24	£158,484.21
24	£208,576.76	£187,814.14	£169,483.74
25	£224,634.85	£201,405.35	£181,004.57
26	£241,636.58	£215,714.42	£193,068.35
27	£259,632.64	£230,775.35	£205,697.58
28	£278,676.36	£246,623.70	£218,915.62
29	£298,823.81	£263,296.62	£232,746.77
30	£320,133.99	£280,832.92	£247,216.23
31	£342,668.89	£299,273.16	£262,350.20
32	£366,493.74	£318,659.74	£278,175.90
33	£391,677.13	£339,036.94	£294,721.59
34	£418,291.15	£360,451.02	£312,016.61
35	£446,411.62	£382,950.32	£330,091.45
36	£476,118.27	£406,585.35	£348,977.77
37	£507,494.90	£431,408.86	£368,708.44
38	£540,629.63	£457,475.96	£389,317.59
39	£575,615.09	£484,844.21	£410,840.67
40	£612,548.68	£513,573.75	£433,314.49

Notes

1. Based on an initial pot of £10,000, annual contributions of 10% and an initial salary of £30,000.
2. The figures are discounted to today's money with inflation and salary increase assumptions of 2.5%.
3. The growth in fund is assumed as 5% per annum compound.
4. This is an illustrative example and not based on your own fund.

Transaction Costs

The level of aggregate transaction costs in respect of the Scheme's Default Strategy during the reporting period was as follows:

Standard Life Passive Plus III Pension Fund	0.1337%
Standard Life Pre-Retirement (Passive Plus Universal) Pension Fund	0.133%
Standard Life At Retirement (Passive Plus Universal) Pension Fund	0.0995%

The level of aggregate transaction costs in respect of the other funds varies depending on the individual fund.

Standard Life has confirmed that when arrival prices from market data providers are available, transaction costs have been calculated using the full slippage methodology in compliance with COBS 19.8. This is a standard for the disclosure of transaction costs and administration charges in connection with workplace pension schemes, as set out by the Financial Conduct Authority.

Value for Members (VfM)

The Board has assessed the extent to which the charges and transaction costs described above represent "good value" for members during the reporting period, by considering the level of member borne charges against the benefits attributable to such charges.

The Board considers that charges may be viewed as representing "good value" for members where an optimum combination of cost and quality is achieved for members as a whole, relative to other options available in the market.

The Board considered, amongst other factors, four key areas when assessing the value of charges and costs relative to the benefit of membership in the Scheme:

- I. Scheme management and governance.
- II. Administration
- III. Investment governance
- IV. Communications.

All categories have been scored using a 1 to 5 scale, with 5 being the optimum score.

Area	Element	Weight	Score	Commentary
Scheme management and governance	Composition of Trustee Board	4	4	The Scheme has a Sole Professional Trustee in place.
	Governance Accreditations	3	3	The Standard Life Governance reports report on the six principles that span the lifecycle of a DC scheme from the design and set-up phases through to the ongoing management – including monitoring of scheme governance, accountability, scheme administration, and communications with members.
	Security of the Provider	3	2	Standard Life published a 'Pensions Internal Control Statement', rather than an audited assurance report on its internal controls (AAF 01/06).

Area	Element	Weight	Score	Commentary
				Without the auditing of Standard Life's internal controls the Board has downgraded its security rating.
Administration	Administrator Fixed Fee	5	N/A	N/A. Fees are included in the Annual Management Charge.
	Other member charges	5	3	When arrival prices from market data providers are available, transaction costs have been calculated using the full slippage methodology in compliance with COBS 19.8.
	Additional Administration Charges	3	N/A	N/A. Fees are included in the Annual Management Charge
	Performance against SLA	4	4	Information regarding the service levels provided to members during the past scheme year by Standard Life.
	Prompt and Accurate Core Financial Transactions	4	4	See heading "core financial transactions".
	Quality of Scheme Data	4	5	Common data – 99% Conditional data – 100%
	Member Feedback and Complaints	3	4	Two complaints were received by Standard Life during the reporting period and were resolved satisfactorily.
	Decumulation (at retirement) Options	5	2	Standard Life is developing the at retirement options for the platform on which the Scheme sits. However, the Standard Life Active Money Pension Plan (AMPP), is currently available for members intending to take their tax-free cash entitlement only. If the member uses the Standard Life AMPP to access Tax Free Cash, the residual fund, after the tax free cash is paid, can remain invested and the Scheme discount will still apply to their fund, <u>as long as the member is only accessing Tax Free Cash.</u>
Investment governance	Suitability of Other Funds	5	5	Assets are invested in pooled investments which cover a wide range of investments with different characteristics to spread risk.
	Performance of Other Funds	5	3	Investment reports to the Board that note that the tracker funds in which

