

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

Introduction

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 2023. 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.

Value for members

Every year the Trustees consider the costs members incur, on the realised investment returns they earn, as part of their membership of the Scheme and the Trustees complete a detailed "value for members" assessment. The Pensions Regulator has issued guidance on how "value for members" should be assessed. The assessment must include a comparison of reported costs and charges and fund investment (performance) net returns against 3 other schemes, and a self-assessment of scheme governance and administration criteria, which are prescribed in the 2021 Regulations and explained in more detail below.

The 2021 Regulations reflect the regulator's expectation that if a specified scheme does not demonstrate good value for members when assessed against the comparator schemes then trustees of the specified scheme should either:

1. Consider what modifications should be made to the current arrangements to increase value for members or
2. Consider winding up the scheme and transferring members' rights to another scheme that does offer good value.

Based on their assessment the Trustees believe that they maintain the standards of practice set out in the DC code and DC regulatory guidance including the 2021 Value for Members Regulations. 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 and ensure the Scheme provides good value for members.

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Investments

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 and a new default arrangement was implemented from February 2022 to better meet the retirement needs of members.

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 updated in June 2022. 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.

Value for members – Net Investment Returns

The Trustee monitors net investment performance figures for the default and self-select funds. Comparisons of 1, 3, 5 and 10 year annualised net investment performance figures up to 31 March 2023 are:

Fund	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)	10 Year (% p.a.)
LGIM Multi Asset Fund	-4.7	6.2	3.8	5.4
LGIM Ethical Global Equity Index Fund	0.6	17.3	11.7	11.7
LGIM Future World Annuity Aware Fund	-19.6	-8.4	-3.2	1.4
LGIM Cash	2.1	0.7	0.6	0.4
LGIM Retirement Income Multi Asset Fund	-2.9	5.2	3.4	n/a

Fees and costs incurred in running the Scheme

Costs borne by members

The members pay only the investment management charges associated with the funds being used and any incidental fund expenses which can arise (the combined amount known as the Total Expense Ratio or TER). A breakdown of the fees incurred for each fund are set out in the table below. Transaction costs are an implicit expense and relate to the friction costs a fund suffers when undertaking investment dealing activity, for example buying or selling equity or fixed income securities. Transaction costs range

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from 0.00% to 0.12% of the fund value depending on the fund and market conditions at the time of investing and/or disinvesting.

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

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. Based on the costs and charges paid by members, at age 55 and 45, the TER's for the current default arrangement is marginally more expensive than those of the comparator schemes. At age 65, the TER's for the current default arrangement is slightly more expensive.

For information, the costs associated with the Scheme during the year to 31 March 2023 were:

Fund (Fund code)	Total Expense Ratio*	Transaction costs	Total of charges and costs	Aim of Fund
L&G Multi-Asset [formerly Consensus] fund (AN)**	0.26%	0.04%	0.30%	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 Future World Annuity Aware fund (EJ)	0.15%	0.03%	0.18%	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)	0.31%	0.00%	0.31%	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 Retirement Income Multi Asset [RIMA] fund (MAAV)**	0.37%	0.12%	0.49%	This fund invests in many different asset classes with an objective to provide long term investment growth up to and during retirement, and to facilitate drawdown of retirement income.
L&G Cash fund (H)**	0.13%	0.04%	0.17%	This is a cash-based fund intended for the cash element of a fund in the 5 years before retirement.

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*Total expense ratio (TER) includes annual management charge and fund expenses.

** The Multi-Asset fund has been chosen as the default fund for members' growth phase. The RIMA and Cash funds are also used as part of the default Lifestyle Investment Programme. Full details on the default arrangements are set out in the Statement of Investment Principles, please refer to page 39.

Costs borne by the Company

The Company meets the cost of all levies, insurance premiums including the Life Assurance premium for the Scheme's death in service benefits and Scheme advisory costs including, the professional independent Trustee, third party administration, governance advice (including the new value for members assessment requirements), investment advice, legal advice and scheme accounts audit fees.

The two member-nominated Trustees are given time and support to enable them to undertake their role as Trustees.

The employer also pays a standing charge of £1,000 a year payable to Legal & General in addition to the investment fees detailed above.

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 55 years.

