

THE ANNUAL GOVERNANCE STATEMENT 2021

This Statement has been prepared by the Trustee of “Precision Valve (UK) Limited Retirement Benefits Scheme” (‘the Scheme’) in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended). It sets out how the Trustees have met the statutory defined contribution (DC) governance standards during the Scheme year ended 05 April 2021.

The Trustees continually review and assess systems, processes and controls across key governance functions to determine whether these are consistent with those set out in the Pensions Regulator’s:

- Code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits
- Regulatory guidance for defined contribution schemes.

Additionally, the Trustees review periodically whether there have been any changes to the new Regulations that were released in 2018, to ensure they are working towards meeting the highest standards expected of them.

To aid the Trustees they are currently assessing the presence of the DC Code of Practice standards using the Pensions Regulator’s self-assessment template. Their findings will be documented and discussed during the annual trustee meeting.

The template sets out the key quality features that underpin both the code of practice and regulatory guidance which The Pensions Regulator considers should be present in well-governed pension schemes.

Sufficient Knowledge and Understanding

2020 Trustee Services Limited are the Sole Professional Trustee of the Scheme. There were no changes to the Trustee over the year.

Actions taken by the Trustees to gain the appropriate knowledge and understanding required to effectively run the Scheme with good governance.

- All Trustees have completed the online Trustee Toolkit and complete new modules or amended modules as they are added or changed. In addition, the Trustees will revisit modules to refresh their knowledge periodically as necessary.
- The Trustee is a professional company with a number of directors, all of whom keep their knowledge up to date by attending seminars and reading material from the Regulator and other pension service providers.
- 2020 Trustees work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes.
- The Trustees receive regular training and are encouraged to identify gaps in their knowledge
- The Trustees receive regular investment training and receive manager presentations
- The Trustees maintain a training register to keep a log of all training undertaken. The log is assessed from time to time to identify knowledge gaps
- The Trustees are conversant with the Trust Deed and Rules and the powers granted to them
- The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by having access to the documents on their online directory and providing decisions in line with the Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Scheme’s Lawyers.
- The Trustees are conversant with the Statement of Investment Principles for the time being maintained under Section 35 of the Pensions Act 1995

- As the Scheme has a GMP underpin, which is guaranteed by Royal London, the trustees are unable to alter this particular investment arrangement. The Trustee will however consult on matters relating to the other investment policies held under the Scheme.
- The Trustees keep up to date with developments in the DC landscape and new guidance issued by the Pensions Regulator.
- The Trustee has a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process the Trustee is required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent 2020 as Trustee of the Scheme. The Trustee maintains a log of both required and voluntary training.
- The Trustee seeks advice on its arrangements from its appointed professional advisers.
- 20-20 Trustee Services Limited operate a governance framework which includes policies on how the Trustee will deal with conflicts, manage risk, ensure key tasks are completed in time and deal with member complaints. The Trustee reviews these documents on an annual basis to ensure they are still suitable and makes any changes as required. The Trustee is also undertaking a review of the DC section against the code of practice 13 requirements.
- All Trustees are accredited under the APPT Accreditation Scheme for professional trustees and as such, have received the Association of Professional Pension Trustees (APPT).

During the Scheme year the Trustees have met the requirements of Section 247 and 248 of the 2004 Act (requirement for knowledge and understanding) by holding regular Trustee meetings, with at least one per year set aside for monitoring the Scheme governance and ensuring it is run in accordance with the Scheme rules and in line the Pensions Regulator's guidance notes. Additional ad hoc meetings by conference call or as a 'special' meeting are also held when required.

The Trustee, together with assistance from their professional advisers, use their combined knowledge and understanding of Pension Law, specific Scheme documentation, legal requirements and the Pensions Regulator's guidance to ensure that the Scheme is run effectively and members' benefits are paid in accordance with the Scheme rules and to carry out the fiduciary duties required of them. This combined knowledge helps the Trustees to ensure that good Scheme governance is a priority and where any improvements can be made to existing procedures and processes. The Trustees knowledge of the Scheme rules ensures that they can consider non-standard benefit request options and whether this is permissible under the current rules and whether legal opinion is required and / or a rule change needed.

Ensuring good governance helps the Trustees determine whether the Scheme is good value for money and whether members and beneficiaries are being treated fairly and seeks to safeguard the interests of all members and beneficiaries.

