

**Governance Statement from the Chair of Trustee of the
Clear Channel UK Limited Pension Plan
an Executive Pension Plan insured with Zurich – Policy number P00066-077**

Dated 31 March 2020

Governance Statement from the Chair of Trustee

1. Purpose

As Trustee of the Clear Channel UK Limited Pension Plan (the “Scheme”) we have reviewed and assessed the extent to which our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator’s:

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

This statement aims to summarise, in a way that is proportionate to the size of the Scheme, how those requirements are met.

We are committed to adopting the standards of practice set out in the DC code and DC regulatory guidance.

2. Type of Pension Scheme

The Clear Channel UK Limited Pension Plan is a defined contribution occupational pension scheme set up under Trust. It was established on 1 October 1977 and is governed by a declaration of trust dated 1 October 1977.

As at the date of this Statement there was 1 deferred member in the Scheme.

On retirement members have the following options

- Take part of their funds as a pension commencement lump sum (tax free cash sum) and / or
- Secure a pension annuity policy. Where an annuity has been secured it is secured in the name of the member or
- Transfer their funds to another pension provider, for example to access flexible drawdown.

3. Appointed Advisers

The Scheme is insured with Zurich Assurance Limited “the insurer” & “Zurich”. The policy commenced with Hambro Assurance (Allied Dunbar) and was transferred to Zurich through various acquisitions.

The insurer invests the Scheme assets for each member in a range of funds as detailed overleaf.

The insurer undertakes the day to day administration of the Scheme for the Trustee.

The Scheme’s sponsoring Employer and Trustee will shortly be winding up the Plan.

In 2020, the Trustee has appointed Pi Consulting (UK) Limited to advise on the governance of the Scheme and the wind up process, and has appointed Quantum Advisory Limited to provide regulated investment advice in relation to the Zurich Policy.

In light of the decision to wind up the Scheme the Trustee is comfortable with the advisers in place.

4. Scheme assets and investments

Since policy inception, the first two years of contributions were invested in capital units, and thereafter in accumulation units.

The remaining deferred member has reached their normal retirement age but is deferring taking their benefits.

On reaching normal retirement age, the capital units were converted into accumulation units and so the current assets are now split: capital units: 0%, accumulation units: 100%

As at 31 March 2020, the assets of the Scheme were invested in the Zurich Managed AP Fund:-

Investment Funds	Annual Management Charge (AMC)	Fund expense	Fund Identifier Sedol code	Performance for the last calendar year		
				2019	2018	2017
Zurich Managed AP – Accumulation Units	0.75% but reimbursed see note below	0.18%	0406181	16.31%	-4.82%	10.31%

In addition, Members have access to invest their funds in a number of other funds within Zurich's product code BH. The charges below are as set out in Zurich's fund list dated November 2019.

Investment Funds	Annual Management Charge (AMC) on accumulation units – reimbursed – see note below	Fund expense	Extra Yearly charge
Zurich American Equity AP	0.75%	0.15%	0%
Zurich Equity AP	0.75%	0.15%	0%
Zurich European AP	0.75%	0.17%	0%
Zurich Far East AP	0.75%	0.24%	0%
Zurich Fixed Interest Deposit AP	0.75%	0.09%	0%
Zurich Gilt Edged AP	0.75%	0.09%	0%
Zurich Managed Bond AP	0.75%	0.32%	0%
Zurich Managed Equity & Bond AP	0.75%	0.26%	0%
Zurich Managed Equity AP	0.75%	0.33%	0%
Zurich Property AP	0.75%	0.5%	0%

Additional fund choices: In addition to the fund list above, members have access to investment in over 20 additional funds. A full list of these is available on Zurich's website listed in a brochure called "Zurich Pensions: Fund charges and expenses" that covers fund choices for the ex-Allied Dunbar pension plans – web link below.

NOTE: Reimbursement in part of the AMC: Whilst there are annual management charges of 0.75% per annum that are applied to both Accumulation and Capital units, Zurich reimburse the AMC for the accumulation units. This is by the purchase of additional units that are allocated to each member.

Zurich offer a wide range of funds to invest in. Details about these funds can be found on Zurich's website at the following web address or alternatively can be requested from the Trustee.

Web details are :- www.Zurich.co.uk/pensions-and-investments/manage-my-pension

Once in that page, click on the "Fund Details" section, then click on the "All other plans starting with "P", and the section at the bottom titled "Our full range of funds" gives access to the Zurich investment fund brochure called "Zurich Pensions – Fund Charges and expenses", and lists the funds under column BH that members have access to. These fund choices cover a wide range of fund managers and asset classes.

