INDUSTRY-WIDE COAL STAFF SUPERANNUATION SCHEME (IWCSSS)

Defined Contribution Governance Statement

For the period 1 January 2023 to 31 December 2023

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (‘the Administration Regulations’) were amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 to include the requirement for the Trustee to prepare an annual statement regarding governance of Defined Contribution funds within the IWCSSS, which must be included in the annual report.

This statement for the IWCSSS covers the period from 1 January 2023 to 31 December 2023 and describes how the Trustee has met the statutory governance standards in relation to:

1. The default investment strategy,
2. Net investment returns,
3. Processing of core financial transactions,
4. Charges and transaction costs paid by members,
5. The assessment of value, and
6. Trustee knowledge and understanding.

1. The Default Investment Strategy

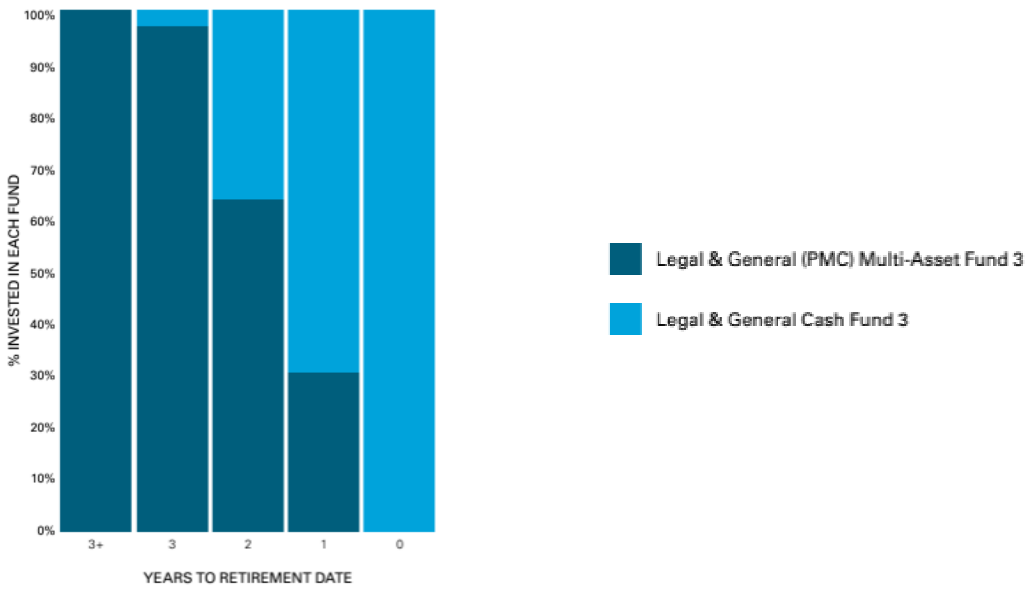
The DC section of the Mines Rescue Service Limited section of the IWCSSS ('the DC section') is used as a Qualifying Scheme for auto-enrolment purposes.

The Trustee is responsible for the governance of the Scheme's investments. This includes setting and monitoring the default investment strategy, which is provided for members who do not choose an investment option for their funds in the DC section.

The default investment strategy is the Legal & General Cash Lifestyle strategy. This strategy aims to provide members with potential for higher levels of growth during the accumulation phase of their retirement savings through exposure to growth assets, whilst spreading risk by investing in a range of asset classes. From three years before selected retirement age (‘SRA’), funds are gradually switched to cash to reduce the risk of volatility of the fund and to target the format in which the Trustee expects members to access their DC benefits i.e. as a cash lump sum.

Further details of the objectives and the Trustee's policies regarding the default investment strategy can be found in a document called the ‘Statement of Investment Principles’ (‘SIP’) which governs decisions about investments in the DC section and has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the “Statement of Investment Principles”). The Scheme's DC SIP is included as an appendix to this Statement.

The structure of the default investment strategy is illustrated in the chart overleaf.



The Trustee is expected to review the investment strategy of the DC section at regular intervals (at least every 3 years).

