

Chair's Statement

Britannia Refined Metals Retirement Plan ('the Plan') **Governance statement for the Plan's defined contribution arrangements** **6 April 2022 to 5 April 2023**

- 1.1. This Annual Governance Statement ('Statement') has been prepared by the Trustee Directors of the Britannia Refined Metals Retirement Plan Limited ('the Trustee') and reports on how the Trustee complies with the defined contribution ('DC') governance standards, as required by the Occupational Pension Schemes (Scheme Administration) Regulations 1996.
- 1.2. The reporting period covered by this Statement is 6 April 2022 to 5 April 2023 ('the reporting period').
- 1.3. As required by the Regulations, the Trustee publishes this Statement on a publicly accessible website. The web address for the website is: <https://www.psgovernance.com/communications/britannia-refined-metals-retirement-plan.html>

2. The Plan's DC arrangements

- 2.1. Over the reporting period, the Plan's DC arrangements were comprised of:
 - The Plan's Defined Contribution Section ('the DC Section') which is a bundled trust-based arrangement with Aviva which is open to future contributions and is used as a qualifying workplace pension plan for auto-enrolment purposes.
 - Additional Voluntary Contribution (AVC) benefits for members of the Plan's Defined Benefit Section ('the DB Section') which are held as separate policies with Prudential and Aviva. These are open to future contributions but are closed to new joiners.
- 2.2. The DB Section of the Plan closed to future accrual on 5 April 2023 and the members of the DB Section will join the DC Section from 6 April 2023.

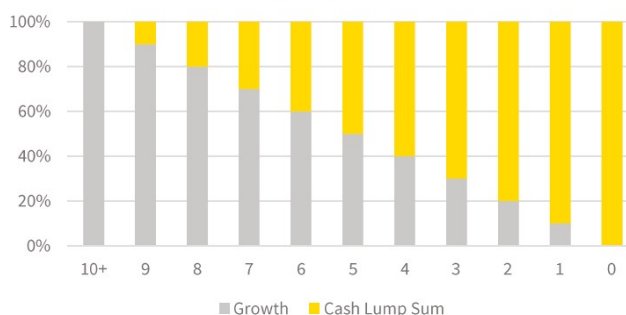
3. Default arrangement

- 3.1. The Plan has one default investment arrangement for the purposes of the governance standards; this is called the My Future Focus Target Cash Lump Sum lifetime investment programme.

Default investment arrangement design

- 3.2. The key design features of the default are set out below. 'Lifestyle' investment switches are used which are designed to reduce exposure to investment risk in the later years of membership, aiming to help the member invest appropriately given the way in which benefits are likely to be taken in retirement. Through the default:

- Members are initially invested 100% in the Aviva My Future Focus Growth Fund. This fund is predominantly passively managed and invests mainly in UK and overseas equities, but with a greater exposure to alternative growth assets than before.
- When members reach 10 years to their Selected Retirement Age ('SRA') the lifestyle investment switches commence.
- At this point a member's assets will automatically and gradually begin switching out of the Aviva My Future Focus Growth Fund and into the Aviva My Future Focus Cash Lump Sum Fund.
- The target position at a member's SRA is to be invested 100% in the Aviva My Future Focus Cash Lump Sum Fund. This investment strategy was designed taking into account the likely member requirements to draw their benefits from the DC Section as a cash lump sum.



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Aims and objectives of the default investment arrangements

- 3.3. The default aims to grow the value of members' benefits and then to de-risk them down into cash at retirement to protect the value of their retirement accounts.
- 3.4. The default also aims to limit the extent to which members' benefits are exposed to large fluctuations in value (known as 'volatility') in the approach to their SRA. The degree of protection provided is broadly appropriate for members who wish to take benefits as cash at retirement.

Alternative investment options

- 3.5. Alongside the default, members have access to two further lifestyle investment options;
 - The My Future Focus Target Drawdown lifetime investment programme; and
 - The My Future Focus Target Annuity lifetime investment programme.

These enable members to target the alternative ways in which DC benefits can be taken on retirement.

- 3.6. In line with the objectives outlined in the Trustee's Statement of Investment Principles ('SIP'), which is attached to this Statement, members are able to self-select from a range of seven further investment funds managed by BlackRock. The range of funds offered is reviewed every three years or more frequently, if required.

