CHAIR'S STATEMENT

Metaswitch Networks Limited Plan 88 Plan Year 6 April 2023 to 5 April 2024

Introduction

As the Chair of Trustees, I am required to provide an annual Statement to demonstrate how the Metaswitch Networks Limited Plan 88 (the "**Plan**") has met the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 in relation to:

- Providing a default investment arrangement for members (the "**default arrangement**").
- Processing financial transactions promptly and accurately;
- Details and impact of charges and transaction costs borne by members;
- Assessment of the value members received from being a member of the Plan; and
- Meeting the requirements for trustees' knowledge and understanding.

The period this Statement covers is the year from 6 April 2023 to 5 April 2024 (the "**Plan Year**").

This Statement is made available online at Metaswitch Legal notices and members are informed of this in their annual benefit statements. The Statement can also be provided in hard copy on request.

Investment reviews, overview and monitoring

Investment options

Following the acquisition of Metaswitch Networks Ltd by Microsoft Limited (the "**Company**"), the Plan became closed to new entrants and future contributions on 28 February 2021.

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

Anyone who joined the Plan from April 2015 to February 2021 had their contributions invested in the 'Default Fund'. Anyone who was a member of the Plan prior to April 2015 is invested in the 'Main Fund' unless they have asked to move into the Default Fund. There is no other element of member choice regarding the investments.

Details of the investment strategy and investment objectives are recorded in a document called the Statement of Investment Principles ("**SIP**"), attached at Appendix A. The SIP was reviewed during the Plan Year and a new SIP adopted in April 2023. Changes made to the SIP sought to more clearly define the investment strategy and goals of the investment managers including their approach to responsible investment, as well as to include sections on cost transparency, monitoring and reporting. No changes were made to the investment strategy as part of the review.

The Trustees made some further updates to the SIP following the end of the Plan Year, to include their policy on illiquid assets and minor changes to Cazenove's investment objectives. This new SIP was approved in June 2024. As this was following the end of the Plan Year, this Statement is based on the SIP that was in place as at 5 April 2024. A copy of the SIP has been published on a publicly accessible website and can be found at: https://www.metaswitch.com/legal

Default arrangement asset allocation

The Trustees are required to disclose their full asset allocations of investments for each default arrangement. The table below shows the percentage of assets allocated in the default arrangement to specified asset classes over the year to 5 April 2024.

Asset allocation as at 5th April 2024	
Total Equities	73.1%
UK	3.3%
Europe ex. UK	2.0%
US	25.2%
Japan	2.5%
Asia ex-Japan	3.8%
Emerging Markets	5.7%
Global	30.7%
Total Bonds	10.6%
UK	5.8%
	Corporate: 1.9%
	Government: 3.9%
Global	4.8%
	Corporate: 1.2%
	Government: 2.6%
Total Alternatives	12.3%
Property	2.5%
Commodities	5.7%
Other	4.0%
Total Cash	3.9%
Total Portfolio	100%

Figures may not sum due to rounding
Source: Cazenove

Review of investment strategy

The Trustees are responsible for investment governance, which includes setting and continuously monitoring the investment strategy for the Plan. The Trustees undertook a review of the investment strategy between December 2022 and May 2023. The review included a detailed review of the default arrangement, the wider fund range, and the SIP, and took into account the member demographics and experience of how members are accessing their benefits from the Plan. There were two key outcomes of the review:

1. Default Fund: The strategic asset allocation of the Default Fund was aligned to that of the Main Fund and a formal performance objective of CPI + 4.0% p.a. was agreed.
2. Main Fund: It was agreed to make greater use of passive management, with a resultant reduction in member borne costs.

The Trustees also undertook a formal tender exercise for delegated investment management, the result of which was that the current managers were retained.

The SIP was updated to reflect the outcome of the investment strategy review.

The next review of the default investment strategy and SIP is due in Q2 2026.

Monitoring performance and suitability

The Trustees delegate day-to-day investment oversight of the funds to Cazenove and JM Finn as the Fund Managers. The performance of the funds is reviewed on a quarterly basis through reports provided by the Fund Managers

Net Investment Returns

The Trustees are required to report the net investment returns for each fund in which Plan members were invested during the Plan Year. Net investment return refers to the return on a fund minus all associated member-borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance.

The Fund Managers have provided net investment returns as at 31 March 2024. The Trustees are satisfied that this is a suitable proxy for the Plan Year end of 5 April 2024.

It is important to note that past performance is not a guarantee of future performance.

