

Chairman's governance statement for the Reliance Precision Limited Retirement and Death Benefits Scheme

This statement is addressed to the members of the Reliance Precision Limited Retirement and Death Benefits Scheme (the Scheme) and is for the year to 31 March 2021. This statement will be updated annually and will appear in the Scheme's accounts and published online.

The Trustees of the Scheme have reviewed and assessed the systems, processes and controls across key governance functions to ensure they are consistent with those set out in legislation, the Pensions Regulator's Code of Practice No 13 and the accompanying regulatory guidance. The latest versions of the Code and guidance are dated July 2016. Further legislative updates have been made in 2018 in respect of additional disclosure requirements.

Based on their assessment the Trustees believe that they maintain the standards of practice set out in the DC code and DC regulatory guidance. These standards help to demonstrate the quality of governance within the Scheme. The Trustees believe good governance will help to deliver better outcomes for members at retirement.

In particular, the Trustees govern the Scheme using regular meetings, maintaining recommended governance documentation, such as a business plan and risk register, (which is reviewed regularly) and by seeking training opportunities to ensure the Trustees have sufficient knowledge and understanding to fulfil their roles.

The default investment arrangement and its governance

The Trustees consider carefully the default investment arrangement offered, taking into account the best interests of the average scheme member. The Trustees review the Scheme's membership profile annually and regularly seek the views of members as well as monitoring recent Scheme and market experience. The Trustees engage with members as they approach retirement to inform them and enable members to tailor their pension savings within the Scheme to fit in with their own circumstances and, in particular, to point out additional options which may not be available directly from the Scheme. The default investment strategy was last reviewed in 2021.

Processing financial transactions

At each regular trustee meeting the Trustees review the income received by and payments made from the Scheme, as well as other actions such as information requests from members and investment switches between funds, to ensure all requests and transactions are processed promptly and accurately. The Trustees also have a contract with a third party administrator who accepts responsibility for making payments accurately and promptly and notifying the Trustees if there are any issues. Disinvestments from the investment managers are processed electronically so they are actioned as quickly as possible once all information is received.

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Maintenance of Statement of Investment Principles

The Trustees maintain a "Statement of Investment Principles" (SIP) and the current copy of the SIP is attached. The Statement summarises the Trustees' investment policies, the funds offered to members and the charges applicable on those funds. The SIP was last reviewed in September 2020. The investments are reviewed annually to ensure they are consistent with the SIP.

Details of the fees incurred in both the investments and general running of the Scheme are summarised below.

Trustee knowledge and understanding

Training activities undertaken this year have included attendance at PLSA seminars, a Pension Circle event and webinars covering the impact of the Covid-19 pandemic.

One of the Trustees is a professional trustee who maintains a high level of knowledge and understanding in order to support the Trustee board as a whole through attendance at internal and external seminars, conferences, training sessions and webinars hosted by various pension services providers and industry bodies. The various pension professional bodies, like the Pensions Management Institute and Institute of Actuaries, have their own Continuous Professional Development ('CPD') requirements. The representatives of the professional trustee record their CPD and submit this to their governing body annually. These CPD requirements were achieved during the year to 31 March 2021.

The purpose for training activities is to ensure the Trustees have sufficient knowledge and understanding of the law relating to pensions and trusts, the principles relating to the funding and investment of the Scheme and to ensure the Trustees know when to seek advice on Scheme matters and are able to scrutinise the advice to enable them to exercise their functions properly.

The Trustees consider the rules of the Scheme whenever making decisions.

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Fees and costs incurred in running the Scheme

For information, the costs associated with the Scheme during the year to 31 March 2020 were:

Costs paid by members (by way of charges in the units):

Investment management fees:

| Fund (Fund code) | Fees | Aim of Fund |
|---|-------------------|--|
| L&G Multi-Asset (formerly Consensus) fund (AN)* | 0.25% pa of fund | This fund invests in many different asset classes not just equities. As such, it is expected to produce lower long term rates of return than equity funds, but to be less volatile in the short term. This fund has been chosen for members who might be considering drawdown after they retire as the fund has opportunity for growth but with a lower expected risk/return profile than pure equity funds. |
| L&G Pre-retirement fund (EJ)* | 0.15% pa of fund | This fund invests in Government bonds, corporate bonds and cash assets. The fund is a good investment for members approaching retirement who are anticipating purchasing an annuity because it aims to track the price of a typical non-inflation linked annuity product. |
| L&G Ethical Global Equity fund (EA) | 0.30% pa of fund | This is an equity based fund which aims to track the FTSE4 Good Global Equity Index of companies selected according to ethical guidelines. The aim of the fund is to grow over the medium/long term. |
| L&G Cash fund (H)* | 0.125% pa of fund | This is a cash-based fund intended for the cash element of a fund in the 5 years before retirement. |