Area	Element	Weight	Score	Commentary
				assets are invested continue to adequately track the relevant index.
	Default fund	5	4	The Board has considered the profile of the membership of the default fund to ensure appropriateness of the default strategy. Data which demonstrates that the fund charges are less than the maximum 0.75% charge prescribed for the default funds.
	Self-select funds	5	5	The Board does not wish to restrict members from investing their own savings and so the full fund range is available.
	Additional Transaction costs	5	3	When arrival prices from market data providers are available, transaction costs have been calculated using the full slippage methodology in compliance with COBS 19.8.
Communication	Information to Deferred Members	3	5	SMPs. Member website and smartphone app with log-in, including access to investment fact sheets and charges, historical contributions and unit allocation.
	Pre and at-retirement	5	4	Standard Life have 'wake-up' packs and retirement information as standard. Standard Life's website provides substantial information on decumulation options, although the member would need to transfer from the Scheme currently.
	General	4	4	Web based information.
	Online access and modelling tools	5	5	Standard Life member website and smartphone app with log-in access for personal information.
Overall Value for Members Assessment			3.83	

The Board has concluded that the scheme is offering value for members and has explained how it reached this conclusion in the comments and analysis above.

Detailed value for members (VfM) assessment

The Scheme is a relevant scheme which, on the relevant date held total assets worth less than £100 million and has been operating for 3 or more years. On this basis the Board is required to carry out the following more detailed value for member (VfM) assessment.

The more detailed VfM assessment includes a comparison of reported costs and charges and fund performance (net investment returns) with a minimum of 3 other schemes, and a consideration of key governance and administration criteria.

Net investment returns

The net investment returns refers to the returns on the Standard Life funds, minus all transaction costs and charges, and can be found here:

<https://www.lme.com/en/about/governance/The-London-Metal-Exchange-1989-pension-scheme>

Comparator schemes

During the Scheme year Barnett Waddingham commenced advising the Scheme's sponsor on its future workplace pension. Part of this work has been to assess comparator schemes to the current Scheme. Following an extensive review, the four arrangements being considered for the future workplace pension, and therefore considered by the Board as comparator schemes for the more detailed VfM assessment, are:

- Standard Life DC Master Trust
- Aon DC Master Trust
- L&G DC Master Trust
- Aviva DC Master Trust

1. Costs and Charges

At the end of December 2021, 42% of the Scheme's assets were invested in the current default fund, the Standard Life Passive Plus III Pension Fund (including those members who have self selected the default fund). 30% of the Scheme's assets were also invested in the previous default funds; the Standard Life Pension Millennium With Profits 2006 Fund, the Standard Life Pension Millennium With Profits Fund and the Standard Life Pension With Profits Fund (which contains the 4% p.a. guaranteed return). The Board therefore believes that the total charges and transaction costs in the default arrangements should be given a greater weighting than the self-select funds.

Following the defaults funds, the three funds with the highest level of investments are the Balanced Managed II Universal Lifestyle Profile, Active Plus III Pension Fund and the Balanced Managed Universal Lifestyle Profile. Combined, these three funds hold 4% of the Scheme's assets.

The current Scheme charge is a 1% p.a. Fund Management Charge (FMC), with additional expenses of 0.03% p.a. Standard Life then apply a rebate of 0.4% p.a., such that the charge applying is 0.63% p.a.

The charges offered by the comparator providers are as follows:

Standard Life DC Master Trust	0.24% p.a.*
Aon DC Master Trust	0.23%
L&G DC Master Trust	0.22%**
Aviva DC Master Trust	0.21%***

All comparator charges assume the current Scheme assets will be transferred in. This may not necessarily be the case. Assuming the Sponsor proceeds in establishing a new workplace pension, the Board will need to take advice on the existing assets.