Fund	Net investment return over 1 year (%)	Net investment return over 5 years (% p.a.)
Default Fund	12.4	5.7
Main Fund	11.8	5.6

Sources: Cazenove, JM Finn. Calculations by Aon. Main Fund return is based on 31 March 2024 split between underlying Cazenove and JM Finn assets.

Core financial transactions

The Trustees are required to report on 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 Plan;
- transferring assets related to members into or out of the Plan;
- transferring assets between different investments within the Plan; and
- making payments from the Plan to or on behalf of members.

No contributions were due to the Plan during the Plan Year. The main core financial transaction applicable to the Plan, therefore, is the processing of payments from the Plan to or on behalf of members.

The administrators of the Plan – Ascot Lloyd – operate in line with general internal Service Level Agreements ("SLAs") and adopt processes including a dedicated processing team and peer review. SLA reporting is typically provided to the Trustees bi-annually. However, the Trustees were required to put a suspension on transfers and retirements during a large portion of the Plan Year, which resulted in very few core financial transactions in the year. No SLA reporting was therefore provided by Ascot Lloyd during the Plan Year.

In normal circumstances, any failure to meet the Trustees' expected standard is discussed with Ascot Lloyd, with remedial actions agreed where appropriate. This structure is supported by annual external audits of the Scheme carried out by our auditors, as well as Ascot Lloyds' own annual audit process, which includes comprehensive independent auditing of their data, processes and controls. The Trustees also monitor feedback from members concerning the services they receive from the Plan.

Member Borne Charges and Transaction Costs

Trustees should regularly monitor the level of charges borne by members through the investment funds. These charges comprise of:

- Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER.
- Transaction costs: these are not explicit and are incurred when the Plan's fund managers buy and sell assets within an investment fund but are exclusive of any costs incurred when members invest in or sell out of funds.

The charges and transaction costs (i.e., the costs of buying and selling investments in the Plan), which are paid by members rather than the Company, are set out in the table below. These charges are applied via a deduction from the assets under management.

The Company pays the cost of actually administering the Plan: the production of Plan literature, annual member benefit 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 helpline, handling member enquiries, and quoting and paying benefits. 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 Trustees are also required to confirm that the charges on the default arrangement have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

For the year to 6 April 2024 the charges on both the Default Fund and the Main Fund are set out in the table below, and the illustrations of the cumulative effect of the costs and charges on members' retirement fund values are shown in Appendix B.

Fund	Total Expense Ratio (TER) (% p.a.)	Transaction Costs (%)*	Total costs (%)
Default Fund	0.56	0.01	0.57
Main Fund	0.80	0.01	0.81

Sources: Cazenove, JM Finn. Calculations by Aon.
* Reflecting the one-year period to 31 March 2024, as longer-term cost data was not available.

The Trustees are comfortable that the TER on the Default Fund was less than the 0.75% charge cap. As part of the review of the investment strategy, the Trustees negotiated a reduction in the TER of one of the underlying managers, which was implemented during the Plan Year, to reduce the TER for the Main Fund to under the 0.75% charge cap also.

Value for Money

Introduction

Trustees are required to carry out an assessment of the extent to which member borne costs and charges represent good value for members, in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996 and the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021.

The Trustees have commissioned an independent assessment of 'value for money', which considered the following broad areas that are aligned to the DWP's latest guidance:

- The level of costs and charges paid by members compared to other similar schemes;
- The performance of the Plan's funds net of costs and charges; and
- The scope and quality of the services members receive.

Assessment Conclusion

The assessment concluded that the Plan continues to provide value for members. The assessment also identified actions that the Trustees could take to move towards best practice and continue to improve the value for members provided by the Plan.

Detailed Assessment

Cost and Charges: The TERs for the two funds are higher than their comparators. To an extent this was attributable to the use of greater active management, which was expected to deliver better investment performance over the long term. During the Plan Year, the Trustees negotiated a reduction in the TER on the Main Fund, alongside a reduction to the allocation to actively managed funds.

Net Investment Returns: For young members, the Plan Default Fund underperformed all three comparator funds over the 1 and 5 year periods. This was largely because the Plan Default holds a more diversified range of assets, whereas the comparators are more heavily invested in equity, which performed strongly in these periods. For members closer to retirement (within 10 years), the Plan Default outperformed all of its comparators over the 1 year period, and outperformed two out of three of its comparators over the five years. This was largely due to the Default's lower allocation to fixed income assets, which fell in value during the year.

The net performance figures achieved by the Main Fund compared well against the comparators.