The default investment strategy was formally reviewed on 22 June 2023. The review covered the following:

- Suitability of the default investment strategy: this considered membership demographics, how members are expected to take their benefits at retirement and member outcomes modelling to help assess the suitability of the default investment strategy for members. Following this assessment, the Trustee was satisfied that the default investment strategy remained appropriate.
- Performance of the default investment strategy: this assessment considered the performance of the default investment strategy relative to the relevant sector comparators over various time periods. Following this assessment, the Trustee was satisfied that the default investment strategy was performing in line with expectations, and in line with the aims and objectives set out in the SIP.
- Changes in investment conditions, and any products and techniques available in the marketplace which may be appropriate for the Scheme.

The review concluded that the default investment strategy remained appropriate for the membership and the Trustee decided to make no changes.

The next formal review will be carried out by 22 June 2026.

For the first time this year, the Trustee is required to disclose the full asset allocation of investments for the default investment strategy. The table below shows the percentage of assets allocated in the default arrangement to specified asset classes over the year to 31 December 2023.

	Average asset allocation over year to 31 December 2023 (%)			
Asset class	25 years old	45 years old	55 years old	60 years old (i.e.at retirement)
Cash	1.1	1.1	1.1	100.0
Bonds	31.1	31.1	31.1	0.0
Listed equities	39.1	39.1	39.1	0.0
Private equity	2.3	2.3	2.3	0.0
Infrastructure	4.7	4.7	4.7	0.0
Property	6.2	6.2	6.2	0.0
Private debt	0.0	0.0	0.0	0.0
Other	15.5	15.5	15.5	0.0

2. Net investment returns

The Trustee is required to report on net investment returns for the default investment strategy and for each non-default fund which scheme members were invested in during the Scheme year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance. The guidance states that net investment returns must be shown for a member aged 25, 45 and 55 at the start of the investment reporting period (this is 1 January 2023 for one-year returns and 1 January 2019 for 5-year returns). For the Legal & General Cash Lifestyle strategy, the underlying assets change over time but these changes take place from three years before retirement, therefore if we assume a retirement age of 60, the underlying assets only differ for the member aged 55 at the start of the 5-year reporting period.

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

2.1. DC section

Performance to 31 December 2023	**Annualised returns (%)**	
Strategy / Fund	1 year	5 years
Legal & General Cash Lifestyle Strategy (member aged 25 or 45)	8.0	4.8
Legal & General Cash Lifestyle Strategy (member aged 55)	8.0	4.8
Legal & General (PMC) Multi-Asset Fund	8.0	4.8
Legal & General Cash Fund	4.4	1.0

Source: Legal & General

Over this reporting period, even though the underlying assets differ for the member aged 55 at the start of the five-year reporting period, the net investment returns achieved, rounded to one decimal point, have been the same.

2.2. AVC arrangement

Performance to 31 December 2023	Annualised returns (%)	
Fund	1 year	5 years
Aviva Managed Fund	7.9	6.0
Aviva With Profits Fund[1]	3.5	2.6

Source: Financial Express and Aviva

[1] For the Aviva With Profits Fund, we have shown the bonus rate declared on the Fund (rather than investment returns on the underlying assets). Whilst, in practice, we would expect a terminal bonus to increase returns to close to the returns achieved by the underlying assets of the With Profits Fund over the period held (after all costs of running the fund, including the costs of any guarantees), these amounts are unknown and are not guaranteed. A market value reduction, which can reduce the return delivered to investors, may be applied on exit from the With Profits Fund at any time other than at maturity date, or in the event of death before retirement.

3. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. These include:

- Investing DC/AVC contributions in the Scheme,
- Transferring assets relating to members into and out of the Scheme,
- Transferring assets relating to members between different investments within the Scheme,
- Making payments from the Scheme to or on behalf of members.

The Secretariat for the Trustee (‘The Trustees Office Limited’) is responsible for overall monitoring of the Scheme’s providers.

3.1 Legal & General

Legal & General is the provider of the DC section. The Trustee has a Service Level Agreement ('SLA') in place with Legal & General that covers the accuracy and timeliness of all core financial transactions. The target service levels for some example administration tasks are shown below:

Transaction	SLA
Receipt of contributions / cash allocation	24 hours
Fund switches	24 hours
Surrender of fund (transfer or retirement)	5 working days
Issue of statements / leaver & retirement packs	5 working days
General member enquiries	5 working days

Legal & General reports to the Trustee on a quarterly basis on the time taken to complete various administration tasks, including all core financial transactions, compared to the SLA. These reports also show the number of calls from members and any member complaints received, which serve as an indicator of the quality of service received by members. The reports provided by Legal & General allow the Trustee to monitor core financial transactions for the DC section.