* Discount of 0.75% p.a. applied to the FMC before additional expenses are applied. The charges shown are for the accumulation phase. The member charge increases by 0.02% p.a. at retirement increasing charges to 0.25% p.a.

** Turnover must not exceed 8%. 5 year reciprocal Annual Management Charge (AMC) guarantee

*** 5 year condition attached to terms

The above indicates that the Scheme's default arrangements have higher total charges and transaction costs than the average for comparator pension schemes and therefore provides poor value for members from a costs and charges perspective.

2. Investment Returns (Fund Performance)

The Board is required to consider the Scheme's investment returns against the investment returns of a minimum of 3 comparator schemes. Whilst the VfM assessment requires the Board to assess investment returns and costs and charges of the Scheme's funds, the Board is expected to place more weight on the performance of their investment returns over costs and charges.

Default fund investment returns

The Board believes that to assess the investment returns of the Scheme's With-Profits funds would require a historical assessment of the discretionary application of any Market Value Adjustment (MVA) and Terminal bonuses (TBs) by Standard Life against the comparator schemes (should there be 3 other providers offering comparable with-profits funds over the same period, including the value of the with-profit fund containing the 4% annual guaranteed return). Given the complexity of this requirement, which would assess the three variants (investment returns, MVAs and TBs) over a specific economic period, which would be extremely unlikely to ever happen again in exactly the same way, the Board believes this to be disproportionate to the size, scale, nature and complexity of the Scheme. Considering the four comparator schemes, the Board does not believe that appropriate comparison funds are available to complete a meaningful assessment.

In addition, given the changes Standard Life is automatically implementing to the current default fund, the Standard Life Passive Plus III Pension Fund, in Q3 2022, the Board believes the past performance of the current structure of the default fund will have very little relevance to the potential future performance of the re-designed default fund. The costs and charges applied to the default fund prior to Q3 2022 are based on a fund structure that will no longer exist after Standard Life apply the changes. As previously mentioned in this Chair's Statement, Standard Life is amending the underlying investments held in the default fund, in order to improve the Environmental, Social and Governance (ESG) of the default fund and reduce the on-going charges. The Board believes both of these changes will improve the value for members and without any fund performance relating to the updated default structure, considering the four comparator schemes, the Board does not believe that a meaningful comparison can be made.

Self Select fund investment returns

Following the default funds, the three funds with the highest level of investments listed in the Costs and Charges section above only hold 4% of the Scheme's assets combined. In addition, these funds are 'fund of funds', meaning that each fund will invest in other investment funds provided by Standard Life, rather than hold direct asset investments. The construction of these funds are very specific and managed by Standard Life, which uses its investment management to change the underlying fund allocation, in accordance with the specific objectives of the main fund, including the targeted return, benchmark and tolerance to volatility. Considering the four comparator schemes, the Board does not believe that appropriate comparison funds are available to complete a meaningful assessment.

Only 12 of the 130 funds available in the Scheme hold investments for more than 10 members. The 12 funds with more than 10 members investing in them include the default funds and the following three funds with the highest level of investments listed in the Costs and Charges section above. In considering the four comparator schemes, the scheme with the highest number of funds available

offers members just 35 funds to select from. Owing to these factors, the Board believes that to provide any meaningful comparison to the remaining self-select funds used by members in the Scheme against those of a comparator scheme would be disproportionate to the size, scale, nature and complexity of the Scheme.

3. Governance and Administration

There are 7 key metrics of Administration and Governance which must be considered and assessed by the Board:

1. Promptness and accuracy of core financial transactions (in particular, payment in and investment of member and employer contributions, transfers between schemes, transfers and switches between investments within a scheme, payments out of the scheme to beneficiaries)

The quarterly governance reports provided by Standard Life to the Board during the Scheme year provide evidence of the promptness and accuracy of core financial transactions, including the regular monthly contributions and single contributions. The report also confirms transfers received from member's legacy pension arrangements and transfers paid out. For transfers paid out, Standard Life implemented the new requirements introduced by the Pensions Regulator in November 2021, noting if condition 1 was met or if the receiving pension is recorded on Standard Life's 'green list'.