Services Received: This section covers Plan governance, investment governance, member communications and member administration.

The Trustees have basic governance processes and documents in place, with regular reporting being provided from the administrator and investment managers.

The Plan offers a Default Fund and a Main Fund. These are managed by delegated investment managers. The Trustees agreed changes to the Default Fund and the Main Fund during the Plan Year, following a full investment strategy review. In particular, changes to the Main Fund were intended to reduce costs and volatility and improve net performance. The Trustees made an active choice not to include lifestyling (a strategy that automatically adjusts members' assets and risk profiles as they move towards retirement) in the Default Fund.

The Trustees have appointed Ascot Lloyd to provide administration services to the Plan. Service Level Agreements ("SLAs") are in place with Ascot Lloyd in respect of the processing of core financial transactions. During the Plan year an issue was identified in how investment returns were being applied to member accounts. The Trustees have had close oversight of this issue and the rectification process. Numerous additional Trustee meetings were held during the Plan year and the Trustee received regular updates from Ascot Lloyd to ensure the issue was satisfactorily resolved. This led to regular administration activities being put on hold and the cessation of standard reporting on performance against SLAs. Reporting is expected to recommence following resolution of the issue identified.

The Plan provides communications that meet its minimum regulatory requirements. Members also have online access to their membership details and fund value information via the Ascot Lloyd portal. Electronic communications are also issued to the members on pensions and investment matters, as relevant, on an ad-hoc basis.

Next steps

The Trustees operate a series of processes, procedures, policies and logs to ensure that the Plan is governed in an efficient and effective manner, and that appropriate governance can be clearly evidenced. The Trustees consider the performance of the Plan's funds net of costs and charges to be of primary importance for members when assessing value for members and will continue to consider where the governance of the Plan can be improved that result in benefits to members.

Trustee Knowledge and Understanding

The legal requirement on Trustees is that they should have, or have access to, enough knowledge and ability to run the Plan correctly.

Specifically, the Trustees need to demonstrate a continued working knowledge of:

- the Plan's Trust Deed and Rules (including any amending deeds);
- the Plan's Statement of Investment Principles; and
- any other document recording policy for the time being adopted by the Trustees, relating to the administration of the Plan generally.

Trustees have access to copies of the Trust Deed and Rules and all subsequent Deeds of Amendment at all times for reference. Training is provided on a needs-basis, covering current events or relating to matters to be considered at a Trustee meeting.

The Trustees have considerable investment experience between them, and have appointed expert advisers and service providers, including administrators, auditors and Fund Managers, to assist in the day-to-day running of the Plan. These advisers and service providers supplement, where appropriate, the knowledge and understanding of the Trustees.

The Trustees have appointed a professional trustee, Ross Trustees Services Limited (part of Independent Governance Group), to bring detailed knowledge and experience of pensions matters and regulatory requirements. As well as the extensive knowledge and experience provided by the representatives from Ross Trustees on the Trustee Board, the Trustees are able to leverage wider resources available within Ross Trustees in its governance of the Plan, including best practice approaches and specialist support.

Conclusion

We have carried out a thorough assessment of the degree to which the Plan has met the minimum governance standards as defined in the Occupational Pension Scheme (Charges and Governance) Regulations 2015 during the period 6 April 2023 to 5 April 2024. The Trustees commissioned an independent assessment of the value for money being provided by the Plan to members, which the Trustees have considered and reflected within this Statement. The Trustees will continue to consider actions that can be taken to improve the overall value to members.

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 c/o Ascot Lloyd, Reading Bridge House, George Street, Reading, RG1 8LS.

Ian Ferguson

Chair, Metaswitch Networks Limited Plan 88

Date: 10 October 2024

Appendix A: Statement of Investment Principles

Statement of Investment Principles

The Metaswitch Networks Limited Plan 88

June 2024

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The Metaswitch Networks Limited Plan 88 ("the Plan")

Statement of Investment Principles

1. Plan Details and Scope of Statement

The Plan operates for the exclusive purpose of providing retirement benefits to eligible participants and is defined contribution in nature.

Pensions Act

Under Section 35 of the Pensions Act 1995 (as amended by Section 244 of the Pensions Act 2004), Trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment policy pursued by the Trustees of the Metaswitch Networks Limited Plan 88.

The Trustees shall consult with the employer, Microsoft UK, on changes to the investment policy set out in this document. However, the ultimate power of responsibility for deciding investment policy lies with the Trustees.