Additional Voluntary Contribution (AVC) investment options

- 3.7. Members of the DB Section are permitted to make AVCs to a policy with Aviva which offers the same investment options as are available to members of the DC Section. In addition, there is a Deposit Fund option available from Prudential which provides an interest rate return in line with the Bank of England Base Rate.

Monitoring and review of the default investment arrangement and alternative options

- 3.8. The Trustee, together with its professional advisers, monitors the investment options through the DC and AVC arrangements quarterly. This monitoring looks at the performance of the default, the alternative lifestyle strategies and the individual fund options to ensure that it is consistent with their stated aims and objectives. It also considers any developments or changes with the fund managers.
- 3.9. The Trustee has considered the default and is comfortable that the My Future Focus Target Cash Lump Sum lifetime investment programme option remains the most appropriate option for members as it is expected that they will take their DC benefits as cash alongside their DB benefits.
- 3.10. A strategic review of the DC Section's default as well as the range of alternative investment options was last undertaken in June 2020. No strategic review was carried out in the reporting period and, in line with the regulations, the next review will be undertaken in 2023.
- 3.11. The Aviva AVC options are monitored by the Trustees as part of their review of the main DC Section options and the return on the Prudential Deposit Fund is reviewed annually.
- 3.12. As a result of the monitoring activities undertaken during the reporting period, the Trustee believes that the performance of the default strategy is consistent with the aims and objectives stated in the SIP.

Further information on investments

- 3.13. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, the SIP (dated October 2023) sets out further details around the Trustee's investment objectives, as well as the default investment strategy. A copy of the SIP is appended to this Statement as Appendix 2 which incorporates information on the DC Section default arrangement.
- 3.14. The SIP was last updated in October 2023 to reflect a number of minor changes to the investment strategy and the reduction of the fees payable by members.

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4. Core financial transactions

- 4.1. The Trustee has a specific duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. For this purpose, the Plan's core financial transactions comprise:
- The investment of contributions.
 - Transfers into and out of the Plan.
 - Investment switches within the Plan.
 - Payments out of the Plan in respect of members.
- 4.3. Core financial transactions for the DC Section are undertaken by Aviva.
- 4.4. Core financial transactions for the AVC arrangements are undertaken by Aviva and Prudential.

DC Section Administration

- 4.5. Over the reporting period, the administration functions of the DC Section were outsourced to, and completed by, Aviva.
- 4.6. Aviva provides reporting for their core financial transactions bi-annually. They aim to process at least 95% of core financial transactions within 5 working days

	1 April 2022 to 30 September 2022		1 October 2022 to 31 March 2023	
Core financial transactions	Number of demands	% of total demands	Number of demands	% of total demands
STP: Payments In	478	100.0%	532	100.0%
Payments Out	4	100.0%	4	100.0%
Trading	2	100.0%	3	100.0%
Manual Payment In	1	0.0%*	-	-

*This case was processed just outside the 5-day SLA.

- 4.7. The monitoring of accuracy is undertaken via the auditing of the Plan's annual report and accounts and periodic auditing of the Plan's membership data. As at 31 March 2023, the DC section had good data scores, with a 92.9% overall common data score and a 97.6% scheme-specific data score, and the AVC section also had good data scores, with an 87.5% overall common data score and an 81.3% scheme-specific data score. In addition, the administrator's processes are subject to internal controls procedures which are subject to external annual audit as part of the annual assurance report on internal controls produced by Aviva. Member data is reconciled immediately as part of any transaction.
- 4.8. There were no issues reported to or identified by the Trustee in connection with either the promptness or accuracy of core financial transactions processed during the period covered by this statement and all contributions were paid well within statutory deadlines.

AVC administration

- 4.9. The Trustee has delegated the administrative oversight of the separate AVC arrangements to Aviva and Prudential and the administration of the DB Section to Barnett Waddingham LLP.

