

PRYSMIAN PENSION SCHEME

YEAR ENDED 31 DECEMBER 2022

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2022 – 31 DECEMBER 2022

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) by governance rules contained in the Occupational Pension Schemes (Charges and Governance) Regulations 2015 applying to defined contribution pension arrangements from 6 April 2015. These rules require the Trustee to prepare a Statement showing how they have met certain minimum governance standards in relation to money purchase benefits (also known as "defined contribution" benefits). This Statement sets out how the Trustee has met the requirements of the Regulation over the period from 1 January 2022 to 31 December 2022 and covers the following key areas:

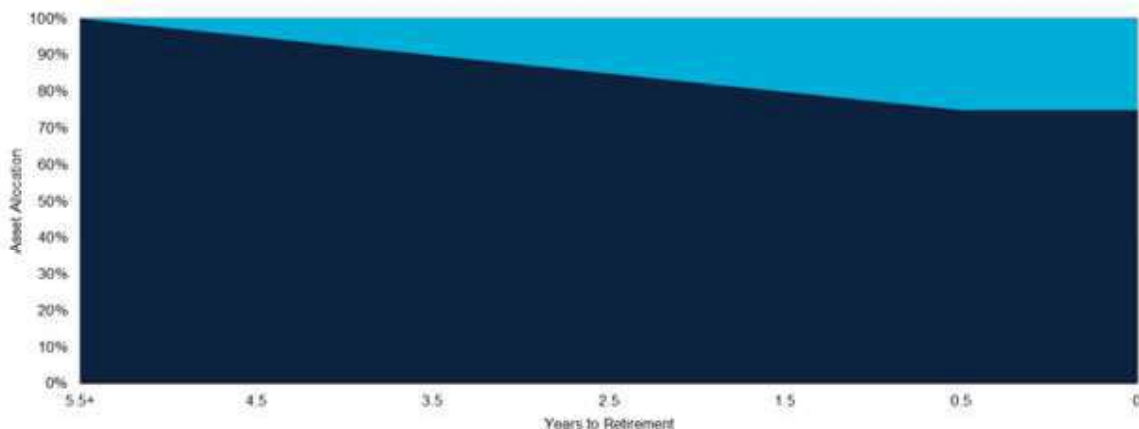
- The Scheme's default arrangement(s);
- Processing financial transactions;
- Net investment returns;
- Assessment of charges and transaction costs (including a Value for Members assessment); and
- The Trustee's knowledge and understanding.

The Trustee has set up processes to publish this statement along with the Statement of Investment Principles dated September 2021 online at the following URL: [\[Statement of Investment Principles - September 2021 \(prysmiangroup.com\)\]](#) and will notify members about this in their annual benefit statements.

Default arrangement

Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant. The Scheme's assets are held on an investment platform provided by Mobius Life Limited.

The objective of the default lifestyle strategy is to provide investment growth by investing in return seeking assets in a diversified portfolio with a moderate risk profile. When members are more than five and a half years from their selected retirement age their assets will be fully invested in the Diversified Growth Fund, which itself invests entirely in the Columbia Threadneedle Multi-Asset Fund. Assets are then gradually switched over five years into the Cash Fund (which invests entirely in the L&G Sterling Liquidity Fund), starting five years and six months before a member's selected retirement date. When members reach their selected retirement age they will have 25% of their assets in the Cash Fund and 75% in the Diversified Growth Fund. This strategy can be illustrated using the following graph:



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The Columbia Threadneedle Multi Asset Fund is an actively managed diversified growth fund (DGF) which aims to achieve investment returns of the Bank of England base rate plus 4.0% p.a. over a rolling three-year period. The Legal & General Sterling Liquidity Fund is an actively managed fund that invests primarily in cash and aims to achieve returns in line with the 7 day SONIA (Sterling Overnight Index Average) rate. These funds, as well as the funds available for members to self-select, are packaged into "white labelled" funds (i.e. named as Diversified Growth Fund and Cash Fund). This makes it easier for members to understand the difference between the different funds and also reduces the governance burden on the Trustee should they decide to change one of the underlying fund managers.