Before preparing this document, the Trustees have obtained and considered written advice from the Plan's investment consultants. This written advice considers the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement.

The Trustees will review this document, in consultation with the Plan's investment consultants, at least every three years and without delay after any significant change in investment policy.

Financial Services and Markets Act 2000

In accordance with the Financial Services and Markets Act 2000, the Trustees will set general investment policy, but will delegate the responsibility for selection of specific investments to the Plan's delegated portfolio managers. The Plan's delegated portfolio managers shall provide the skill and expertise necessary to manage the investments of the Plan competently.

2. Consultations Made and Division of Responsibilities

The Trustees have ultimate responsibility for decision making on investment matters. In addition, the Trustees are responsible for the choice of investment options made available to members of the Plan. The Trustees delegate responsibility for portfolio management to the delegated portfolio managers; Cazenove Capital and JM Finn.

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information, and resources necessary to take them effectively. The Trustees also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. The roles of each group are shown below:

Trustees

a) Reviewing periodically the content of this Statement and modifying it if deemed appropriate, in consultation with the Plan's investment consultants.
b) Reviewing the suitability of fund(s) made available to members.

c) Selecting and monitoring the delegated portfolio managers.
d) Assessing the performance of the available funds, by means of regular reviews.
e) Considering the member borne charges and (where available) transaction costs applying on the funds and assessing whether these represent good value for members.
f) Appointing and monitoring the administrator and consultants of the Plan.
g) Consulting with the employer before amending this Statement.
h) Reviewing compliance of the investment arrangements with this Statement on an ongoing basis and setting out details in the annual Implementation Statement.

Delegated Portfolio Managers

a) Investing Plan assets in line with their stated objectives, including the selection and appointment of any underlying investment funds.
b) Providing the Trustees with quarterly statements of the assets and performance on the underlying funds.
c) Ensuring that the underlying funds are priced correctly.

Investment Consultant

The Trustees may take advice from an investment consultant on an ad hoc basis. Responsibilities could include:

a) Advising the Trustees, on:
   - the suitability of the investment funds.
   - the suitability of the delegated portfolio managers.
   - how any changes in the investment environment could either present opportunities or issues for the Plan.
b) Assisting the Trustees with periodic reviews of this Statement.

3. Plan Objectives

The Trustees recognise that members may have varying investment needs and time horizons. However, recognising that the Plan is closed to new contributions, and acknowledging that many members may transfer into other pension arrangements before retirement, the Trustees' objective is to provide an investment portfolio that is expected to maximise the long-term investment performance, subject to an appropriate level of short-term risk.

The Trustees recognise that members take the investment risk. The Trustees take account of this in the selection and monitoring of the delegated investment portfolios. In setting the investment objective and strategy, the Trustees have considered risks from a number of perspectives, including but not limited to:

- Market risk - the Plan is subject to currency, interest rate and other price risk associated with the underlying investments. These risks can impact the valuations of the funds. The delegated portfolio managers invest in a diversified range of assets to manage these risks. Further, the Trustees closely monitor the performance of the portfolios and receive formal quarterly reports from the portfolio managers.

- Annuity purchase – the rates applied when pension funds are used to buy annuities may be more expensive than anticipated and the more expensive annuity rates could coincide with a time when funds have lost value due to market fluctuations, as described above. The Trustees do not explicitly invest in any annuity-matching assets.

- Inflation – the real return on investments and hence the value of members' assets may be diminished by inflation. To mitigate this risk, the investment performance target the Trustees have set for their delegated portfolio managers is linked to UK inflation.
- Credit risk – the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the Plan is exposed to arises from holdings in the underlying funds and through the investment in the delegated investment portfolios. The Trustees consider the credit-worthiness of the delegated portfolio managers before appointing them. Monitoring and mitigation of credit risk in the investment portfolios is delegated to the portfolio managers, who in turn may delegate it to underlying investment managers within the portfolio.

The investment strategy offered through the Plan has been chosen, in part, to help members mitigate these risks.

In addition, the Trustees measure risk in terms of the performance of the assets compared to the targets on a regular basis, usually quarterly, along with monitoring any significant issues with the portfolio managers that may impact their ability to meet the performance targets set by the Trustees.

4. Responsible Investment

Financially Material Considerations

In setting the Plan's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with an appropriate level of risk. This includes the risk that environmental, social and governance ("ESG") factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly.