The Trustees are currently using the Pension Regulator's Self-assessment template – "Presence of DC code standards" to assess whether they can improve further their Scheme governance and whether better practices can be established.

Administration Standards & Core Financial Transactions

- The Trustees have appointed professional advisers
- The Trustees are aware that the responsibility of the running of the Scheme remains with them and they have implemented adequate internal controls, which are reviewed periodically
- The Trustees have appropriate service agreements in place with their advisers and are aware of their key contacts
- Service agreements set out the scope of work covered by professional appointments. Royal London and AEGON, the appointed Insurers and Administrators of the Scheme, work to industry standards providing timely turnaround times for both non-financial and financial matters.

It is worth noting that the trustees instructed AEGON to proceed with a S32 buy out and the AEGON members now have their own individual policies and are no longer a liability of the Scheme.

a) SLA with professional advisers Royal London and AEGON – Key Terms:

1. To provide retirement benefits to our members in accordance with the Rules of the Precision Valve (UK) Ltd Retirement Benefit Scheme for all Employees, and relevant legislation and regulations.
2. To manage the Scheme assets on behalf of the trustees
3. To report any breaches or maladministration to the trustees once identified
4. To meet the agreed service level standards

b) Processes adopted by Royal London and AEGON to meet the SLA targets:

AEGON:

1. Dedicated investment team who carry out checks on investments.
2. Ensure that member benefits are invested in line with the trustees or member's instruction
3. To provide an annual report to the trustees confirming the transactions that have taken place within the Scheme year

ROYAL LONDON:

1. Service Standards for switches are next working day and for disinvestments 5 working days.
2. Service Levels are monitored on a daily basis to ensure requests are actioned and dealt within the current timescales.
3. All administration for this Scheme is dealt with by one central team and this particular type of work is checked by a second user.
4. Our work is regularly monitored by a separate Quality Assurance team and we are also internally audited from time to time.

c) Issues arising during the scheme year and how they were resolved:

There have been no issues or breaches of the requirements on these core financial transactions during the 2020-2021 Scheme year.

d) Plan for resolving any unresolved issues during the scheme year:

There is no plan required as there is no unresolved issues.

e) Reporting to Trustees

1. The trustees receive the annual review from Royal London and AEGON post year end.

- The Trustees consider all areas of risk and specifically risks of significant impact such as, fraud (including pension liberation), investment, management of costs, administration, regulatory requirements, operational procedures, communications and member understanding, corporate activity relevant to the Scheme (including employer covenant) and options at retirement.
- The Trustees identify, evaluate, manage and monitor risk. By incorporating risks identified into a risk register they are categorised in accordance to its likelihood of occurring and the potential impact it would have if it did occur.
- The Trustees have recently reviewed all their data management procedures and those of their service providers and have a post 25 May 2018 data protection policy in place. No changes have been made to the data management procedures.
- In line with Anti-Money Laundering regulations the Trustees hold an up to date register of beneficial owners.
- At present the Scheme is fully insured, with Royal London guaranteeing the cost of the unequalised GMP so there is currently no requirement for the Company to pay any contributions into the Scheme. The

trustees are currently in talks with both the Company and the Scheme Actuary regarding GMP equalisation which will trigger the requirement for deficit funding contributions to be paid to the Scheme to make up the shortfall.

- The Trustees use dual authorisation banking process for all investment and benefit payments.
- Any errors are resolved immediately.
- The Trustees require the Insurers to provide details on potential forthcoming retirements.
- All data is backed up on a daily basis.
- Member files are stored electronically.
- All financial transactions are subject to annual audit requirements as part the Trustees' Annual Report and Accounts.

In accordance with regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustees have reviewed their core financial transactions to ensure that they continue to be processed promptly and accurately. There have been no notifiable events arising during the year.

Costs and Charges borne by members

In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustees are required to calculate the charges and transaction costs paid by members and assess the extent to which these charges paid by members represent good value for money.

No administration costs are paid by the member. The costs for the administration service are met separately by the Employer.

Explicit charges paid by members are the fund annual management charges, these are clearly identifiable and range from 0.69% to 1.45% depending on the fund selected. The higher management charges relate to the Deposit Admin fund, which is a subset of the Scottish Life with profits fund and its aim of to maximise the return on its long term investments. The maximum fund charge currently utilised is 1.45%.