Transaction costs are only incurred when members invest in or disinvest from funds (including when switching between funds). These fees range from 0% to 0.1% of the fund value depending on the fund and market conditions at the time of investing and/or disinvesting.

*The Multi-Asset fund has been chosen as the default fund for members’ growth phase. The Pre-Retirement and Cash funds are also used as part of the default Lifestyle Investment Programme. Full details on the default arrangements are set out on page 39.

Other costs are paid by the employer:

These include the Life Assurance premium for the Scheme’s death in service benefits and all Scheme Advisory costs (professional independent trustee, scheme administration, actuarial advice, investment advice, scheme accounts audit, legal advice). The employer also pays a standing charge of £1,500 a year payable to Legal & General in addition to the investment fees detailed above.

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Illustration of Annual Management Charges and Fund Values

Annual Management Charges (AMCs) are paid out to the investment fund manager for services involved with the management of the fund and the costs associated with running the fund. The level of these charges affects the final fund value.

The following illustrations show the cumulative impact of the AMCs in four scenarios (two designed for the Scheme’s active members and two for the deferred members). The illustrations use two different expected gross rates of return (5% pa and 3% pa) since future investment returns play the most significant role in determining the long-term fund value.

Two different annual management charges have been used to provide a broad spectrum of projections demonstrating how a higher annual management charge may results in a lower final fund value at the end of the period.

The illustrations have been reduced to reflect the effects of anticipated inflation over the period of projection, assumed to be 2.5% per annum.

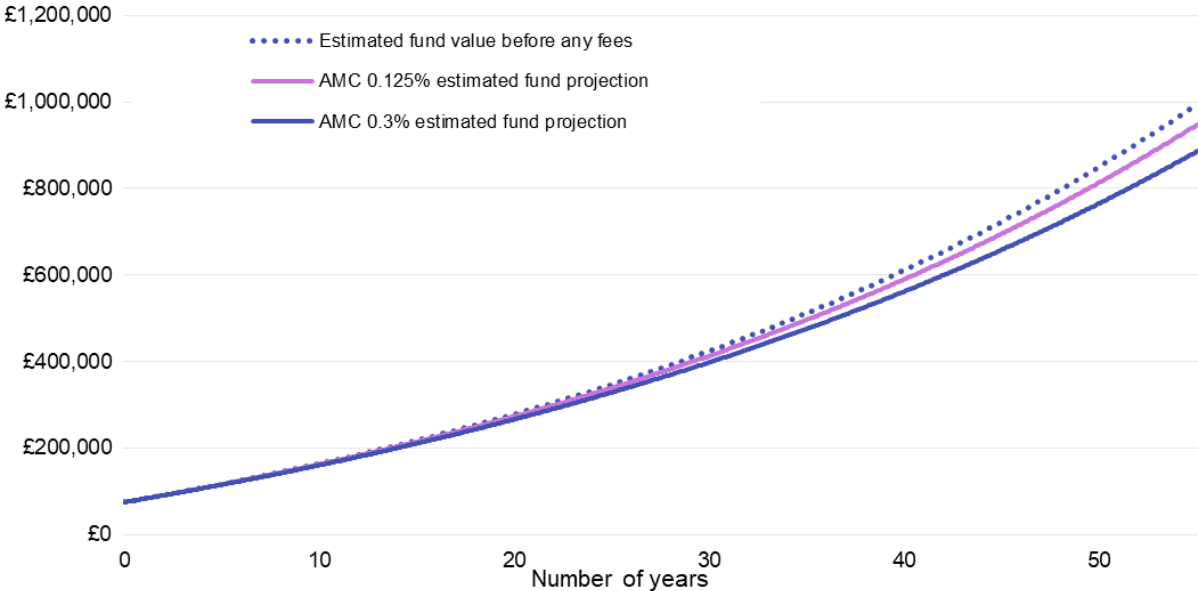
The value of the fund based on each different Annual Management Charge is shown at three separate periods 10 years, 25 years and 50 years.