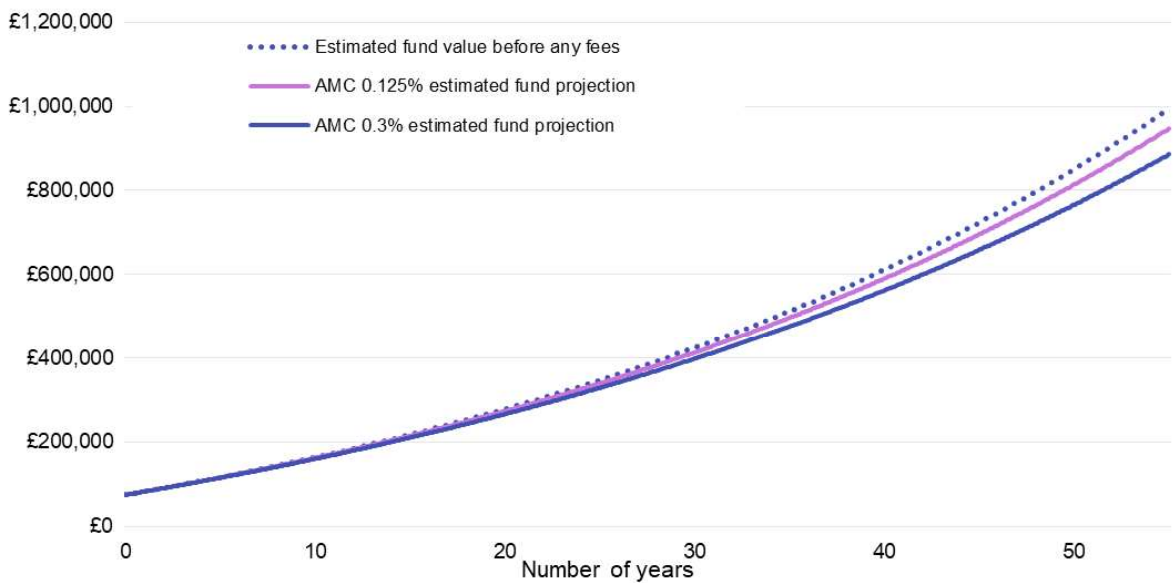
It should be noted that these are only illustrations and actual fund values will depend on actual investment returns achieved on investments, the time under investment and the amounts invested.

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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.



	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

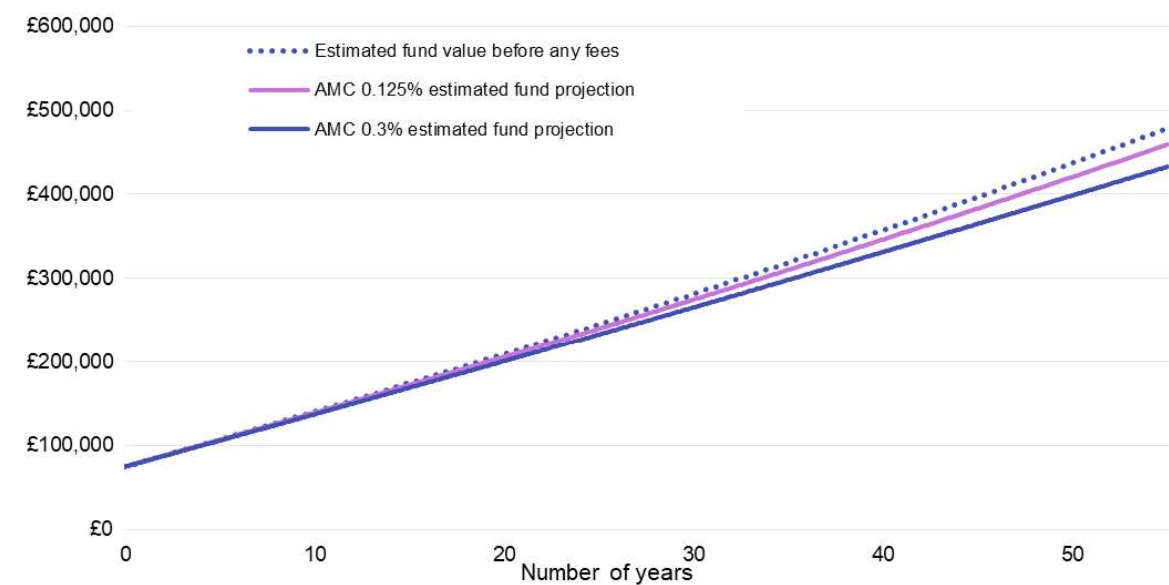
The illustrations have been reduced to reflect the effects of anticipated inflation over the period of projection, assumed to be 2.5% per annum.