Legal & General uses automated processes wherever possible, to avoid the need for manual intervention. It also has a workflow management system in place to manage administration tasks that are not automated and processes in place to ensure manual tasks are completed promptly and accurately.

These processes include:

- The same Operating Procedures that are used every time.
- Quality / in-line checking of tasks by another individual.
- Quality sampling, where a number of cases per process and/or per member of staff are sampled to be checked by more senior or experienced members of staff, who are in turn subject to checks by another team.
- Daily monitoring of bank accounts and daily processing of both contribution files and cash allocation.

Over this reporting period, Legal & General met the SLA for all administration tasks and all contributions have been paid to Legal & General well within the statutory deadlines.

3.2 Aviva

Aviva is the AVC provider. The Trustee does not have an SLA in place with Aviva. This is in line with standard practice for AVC arrangements. Aviva reports on the AVC arrangements on request and to date this has been on an annual basis as part of the preparation of the annual Trustee Report and Financial Statements.

The Trustee Office Limited has direct online access to Aviva's systems and is therefore able to extract data and monitor core financial transactions as required. Aviva also has its own target service levels and these are set out in the table below for core financial transactions which are processed manually.

Transaction	Target service level
Fund switches	5 working days (but using the unit prices of the day the fund switch request was received, if received by 5pm)
Payment of transfer / retirement claims	20 working days

Aviva has a number of processes in place to ensure tasks are completed promptly and accurately. These processes include:

- Regular quality checks of all processes.
- Assignment of requests to a single person who will take responsibility for that request until it has been completed.
- Automation of tasks to improve processing times.
- Authorisation of all financial transactions so no financial payments can be made until the correct level of authority has approved the payment.
- Annual Audit and Assurance Faculty reporting which tests the robustness of Aviva's controls around how they administer workplace pensions.

Over this reporting period, there were no core financial transactions for the Aviva AVC arrangements.

3.3 Hymans Robertson

Hymans Robertson are the Scheme administrators. The Trustee has an SLA in place with Hymans Robertson and service is monitored against this via a quarterly governance report and monthly review meetings with the administration team leader. Hymans Robertson completed 97.8% of cases within the SLA during the year.

Conclusion

The Trustee is confident that the processes and controls it has in place with the providers are robust and will ensure that it can continue to monitor that the financial transactions which are important to members are dealt with properly.

The Trustee is satisfied that over the period:

- the administrators and providers were operating appropriate procedures, checks and controls and, where relevant, operating within the agreed SLA;
- all core financial transactions have been processed promptly and accurately during the Scheme year; and
- there have been no material administration errors in relation to processing core financial transactions.

4. Charges and transaction costs paid by members

The Trustee is expected to monitor and disclose the following costs:

(i) explicit charges, such as the Annual Management Charge and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio ('TER') and

(ii) transaction costs (i.e. the costs of buying and selling investments in a fund) that are implicit and are factored into the unit price of the fund.

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

4.1. Explicit charges

The TER on all funds available through the DC section and the funds members' invest their AVCs in is shown in the table below. AVC members can invest in any fund available through Aviva's Group AVC contract therefore it is not practical to show the TER of all available funds here. We have shown the TER on all funds members invested in over the period covered by this statement.

4.2. Transaction costs

The Trustee requested details of transaction costs for the period 1 January 2023 to 31 December 2023 for all funds members invested in from Legal & General and Aviva.

The transaction costs on the funds available through the DC section and the funds held by members of the AVC arrangements are shown in the tables below. Where transaction costs have been calculated as a negative percentage (i.e. a gain) , these have been set to zero by the Trustee to avoid potentially under-stating costs.

DC section	TER (%)	Transaction costs (%)
Legal & General (PMC) Multi-Asset Fund	0.50	0.02
Legal & General Cash Fund	0.46	0.00

Legal & General funds are held as self-select funds as well as being part of the default investment strategy.

