

The Scotts Company (UK) Pension Scheme Defined Contribution (DC) Section

Chair's Annual Governance Statement 2024/2025 (1 July 2024 - 30 June 2025)

This statement has been prepared by the Trustee of The Scotts Company (UK) Pension Scheme ('the Scheme') to demonstrate how the Trustee has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) set out the minimum governance standards expected of defined contribution (DC) pension schemes.

During the Scheme Year (1 July 2024 – 30 June 2025), the Scheme did not have a default arrangement for the purposes of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations"). This is because, with effect on and from 31 August 2017, the Scheme ceased to have any members who are "workers" and, therefore, the requirements of section 2A of the Investment Regulations do not apply. The Scheme is not being used as a qualifying scheme for automatic-enrolment purposes. Therefore, there is no default Statement of Investment Principles (SIP) to attach or review.

During the Scheme Year and as part of the process to secure the Scheme's Defined Benefits via an insurance policy the Trustee went through a process to identify a suitable master trust provider to accept the DC assets for those DC Section members with DC only assets and those DB pensioners with residual DC funds. Following a provider selection exercise, the Trustee selected the Aviva Master Trust, which compared favourably against the DC Section and other master trust providers in the market.

The Trustee concluded that the transfer offered members better value for money, primarily due to lower charges, more investment choices, enhanced communication and engagement services and greater retirement flexibility.

DC only members' retirement savings were transferred to the Aviva My Future Focus "Universal" strategy investment programme, a lifestyle investment strategy designed for members who would prefer to keep their retirement options open or have yet to decide how they will access their pension savings at retirement. The Trustee considered this option to be in the members' best interest following a detailed analysis of the Scheme's membership. The selected investment programme forms part of Aviva's Master Trust default investment solutions, so it subject to ongoing monitoring by Aviva's in-house governance team to ensure it continues to perform in line with expectations.

The DC only members were able to change how their retirement savings are invested via their Aviva Master Trust account after the transfer was completed and administration blackout period was lifted.

The DC only members' assets were transferred on a bulk basis to the Aviva Master Trust with a disinvestment trade date of 21 November 2024. We provide more information on the transfer in the 'Charges and transaction costs' section below.

There are now a relatively small number of members remaining in the DC Section who have both DB and DC benefits and also DB members with AVCs. The Trustee will continue to consider the options for the transfer of these DC assets in advance of the securing the Scheme's Defined Benefits via an insurance policy.

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This statement covers the Scheme Year and covers the following key areas:

1. The Scheme's investment strategy;
2. The processing of core financial transactions;
3. Charges and transaction costs;
4. An assessment of the value the Scheme provides to members;
5. Maintaining the Trustee's knowledge and understanding.

Investment strategy

General investment principles

Acknowledging that there are no default arrangements, the Trustee nevertheless has a Statement of Investment Principles (SIP), put in place in September 2023 (which is included in Appendix C) and is available at www.myworkpension.co.uk/SchemeNoticesSCOT and has sought to adopt the Regulator's best practice principles in formulating and monitoring its investment strategy. The SIP governs the Trustee's decisions about investments and sets out the aims and objectives of the Scheme's investment strategy. The Trustee's general investment objectives are as follows:

- To offer a range of investment options which broadly satisfy the risk profiles of all members
- Provide members with information concerning each of the funds from which they may choose in order to enable them to design and review their own investment strategies.

In addition, it is the Trustee's intention that all funds should have clear, distinct investment objectives. This is intended to help facilitate members' design of their own investment strategies.

The last formal strategic review of the Scheme's investment strategy was undertaken in December 2022. The Trustee's adviser, WTW assisted with the review. As part of the review the Trustee considered the membership profile and experience to date and concluded that the existing lifestyle option and the majority of the self-select fund range (including the Aegon BlackRock LifePath funds) remained suitable for members' needs. The next review is scheduled to be undertaken and completed by the end of 2025.

Financial transactions

The Trustee regularly monitors the core financial transactions of the Scheme which are carried out by the Scheme's administrator, Trafalgar House. These include transfers into and out of the Scheme, fund switches and payments out of the Scheme to and in respect of members. No further contributions are paid into the DC Section, which is now closed.