The Trustees delegate day-to-day management of this risk to the delegated portfolio managers.
The Trustees nevertheless acknowledge that an understanding of financially material considerations, including ESG factors (such as climate change) and risks related to these factors, is necessary to allow them to discharge their fiduciary duties in a prudent manner.

The Trustees are taking the following steps to monitor and assess ESG-related risks and opportunities:

a) When selecting and reviewing their delegated portfolio managers, ESG integration and stewardship quality will be a topic of explicit discussion between the Trustees, their consultants and prospective delegated portfolio managers.
b) The Trustees will include ESG-related risks, including climate change, on the Plan's risk register as part of ongoing risk assessment and monitoring.
c) The Trustees produce the Plan's annual Implementation Statement, providing information on the ESG engagement activities (including exercising voting rights) of the delegated portfolio managers and their underlying investment managers.

Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy, the Trustees do not explicitly take into account the views of Plan members in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

5. Illiquid Investments

Illiquid investments are defined in this context as assets which cannot easily or quickly be sold or exchanged for cash.

The Trustees believe that any illiquid investments within the delegated portfolios may provide diversification from the other key return drivers held by members in the portfolios. Whilst the Trustees recognise that illiquid investments may be associated with higher costs, and liquidity risks, they nevertheless believe that the benefits of diversification and access to an illiquidity premium should benefit members in the long term. The Trustees also believe the delegated portfolio managers are best placed to use their discretion as to the appropriateness of holding illiquid investments in the portfolios at any particular time, and to use the liquid portions of the fund to ensure members have sufficient access to liquidity.

The Trustees may hold illiquid investments on behalf of DC members in the default investment option, the Metaswitch Networks Limited Plan 88 – Default Fund. As described later in this Statement, this Fund is structured as a delegated portfolio, managed by Cazenove Capital. Members of all ages in the default option have a 100% allocation to this Fund.

The illiquid investments may be underlying holdings within the delegated portfolio, or within pooled funds that sit within the delegated portfolio. These may include investments in e.g. Private market debt, property, infrastructure. These are held at the discretion of the delegated investment manager, or underlying pooled fund managers, and the allocations may increase or decrease over time.

6. Investment Manager Arrangements

Manager Structure

The Plan has appointed two delegated portfolio managers (Cazenove Capital and JM Finn), each of whom manage delegated portfolios on the Trustees' behalf. These delegated portfolio managers may invest directly in underlying investment instruments (e.g. equities or bonds of specific companies), or they may invest in underlying investment funds, managed by a third party investment manager. The delegated portfolio managers are remunerated on an ad valorem basis.

The Trustees' policy is to review the investment strategy, as required by the Pensions Act at least every three years.

Arrangements with Delegated Portfolio Managers

Before appointment of a new delegated portfolio manager, the Trustees review the governing documentation associated with the investment portfolio and will consider the extent to which it aligns with the Trustees' policies.

The Trustees monitor the Plan's delegated investment portfolios to consider the extent to which the investment strategy and decisions of the delegated portfolio managers are aligned with the Trustees' policies as set out in this Statement of Investment Principles, including those on non-financial matters. The Trustees expect their delegated portfolio managers to understand the extent to which any underlying investment funds:

- Make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity
- Exercises the voting rights associated with any equity investments held; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees believe they have a duty as institutional investors to invest in a responsible manner and where appropriate they expect their delegated portfolio managers to query underlying investment managers on the rationale for holding positions in companies who may be perceived to contribute significant negative externalities to society.

There is typically no set duration for arrangements with delegated portfolio managers, although their continued appointment will be reviewed periodically, and at least every three years.

7. Asset Allocation Strategy

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives of maximising long-term investment performance, subject to an appropriate level of short-term risk) normally arises from asset choice. The Trustees therefore retain responsibility for the overarching objectives and targets for the investment portfolios made available to the membership, and take expert advice as required from their professional consultants.

The Trustees have made two investment funds available to members:

- Metaswitch Networks Limited Plan 88 – Default Fund
- Metaswitch Networks Limited Plan 88 – Main Fund.

Since April 2015, members cannot choose which portfolio they are invested in.

Default Option

The Trustees have designated the Default Fund as the Default Option for Plan members. The Trustees monitor the member borne costs on this portfolio and have delegated responsibility to the delegated portfolio manager to make sure that the total expense ratio remains below the 0.75% p.a. charge cap, as required by regulation.

Performance Objectives

The Trustees have provided the delegated portfolio managers with a performance target, against which their performance is monitored and assessed on an ongoing basis. The managers are expected to achieve their targets by investing Plan assets in an appropriate and suitably diversified portfolio of assets.