AVC	TER (%)	Transaction costs (%)
Aviva Managed Fund	0.46	0.11
Aviva With Profits Fund	0.46	Not available

The default investment strategy for the DC section has levied a TER of less than the charge cap of 0.75% p.a. of assets under management for all members during the period 1 January 2023 to 31 December 2023. The actual TER was between 0.46% and 0.50% p.a. depending upon the members' term to retirement. Transaction costs were between 0.0% and 0.02% depending upon the members' term to retirement.

4.3. Illustrations to show the cumulative effect of costs and charges

The Trustee is required to illustrate the effect of the costs and charges typically paid by a member on the value of their fund at retirement (as a "pounds and pence figure").

The Regulations allow the Trustee to exercise its discretion with regards to the illustrative examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the Scheme's membership.

The illustrations shown below have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out under 'notes' 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 typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

DC section

For the DC section, we have decided to produce an illustration based on a member with the following characteristics:

- A member with the longest time left until they reach selected retirement age (6 years)
- Current fund value of £65,300
- (A) Total monthly contribution of £786 and (B) no contributions

The guidance states the Trustee must show the effect of costs and charges on accumulated fund values ('FV') for the default investment strategy, and the funds with the highest and lowest charges. The default investment strategy is the Legal & General Cash Lifestyle strategy, the fund with the highest charges is the Multi-Asset Fund and the fund with the lowest charges is the Cash Fund.

Illustration A

Years from retirement	Default investment strategy			Multi-Asset Fund			Cash Fund		
	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV
6	£65,300	£65,300	£0	£65,300	£65,300	£0	£65,300	£65,300	£0
5	£74,960	£74,600	£360	£74,960	£74,600	£360	£73,590	£73,280	£310
0	£121,560	£118,780	£2,780	£123,960	£121,040	£2,920	£113,270	£110,940	£2,330

Illustration B

Years from retirement	Default investment strategy			Multi-Asset Fund			Cash Fund		
	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV
6	£65,300	£65,300	£0	£65,300	£65,300	£0	£65,300	£65,300	£0
5	£65,620	£65,280	£340	£65,620	£65,280	£340	£64,340	£64,050	£290
0	£65,840	£63,880	£1,960	£67,230	£65,190	£2,040	£59,770	£58,160	£1,610

Notes

- Fund values shown are estimates and are not guaranteed.
- Projected fund values take account of future inflation.
- For active members, contributions are assumed to continue until retirement and to increase in line with inflation each year.
- Inflation is assumed to be 2.5% p.a.
- For the default investment strategy, the illustration takes into account the changing proportion invested in the different underlying funds over the term to retirement.
- The transaction costs used in illustrations have been averaged over a 5-year period in line with statutory guidance. A floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.
- Projected growth rates are consistent with those used for members' annual benefit statements (which are no longer based upon expected future returns).
- Projected growth rates, costs and charges used in the illustrations are summarised in the table below:

Strategy / Fund	**Growth rate (% p.a.)**	**Costs and charges (% p.a.)**
Cash Lifestyle Strategy	1.0 – 3.0 depending upon term to retirement	0.46 – 0.53 depending upon term to retirement
Multi-Asset Fund	3.0	0.53
Cash Fund	1.0	0.46

AVC Arrangement

For the AVC arrangement, we have decided to produce an illustration based on a member with the following characteristics:

- A member with the longest time left until they reach Scheme retirement age (8 years)
- Current fund value of £9,900
- No further contributions

The illustrations below demonstrate the effect of costs and charges on accumulated fund values ('FV') for the Managed Fund and the With Profits Fund as these are the only funds members invest in.

Years from retirement	Managed Fund			With Profits Fund		
	FV (before charges)	FV (after charges)	Impact of charges on FV	FV (before charges)	FV (after charges)	Impact of charges on FV
8	£9,900	£9,900	£0	£9,900	£9,900	£0
5	£10,050	£9,890	£160	£10,340	£10,170	£170
0	£10,290	£9,880	£410	£11,120	£10,630	£490

Notes

- The fund values shown are estimates and are not guaranteed.
- Projected fund values take account of future inflation.
- Inflation is assumed to be 2.5% p.a.
- The transaction costs used in illustrations have been averaged over the longest period they are available (5 years for the Managed Fund and 4 years for the With Profits Fund) in line with statutory

guidance. A floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

- Projected growth rates are consistent with those used for members' annual benefit statements (which are no longer based upon expected future returns).
- Projected growth rates, costs and charges used in the illustrations are summarised in the table below:

Fund	Growth rate (% p.a.)	Costs and charges (% p.a.)
Managed Fund	3.0	0.53
With Profits Fund	4.0	0.58

4.4. Specified performance-based fees

Where a fee is calculated by reference to the returns from investments held by the Scheme and is not calculated by reference to the value of the member's rights under the Scheme, the Trustee must state the amount of any such performance-based fees in relation to each default arrangement.