It should be noted that these are only illustrations and actual fund values will depend on actual investment returns achieved on investments, the time under investment and the amounts invested.

Illustration 1

This illustration projects the cumulative value of a pension contribution of £500 paid each month into a pension fund for the entire period under consideration. A starting fund value of £75,000 is also assumed. These figures are the averages within the Scheme.

A gross investment return of 5% per annum has been assumed and the annual management charges applicable for each example are deducted from this.



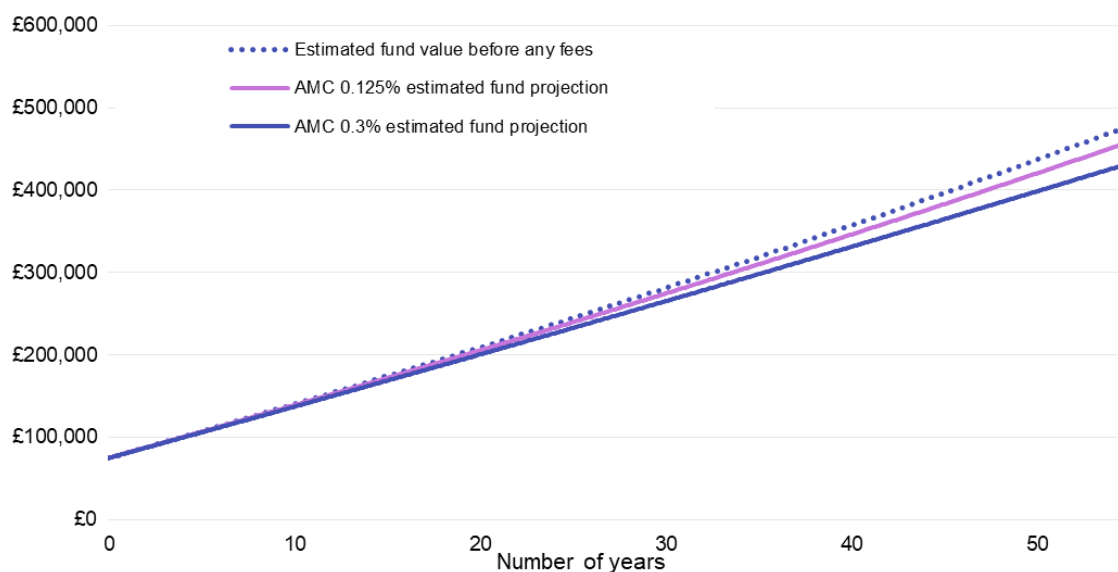
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| | No charges | 0.125% charge per year ————— | 0.300% charge per year ————— |
|-------------------|---------------------|---------------------------------|---------------------------------|
| Value at 10 years | 164,204 | 162,608 | 160,400 |
| Value at 25 years | 346,971 | 339,335 | 328,961 |
| Value at 55 years | 995,040 | 948,017 | 886,390 |

Illustration 2 (lower investment return)

As per illustration 1, this illustration projects the cumulative value of a pension contribution of £500 paid each month into a pension fund for the entire period under consideration. A starting fund value of £75,000 is also assumed.

A gross investment return of **3%** per annum has been assumed and the annual management charges applicable for each example are deducted from this.