Fund	Delegated portfolio	Target
Metaswitch Networks Limited Plan 88 – Default Fund	Cazenove Capital	CPI + 4.0%
Metaswitch Networks Limited Plan 88 – Main Fund	Cazenove Capital JM Finn	Cazenove Capital: CPI + 4.0% JM Finn: Long term growth (no explicit inflation-linked target)

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8. Monitoring and Implementation

Monitoring

The appointment of the delegated portfolio managers is reviewed by the Trustees from time to time. In addition, the Trustees review the performance of each of the funds by means of a quarterly investment report from the portfolio manager.

A portfolio manager may be replaced, for example, if:

a) They fail to meet the performance objectives set by the Trustees; and/or
b) The Trustees believe that the manager is not capable of achieving the performance objectives in the future. In this respect, they may seek advice from the Plan's investment consultants.

The Trustees may replace a fund, including transferring existing investments, without prior agreement or consultation with members if they believe this is appropriate, and they have the legal powers to do so.

The Trustees receive quarterly updates from the delegated portfolio managers on various items including the investment strategy and performance of the funds. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their delegated portfolio managers, which enables the Trustees to determine the extent to which the portfolio managers have exercised their voting and engagement rights throughout the year.

Cost Transparency

The Trustees are aware of the importance of monitoring member borne costs and the impact these can have on the overall value of members' funds. It is the Trustees' view that long term performance, net of fees, is the most important metric on which to evaluate its investment managers.

The Trustees therefore believe it is important to understand all the different costs and charges, which are paid by members (through a deduction from the unit price). These include:

a) explicit charges, such as the annual management charge, and additional expenses that are disclosed by fund managers as part of the Total Expense Ratio ('TER');
b) The split of costs between those paid to the delegated portfolio managers, and those paid to any underlying investment managers;
c) implicit charges, such as the transaction costs borne within a fund. The Trustees define transaction costs as the costs incurred in buying and selling underlying securities held within the funds' portfolios. These are incurred on an ongoing basis and are implicit within the performance of each fund.

Other costs of providing DC benefits (e.g. administration, communication, and consultant costs) are paid for by the sponsoring employer, and are not incurred by members.

The Trustees collect information on member-borne costs and charges on an annual basis and set these out in the Plan's Annual Chair's Statement which is made available to members in a publicly accessible location.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager’s style and historic trends.

No specific ranges are set for acceptable costs and charges, particularly in relation to transaction costs. However, the Trustees expect their investment consultants to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chair's Statement exercise and investigate as required.

The Trustees assess value for money received by members from the Plan, including its delegated portfolio managers, on a regular basis as part of the annual Chair's Statement exercise and Prescribed Value for Members Assessment.

9. Custody

Investment in pooled funds, within the delegated portfolios, gives the Trustees the right to the cash value of the units rather than to the underlying assets. The underlying investment manager of each of the pooled funds is responsible for the appointment and monitoring of the custodian of the fund's assets.

10. Realisation of Investment / Liquidity

The Trustees recognise that there is a risk of holding assets that cannot easily be realised should the need arise. The majority of assets held on behalf of members are realisable at short notice (through the sale of units in pooled funds).

11. Timing of Periodic Review

The Trustees will review the Plan’s investment options whenever it believes there to be a significant change in the Plan’s circumstances, or at least on a triennial basis. The Trustees will consult their consultants as part of any review of the arrangements.

Ian Ferguson

Chair of Trustees

18 July 2024

Date

On behalf of the Trustees of the Metaswitch Networks Ltd Plan88

Appendix B: Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustees have provided two illustrations showing the cumulative effect of charges on the value of two example ‘representative’ Plan members’ savings over the period to assumed normal retirement date.

The Plan membership comprises only deferred members following closure of the Plan in February 2021. The illustrations are based on an example younger deferred member and an example older deferred member, as outlined below.

The illustrations have been prepared having regard to statutory guidance and are based on a number of economic and other assumptions which are set out below.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on example ‘representative’ members of the Plan, they are not a substitute for the individual and personalised illustrations which are provided to members in the annual Benefit Statements.

The regulations specify that the Chair’s Statement should include illustrations for the funds with the highest and the lowest charges. As the Plan only has two funds available for investment by members, an illustration is shown for both representative members invested in each of the Metaswitch Networks Plan 88 – Default Fund and the Metaswitch Networks Plan 88 – Main Fund. Illustrations are shown as charts and tables as follows:

- The charts show a projection of each representative member's retirement savings in the Metaswitch Networks 88 Plan - Default Fund at retirement age, with and without costs and charges applied.