The Trustee is satisfied that the range of funds offered by Zurich will meet the needs of members and offers access to a range of fund managers.

4.1 Lifestyle Investing

The Scheme does not have a lifestyle strategy however, members have access to a range of funds that enable a member to restructure their investments nearer retirement. Details of these funds can be found via the link above.

4.2 Default investment strategy

There is no current default investment strategy and all members funds are invested in line with historic advice and recommendations.

None of the investment funds have Guaranteed Annuity Rates (GAR). Therefore, pensions on retirement, should the member elect to purchase an annuity, will be dependent on market terms on offer at that time.

4.3 Impact of charges

The following table shows the potential impact over time of the costs and charges borne by members on projected values at retirement in today's money. The table represents a starting DC pot of £50,000. Each member's pot size is different.

The assumptions used are

- *No ongoing contributions*
- *An average charge of 0% on the accumulation units and 4.25% on the capital units*
- *Units ratio is estimated at 80% accumulation and 20% capital units*
- *Assumed growth of 2.6% above inflation, ie 5.1%*
- *Includes the impact of the fund additional charges that range from 0.17% to 0.32% per annum (assumed to be 0.25% per annum on average).*
- *The figures below take into account inflation at 2.5% over the term, so the numbers are expressed in current day terms*

Fund value £50,000	Accumulation Units before Normal retirement age		Capital Units before Normal retirement age		Capital Units after Normal retirement age	
	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
0	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000
2	£52,569	£51,951	£52,569	£47,804	£52,569	£52,569
5	£56,671	£55,083	£56,671	£44,691	£56,671	£56,671

4.4 General

The Scheme is not a qualifying scheme for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 as it is not used for auto-enrolment purposes. As such there is no "default arrangement" (as defined in those Regulations).

5. Statement of Investment Principles

As the Scheme has fewer than 100 members, a Statement of Investment Principles (prepared in accordance with regulations 2A of the Occupational Pension Schemes (Investment) Regulations 2005) is not required.

6. Investment Review

The Trustee recognises a number of risks for the members and the main ones are:

- ***Inflation risk*** – *the risk that the purchasing power of their investment account is not maintained.*

- **Pension purchase risk** – the risk that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained.
- **Capital risk** – the risk that the value of the element to provide a tax-free cash sum is not maintained.
- **Communication risk** – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made.
- **Inappropriate member decisions** – the risk that members make inappropriate decisions regarding their investments.

Other risks, in addition to the above, include mismatching risk, manager risk, liquidity risk and concentration risk.

The varying nature of the risks faced by a defined contribution investor through time means that no single investment product will necessarily adequately meet the needs of the investor throughout the investing period.

The Trustee understands the importance of being able to effectively monitor core financial transactions of the Scheme, including transfers into and out of the Scheme and payments out of the Scheme as well as the administration service and in particular, that agreed service levels are being met.

The Trustee has found the administration services provided by Zurich to meet the needs of the Scheme.

As all members are deferred members, no contributions were due or paid by the Company. The Company is meeting the Trustee costs and adviser expenses.

7. Charges and transaction costs and allocations

The Trustee understands the importance of the charges and transaction costs applicable. The charges are as follows:

Fund	Charge per annum	Type of charge	How deducted
Accumulation units	0.75%	Annual Management Charge (AMC)	Reflected in the unit price. The AMC of 0.75% is reimbursed, and Zurich credit members with additional units to reflect the reimbursement of the AMC.
Capital unit charge	4.25% until normal retirement age.	Annual Management Charge (AMC)	The Capital units have an additional annual management charge of 3.5%, which when added to the 0.75% makes an annual charge of 4.25% When a member reaches their normal retirement age of 60, the 3.5% charge will cease, and the Capital units are converted to accumulation units.
Various investment funds	Varies 0.15% - 0.50% (See table in section 4)	Additional Expenses on each investment fund	Reflected in the unit price. This is charged by some fund managers to cover expenses like audit costs, trustee costs and valuer costs. This charge is in addition to the AMC.
Investment pricing and investment of new funds		Bid/offer spread	There is a 5% bid/offer spread on the unit prices. This is the difference between the buying and selling price of the units. Units were purchased at the offer price, but all