The DC Section does not operate performance-based fees and therefore during the Scheme Year this fee has been calculated to be 0%, expressed as a percentage of the average value of the default arrangement assets over the same period.

Value assessment

The Administration Regulations require the Trustee to make an assessment of charges and transaction costs borne by members and the extent to which those charges and costs represent good value for money for members, when compared to other options available in the market. This assessment covers both the DC section and AVC arrangement.

There is no legal definition of "good value" and the process of determining this for members is a subjective one. The Trustee has received advice on how to assess good value from its advisers and has considered the regulatory guidance.

- We have considered how the costs of membership compare against the services and benefits provided by the Scheme; such as scheme governance, the quality and range of investment options available, the efficiency of administration, the quality of support services (particularly at retirement) and communications to members.
- We have considered available benchmark and industry information in each of the listed areas in the assessment of the services and benefits provided by the Scheme. For example, we have referred to the standards required under The Pension Regulator's Code of Practice and the Pensions and Lifetime Savings Association Pension Quality Mark to measure the Scheme's governance, administration and investment options (as well as Aon's DC Survey data to benchmark against other Schemes).

The value assessment for this reporting period has covered the following:

- The charges members pay from their funds remain competitive compared to other options available in the market. Fund performance after charges has been broadly in line with expectations and with each funds' objectives. Therefore, where sector comparators are relevant, the costs borne by members have not led to under-performance compared to each funds' sector peers.
- The costs of membership compared to the services and benefits provided by the Scheme; such as scheme governance, the quality and range of investment options available, the efficiency of administration, the quality of support services (particularly at retirement) and communications to members.
- The benchmarks and industry information available in each of the areas listed above in the assessment of the services and benefits provided by the Scheme compared to other options in the market. For example, we have referred to the standards required under The Pension Regulator's DC Code of Practice that was in force over this reporting period, the Pensions and Lifetime Savings Association Pension Quality Mark and survey data from the Department for Work and Pensions, the Financial Conduct Authority and our advisers Aon Investments Limited, to measure the Scheme's governance, administration and investment options against other schemes.

Conclusion

Having undertaken an assessment of the Scheme over the period, the Trustee has concluded that the costs and charges represent good value for members.

5. Trustee Knowledge and Understanding

The law requires Trustees to have, or have access to, sufficient knowledge and understanding to properly exercise their functions as Trustees and to run the Scheme effectively. These requirements are set out in Sections 247 and 248 of the Pensions Act 2004.

The Trustee takes training and development responsibilities seriously. The Trustee Board's training is reviewed at least annually taking into account scheme-specific as well as regulatory requirements to identify any gaps in the knowledge and understanding of the Trustee Board as a whole. This allows us to work with our professional advisers to fill any gaps. The Trustee Board holds an annual training day.

Additionally, the Scheme's advisers provide regular training on topical issues and if appropriate ahead of consideration of changes affecting the Scheme. Trustees are encouraged to undertake additional external training to meet individual needs.

The Trustee agreed that at minimum, those Trustees who sit on the Sub-Committee responsible for the governance of the Scheme's DC benefits should have undertaken the additional DC elements of the Pension Regulator's Trustee Toolkit, which has been achieved. In December 2023, as part of its own governance review requirements, it was agreed that Trustees should aim to complete a minimum of 15 hours of training/continued development annually.

The Trustee receives quarterly updates on changes to pensions guidance and legislation and other matters which may impact the operation of the Scheme as a whole.

In the event of a change to the Trustee Board, the Secretary would assess the needs of the new Trustee and, depending on their experience / knowledge, a training plan would be agreed.

When making changes to key Scheme documents, including the Statement of Investment Principles and the Scheme Rules, the Trustee Board are provided with meeting papers explaining any proposed change and any regulatory requirements and risks. Trustees have access to all key Scheme documents.