By investing in this manner, the Trustee expects to deliver growth over the member's lifetime within the Scheme without taking excessive risk. The strategy is tailored towards members who will withdraw their 25% tax-free cash at retirement and opt to access the remainder of their savings flexibly through an income drawdown arrangement. The Trustee considers this approach to be in the best interests of members and relevant beneficiaries.

During the period covered by this statement there have been no significant changes to the Scheme's investment strategy. The Trustee last carried out an investment strategy review of the default strategy in conjunction with their investment consultant on 15 December 2021 and several changes were considered by the Trustee. However, pending consideration of the long term future of the Scheme, the Trustees agreed to make no changes to the investment strategy at that time. The Trustee regularly monitors the performance of the default. The deadline for the next triennial strategy review is December 2024. The default arrangement is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was reviewed and updated by the Trustee in July 2023 and a copy of which is submitted alongside this governance statement.

The Trustee continually monitors the performance of the Scheme's investments throughout the year and receive quarterly performance reports from the platform provider. The Trustee is happy with the performance over the period covered by this statement and believe the Scheme's investment strategy remains on track to meet its aims and objectives.

The investment strategy and the SIP will be reviewed a minimum of every three years or as soon as any significant developments in investment policy or member demographics take place.

Processing Scheme transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Scheme, switches between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustee's behalf by the Scheme administrator, Mercer, and the platform provider Mobius Life Ltd. The Trustee periodically reviews the processes and controls implemented by those organisations, and consider them to be suitably designed to achieve these objectives. The Trustee has a service level agreement (SLA) in place with the Scheme administrator which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include dynamic checklists, a central financial control team separate to the admin team, daily monitoring of bank accounts and authoriser and releaser process for investment and bank transactions. During the period covered by this statement, 94% of work was completed within the agreed service levels. At the 12th July Trustee meeting, it was confirmed that the administrators had been experiencing a 15% increase in volumes and as a result, there had been resource constraints and a slight drop in SLA levels. It was confirmed that the administrator was having weekly calls with the relevant teams to ensure that the service would be fully recovered by September 2022. This was confirmed at the 7th October Trustee meeting where the administrator explained the team had successfully resolved the position and that future SLAs were expected to be more positive going forward.

We continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer.

In light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustees to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

Transaction costs have been provided by Mobius Life and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

Fund	TER (%)	Transaction Cost (%)
Diversified Growth Fund	0.430	0.234
Cash Fund	0.125	0.057

Source: Mobius Life. TERs as at 31 December 2022. Transaction costs shown cover the period 1 January 2021 to 31 December 2022.

This is lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustee also makes available a range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

Fund	TER (%)	Transaction Cost (%)
Diversified Growth Fund	0.430	0.234
Cash Fund	0.125	0.057
High Growth Fund	0.160	0.125
Growth Fund	0.186	0.112
Moderate Growth Fund	0.163	0.227
Defensive Fund	0.136	0.309

Source: Mobius Life. TERs as at 31 December 2022. Transaction costs shown cover the period 1 January 2021 to 31 December 2022.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies. The Trustee's assessment of value for members is discussed later in this Statement.

Additional Voluntary Contributions (AVCs)

The Trustee also makes available a facility to members to pay in additional contributions to boost Defined Benefit section benefits. The AVC arrangements are reviewed at the same time as the review of the main Scheme benefits. The facility is provided via Clerical Medical and below are the available funds together with associated fees:

Fund	AMC (% p.a.)	Transaction Cost (% p.a.)
Clerical Medical With-Profits Fund	1.00%	0.24%
Clerical Medical Cash Pension Fund	*	*

Source: Lloyds Banking Group. Transaction Costs shown are for the period 01/01/2021 to 31/12/2021. Data as at 31 December 2022 was requested but not available at the time of reporting.