- The tables set out the pound and pence amounts at five-year intervals for each representative member in the Metaswitch Networks 88 Plan - Default Fund and, for comparison purposes, the same projected retirement savings figures but assuming the representative member were invested in the alternative fund (the Metaswitch Networks Plan 88 – Main Fund) instead of the Metaswitch Networks 88 Plan - Default Fund.

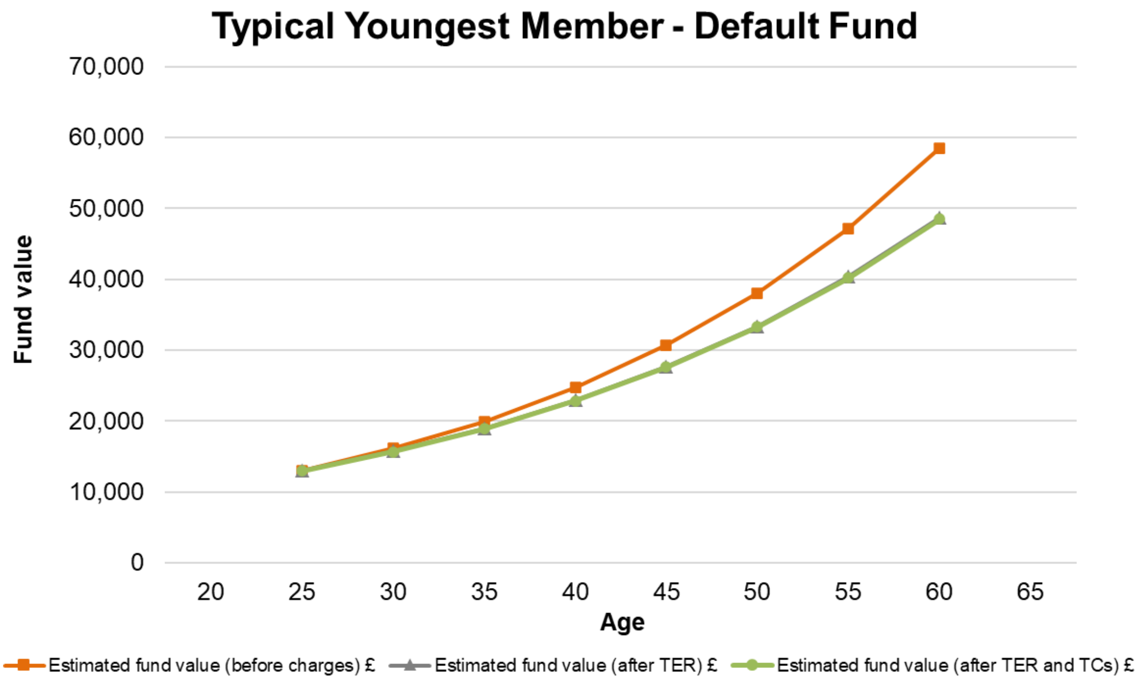
All projected fund values are shown in today's money terms, and do not need to be reduced further for the effect of future expected inflation.

Representative members

Fund	Age	Years to retirement	Current fund value
Typical younger member	25	35	£13,000
Typical older member	50	10	£150,000

Typical younger member: The chart below is based on a deferred Plan member invested in the Metaswitch Networks Plan 88 – Default Fund who has 35 years until their assumed normal retirement date at age 60, with a current fund value of £13,000. Given that the member is not an active member of the Plan, there are no assumptions required for current salary nor future contributions.