Members are not charged additional fees on entry or exit from any of the investment funds available to them providing they remain invested in that asset class for 12 months and there are no dilution levies payable.

All investment funds have "transaction costs" which are not charged directly to the investor (member). However, these charges are taken from the fund and therefore reflected in the performance of the fund and in the overall return received by the investor (member).

Different funds have different levels of transaction costs depending on the number of assets that are bought or sold within the fund. It is generally expected that the more actively a fund buys and sells assets the higher the transaction fees will be.

A full list of charges for the current Royal London funds in use (including the transaction charges during the period from 06 April 2020 to 5 April 2021) are available by request.

The investment providers' annual management charges are assessed annually as part of the DC review and considered against other providers in the market. For those members who have a GMP underpin, Royal London are responsible for meeting the cost for the unequalised GMP and therefore the trustees are unable to alter the investments or AMC charges applicable to this fund. However, as the underpin is expected to bite on all these members they will not be impacted in practice by the charges.

The Trustees also considered that whilst the types of funds used result in a combined higher annual management charge than that of using a passive tracker fund in isolation, the anticipated benefits of lower fund value volatility and controlled fund growth offset these higher costs.

Scheme Information on the annual management fees payable by members, on all the funds available are provided in Appendix A.

Full details of the annual management charges on each of the funds available to members are documented and stored on Royal London's and AEGON's website under the Investment section which does not require a member to login.

The funds available for investment on the Trustee Investment Platform are pooled funds which are provided through insurance contracts. As such they do not have International Security Identification Numbers (ISINs).

The Scheme's Statement of Investment Principles, was last reviewed in September 2020, which was prepared in accordance in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and regulation 2A (default investment strategy) of the Occupational Pension Scheme (Investment) Regulations 2005.

The annual management fees (along with transaction fees) payable by members at each stage of the lifestyle strategy are covered in Appendix A to this Statement. Members do not pay towards any of the administration costs of running the Scheme, these are met by the Employer separately.

Although Members do not directly cover the other costs associated with the Scheme, as these are met by the Employer, the Trustees carefully consider the other costs incurred and monitor these to ensure the Employer receives good value too.

Further details of the lifestyle arrangement will be set out in the Scheme's Statement of Investment Principles.

Communicating with members

- The Trustees endeavour to provide Scheme communication that is accurate, clear, understandable and engaging
- The Trustees, with their advisers, carefully consider all member communications and review common communications periodically (such as retirement quotation packs and benefit statements). The Trustees work closely with the Scheme advisers to try to ensure member interests are understood and represented in all decision making
- Members are regularly informed about the importance of reviewing their investment choices where there is the option to do so
- Extensive retirement packages are sent to members which cover all disclosure requirements, including clear details of the retirement choices available to them, how they work and details of the Government's Pension Wise service
- In addition to annual benefit statements, annual Newsletters are sent to all members providing details of current issues in pensions
- Ad hoc announcements are sent periodically as the Trustees deem necessary
- The Trustees always advise members to seek independent financial advice when considering to take their benefits from the Scheme.
- The Trustees regularly warn members about pension scams in their communications.
- The Trustee is required to provide members with information on the effect of costs and charges on their pension pot. This information is publically available on the following website www.precisionglobal.com/ukemployees and members are directed towards this information in their annual benefit statements.
- In accordance with the Trustee's legal obligations under the Data Protection Act 2018, we are required to provide members with some information about the data we hold and what we intend to do with it. A copy of the Trustee's current privacy policy can be accessed via the following link: <https://2020trustees.co.uk/privacy-policy/>

Signed: Mandy Kaur-Sadler

Date: 15 October 2021

Chair of "The Precision Valve UK Limited Retirement Benefit Scheme"

Appendix A*

Contents:

Crest Secure Plan – supplement

Crest Secure Fund – investments

Crest Growth Plan – supplement

RLP Deposit Fund Fact Sheet

RLP Fixed Interest Fund Fact Sheet

RLP Managed Fund Fact Sheet

RLP UK Equity Fund Fact Sheet

Member Illustration Policy 60083

Member Illustration Policy 15025

Member Illustration Policy 14949

Member Illustration Policy 14082

Member Illustration Policy 10140

**all documents provide on request*