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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
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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

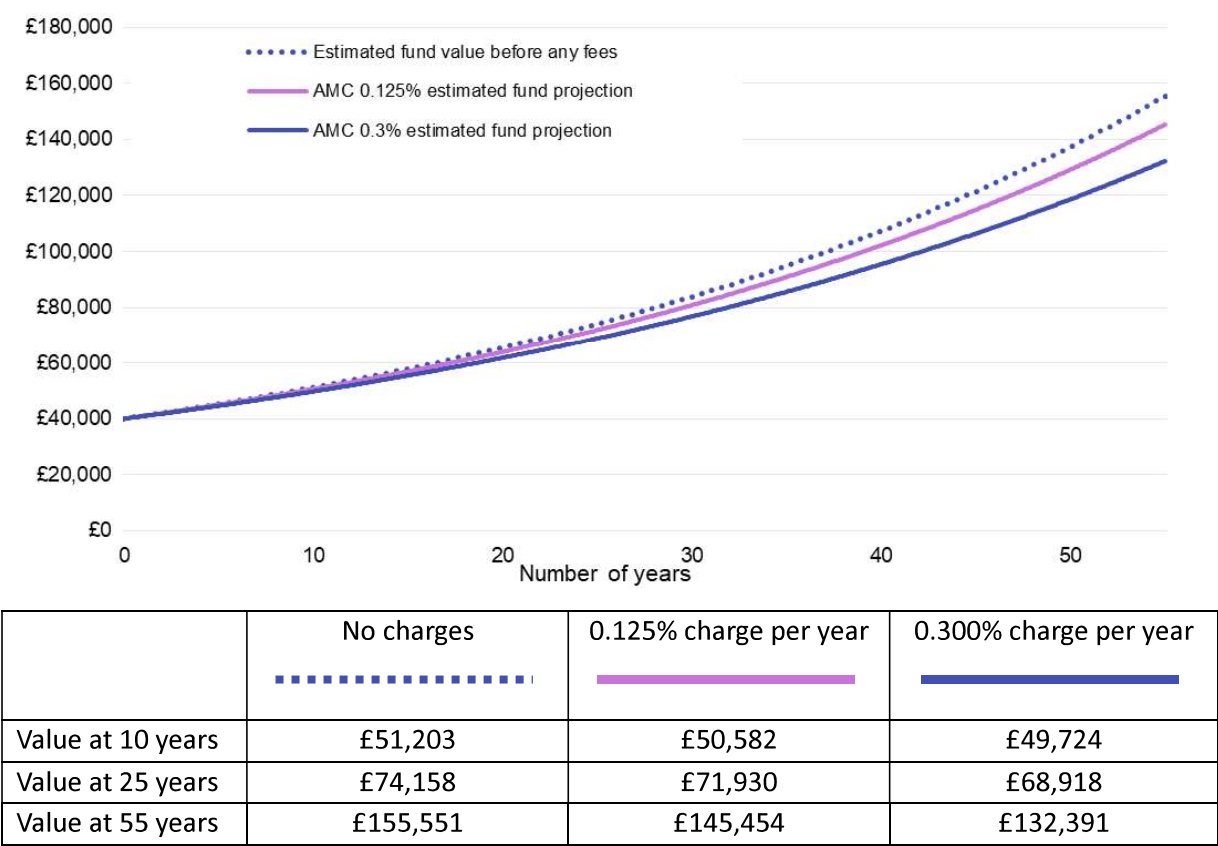
The illustrations have been reduced to reflect the effects of anticipated inflation over the period of projection, assumed to be 2.5% per annum.

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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.