The Trustee has a Service Level Agreement (SLA) with the administrator which covers the accuracy and timeliness of all core transactions and requires them to be made within statutory timescales. The key processes adopted by the administrator to help it meet the SLA are as follows:

- Daily monitoring and monthly reconciliation of the Scheme bank account
- Multi-level payment authorisation process with two to three individuals checking banking transactions, dependant on valuation

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- Invested units reconciled on a transaction-by-transaction basis with a full reconciliation being performed at the end of each calendar month.
- Provision of quarterly reports to the Trustees confirming the transactions that have taken place within the reporting period to monitor compliance with SLAs.

The Trustee has agreed SLAs with the administrator of between 1-5 days for financial transactions (the SLA will depend upon the nature of the task being processed).

The administrator produces a quarterly Administration report which contains detailed reporting on activity and performance against SLAs. The administrator also produces a quarterly cyber resilience report including details on current and forecasted threat levels, risks and actions.

The quarterly reports also contain a section on member feedback, where details of any compliments or complaints are captured, together with details of any errors which occurred. This provides full transparency of any issues arising and the remedial actions that are taken.

Fund-level core financial transactions such as lifestyle switches and member-level investment switches are processed using 'straight-through processing' and reported by Trafalgar House in its quarterly reporting.

Trafalgar House has in place appropriate internal processes and controls which include the checking and reconciliation of investment and banking transactions.

The Trustee reviews the quarterly report at each Trustee meeting and a representative from Trafalgar House attends each meeting to answer any questions the Trustee has.

The Trustee can confirm that the average performance against service level targets has been 98.9% during the Scheme Year, a similar level compared to the average performance of 98.2% during the 2023/24 scheme year.

The Trustee reviews the accuracy of the Scheme's common and scheme-specific data on a regular basis to ensure that financial transactions are processed promptly and accurately. The administrators carried out an analysis of the Scheme's data quality assessment in February 2025 and reported that the overall common data score decreased to 90% compared to 94% in the previous reporting period. The administrator has advised that it is investigating the reason for the reduction and will be reporting back to the Trustee. There has been a significant improvement again this reporting year in the scheme specific score (from 92% to 96%). Following the data quality assessment, the administrators are undertaking a dashboard data readiness review in preparation for the connection to the Pensions Dashboard on 30 June 2026. The Trustee continues to work with the administrator to improve the data score.

The Scheme's accounts are also audited annually by Crowe U.K. LLP. Based on the above the Trustee is satisfied that core financial transactions were processed promptly and accurately during the reporting period.

Charges and transaction costs

For the purpose of this section "charges" are defined as the ongoing annual investment charges, which consists of the Annual Management Charges plus additional fund expenses (e.g. for custody but excluding transaction costs), that make up the Total Expense Ratio (TER). The TER is paid by the members and is reflected in the unit price (and hence the performance) of the funds. The Trustee monitors the fund charges to ensure they remain reasonable and represent good value for members (considered in more detail in the next section).

Transaction costs are those incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are accounted for in the unit price for each of the funds when the transaction takes place and hence are borne by the members.

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The current Total Expense Ratios as at 30 June 2025 and aggregate transaction costs for the period from 1 July 2024 to 30 June 2025 for the funds members have assets invested are set out in the table below.

Fund name	Total Expense Ratio (% p.a.)	Aggregate transaction costs (% of fund p.a. as at Q2 2025)
Aegon BlackRock (50:50) Global Equity Index Fund	0.26	0.05
Aegon BlackRock (30:70) Global Equity Currency Hedged Index Fund	0.29	0.05
Aegon BlackRock UK Equity Index Fund	0.26	0.11
Aegon BlackRock World (ex-UK) Equity Index Fund	0.26	0.04
Aegon BlackRock Market Advantage Fund	0.36	0.24
Aegon BlackRock Over 5 Year Index-Linked Gilt Index Fund	0.26	0.00*
Aegon BlackRock Pre-Retirement Fund	0.51	0.05
Aegon BlackRock Cash Fund	0.20	0.01

Source: Aegon

** A negative transaction cost (i.e., an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold) are reported as zero. It is not expected that transaction costs will always be negative.*

The Scheme offers the SCPS Lifestyle Strategy, which targets pension (via annuity purchase) and cash sum at retirement. The lifestyle strategy is constructed using the above funds (highlighted in purple), and, as such, the charges members pay depends on the period of time until their selected retirement date.