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Cumulative effect of charges

Using the charges and transaction cost data provided by Mobius, and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared illustrations detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members, we are required to show the effect on a member's savings of investment in the following (with the DC section's relevant funds/strategies listed in brackets):

- The fund or strategy with the most members invested (*the default strategy*)
- The most expensive fund (*Diversified Growth Fund*)
- The least expensive fund (*Cash Fund*)
- The compounding effect of charges on an active member's fund can be illustrated as follows:

Illustrations for an "Average" member						
	Default Strategy <i>(the most popular option)</i>		Diversified Growth Fund <i>(most expensive fund)</i>		Cash Fund <i>(least expensive fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£34,792	£34,551	£34,792	£34,551	£33,758	£33,716
2	£39,870	£39,344	£39,870	£39,344	£37,635	£37,546
3	£45,138	£44,283	£45,138	£44,283	£41,532	£41,390
4	£50,606	£49,374	£50,606	£49,374	£45,448	£45,249
5	£56,280	£54,619	£56,280	£54,619	£49,384	£49,122
10	£88,031	£83,352	£88,031	£83,352	£69,359	£68,707
15 (retirement)	£123,454	£114,649	£126,246	£116,751	£89,840	£88,661
Illustrations for a "Young" member						
	Default Strategy <i>(the most popular option)</i>		Diversified Growth Fund <i>(most expensive fund)</i>		Cash Fund <i>(least expensive fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£11,053	£10,976	£11,053	£10,976	£10,747	£10,733
2	£14,013	£13,836	£14,013	£13,836	£13,306	£13,276
3	£17,085	£16,784	£17,085	£16,784	£15,878	£15,828
4	£20,273	£19,823	£20,273	£19,823	£18,464	£18,390
5	£23,581	£22,953	£23,581	£22,953	£21,062	£20,962
10	£42,094	£40,102	£42,094	£40,102	£34,248	£33,964
15	£64,375	£60,036	£64,375	£60,036	£47,767	£47,212
20	£91,191	£83,206	£91,191	£83,206	£61,628	£60,709

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25	£123,467	£110,138	£123,467	£110,138	£75,839	£74,461
30	£162,314	£141,443	£162,314	£141,443	£90,408	£88,472
35	£208,090	£177,151	£209,069	£177,831	£105,346	£102,748
38 (retirement)	£236,022	£198,641	£241,574	£202,441	£114,489	£111,442

Assumptions

The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's active membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

Age	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>50 (<i>the median age of the Scheme's membership</i>)</p> <p>27 (<i>the median age of the youngest 10% of members</i>)</p>
Scheme Retirement Age	65
Starting Pot Size	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>£29,900 (<i>the median pot size of the Scheme's membership</i>)</p> <p>£8,200 (<i>the median pot size for the youngest 10% of members</i>)</p>
Starting Salary	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>£31,230 (<i>the median salary of the Scheme's membership</i>)</p> <p>£27,900 (<i>the median salary for the youngest 10% of members</i>)</p>
Inflation	2.5% p.a.
Rate of Salary Growth	2.5% p.a.
Annual contributions	
<ul style="list-style-type: none"> "Average" member "Young" member 	<p>12% p.a. (<i>the median rate for the Scheme's membership</i>)</p> <p>9% p.a. (<i>the median rate for the Scheme's membership</i>)</p>
Growth rate assumptions:	
<ul style="list-style-type: none"> Default Strategy Diversified Growth Fund Cash Fund 	<p>3.50% p.a. above inflation for members 6 or more years from retirement</p> <p>2.75% p.a. above inflation for members at retirement</p> <p>3.50% p.a. above inflation</p> <p>0.50% p.a. above inflation</p>

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THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Return on Investments

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduce new requirements for Trustees of 'relevant' occupational pension schemes.

From 1 October 2021 Trustees of all relevant pension schemes are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information must be recorded in the annual chair's statement and published on a publicly accessible website. The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Plan year.

Lifestyle strategy	Annualised returns to 31 of December 2022 (% p.a.)		
	Age of member	1 year	5 years
	25	-7.6	3.9
	45	-7.6	3.9
	55	-7.6	3.9

Source: Mobius

Performance shown net of all charges and transaction costs. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown.

Members are invested in the Diversified Growth Fund of the lifestyle when they are 25, 45 and 55.

Self-select Funds	Annualised returns to 31 of December 2022 (% p.a.)	
	1 year	5 years
Diversified Growth Fund	-7.6	4.0
Cash Fund	1.3	0.6
High Growth Fund	-6.3	4.2
Growth Fund	-15.0	1.8
Moderate Growth Fund	-24.8	-0.8
Defensive Fund	-39.7	-6.1

Source: Mobius, performance is net of fees.