2. Quality of Record Keeping (including security of data)

Standard Life published a 'Pensions Internal Control Statement', rather than an audited assurance report on its internal controls (AAF 01/06).

3. Appropriateness of the default investment strategy

The default fund during the scheme year, the Standard Life Passive Plus III Pension Fund, was not considered by the Board to be as appropriate as other alternatives. The main improvements the Board felt could be made were the charges and improvements to integrate ESG into the default fund. In addition, the Board felt the current lifestyling strategy, towards annuity purchase at retirement, was potentially outdated.

However, owing to the action being undertaken by the Scheme sponsor, The London Metal Exchange, to review its future workplace pension arrangements, and the actions being undertaken by Standard Life to automatically improve the current default fund, the Board was satisfied that appropriate improvements should be implemented.

4. Quality of Investment Governance

The Board is satisfied that active due diligence has been provided in the governance of the funds available on the Scheme's platform. During the year the gating of the property funds was pro-actively communicated, together with the subsequent closure of the Aviva property fund changes made to the remaining funds, as detailed in the Implementation Statement.

In addition, Standard Life completed an overarching review of the Scheme's default fund, implementing ESG tilting and reducing the charges. Standard Life has also confirmed it continues to review all the investment options that it offers, with intended changes to the Active and Passive I, II, IV and V ranges throughout 2022.

The Board considers the activity and quality of the Investment Governance for the Scheme to be slightly better than that of the comparator schemes, which have not demonstrated similar levels of improvement during this discrete Scheme year. However, the number of funds available on the comparator schemes are far lower than the Scheme and therefore improvements to the comparator scheme funds are likely to occur less frequently.

5. Level of trustee knowledge, understanding and skills to operate the pension scheme effectively (including whether sufficient time is spent running the scheme, diversity of trustee board in terms of background, experience and skills, quality of leadership and effectiveness of board decision making, trustee continuous learning and development, quality of working relationships with employer/third parties)

The Scheme's Trustee is a Professional Corporate Sole Trustee, with 50 fully accredited professional trustees. In considering the comparator schemes, which have no more than 6

trustees, the Board considers the Scheme to have a greater level of trustee knowledge, understanding, skills and diversity to operate the pension scheme effectively, than the comparator schemes. However, the Board must note its conflict in providing this view.

6. Quality of communication with scheme members

Standard Life has demonstrated a good member communication programme with Scheme members during the year.

Written letters have been issued to members, the Board and employer regarding the investment changes for affected members, and statutory communications have been issued on time.

Standard Life has also reported to the Board that it has updated its service in order to accommodate transfer requests and comply with the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021, which came into effect in November 2021. Standard Life has confirmed to the Board that its due diligence process takes into account the guidance issued by the Ombudsman, the Pensions Regulator, the Financial Conduct Authority (the 'FCA') and the Pension Liberation Industry Group in respect of transfer requests from members.

Standard Life also provide members with a Microsite and an App, specific to LME, with usage statistics reported to the Board in the quarterly governance reports.

From 1st June 2022 the Board is required to give members a stronger nudge to book a free Pension Wise appointment when accessing their savings. The new regulations are to ensure members have either received or have actively made the choice to opt out of taking Pension Wise guidance or regulated financial advice before accessing their pension. In order for Standard Life to support the Board the required changes to the App journey went live 19 May, with dashboard, telephony, and paper from the 26 May.

When considering the comparator schemes, the Board considers the Scheme to have a comparable quality of communication with scheme members.

7. Effectiveness of management of conflicts of interest

The Scheme's Trustee is a Sole Professional Trustee. It is arguable that this is less conflicted than the comparator schemes that may have, or could have in in future, trustees who are employed by the pension provider.

Outcome of the Value for Members assessment

The Board believes that a more contemporary pension arrangement could offer better value than the current Scheme for most members. On this basis the Board had encouraged the Sponsor, LME, to obtain advice on its future workplace pension, as it is not for the Board to dictate this.