Members meet the cost of investing in these funds by paying the TERs which are reflected in the daily pricing of the fund. All other costs relating to Scheme membership such as administration services, adviser, audit and legal fees are met by the Scheme.

In addition, the Trustee has a small legacy AVC arrangement with Prudential. Details of the charges and transaction costs for these funds have been included in appendix A.

In addition to the regular aggregate transaction costs reported above, transaction costs were also incurred following the bulk transfer of assets of DC Section members with DC only assets and those DB pensioners with residual DC funds, as noted above.

The Trustee worked closely with their advisers, Aviva, Trafalgar House and Aegon to transition the assets as efficiently as possible. The total dealing costs resulting from the transfer were £3,557.81 or 0.07% of the total transitioning assets. The Trustee compensated members for these dealing costs, and therefore their individual transfer values were uplifted by the same amount. Where members benefited from favourable price swings, they retained this benefit.

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 requires the Trustee to produce an illustration showing the compounding effect of costs and charges. This is included in Appendix B.

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Investment monitoring

The Trustee reviews the net performance of all the Aegon funds each quarter against their objectives and benchmarks in conjunction with its advisers. In addition, the DC investment adviser will update the Trustee in between meetings if a particular issue arises with Aegon or one of the funds made available within the DC Section. The Aegon funds are predominately passively managed and the performance of the funds over the different periods to 30 June 2025 have been within an acceptable tolerance of the respective index.

The Trustee is satisfied that the investment performance remains consistent with the aims and objectives stated in the SIP.

The table below shows the investment returns net of Scheme specific fees ('net investment returns') to 30 June 2025 for the SCPS Lifestyle Strategy. The lifestyle strategy automatically switches the member's investments as they approach their target retirement age. The lifestyle strategy is based on the lifestyle allocations for members aged under 25, 45 and 55 at the start of the reporting period.

Net investment returns *	1 year %	3 years (p.a.) %	5 years (p.a.) %
SCPS Lifestyle Strategy - 25 years	11.8	14.2	12.5
SCPS Lifestyle Strategy - 45 years	11.2	12.4	9.8
SCPS Lifestyle Strategy - 55 years	5.0	3.7	0.9

* Performance based on the investment allocation at the member's age and term to retirement.

The table below shows the net investment returns to 30 June 2025 for the range of self-select funds some of which make up the Scheme's Lifestyle strategy (highlighted in purple).

Fund name	1 year %	3 years (p.a.) %	5 years (p.a.) %
Aegon BlackRock (50:50) Global Equity Index	8.9	11.49	10.35
Aegon BlackRock (30:70) Global Equity Currency Hedged Index	11.8	14.2	12.5
Aegon BlackRock UK Equity Index	8.6	9.2	9.6
Aegon BlackRock World (ex-UK) Equity Index	6.6	13.9	12.2
Aegon BlackRock Market Advantage	5.4	4.6	2.6
Aegon BlackRock Over 5 Year Index-Linked Gilt Index	-7.1	-8.7	-11.1
Aegon BlackRock Pre-Retirement Fund	0.8	-2.8	-6.2
Aegon BlackRock Cash	4.7	4.3	2.6

Source: Aegon

In addition, the Trustee has a small legacy AVC arrangement with Prudential. Details of the net investment returns for these funds have been included in appendix A. The Trustee has considered the DWP's Statutory Guidance on net investment reporting and ensured that the performance figures are produced in line with this guidance.

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Value for Money (VfM)

The Trustee is committed to ensuring that members receive VfM from the Scheme (i.e. that the costs and charges deducted from members' pots provide good value in relation to the benefits and services provided by or on behalf of the Trustee).

