

DC GOVERNANCE STATEMENT

INTRODUCTION

This statement has been prepared by the Trustee of the Scheme (the “Trustee”) in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the “Regulations”). It covers the year ended 31 March 2026 (being the period between 1 April 2025 and 31 March 2026 (the “Scheme Year”). The previous statement covered the Scheme Year ended 31 March 2025.

By law, this statement is required to cover:

1. Default arrangements and their governance;
2. Net investment returns;
3. Disclosure of member-borne charges and transaction costs and example illustrations of their effect on fund values over time;
4. Assessment of value for members;
5. Processing of core financial transactions;
6. Trustee knowledge and understanding.

The Scheme is a Defined Benefit (“DB”) scheme closed to future accrual. There are Defined Contribution (“DC”) arrangements within the Scheme which provide supplementary benefits to relevant members. The value of the Scheme’s DC assets, representing 430 members, amounted to £6.8m as at 31 March 2026 relative to aggregate assets of £1,282m.

The DC arrangements comprise of:

- Additional Voluntary Contributions (“AVCs”) paid by members;
- funds held for members who have transferred benefits from schemes relating to previous employments; and
- additional contributions made by the employer in respect of senior employees (the “MPS Section”).

No contributions have been accepted into the DC arrangements since 31 October 2009, although where the policy offers more than one investment fund, members are still able to switch between funds.

1. DEFAULT ARRANGEMENT

The Scheme is not used as a qualifying scheme for automatic enrolment, and no contributions have been paid to the DC arrangements since the regulatory requirement to prepare a Chair’s statement came into effect. Furthermore, prior to the closure of the Scheme to future contributions, members were required to select the fund or funds used for their DC investments. As such there is no default arrangement, and therefore the requirements of Section 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and the disclosures for this statement relating to default arrangements do not apply. As there is no default arrangement, the Trustee does not maintain a separate Statement of Investment Principles for the DC arrangements to include as part of this statement. The Scheme’s Statement of Investment Principles can be found online at www.pensions.smiths.com/smiths-industries-pension-scheme/statement-of-investment-principles

2. NET INVESTMENT RETURNS

The Trustee is required to report net investment returns for each investment option that members were invested in during the Scheme Year. Net investment returns are the returns on funds after the deduction of any member-borne charges and transaction costs relating to those investments.

The net investment returns shown in the table below have been prepared having regard to statutory guidance. For arrangements where the net returns vary with age, the guidance states that net investment returns should be shown for a member aged 25, 45 and 55 at the start of the investment reporting period. For the L&G Cash Lifestyle Strategy, the underlying assets change over time, but these changes take place from 3 years before retirement. When reporting the net investment returns for the L&G Cash Lifestyle Strategy, we have assumed a retirement age of 65, therefore the net returns for this strategy, are the same, irrespective of whether the member was 25, 45 or 55 at the start of the investment reporting period.

It is important to note that past performance is not a guarantee of future performance.

Fund	Performance to 31 March 2026 (% p.a.)		
	1 year	3 years	5 years
L&G			
Cash Lifestyle Strategy ¹	11.1	7.5	4.1
World Equity Index	15.7	13.5	9.9
UK Equity Index	22.6	13.0	10.7
Global Real Estate Equity Index	7.0	5.2	2.8
Multi-Asset	11.1	7.5	4.1
Future World Multi-Asset	10.4	7.5	4.0
Future World Annuity Aware	2.1	1.0	-5.3
Cash	3.8	4.5	3.0
Phoenix Life			
With Profits ²	Not available	Not available	Not available
Prudential			
With Profits ² (Series 1 and 3)	2.8	2.5	2.0
International Equity (Series 3)	21.8	13.6	9.9

Source: Providers and Financial Express Analytics

1. Member aged 25, 45 or 55 at start of investment reporting period.
2. Whilst in practice we would expect a terminal bonus to increase returns to close to the returns achieved by the underlying assets of these funds over the period held (after deducting all costs of running the funds, including the costs of any guarantees), these amounts are unknown and are not guaranteed. A market value reduction, which can reduce the return delivered to investors, may be applied on exit from these funds at any time other than at maturity date, or in the event of death before retirement.

3. MEMBER-BORNE CHARGES AND TRANSACTION COSTS

The Trustee monitors the level of costs and charges borne by members through the DC arrangements annually. In accordance with the Regulations, the Trustee has disclosed the “charges” and “transaction costs” borne by members of the Scheme during the Scheme Year covered by this statement.