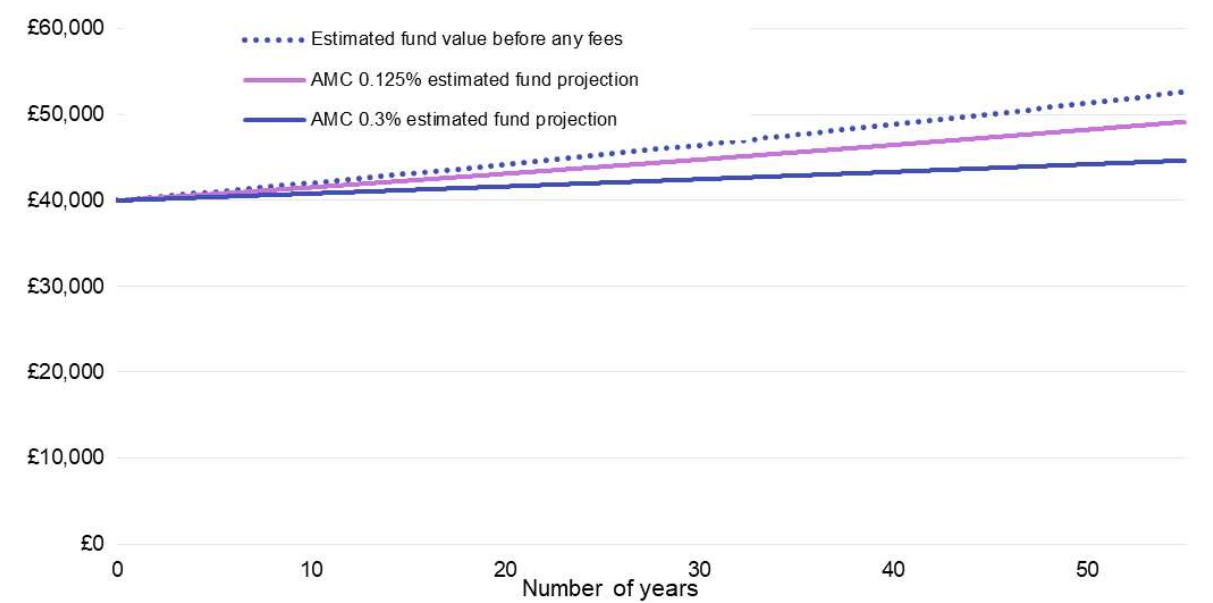
The illustrations have been reduced to reflect the effects of anticipated inflation over the period of projection, assumed to be 2.5% per annum.

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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.



	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

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

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Administration and governance

The 2021 Regulations require that the Trustees assess the quality of the Administration and Governance within the Scheme as part of the Value for Members assessment since better administration and governance processes have been demonstrated to provide better outcomes for members.

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 seven key areas of Administration and Governance which the Trustees consider are:

1. Promptness and accuracy of financial transactions
2. Quality of record keeping – Security & accuracy
3. Appropriateness of default investment strategy
4. Quality of investment governance
5. Level of Trustee knowledge and understanding and skills to operate the Scheme effectively
6. Quality of communication with Scheme members
7. Effectiveness of management of conflicts of interest

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.

Quality of record keeping

The Trustees have reviewed the security and accuracy of the Scheme's record keeping policies and processes and have taken into account the following:

- The Scheme has an up-to-date privacy policy
- The Scheme has up to date GDPR and cyber security policies
- The Scheme and its advisers have business continuity / disaster recovery policies that have been recently tested
- The Scheme's legal documentation is complete and up to date
- The quality and accuracy of the Scheme's common and conditional data were reviewed in May 2022 and both were 100%

The Administrator has confirmed that the Scheme has common and scheme specific data scores of 100%. The Trustee monitors these for any errors and looks to resolve the issues.

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Default strategy and investment governance

Full details on the default strategy and investment governance are set out in the Statement of Investment Principles.

Trustee knowledge and understanding

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 and faculty 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 2023.

The Scheme's member-nominated trustees also attend seminars, webinars and conferences to maintain their knowledge, as well as requesting specific training on matters related to activity within the Scheme.

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.

Communicating with members

The Trustees, with their advisers and the employer, carefully consider 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 which allows the Trustees to provide updates on the Scheme and the member representatives to ask any questions.

Conflict management

The Trustees have reviewed the effectiveness of the Scheme's management of conflicts of interest policies and processes and have taken into account the following:

- The Scheme has a written conflicts of interest policy that is subject to regular review
- Processes and procedures are in place requiring any potential conflicts of interest to be declared.
- A conflicts of interest register is in place that is up to date and discussed at each trustee meeting
- Controls are in place to ensure that conflicts of interest for the Trustee and advisers are declared on appointment.

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Value for Members Conclusion

Based on their latest assessment, the Trustees consider the Scheme provides good value for members.

Based on the costs and charges paid by members, the charges for funds adopted are competitive in comparison with comparator schemes.

In assessing the governance and administration of the Scheme against the key metrics required, the Scheme is performing satisfactory in these key areas.

The current Scheme default lifestyle strategy has performed broadly in line with the average performance of the comparator default lifestyle strategies for members aged 65 and 55. The current default lifestyle strategy used by the Scheme has delivered slightly below the investment performance of the comparator schemes across the 45 and lower age profiles.

In June 2023 the Company took the decision to move to using a Master Trust for future accrual and the Trustees decided that it would be reasonable to transfer accrued rights into the same Master Trust. The Trustees have been working with the Company on the selection of a suitable Master Trust and have chosen the Scottish Widows Master Trust.

Signed:

By Fairfield Pension Trustees Limited on behalf of the Trustees