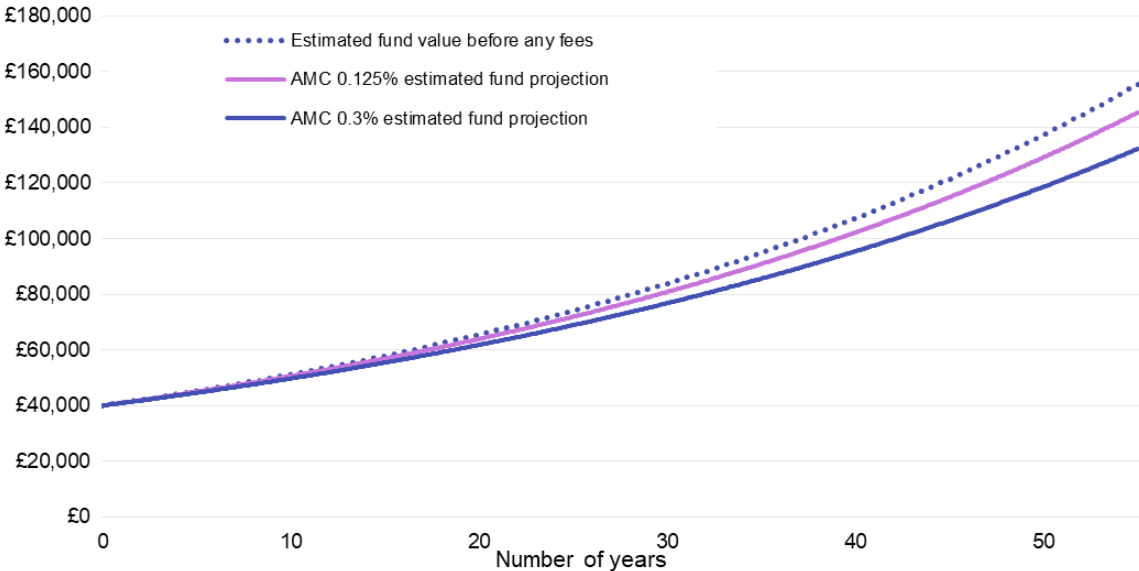
| | No charges | 0.125% charge per year ————— | 0.300% charge per year ————— |
|-------------------|---------------------|---------------------------------|---------------------------------|
| Value at 10 years | 140,484 | 139,123 | 137,242 |
| Value at 25 years | 245,041 | 239,923 | 232,968 |
| Value at 55 years | 479,155 | 459,322 | 433,245 |

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Illustration 3 (deferred member)

This illustration projects the cumulative value of a pension fund starting at £40,000 and assuming no future contributions will be paid into the Scheme. The reduced starting value of the fund reflects the smaller average fund values for deferred members in this Scheme. This illustration is more applicable for deferred members who have ceased paying contributions to the Scheme.

A gross investment return of 5% per annum has been assumed and the annual management charges applicable for each example are deducted from this.



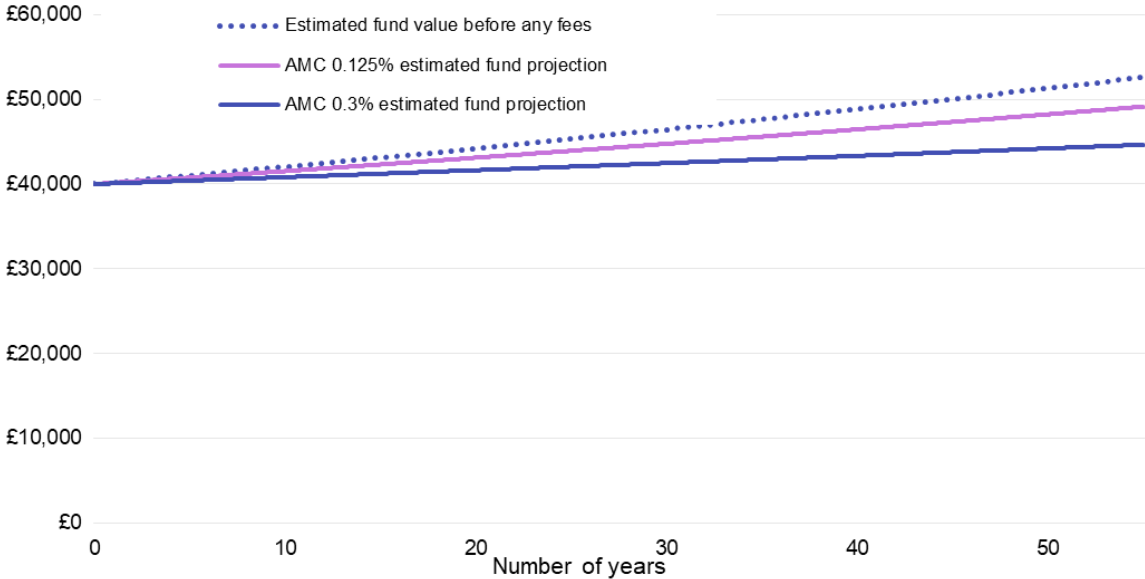
| | No charges | 0.125% charge per year ————— | 0.300% charge per year ————— |
|-------------------|---------------------|---------------------------------|---------------------------------|
| Value at 10 years | 51,203 | 50,582 | 49,724 |
| Value at 25 years | 74,158 | 71,930 | 68,918 |
| Value at 55 years | 155,551 | 145,454 | 132,391 |