Value for members

The Trustee carried out a formal Value for Members assessment in June 2023 covering the period to 31 December 2022, using a "Small Scheme Value for Members" methodology which has been prescribed for schemes smaller than £100m in size. The assessment considered the Scheme's management & governance, scheme design, investments, administration, member communications and costs, with each areas assigned as either offering good, reasonable or poor value for money.

The Trustee is required to assess the extent to which the Scheme delivers value for members across three key areas:

Assessment area	Type of assessment
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.

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Governance and administration	Standalone assessment of the Scheme's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest.
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The conclusions of this assessment are set out in the table below:

Assessment area	Conclusion
Costs and charges	The Trustee has assessed the Scheme as offering poor value from a costs and charges perspective.
Net investment performance	The Trustee has assessed the Scheme as offering reasonable value from a net investment performance perspective.
Governance and administration	<p>The Trustees have assessed the Scheme as offering good value from a governance and administration perspective. Where our advisors have recommended further action in particular areas we are considering these:</p> <ul style="list-style-type: none"> • The majority of core financial transactions were processed promptly and accurately over the Scheme Year, achieving an overall SLA of 94%. • The last common data score was 97% and conditional data score was 69%. These scores were from 2019 but pending any decision regarding the future vehicle for the DC Section of the Scheme the data scores have not been reassessed. • The default strategy has been designed with demographic and anticipated retirement needs of the membership in mind. The Trustee reviewed their DC investment strategy in December 2021 against the objectives the Trustee has set out in the SIP, and pending any decision regarding the future vehicle for the DC Section of the Scheme agreed to make no changes at this point. • In structuring the Trustee Board, appropriate consideration is given to ensuring that a breadth of skills and backgrounds are incorporated, recognising the different backgrounds and skillsets of each individual Trustee from different business areas and locations. There are no professional trustees however, we carried out a formal MNT exercise during the Scheme year and appointed two new trustees. • The Scheme has a strong governance structure in place through the Trustee; the SIP is reviewed triennially (or as required in response to any regulatory/legislative changes); the investment strategy is reviewed at least triennially to ensure ongoing appropriateness for the Scheme's membership. Ongoing investment performance monitoring takes place at quarterly Trustee meetings, with the support of the Trustee's Investment Adviser. • The Trustee Board has a conflicts of interest policy in place, with any new conflicts declared, considered and recorded at each Trustee Board meeting.
Overall	Overall, considering all three areas set out above, the Trustee has assessed the Scheme in its current form as offering reasonable value for members.

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Trustee's knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustee has put in place arrangements for ensuring that they take personal responsibility for keeping up-to-date with relevant developments. All of the existing and newly appointed Trustee Directors have completed the Pension Regulator's Trustee Toolkit. New Trustee Directors are required to complete this in its entirety within six months of taking up office. Over the last year, the Trustees have received the following training:

- Pensions Dashboard on 23 August and December 2022
- Endgame and execution training on the long-term funding objective of the Scheme on 15 September 2022
- GMP Equalisation on 22 September 2022
- Governance training on the impact of the Government's mini budget on 22 September 2022
- CFA Institute Global Pension Index 2022 launch on 11 October 2022
- LDI collateral training on 14 December 2022

In addition, the Trustee receives advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. Given the extent of the training above, the Trustee is comfortable it has demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes.

The Trustee is also required to familiarise themselves with the Scheme's trust deed, rules and governing documents. During the year, the Trustee has demonstrated a working knowledge of the trust deed & rules by exercising their discretion on individual cases such as death cases and by ensuring benefits to members are paid in line with the Scheme rules.

The Trustee reviewed their DC investment strategy in December 2021 against the objectives the Trustee has set out in the SIP, and agreed to make no changes at this point. The Trustee believes they have demonstrated a working knowledge of the SIP over the period covered by this statement.

The Trustee also feels they have demonstrated a working knowledge of all other documents setting out their current policies. For example, the Trustee reviews their Business Plan and Risk Register at each Trustee meeting.

Considering all the points raised above, and taking account of actions taken individually and as a Trustee body and the professional advice available to us, the Trustee considers that they are enabled properly to exercise their functions as Trustee of the Scheme.

The Chair's statement regarding DC governance was approved by the Trustee and signed on its behalf by:

David Porter

Chair of the Trustee

Date 11th July 2023