As a result of the training activities which have been completed by the Trustee Directors individually and collectively as a board and taking into account the professional advice available to the Trustee, the Trustee Board is confident that the combined knowledge and understanding of the Trustee Board enables it to exercise its functions properly.

The statement regarding DC governance was approved by the Trustee of the Industry-Wide Coal Staff Superannuation Scheme on 18 July 2024 and signed on its behalf by:

Heather McGuire
Chair

Industry-Wide Coal Staff Superannuation Scheme

Statement of Investment Principles for the Mines Rescue Service Limited Defined Contribution Section

This document, effective from 22 June 2023, describes the investment principles governing decisions about the investment strategy adopted by the Mines Rescue Service Limited Defined Contribution Section (the DC Section) of the Industry-Wide Coal Staff Superannuation Scheme (the Scheme), as required by the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee has a separate Statement of Investment Principles for the Defined Benefit Sections of the Scheme.

In preparing this Statement the Trustee has consulted with the relevant employer and obtained and considered written advice from its professional advisers, Aon Solutions UK Limited.

The Trustee reviews this Statement of Investment Principles at least every three years, and without delay after any significant change in investment policy, or in the circumstances of the Scheme.

Aims & Objectives

The Trustee is responsible for the investment of the DC Section. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee takes into account whether it has the appropriate training and expert advice in order to make an informed decision.

When setting the investment strategy for the DC Section, the Trustee aims to make an appropriate range of funds available that should:

- enable members to tailor their investment strategy to meet their individual needs;
- ensure members have an appropriate choice of assets for investment; and offer funds which provide diversification and long-term capital growth and
- enable members to reduce risk in their investments as they approach retirement.

Default Investment Strategy

The Trustee has designated a default investment strategy for members of the DC Section who do not make their own investment decisions.

The Trustee has designated an investment strategy designed by Legal & General as the default investment strategy. The Trustee has no influence on the investment aims of each underlying fund or how the investment managers choose the underlying investments within the fund, as the assets are pooled with many other investors to obtain economies of scale. The Trustee can designate an alternative Legal & General investment strategy as the default at any time if it sees fit.

When selecting the default investment strategy for the DC Section, the Trustee considered the following:

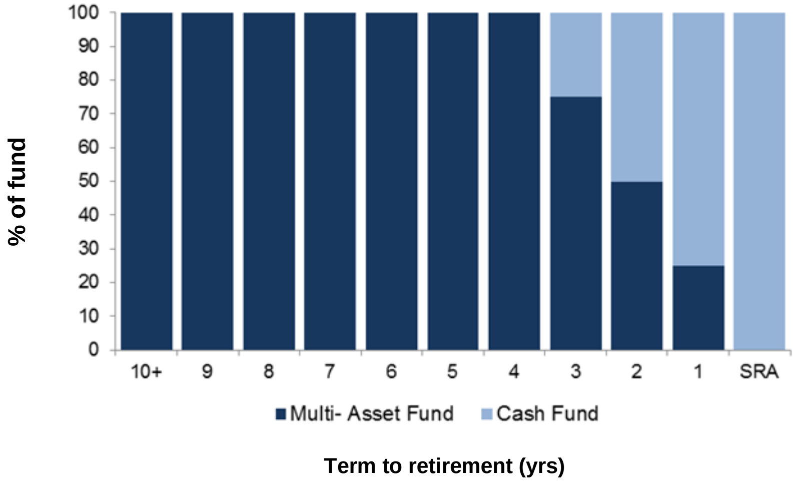
- The need for appropriate diversification of asset classes.
- The suitability of each asset class for a defined contribution ("DC") scheme, including liquidity.
- The differing investment priorities for members, depending upon their term to retirement.
- The format in which members are deemed likely to access their benefits.

The key aim for the default investment strategy is to provide an investment approach that is suitable for meeting members' long and short-term investment objectives, considering the differing investment priorities for members, depending upon their term to retirement and the format in which they are deemed likely to access their DC benefits.

Members who are a number of years from retirement can withstand the volatility associated with a higher allocation to equities as their fund has sufficient time to recover stock market losses. The default investment strategy therefore aims to provide members with potential for higher levels of growth during the accumulation of their retirement savings through exposure to growth assets, whilst spreading risk by investing in a range of asset classes.

