

CHAIR'S STATEMENT

Metaswitch Networks Limited Plan 88 Scheme Year 6 April 2020 to 5 April 2021

1. Introduction

As the Chair of Trustees, I am required to provide an annual statement which explains what steps have been taken by the Trustees, with help from our professional advisers, to meet the relevant governance standards. The law sets out what information must be included within the statement and this is covered below.

The Trustees are committed to having high governance standards and to monitor the controls and processes in place in connection with the Scheme's investments and administration.

During the Scheme year we have continued to review and assess our systems, processes and controls across the key governance functions to ensure they remain consistent with those set out in The Pensions Regulator's:

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

These are underpinned by the defined contribution (DC) quality features.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance as published by the Pensions Regulator. Our analysis supports the presence of the DC quality features, which we believe help deliver good outcomes for members at retirement.

2. Default investment arrangement

Following the Microsoft acquisition, the Scheme became closed to new entrants and future contributions on 28 February 2021.

The assets of the pension scheme remain invested in pooled discretionary managed portfolios with Cazenove and JM Finn.

Anyone joining the scheme since April 2015 up to February 2021 had their contributions invested in the default fund. Anyone who was with the company prior to April 2015 is in the main fund unless they specifically asked to move into the default fund at the time. There is no other element of member choice regarding the investments and the fund does not require members to make their own investment decisions - these are made by the Trustees for the scheme as a whole.

Setting and reviewing an appropriate investment strategy

The Trustees are responsible for investment governance, which includes setting and continuously monitoring the investment strategy for the Scheme. Details of the investment strategy and investment objectives are recorded in a document called the Statement of Investment Principles (SIP). The Trustees review this document on a regular basis.

Member communication

The Trustees provide an annual communication to members (with the benefit statements) on pension concepts and investment performance, to allow them to make more informed decisions regarding their Scheme membership. The Members are also encouraged to make their thoughts on this matter known to the Trustees at any time. Members have online access to their membership details and fund value

information via the Ascot Lloyd portal.

Information to the Trustees

The Trustees receive regular information on the following: -

- Member decisions on how they draw their benefits via the Administrator.
- Details of members transferring out of the scheme via the Administrator.
- Regular investment performance figures from the Fund Managers.

Monitoring performance and suitability

The Trustees are required to review the Statement of Investment Principles (SIP) every 3 years, or earlier if the investment policy or member profile has significantly changed. As part of this, the Trustees receive and review the performance and suitability of each of the underlying funds that make up the investment arrangement on a regular basis.

The return on the fund for the year ended 5 April 2021 was 21%. The Trustees are satisfied with the overall performance of the investments which has outperformed the benchmark.

Default investment charges

The Annual Management Charge (AMC) on the default fund is guaranteed to be less than 0.75% and the AMC on the main fund is slightly higher.

All other administration fees and ongoing expenses are paid by the employer.

3. Charges and transaction costs paid by members

We are required to explain the above charges and transaction costs (i.e. the costs of buying and selling investments in the Scheme) which are paid by members rather than the Employer.

Scheme Running Costs

The Employer pays the cost of actually administering the Scheme: the production of scheme literature, annual member statements, annual accounts and external audits, dealing with day-to-day events like processing payments, existing members leaving, paying transfers out for members who have left, providing the member help-line, handling member enquiries, quoting and paying benefits. There are no additional charges for any pre-retirement event in the Scheme. Depending on how the member chooses to access their benefits at retirement under pension flexibilities, there may or may not be a separate charge associated with that choice.

The fee structure in place between the Trustees and Ascot Lloyd does not include any investment fund performance-related element.

Annual Management Charge

The Investment Manager is paid via a deduction from the funds that they have under management.

Transaction costs

These costs arise mainly as a result of endeavouring to deliver the fund's target investment return, where an active investment approach is used. For example, a fund will buy or sell assets when a member has money paid into or has money taken out of a fund, and the buying or selling of assets will incur a cost. As these costs arise as a result of participating in a financial market, they are separate from any Scheme administration charge or AMC.

Total costs and charge for the year ending 5 April 2021 were within the Regulator's maximum of 0.75% of the fund for default automatic enrolment funds.

Value for Money

The Trustees define value for money as being a combination of the investment returns achieved, the risks applying and the annual management charges. In their opinion, with this advice and experience in mind, the terms that apply in this scheme do indeed presently represent value for money.

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 the following:

- ensuring the contributions are paid on time;
- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or on behalf of members.

The Trustees have a Service Level Agreement in place with Ascot Lloyd which includes a defined level of performance (in terms of turnaround times) for all the key specified events noted above. The Trustees can confirm that: -

- Bank account is currently managed and monitored by the Employer.
- Processes adopted by Ascot Lloyd include a dedicated processing team and peer review.

In practice Ascot Lloyd report their actual performance against these agreed standards and in the event of any failure to meet the required standard this is noted and discussed with remedial actions agreed where appropriate. This structure is supported by annual external audits of the Scheme carried out by our auditors.

The Trustees are reassured that there have been no administrative or financial issues requiring investigation and we remain content that the administrators continue to act promptly and efficiently in all aspects of their work.

5. Trustee knowledge and understanding

Knowledge

The legal requirement on trustees is that they should have, or have access to, enough knowledge and ability to run the Scheme correctly. Specifically, the Trustees need to demonstrate a continued working knowledge of the Trust Deed and Rules, any amending deeds and the Statement of Investment Principles. Copies of the Trust Deed and Rules and all subsequent Deeds of Amendment are available at all trustee meetings for reference. All new Trustees are required to complete the Regulator's online training within 6 months of appointment. The Trustees have determined that any new Trustees will receive face to face training on the Scheme and its documents within this period.

That requirement is met by the individual Trustees themselves supplemented where appropriate in specialist areas by their consultant and administrators, their auditors and their investment advisers. In addition, the Trustees have considerable investment experience between them.

Meetings

There is no regular timetable for Trustee meetings, however when meetings do take place, each meeting includes a comprehensive Agenda along with an Administration Report, Investment fact sheets and other relevant documentation. At each meeting we are reminded on when Trustees were appointed

and in the case of Member-nominated Trustees, when their appointment should be reviewed.

Each Trustee meeting is an opportunity for Training, which is demonstrated by the Agenda, Minutes and Trustee papers. The training events run during the Trustee meetings are chosen to be relevant to current events or to re-emphasise issues relating to agenda items. The Minutes of each meeting confirm our capability and past training and development. If any gap is identified, an action plan is agreed to ensure that gap is adequately filled.

Advisers

The Trustees pay for and receive guidance from Ascot Lloyd and their investment managers, in order to satisfy themselves that the Scheme provides good value for money for the members, in comparison to the wider pension scheme market, in terms of costs, risks, returns and the quality and level of service provided.

As Trustees we would seek legal advice from our legal advisers in any contentious cases, or if we were unclear in any aspect of the operation of the Trust Deed and Rules. We can confirm that there were no contentious cases to consider and did not seek any additional legal advice in this period.

6. Conclusion

We trust that this information has been informative and useful. If you have any questions about any of the matters above, or any suggestions about what can be improved, please contact the Trustees at Metaswitch Networks Limited, 33 Genotin Road, Enfield, EN1 2AG.

Ian Ferguson