The Trustee undertook an assessment of the VfM in December 2025 (covering the reporting period), where it considered the charges paid by members and the services which they received from the Scheme. The Trustee concluded that taking into account the points listed below the costs and charges incurred by members provide good value in relation to the benefits and services provided by the Scheme:

- Members only pay for the investment costs, which remain competitive when compared to WTW's 2025 DC Pensions and Savings Survey, and are significantly under the charge cap. As the Scheme has assets under £100 million as at 30 June 2025, the Pensions Regulator requires the Trustee to directly compare the Scheme's costs and charges against three other DC providers in the market of which one must be willing to accept a transfer from the Scheme. The Scheme provides competitive charges compared to Nest and People's Pension, but less competitive with respect to the charges Aviva charge members that were transferred to the Aviva Master Trust. Any charges for administration, communications or trustee governance in respect of the DC Section is paid for by the Scheme.
- The Trustee also needs to compare the Scheme's investment performance with selected comparator schemes. The growth phase of the SCPS Lifestyle strategy has performed well over all the periods compared to the comparator schemes.
- As part of the VfM assessment the Trustee undertook in the previous year, the Scheme was assessed against several DC quality features that would normally be expected to be present in a well-run DC arrangement. The result last year stated 65% of all DC features were present and this position has not changed over the year.
- BlackRock is rated highly as a passive Investment Manager by the Scheme's advisers and the investment range is regularly monitored and tailored to the needs of the DC Section members. In addition, the investment returns have typically delivered in line with their index/benchmark (noting most funds are passively managed).
- Membership demographics and needs were considered as part of the most recent investment review. No feedback has been received from members during the Scheme Year in relation to the investment options available.
- A range of communications is available to meet member needs, and the ability to transfer out has always been communicated at appropriate points such as retirement, should the member wish to take their DC benefits flexibly.

Trustee knowledge and understanding ('TKU')

The Trustee's knowledge and understanding is assessed regularly with the last formal review undertaken in February 2023. This assessment focuses on the knowledge requirements for Trustees running ongoing pension schemes and ensures there is continuous development and the Trustee's knowledge remains updated and relevant.

The Trustee agreed that they have a clear understanding of their roles and responsibilities, which was helped by the long-standing service of most of the Trustees.

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The Trustee has a strong TKU process in place which enables it to have a sufficient knowledge and understanding of the law relating to pensions and trusts and the principles relating to funding and investment of the assets of pension schemes. The Trustee's knowledge and experience, together with the advice available to them, enables them to properly exercise their functions as Trustee.

The Trustee has met the TKU requirements during the reporting period and this has included the following activities:

- Regular training incorporated into Trustee meetings. In relation to the Trustee's knowledge of DC related topics, the Trustee received training on topical updates from the Trustee's advisers on the following:
 - Updates from the Department of Work and pensions (DWP) on final statutory connection deadlines for the Pensions Dashboards Programme (WTW and Sackers, 19 September 2024 and 18 December 2024).
 - Briefing on the Autumn Budget 2024, including changes to the tax regime for overseas pension schemes, the introduction of inheritance tax on most pension death benefits from April 2027 and changes to employer national insurance contributions (WTW and Sackers, 18 December 2024).
 - Government publication of an interim response to the first stage of its pensions review, alongside a consultation paper proposing fundamental changes to the market for multi-employer workplace DC schemes (WTW, 18 December 2024)
 - Updates on the Financial Conduct Authority (FCA) evolving value for money frameworks for DC schemes, including the introduction of standardised metrics, RAG (Red-Amber-Green) ratings (Sackers, 18 December 2024).
 - Proposals by the FCA and the Government to on targeted support for pension savers to ensure consumers can receive the help they need to make informed financial decision at an affordable cost (WTW, 15 May 2025)
 - FRC publication of the AS TM1 applying to SMPs issued on or after 5 April 2025 (WTW, 15 May 2025).
 - Government publication of a report by its Small Pots Delivery Group detailing proposals for deferred small pot consolidation and response to the Group's recommendations (WTW, 15 May 2025)
- Examples of specific training sessions undertaken by the Trustee during the reporting period includes:
 - Introduction and implementation of the General Code, including the requirement for an Effective System of Governance (ESOG) and Own Risk Assessment (ORA). Discussion of the practical steps required to document and evidence compliance, including the maintenance of policies, procedures, and risk management frameworks (WTW, 19 September 2024).
 - Results of annual data quality assessments and targets for improvement (THPA, 27 February 2025).
 - Advice on the suitability of a bulk transfer of DC only members to the Aviva Master Trust and fund mapping recommendation (WTW, 19 September 2024) and checklist of legal issues on transferring to a DC mater trust (Sackers, 19 September 2024).
 - Options for transferring out hybrid members with DC Section benefits and AVCs to alternative vehicles retaining the DB linkage (15 May 2025).
- The Scheme Actuary, DB and DC Investment Consultants and representative from the Administrator attend every Trustee meeting.
- All training and attendance at appropriate seminars are centrally recorded by the Secretary to the Trustee.