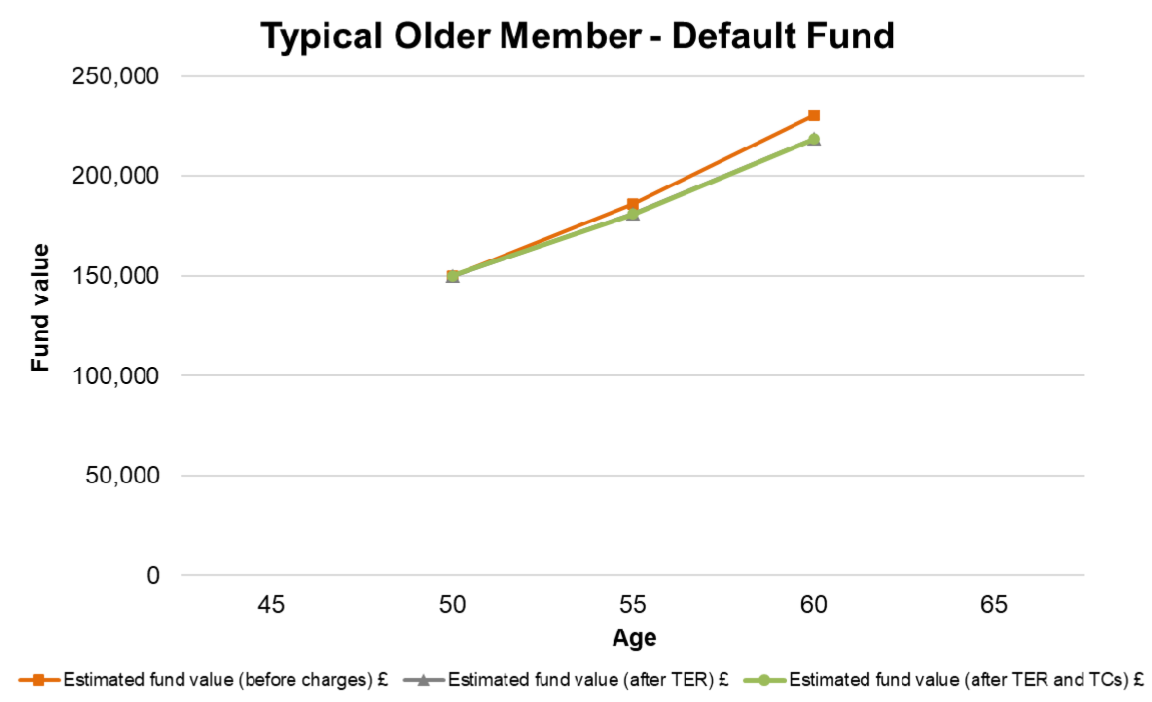
The table below shows the same projection for the representative member invested in the Metaswitch Networks Plan 88 – Main Fund, alongside the Metaswitch Networks Plan 88 – Default Fund.



Due to the small magnitude of transaction costs ("TCs"), the grey line in the chart above sits almost directly below the green line, and is not, therefore, clearly visible as a separate line.

Projected Pension Account in today's money						
Age	Metaswitch Networks Plan 88 – Default Fund			Metaswitch Networks Plan 88 – Main Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£
25	13,000	13,000	0	13,000	13,000	0
30	16,120	15,690	430	16,120	15,510	610
35	19,980	18,940	1,040	19,980	18,510	1,470
40	24,770	22,860	1,910	24,770	22,080	2,690
45	30,700	27,590	3,110	30,700	26,350	4,350
50	38,060	33,300	4,760	38,060	31,440	6,620
55	47,180	40,190	6,990	47,180	37,510	9,670
60	58,480	48,510	9,970	58,480	44,750	13,730

Typical older member: The chart below is based on a deferred Plan member invested in the Metaswitch Networks Plan 88 – Default Fund who has 10 years until their assumed normal retirement date at age 60, with a current fund value of £150,000. Given that the member is not an active member of the Plan, there are no assumptions required for current salary nor future contributions. The table below shows the same projection for the member invested in the Metaswitch Networks Plan 88 – Main Fund, alongside the Metaswitch Networks Plan 88 – Default Fund.



Due to the small magnitude of TCs, the grey line in the chart above sits almost directly below the green line, so may not be clearly visible as a separate line.

Projected Pension Account in today's money						
Age	Metaswitch Networks Plan 88 – Default Fund			Metaswitch Networks Plan 88 – Main Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£
50	150,000	150,000	0	150,000	150,000	0
55	185,950	181,050	4,900	185,950	178,970	6,980
60	230,510	218,520	11,990	230,510	213,540	16,970

Assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

- Annual inflation is assumed to be 2.5% per annum, in line with TM1 statutory guidance.

- The ages and starting fund values used in the projections are based on analysis of the underlying Plan membership data provided by Ascot Lloyd for the Plan year to 5 April 2022. We are comfortable that there have been no significant changes to the Plan's membership since then.
- The projected annual returns on assets, before the deduction of fees, provided by Ascot Lloyd, are:
    - Metaswitch Plan 88 – Default Fund 7% p.a.
    - Metaswitch Plan 88 – Main Fund 7% p.a.
- The TERs and transaction costs reflect the one-year period to 31 March 2024. We are satisfied that this is a suitable proxy for the one year period to the Plan year end of 5 April 2024.