From three years before selected retirement age (SRA), funds are gradually switched to cash to reduce the risk of volatility on the fund and to target the format in which the Trustee expects members to access their DC benefits i.e. as a cash lump sum.

The structure of the default investment strategy is shown in the chart below:



The investment objectives[1] for each fund used in the default investment strategy are set out below.

Fund	**Benchmark**	**Total Expense Ratio (% p.a.)**	**Investment objective**
Legal & General (PMC) Multi-Asset Fund	ABI Mixed Investments 40-85% shares sector average	0.50	To provide long-term investment growth through exposure to a diversified range of asset classes.
Legal & General Cash Fund	IA Short-Term Money Market	0.47	To provide capital protection with growth at short-term interest rates.

The Balance Between Different Kinds of Investments

The DC Section makes a range of funds available to members, the assets of which are invested in a range of instruments including equities, bonds and cash. The underlying funds may include an allocation to 'alternative' asset classes.

Choosing Investments

The Trustee's policy is to obtain written advice concerning the continued appropriateness of the investment strategy, investment manager and the range of funds available every three years, or sooner in the event of any significant changes to their investment objectives.

Although the Trustee is responsible for the investment strategy of the DC Section, the range of investment funds that can be offered to members is determined by the funds Legal & General makes available.

The DC Section assets are invested in regulated markets.

[1] As at 22 June 2023

The Trustee does not hold any direct investments in derivatives, although the DC Section's investment managers may do, so long as it contributes to the reduction of investment risk, or facilitates efficient portfolio management.

Expected Return on Investments

The investment objectives of each fund are set by the fund manager. The Trustee monitors performance on a quarterly basis, with reference to each funds' benchmark (or expected return, if applicable).

Realisation of Investments and Liquidity

The Trustee recognises the importance of liquidity to ensure members' funds can be realised when required. All funds held by the DC Section are dealt daily and invested in liquid assets and are therefore realisable at short notice through the sale of units in pooled funds.

The Trustee holds illiquid investments on behalf of DC members in the default investment strategy.

The illiquid investments are underlying holdings within the wider pooled Legal & General Multi-Asset Fund. Legal & General currently allocates assets of the Multi-Asset Fund to underlying illiquid holdings (Property (Real Estate), Private Equity, Infrastructure and Forestry). These are at the discretion of the investment manager, and the allocations may increase or decrease over time.

The Multi-Asset Fund is the Fund used during the 'growth' phase of the lifestyle strategy. It is therefore held by members up until one month before retirement. The Trustee believes that the Multi-Asset Fund, and the illiquid investments within it, provide diversification from the other key return drivers held by members at this stage of the lifestyle.

Whilst the Trustee recognises that illiquid investments may be associated with higher costs, and liquidity risks, it nevertheless believes that the benefits of diversification and access to an illiquidity premium should benefit members in the long term. The Trustee also believes that Legal & General is best placed to use its discretion as to the appropriateness of holding illiquid investments in the Multi-Asset Fund at any particular time, and to use the liquid portions of the Fund to ensure members have sufficient access to liquidity**.**

Risk

Members of the DC Section accrued defined benefit ("DB") benefits in the Scheme before the Mines Rescue Service Section changed to DC accrual. The Trustee recognises the key risk is that DC members will build up a fund value that does not meet their expectations.

The Trustee considers the following sources of risk:

- **Risk of unsuitability of default investment strategy** – the risk that the default investment strategy will be unsuitable for the requirements of some members. The Trustee seeks to mitigate this risk by regularly reviewing the suitability of the default investment strategy, in view of the format in which members can take their DC benefits, and investment options available at the time.
- **Market risk** –the value of members' policies in the DC Section fluctuate with the movement in the underlying asset values. This means that, at a member's retirement, there is a possibility that the fund will have to be realised to provide retirement benefits when the value of underlying assets has fallen. The default investment strategy automatically switches into a lower risk fund as members approach retirement, with the aim of reducing volatility.
- **Manager risk** - the failure of the fund managers to meet their objectives. The Trustee has sought to minimise this risk by using passively managed funds wherever feasible in the default investment strategy.
- **Inflation risk** – the absolute return on investments, and hence the value of the members' policy may be diminished by inflation. To help mitigate this risk, a significant proportion of the fund used during the growth phase invests in equities, with the aim of providing real growth (in excess of inflation) over the long term.