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- All Scheme documents are easily accessible via One Place and referenced in advance of decisions being taken, demonstrating conversance with the Scheme's trust deed and rules, SIP and other governing documentation.
- The Trustee receives general updates from their advisers about matters relevant to the Scheme. These updates also form the basis for training slots at each meeting to keep the Trustee abreast of market/legislative developments.
- The Trustee maintains a year planner which sets out the key activities and objectives for the Scheme year and in advance considers the training needs to enable the objectives to be met.
- The Chair is a Fellow of the Pensions Management Institute, and as such completes the required amount of CPD each year.
- All Trustee Directors have completed the Pension Regulator's Trustee toolkit.

Trustee Effectiveness

The Trustee last evaluated its effectiveness at the February 2023 Trustee meeting. The Trustee Directors reviewed the main objectives of the Scheme and agreed that the Trustee Board (and its advisers) continue to operate in line with this objective taking into account the Scheme's position and Trustee's focus on moving to buy-out for the DB Section benefits and transferring the DC assets to the Aviva master trust. The Trustee Directors agreed they have a clear understanding of their roles and responsibilities and the roles of others, such as advisers, and that their advisers and service providers all add value and consider the monitoring and review process to be suitable. The Trustee Directors are comfortable that they consider risk appetite and take full account of the risks when making decisions. A detailed review of the risk register is undertaken annually to consider the Scheme's exposure to new and existing risks.

It was concluded that the Trustee operates in an effective and efficient manner.

Signed and dated by the Chair on behalf of the Trustees of the Scheme:

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Appendix A: Legacy AVC arrangement with Prudential

Charges and transaction costs

Fund name	Total Expense Ratio (% p.a. of account value)	Aggregate transaction costs (% for the year ending 31 December 2024)
Prudential With-profits Fund	The With-Profits Fund's management charge depends on the performance of the With-Profits Fund, in particular the investment return and expenses. Prudential currently expects this charge to be approximately 1% a year, based on the assumption that future returns from the With-Profits fund will be 5% per year. Prudential deducts this charge through the bonus mechanism and not from the AVC fund value.	0.10
Discretionary Fund	0.76	0.17

Investment monitoring

Fund name	1 year %	3 years (p.a.) %	5 years (p.a.) %
Prudential With-profits Fund*	6.2	5.1	6.2
Discretionary Fund**	7.3	7.7	7.1

* The performance figures show are overall annualised returns to 6 April 2025.

** performance as at 30 June 2025.

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Appendix B: illustrative example of effect of charges and transaction costs

The impact of the Total Expense Ratio (TER) and transaction costs on a member's pension pot over time can be shown by the following examples, which are based on a starting pension pot of £20,000 and on assumed returns for illustrative purposes only.

Firstly, for an investment in the Aegon BlackRock (50:50) Global Equity Index which is assumed to achieve gross returns of 6.0% p.a.:

	10 Years	20 Years
Before charges	£35,817	£64,142
After deduction of TER and transaction costs	£34,849	£60,722

For an investment in the Aegon BlackRock Market Advantage fund which is assumed to achieve gross returns of 4.0% p.a.:

	10 Years	20 Years
Before charges	£29,604	£43,822
After deduction of TER and transaction costs	£28,021	£39,260

And for an investment in the Aegon BlackRock Pre-Retirement fund which is assumed to achieve gross returns of 6.0% p.a.:

	10 Years	20 Years
Before charges	£35,817	£64,142
After deduction of TER and transaction costs	£33,904	£57,476

The Trustee has taken account of the Statutory Guidance when preparing these illustrations.

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Appendix C: Statement of Investment Principles