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- 4.10. Barnett Waddingham report back to the Trustee with any specific issues relating to the administration of the separate AVC policies. There were no issues reported to, or identified by, the Trustee in connection with the promptness or accuracy of the processing of core financial transactions for the Aviva AVC policy in the reporting period. From the reports prepared by Aviva for the AVC arrangements, the overall performance against SLAs was 91.7% for the reporting period.
- 4.11. In the event that an issue does arise, the Trustee will be alerted by Aviva at the earliest reasonable point and will consider it at the next Trustee meeting to ensure that the problem is appropriately resolved, and any systemic issues are addressed to avoid similar problems arising in the future.
- 4.12. Prudential have advised that as at the end of Q1 2023, the service level for the key tasks for its book of AVC business is five working days, which is an improvement on the last couple of years, however they were unable to provide data specific to the Plan.
- 4.13. Anecdotally, the recent experience of the Barnett Waddingham administration team dealing with Prudential has been contrary to these improvements, with the process of organising disinvestments sometimes found to be overly timely. The Trustee continues to monitor the levels of service provided by Prudential.

Trustee view of core financial transactions

- 4.14. Taking the above into consideration, the Trustee notes that the majority of core financial transactions over the reporting period have been processed promptly and these have been performed correctly. The Trustee notes that there were no issues relating to core financial transactions in the DC Section and the Aviva AVC policy over the reporting period.

5. Charges and transaction costs

- 5.1. Members bear charges deducted from the funds in which their DC pension savings are invested. The charges differ between the investment options available and consist of both explicit and implicit charges:
- **Explicit charges:** these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. We refer to these explicit charges as the Total Expense Ratio (TER).
 - **Implicit charges:** these relate to the charges and costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the explicit charges.

These implicit charges vary according to each fund's investment approach and prevailing market conditions. We refer to these implicit charges as the Transaction Costs.

DC Section and Aviva AVCs costs and charges

- 5.2. The following tables provide details of the explicit and implicit costs applied to each of the investment options provided by Aviva through the DC Section and the AVC Section over the reporting period. It covers the year to 31 March 2023.

Default Investment option	TER (p.a.)	Transaction costs *
AV My Future Focus Growth Fund	0.49%	0.0826%
AV My Future Focus Cash Lump Sum Fund **	0.49%	0.0472%

These funds make up the default investment strategy. The total costs for investors in the default strategy range from 0.5372% to 0.5726% p.a. These are calculated as a composite of the underlying fund charges and transaction costs noted and will vary depending upon each member's term to retirement age.

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Self-select investment options	TER (p.a.)	Transaction costs *
AV My Future Focus Consolidation Fund**	0.49%	0.0714%
AV My Future Focus Drawdown Fund**	0.49%	0.0647%
AV My Future Focus Annuity Fund**	0.49%	0.0379%
AV BlackRock Global Equity (40:60) Index Fund	0.39%	0.0212%
AV BlackRock Over 5 Year Index-Linked Gilt Index Fund	0.39%	0.0264%
AV BlackRock Over 15 Year Gilt Index Fund	0.39%	0.0177%
AV BlackRock Over 15 Year Corporate Bond Index Fund	0.39%	0.2114%

Source: Aviva Transaction Cost Data report as at 31 March 2023. This was the most recent information available at the Plan year end as Aviva currently provides their Transaction Cost Data on a quarterly basis.

* In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

** These funds are only available as part of lifetime investment programmes.

5.3. Following the inclusion of the former DB Section members from 6 April 2023, Aviva has reviewed the charges and the TER will be reduced by 0.02% p.a. for all strategies and funds.

AVC arrangements cost and charges - Prudential

5.4. Plan members that hold AVC benefits with Prudential are invested in the Prudential Deposit Fund. Details of the charges and transaction costs quoted by Prudential for this fund is provided below:

Investment option	TER (p.a.)	Transaction costs
Prudential Deposit Fund	Nil – taken into account in the interest payable to members	0.00% *

* The transaction costs noted in the table above are applicable to the 12 months to 30 September 2022. The Trustee and its advisers requested transaction cost information from Prudential for the reporting period covered by this statement, however Prudential was not able to provide this information in time for inclusion in this statement. The Trustee is continuing to work with its advisers to exert pressure on Prudential to ensure this information can be included in future years.

6. Demonstrating the impact of costs and charges

6.1. To demonstrate the impact of the costs and charges applied through the Plan, in this year's Statement, Aviva has produced illustrations on behalf of the Trustee and in line with guidance from the Department for Work & Pensions entitled "Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes".

6.2. These illustrations are set out in the appendix to this document and are designed to cater for a representative cross-section of the membership of the Plan's DC arrangements.

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7. Net investment returns

- 7.1. From 1 October 2021, trustees of all relevant pension schemes are required to calculate and state the annualised return, net of transaction costs and charges, of all investment options members were able to select, and in which members' assets were invested, during the reporting period.
- 7.2. For the investment options where the net returns vary with age, the investment returns are shown over 1 year and 5-year periods for a member aged 25, 45 and 55 at the start of the period.

My Future Focus Target Cash Lump Sum Lifestyle Investment Programme

- 7.3. As the underlying funds used in the My Future Focus Target Cash Lump Sum Lifestyle Investment Programme vary by age, we have presented the returns as outlined in paragraph 7.2.

Age at start of investment period	DC Section Annualised returns to 5 April 2023		
	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
25	-4.03%	8.13%	4.64%
45	-4.03%	8.13%	4.64%
55	-3.99%	7.62%	3.68%

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Self-select funds

7.4. The following table provides the annualised net returns for each of the self-select options used by members for 1 year, 5 year and 10-year (where available) periods to 5 April 2023.

DC Section Funds	1yr net return	5yr net return (p.a.)	10yr net return (p.a.)
AV My Future Focus Growth Fund	-4.03%	4.64%	5.42%
AV My Future Focus Cash Lump Sum Fund	-1.99%	-0.36%	Not available
AV My Future Focus Consolidation Fund	-4.60%	0.94%	1.92%
AV My Future Focus Drawdown Fund	-5.37%	2.38%	Not available
AV My Future Focus Annuity Fund	-20.72%	-4.13%	0.14%
AV BlackRock Global Equity (40:60) Index Fund	-1.18%	8.63%	9.05%
AV BlackRock Over 5 Year Index-Linked Gilt Index Fund	-29.89%	-4.20%	1.37%
AV BlackRock Over 15 Year Corporate Bond Index Fund	-23.68%	-3.94%	1.35%
AV BlackRock Over 15 Year Gilt Index Fund	-30.08%	-6.67%	0.15%
AV BlackRock Sterling Liquidity Fund	1.93%	0.47%	0.28%
AV BlackRock UK Equity Index Tracker Fund	2.15%	4.85%	5.46%
AV BlackRock World (ex-UK) Equity Index Fund	-3.60%	10.96%	11.35%

AVC arrangements – Prudential

7.5. The following table outlines information provided by Prudential regarding the net investment returns for members invested in these AVC arrangements, effective as at 31 March 2023.

Fund Name	1 Year net return	5 Year net return (% p.a.)
Prudential Deposit Fund	2.09%	0.75%

8. Value for members

- 8.1. Regulations require the Trustee to assess the extent to which the Scheme provides value for members.
- 8.2. The method to be used for this assessment changed for schemes with assets of less than £100m that have been operating for three years or more, effective for scheme years ending after 31 December 2021. The Scheme fits these criteria. In previous years, the Plan (DB and DC sections combined) had assets in excess of £100m. However, for the reporting period, the assets were under £100m and a different approach to the value for members assessment was required.
- 8.3. The assessment comprises three components:
- An assessment of costs and charges relative to the average costs and charges for three comparator schemes.

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- An assessment of net investment returns relative to the average net investment returns for three comparator schemes.
 - A self-assessment across seven key metrics of scheme administration and governance.
- 8.4. For the relative assessments, costs and charges and net returns for default arrangements should be compared with those for the default arrangements of the comparator schemes. In addition, costs and charges and net returns for popular self-select funds should be compared with those for the nearest comparable funds in the comparator schemes (or, where there is no comparable fund, a comparator scheme's default arrangement).
- 8.5. The value for members assessment was undertaken in accordance with the statutory guidance for the scheme year. Analysis was undertaken by Barnett Waddingham LLP and the findings considered and the outcome confirmed at a trustee meeting on 10 October 2023.
- 8.6. The outcomes of the three components of the assessment were:
- Giving greater weight to the default investment arrangement, in which the large majority of assets are invested, costs and charges for the Plan were significantly higher than the average for the comparator schemes. This reflects how pension providers decide upon the charges they will make, with the demographics of the Plan (average term to retirement/ average contributions etc.) relative to the demographics of the comparator (much larger) schemes being one of the major reasons for the relative position in this instance.
- The Trustee therefore concluded that the Plan provides poor value for members in relation to costs and charges.
- Again, giving greater weight to the default investment arrangement, in which the large majority of assets are invested, the returns after allowing for the charges mentioned above for the Plan were closely comparable to the average for the comparator schemes. The Trustee therefore concluded that even allowing for the level of charges, the Plan provides good value for members in relation to net investment returns.
 - The Trustee considered all seven metrics across scheme administration and governance. The Trustee concluded that the Plan provides good value for members in relation to administration and governance.
- 8.7. Taking the three components into account, the Trustee concluded that overall the Plan provides moderate value for members.
- 8.8. The method of assessment is prescribed. Factors that were not considered but that add value include:
- the services fully paid for by Britannia Refined Metals Limited, e.g. the services of legal advisers, consultants and auditors;
 - the operation of the Trustee, with a duty to act in the best interest of members, which is paid for by Britannia Refined Metals Limited;
 - the employer contributions available through the Plan; and
 - the operation of salary sacrifice for employee contributions.

9. Trustee knowledge and understanding

The Trustee Board

- 9.1. Britannia Refined Metals Retirement Plan Limited, the Trustee, is a trustee company, chaired by a professional, independent trustee. There were four Trustee Directors on the board as at the end of the reporting period.

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Trustee knowledge and understanding requirements

- 9.2. The Trustee is required to have, or have access to, appropriate knowledge to run the Plan effectively. This has been achieved in the Plan year in a number of ways:
- All new Trustee Directors are required to complete the Pensions Regulator's online Trustee e-learning Toolkit within six months of being appointed.
 - The Trustee Training Log provides a record of training sessions that have been provided by professional advisers over the year, including:
 - Training on the new Single Code;
 - Training on investment strategy considerations;
 - DC governance – Legislation updates and market developments in DC pensions;
 - The Trustee includes an independent professional trustee whose skills and experience gained from other schemes supplements the Trustee Board knowledge. In addition, the professional trustee works for a company who have specific internal controls, which require them to undertake continual professional development so that they keep up to date with all the legislative requirements and pensions industry developments. In addition, the professional trustee is accredited under the PMI's "Accreditation in Professional Trustees" ("APTitude") accreditation programme.
 - The appointed professional advisers use their knowledge of the Plan rules, policies and legislation to support Trustee decision making. For example, the Plan Auditor each year provides the Trustee with feedback on the audit of the Plan's financial statements and on internal control matters that came to their attention during the course of their audit.
 - Input from the advisers is received as part of the regular Trustee meetings (updating the SIP and setting and reporting on strategic objectives for the investment advisers for instance) and pro-actively on an ad hoc basis in between meetings.
- 9.3. The Trustee is required to be conversant with the Plan's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of plan assets to enable them to properly exercise their functions.
- 9.4. The Trustee addresses the requirements through a combination of the ongoing training and taking professional advice, particularly as and when decisions are being taken (such as understanding their powers when the SIP was updated and when the investment strategy review was undertaken).

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Trustee training

- 9.5. The Trustee maintains a training log which outlines the training undertaken by the group and by each individual Trustee Director.
- 9.6. In addition, the Trustee assesses its training needs annually, as set out in its detailed Business Plan. This analysis enables both group and individual training needs to be identified and a training plan established for the coming year.

Access to professional advice

- 9.7. The Trustee consults with professional advisers as and when required, for example on the Plan's value for members' assessment, the production of the annual DC governance statement and updating the SIP. Their professional advisers alert the Trustee, and where appropriate provide training, on relevant changes to pension and trust law as outlined above.

Assessment

- 9.8. The Trustee Directors consider that their combined knowledge, skills and understanding, the access to advice and the Chairmanship by a professional, independent Trustee enables them to properly exercise their trustee functions in relation to the Plan's DC arrangements.

Signed for and on behalf of the Trustee of the Plan

 **James Duggan**
Chair of the Trustee

23 October 2023
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Date