- **Environmental, social and governance risks including climate change** - these risks may negatively impact the value of members' policies if not understood and evaluated properly. The Trustee accepts that the DC Section assets are subject to Legal & General's own policies on environmental, social and governance factors. The Trustee considers this risk by taking advice from its investment adviser when reviewing the investment strategy.
- **Operational risk -** the risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced.
- **Annuity purchase risk** – the default investment strategy switches to cash as members approach retirement because the Trustee expects most members to take their DC funds as a cash lump sum. If members choose to use their DC funds to purchase an annuity, annuity rates may be more expensive than anticipated and the Cash Fund is unlikely to provide protection against changes in annuity rates. The Trustee seeks to address this risk by making the Pre-Retirement Fund available to members as a self-select fund.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review.

Policy on Assessing Performance and Monitoring Costs

The Trustee receives reports from Legal & General on a quarterly basis showing the performance of the DC Section funds, compared to their benchmarks.

The Trustee is aware of the importance of monitoring the costs and charges borne by members, and the impact these can have on member outcomes. It obtains information about the level of costs and charges, as part of the work to prepare the Chair's Statement each year.

For the DC Section, Legal & General is remunerated by way of an annual management charge and a fund management charge, both of which are a percentage of assets under management. This is in line with market practice. The annual management charge and fund management charge (including other annual charges levied by the investment manager) are met by the members explicitly by deduction from the unit price.

The Trustee accepts 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. Where the Trustee’s monitoring identifies a lack of consistency, the mandate will be reviewed.

Arrangements with asset managers

The DC Section of the Scheme is invested in an insurance policy issued by Legal & General Assurance Society Limited ('Legal & General'). Legal & General is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Investment in the insurance contract is under the control of the Trustee and it is the Trustee's policy to review the investments and to obtain written advice about them periodically.

When choosing investments, the Trustee, Legal & General and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

In accordance with the Financial Services and Markets Act 2000, the Trustee is able to set general investment policy, but has delegated this and all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to Legal & General and the relevant fund managers through a written contract. Legal & General and the investment managers shall provide the skill and expertise necessary to manage the investments of the DC Section competently.

As the DC Section's assets are invested in pooled funds, the Trustee has limited influence over the underlying fund managers' investment practices. There may be circumstances where managers cannot fully align their strategy and decisions to the policies of all pooled fund investors in relation to strategy, long-term performance of debt/equity issuers and engagement (which may conflict).

The Trustee monitors the DC Section's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium to long term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium to long term.

The Trustee is supported in this monitoring activity by its investment consultant.

Before appointment of a new asset manager, the Trustee will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where governing documentation is not aligned, the Trustee will express its expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

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

Environmental, Social, and Governance ("ESG") considerations

In setting the investment strategy for the DC Section, the Trustee's primary concern is to provide an investment approach that is suitable for meeting members' long and short-term investment objectives. The Trustee acknowledges the risk that ESG factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the investment strategy for the DC Section, when selecting managers and when monitoring their performance.

Stewardship Policy (voting and engagement)

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the DC Section invests, as this ultimately creates long-term financial value for members and their beneficiaries. However, the Trustee also recognises that it has limited influence over manager's stewardship practices as the DC Section's assets are held in pooled funds.

The Trustee expects managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

As part of their delegated responsibilities, the Trustee expects Legal & General and the fund managers to:

- engage with investee companies where appropriate with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the DC Section's assets.

The Trustee reviews the continuing suitability of the appointed provider at least every three years and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee reviews the stewardship activities of the fund managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the DC Section's asset managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner.

The transparency for voting should include voting actions and rationale with relevance to the DC Section, in particular, where votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustee or the asset manager.

Where voting is concerned, the Trustee expects their asset managers to recall stock lending as necessary in order to carry out voting actions.

Where significant concern is identified, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the DC Section's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[2]).

Signed on behalf of the Trustee of the Industry-Wide Coal Staff Superannuation Scheme

Signed: Date:

Name:

[2] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.