			<p>valuations of units are quoted at the bid price.</p> <p>When contributions were initially invested they were credited at up to 105% of their initial value.</p> <p>After initial investment, all fund values are quoted by Zurich using the bid price.</p>
Market Value Reduction	Applicable only on the Capital Units	Charge for early encashment of Capital units prior to age 60.	<p>A reduction applies to the Capital Units if they are encashed prior to age 60.</p> <p>The amount varies and is dependent on the term. It reduces as a member gets nearer age 60.</p>
Member expense policy charge by Zurich	£12.07 per month per member as at 31.1.2020.	Type of Policy fee	There is no annual policy fee, but there is a monthly expense charge of £12.07 per member which is reviewed annually in line with the Average Weekly Earnings. This charge is deducted from the fund value by deduction of units.
Full return of fund protection charge (FROF)	£11.45 per month as at 31.1.2020	Monthly	<p>Cost to insure the return of the full fund value on death before retirement.</p> <p>This charge is deducted from the fund value by deduction of units.</p>
Other charges – Non Zurich charges	Nil	Trustee charges Other running costs.	These are paid for by the Company. No charge to the member.
Change of investments	Impact of bid / offer spread	Switching investments from one fund to another.	To note that there is often a 5% bid / offer spread on unit prices. The bid price (sale price) is often up to 5% lower than the offer (purchase) price.

In accordance with regulation 25(1)(a) of the Administration Regulations, the Trustee has calculated the “charges” and, so far as it was able to do so, the “transaction costs” borne by members of the Scheme for the Scheme Year. Members are able to view the charges applying to the above funds on the available fund factsheets.

Transaction costs are those incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account via the unit price for each of the funds. The Trustee is aware that the Financial Conduct Authority (FCA) has now published its final policy statement on transaction costs which, effective from 3 January 2018, introduced an obligation on asset managers to disclose transaction costs to Trustee Boards as well as a prescribed methodology under which asset managers should do so.

Overall the charges incurred on each members’ fund equates to overall about 1% per annum until a member reaches normal retirement age and then reduces significantly thereafter.

8. Value for Money

The Trustee is required to assess the extent to which the (ongoing) charges and transaction costs represent good value for members. The Trustee understands the importance of ensuring that the service levels, charges and transaction costs represent good value for members.

Given that the Scheme is to be wound up the Trustee is of the opinion that the current level of charges are acceptable.

The Trustee has taken investment advice in July 2020 on whether the Zurich policy is a suitable policy to assign to the member on wind up. This advice looked at other policies and it concluded that the Zurich policy offered the best value on charges.

The Trustee is comfortable that the Zurich policy offers members a good choice of investment funds with access to a number of investment managers through the existing policy.

The remaining member has expressed their preference to retain the Zurich policy.

9. Administration, including processing of financial transactions

The Trustee understands the importance of being able to effectively monitor core financial transactions of the Scheme, including transfers into and out of the Scheme, payments out of the Scheme and investment switches as well as the administration service and in particular, that agreed service levels are being met.

The processing of core financial transactions are regularly monitored by our administrators, Zurich, who have internal control procedures that help ensure that core financial transactions are processed promptly and accurately. This includes controls and procedures to manage the accuracy of investment allocations and the payment of benefits to members.

The administrators provide annual Scheme statements to members.

The Trustee is happy with the service provided by Zurich, who have been very responsive to the questions put to it by the Trustee.

10. General

As part of its oversight and effective running of the Scheme, the Trustee has appointed advisers to assist them with meeting the governance requirements.

11. Trustee knowledge and understanding

The Trustee is required to have appropriate levels of trustee knowledge and understanding. This is achieved in a number of ways including:

- *The appointment of professional pension advisers.*
- *Appropriate training undertaken at or outside of Trustee meetings.*
- *Experience gained from managing other occupational pension schemes*

As the Company is Sole Trustee, it has appointed Pi Consulting (UK) Limited to manage the governance of the Scheme.

Pi has its own continuing professional development (CPD) requirements of at least 25 hours a year for its consulting staff. This takes the form of attending internal and external seminars, training sessions, and webinars hosted by various pension services providers and industry bodies and reading material. Training is logged and reviewed annually. In addition, the various pension professional bodies, like the Pensions Management Institute and Institute of Actuaries, have their own CPD requirements that relevant staff adhere to. These CPD requirements were achieved during the year to 31 March 2020.

PI ensures that all members of the advisory team have knowledge of the Scheme's governing documents. The Trustee is supported by the Scheme's advisers.

Signed for and on behalf of the Trustee of the Scheme



Byron Hoo

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For Clear Channel UK Limited
as Sole Trustee of the Clear Channel UK Pension Plan
An Executive Retirement Plan insured with Zurich – Policy number P00066-077

Date 6/8/20.....