Illustration 4 (deferred member, lower investment return)

This illustration projects the cumulative value of a pension fund starting at £40,000 and assuming no future contributions will be paid into the Scheme. As per illustration 3, the reduced starting value of the fund reflects the smaller average fund values for deferred members in this Scheme. This illustration is more applicable for deferred members who have ceased paying contributions to the Scheme.

A gross investment return of 3% per annum has been assumed and the annual management charges applicable for each example are deducted from this.

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| | No charges | 0.125% charge per year ————— | 0.300% charge per year ————— |
|-------------------|---------------------|---------------------------------|---------------------------------|
| Value at 10 years | 42,046 | 41,526 | 40,807 |
| Value at 25 years | 45,312 | 43,924 | 42,049 |
| Value at 55 years | 52,625 | 49,143 | 44,646 |

Value for money

Every year the Trustees consider the costs members incur as part of their membership of the Scheme and the Trustees complete a “value for money” assessment. The Pensions Regulator has issued guidance on how “value for money” should be assessed. (See Sections 113 to 133 of the DC Code of Practice No 13 dated July 2016 and the separate Guide entitled “Value for members” also dated July 2016.) The Code of Practice and accompanying Guide set out the considerations which the Regulator expects trustees to take into account when assessing whether their scheme offers members “value for money”. The guidance also comments on addressing poor value areas and ongoing monitoring and evaluation.

The Trustees believe that a scheme offers value for money if the costs and charges deducted from members provide good value in relation to the benefits and services compared with the cost of other options available in the market. For instance, if a scheme has higher charges then it should be expected to provide bigger benefits or better services in order to provide equivalent “value for money”.

Costs borne by members

The members pay only the investment management charges associated with the funds being used. These explicit charges consist of both annual management charges and ‘transaction’ costs incurred whenever switching between funds or investing / disinvesting. The costs associated with dealing in the stocks and shares underlying each specific fund is reflected in the actual investment return. Full details of the annual management charges experienced by members are detailed above.

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Costs borne by members (continued)

The services provided in return for the charges levied are:

- Full investment management of the fund in line with the stated objectives – generally to maintain links to the designated benchmark
- Sale and purchase of underlying investments to maintain the stated objectives
- Quarterly reporting to the Trustees on the performance of the funds with commentary on the general economic factors affecting the funds and L&G's views on the outlook for investments
- Time spent administering investment switches / investments / disinvestments
- An annual meeting with the Trustees, including a presentation to members, to discuss the funds on offer

The Trustees regularly review the investments and periodically review the appropriateness of the funds and their benchmarks for meeting member's needs over the long term.

In addition the Trustees consult their investment advisers from time to time to review investment funds offered by other providers.

Costs borne by the Company

The Company meets the cost of all levies, insurance premiums and advisory costs including, the professional Trustee, third party administration, actuarial advice, investment advice, legal advice and audit fees. The two lay Trustees (including the member-nominated Trustee) are also given time and support to enable them to undertake their role as Trustees.

Conclusion

The Trustees consider the level of fees paid by members to provide good value. This view is based on the level of fees available on other investments of similar types, the level of service provided and the ability of the funds to meet their objectives. In addition, the Trustees consider the other costs which are borne by the employer to ensure the employer (as well as the members) receives good value.

Communicating with members

The Trustees, with their advisers and the employer, carefully considers all member communications and reviews common communications periodically (such as retirement quotation packs and benefit statements). The Trustees work closely with the employer and the Scheme advisers to try to ensure member interests are understood and represented in all decision making. Representatives of the membership attend a focus group after each Trustee meeting which allows the Trustees to provide updates on the Scheme and the member representatives to ask any questions.

Signed:

**By Fairfield Pension Trustees Limited
on behalf of the Trustees**

Date: