

Mackays of Chatham Retirement Benefits Scheme (the "Scheme")

Annual Governance Statement for the year ending 1 June 2021

From 6 April 2015 trustees are required to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits. All benefits in the Scheme are defined contribution benefits.

The minimum governance standards cover four principal areas relating to the Scheme's defined contribution benefits, namely:

- the default investment arrangement,
- core financial transactions,
- value from member borne deductions;
- the trustees' knowledge, understanding and resources; and
- value for money assessment.

As Chair of the Scheme, I, on behalf of C P I Colour Limited (CPI) have to report on how the Trustee complies with these minimum standards and have done below.

The Trustee is currently conducting a review of the arrangement and the longer-term plans for the Scheme to ensure that it remains appropriate for the remaining members.

Default Arrangement

The Scottish Widows Conventional With-Profits fund is the default strategy.

Scottish Widows were appointed to manage the Defined Contribution Section assets when the Scheme was set by the Company and original Trustees.

The Scottish Widows With-Profits fund is a diversified fund which smooths investment returns to help lower the volatility associated with the underlying investments.

The Scheme has less than 100 members so is exempt for the requirement to have a Statement of Investment Principles under s35 Pensions Act 1995 and Investment regulations. In addition, the Scheme has not been used for Auto-enrolment purposes.

The Trustee monitors the performance of the Scottish Widows to ensure they are still fit for purpose.

There have been no contributions to the Scheme for several years and the average fund value is c£55,000 per member. The adviser fees are met by the Company.

Core Financial Transactions

The Trustee is required to explain how they ensure that core financial transactions are processed promptly and accurately.

Each member has an individual earmarked policy with Scottish Widows. Therefore, Scottish Widows administer all of the financial transactions.

The Trustee monitors performance of Scottish Widows' service standard on a case by case basis.

As no more contributions are paid into the Scheme the only financial transactions would be either a transfer value or a retirement settlement from members. All member

communications are directed to the Trustee in the first instance so we are aware of any retirement or transfer requests and are able to monitor this without specific reporting from Scottish Widows.

The Trustee is confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions are dealt with accurately and in a timely manner.

Assessment of member-borne charges and transaction costs

The default arrangement is a with-profits policy and as such there are no explicit charges and transaction costs. The investment returns are smoothed by the addition of annual bonuses and final bonuses at retirement. When the underlying assets have performed well the bonus will not fully reflect the increase in the underlying assets so that in years when the underlying assets have fallen there is no reduction in the value of the with profits fund. Scottish Widows takes charges from the profits of the fund but details of these charges are not available.

The Trustee receives the annual fact sheet for the investment fund to review and monitor performance.

The Trustee is currently considering the longer-term plans for the Scheme.

Trustee Knowledge and Understanding

The Company is the sole trustee and is not a professional trustee.

The Scheme is an insured based arrangement and uses the standard trust deed and rules provided by the insurer. The Scheme does not need to have a Statement of Investment Principles due to its size.

It has been decided to take advice from a professional trustee to conduct a review of the arrangement and the longer-term plans for the Scheme to ensure that it remains appropriate for the remaining members.

Value for Money Assessment

The members of the Scheme are all invested in the same With-Profits fund offered by Scottish Widows. Other options could be available however these had previously not been explored by the membership. The current default fund has historically performed positively, outperforming inflation and the management charges applied. Therefore, it can be considered that the members are receiving value for money.

The Trustee is currently conducting a review of the arrangement and the longer-term plans for the Scheme to ensure that it remains appropriate for the remaining members.

**Signed for and on behalf of The Trustee of the Mackays of Chatham Retirement
Benefits Scheme**

John Evans

Chair of the Trustee

Date: 31 December 2021

Illustration of charges levied on members

As all members benefits are invested in the Scottish Widows Conventional With-Profits Fund, which is a with profits policy, the underlying charges are unknown. Therefore, we are not able to provide an illustration of the effect of charges levied on members.

There are 17 deferred members in the Scheme. Currently there is a review of the arrangement and the longer-term plans for the Scheme underway, to ensure that it remains appropriate and that the best service is provided for the remaining members.

As we are unable to provide an illustration of the effect of underlying charges levied on members, we have instead set out an illustration of the effect of the estimated investment returns after the deduction of underlying charges on an example pension pot over time. This is for illustration only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- The Default arrangement.
- An initial pension pot of £55,000.
- Member is currently 5 years from Normal Retirement Date.
- There are no further contributions paid into the fund.
- Investment Returns (after inflation and charges) are estimated as at 1 June 2021 as 3% p.a. for the fund
- Inflation of 2.5% p.a.
- Projected pension pot values are shown in terms of current prices, i.e. the actual figures will be higher to the extent that there is future inflation.