The Board is also prohibited from advising itself, and would need to obtain advice under the requirements of the Pensions Act 1995, in order to determine the most appropriate future investment of the members' existing pension savings. This may or may not be a transfer of the existing assets to any new pension arrangement established by LME. In particular the with-profits funds, specifically the with-profits fund containing the 4% annual guaranteed return, will need careful consideration.

The Board will seek the appropriate advice on receipt of confirmation of the Sponsor's intentions in respect of its future workplace pension.

Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

As the Trustee is a Professional Trustee, this helps to ensure that there is a high level of trustee knowledge and understanding in place.

The Scheme also has a dedicated Trustee Representative who has an in-depth knowledge of the Scheme and its governing documentation.

At the point of becoming an Independent Trustee to the Scheme, a prescribed take-on process was followed. This included an assimilation and review of all the relevant scheme documentation, including the Trust Deed and Rules. The Trustee is familiar with the SIP and current policies which relate to the Scheme.

As the sole Trustee of the Scheme, Dalriada Trustees Limited will naturally be aware of any Scheme-specific changes to policies or documentation and will record and share that information appropriately.

The Trustee's representatives are members of professional bodies, who are obliged to self-evaluate on annual basis and comply with their respective training requirements in order to maintain a required level of continuing professional development (CPD) and to provide evidence of courses, seminars and other types of professional development to satisfy their respective professional bodies' CPD requirements. The process identifies where the Trustee's representatives can develop their knowledge and understanding, as well as where they can share their expertise in order to best support the Scheme. The Trustee's representatives attend both internal and external courses.

The Trustee's representatives are either accredited as Professional Trustees under the Association of Professional Pension Trustees framework or are currently undergoing the accreditation process.

Every Trustee Representative is required to undertake a minimum number of hours training in a year. This is recorded centrally by Dalriada's HR Team and, where appropriate, forms part of staff personal development plans. This training can include internal and external courses and attendance at industry events as well as a degree of self-learning by way of subscriptions to professional publications and electronic information channels.

Every Trustee Representative is required to complete the Pensions Regulator's Trustee Toolkit periodically and subscribes to the updates issued by the Pensions Regulator. During the reporting year the Toolkit was updated to incorporate a module on Pension Scams, which has been completed by the Dalriada Trustee representatives. The Trustee representatives also belong to Dalriada's knowledge management network which keeps them up to date with the industry thinking, as well as access to a team of in-house pensions experts who inform the team about changes to pensions legislation and practices.

The Trustee has access to Pendragon Perspective and Aries, both industry leading tools, giving access to pensions legislation and commentary on pension law and practice.

The Trustee also has its own in-house legal specialists to provide support and guidance around legislation and the interpretation of Scheme documentation.

The Trustee has assessed the skill set and experience of each trustee representative providing professional trusteeship to the Scheme since Dalriada's appointment, taking into account the development activities already mentioned, along with the internal resources made available to staff,

supplemented, where required, by professional external advice. The Trustee can therefore properly exercise its duties to the Scheme.

The Trustee believes that this Trustee Knowledge and Understanding framework, combined with appropriate advice, allows the Trustee to act properly in the best interest of members.

The Trustee must be conversant with the Scheme’s own documentation including the Trust Deed and Rules and SIP. The Trustee Directors must also be conversant with any other document recording current policy relating to the Scheme generally. The Pensions Regulator interprets ‘conversant’ as having a working knowledge of those documents such that the Trustee is able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustee.

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

Requirement	How met
Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts and the funding and investment of the assets	Each Trustee Representative records their ongoing training in accordance with the Dalriada Learning & Development structure.
Trustees must be conversant with the Scheme’s own documentation including the Trust Deed and Rules, Statement of Investment Principles and current policies	Each Trustee Representative records their ongoing training in accordance with the Dalriada Learning & Development structure, which includes specific consideration of whether any further training is required in respect of these documents, and others e.g. the risk register, which is considered at every trustee meeting.
Knowledge and resources generally	Dalriada comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the issues that may arise in respect of DC pensions.

The table above shows how these duties have been fulfilled and how the combined knowledge and understanding, together with the advice which is available to the Board enables them to properly exercise their duties and responsibilities.

Signed for and on behalf of Dalriada Trustees Limited as the Trustee of The London Metal Exchange 1989 Pension Scheme

Date

Signature

Print Name