Charges

For these purposes, “charges” means the explicit costs associated with operating and managing an investment fund, expressed as a total expense ratio (“TER”). For the L&G unit-linked funds members invest in, the TER is made up of the annual management charge which is paid by cancellation of units, and the fund management charge and additional expenses which are taken by adjustment of the daily unit price for the fund. For the Prudential unit-linked funds the TER is the annual management charge. For the With Profits funds the charges are not explicit; the cost of operating and managing the fund is reflected in the annual bonus rate declared on the fund.

Transaction costs

In the context of this statement, the transaction costs are those costs incurred as a result of buying, selling, lending or borrowing investments within a fund.

The Trustee has set out the TER and transaction costs that have been incurred by members in the table below. All costs and charges have been supplied by the providers. The latest transaction costs available from the providers are shown. These are for the 12-month period to 31 December 2025 for L&G and Prudential. Phoenix Life has not provided transaction costs in time to be included in this report. The Trustee hopes that the providers will become quicker at calculating transaction costs in future, so that the transaction costs for the Scheme Year can be included in future Chair’s statements however, there is no certainty that this will happen.

Any negative transaction costs have been set to zero by the Trustee, in accordance with the relevant guidance to avoid potentially understating costs.

Provider/Fund	TER (%)	Transaction costs (%)
L&G		
Cash Lifestyle Strategy	0.38 – 0.42 (depending upon term to retirement)	0.02 – 0.04 (depending upon term to retirement)
World Equity Index	0.41	0.01
UK Equity Index	0.39	0.00
Global Real Estate Equity Index	0.48	0.02
Multi-Asset	0.42	0.02
Future World Multi-Asset	0.45	0.06
Future World Annuity Aware	0.41	0.00
Cash	0.38	0.04
Phoenix Life		
With Profits	Not available	Not available
Prudential		
With Profits (Series 1 and 3)	1.07 ³	0.11
International Equity (Series 3)	0.76	0.18

Source: Providers

- ³. For the Prudential With Profits Fund, the costs of running the Fund are taken into account when the bonus rate is declared. Prudential currently estimates running costs to be 1.07% p.a. however the charge is not guaranteed at this level and may change in the future.

Example illustrations of the impact of fund costs and charges on members' DC fund values

The Trustee is required to illustrate the effect of the costs and charges typically paid by members on the value of their fund or funds at retirement (as a "pounds and pence figure").

The Regulations allow the Trustee to exercise its discretion with regards to the illustrative examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the Scheme's membership.

The Trustee has taken account of the statutory guidance when preparing these illustrations. Illustrations have been provided to demonstrate the effect of costs and charges for more than one investment strategy in the L&G arrangement, in order to show the effect of different charges for the funds (including those with the highest and lowest charges). The growth assumptions used for funds are consistent with those used by the providers in annual benefit statements.

These illustrations are based on a number of assumptions about the future which are set out in the notes under the tables below. Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

For the L&G arrangement:

- Example member 1: the youngest member (age 44) who is therefore 21 years from their retirement age of 65 with a current fund of £1,200; and
- Example member 2: a member of average age (age 59) who is therefore 6 years from their retirement age of 65 with a current fund of £6,600.

The effect of costs and charges on the Cash Lifestyle Strategy (which is the strategy within which members are invested, unless they have chosen to invest in other funds), the Future World Multi-Asset Fund (the fund with the highest costs and charges in this Scheme Year) and the UK Equity Fund (the fund with the lowest level of costs and charges in this Scheme Year) have been illustrated.

The examples below illustrate the effect of the costs and charges on example members' projected pension savings over time.

Example member 1:

For the example youngest member, the estimated impact of costs and charges on the accumulated fund value is shown in the table below.

Years to retirement	Cash Lifestyle Strategy			Future World Multi-Asset Fund (highest costs and charges)			UK Equity Fund (lowest costs and charges)		
	Fund value		Impact of charges	Fund value		Impact of charges	Fund value		Impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
21	£1,200	£1,200	£0	£1,200	£1,200	£0	£1,200	£1,200	£0
20	£1,220	£1,210	£10	£1,220	£1,210	£10	£1,240	£1,240	£0
15	£1,310	£1,280	£30	£1,310	£1,270	£40	£1,470	£1,430	£40
10	£1,410	£1,340	£70	£1,410	£1,340	£70	£1,740	£1,670	£70
5	£1,510	£1,420	£90	£1,510	£1,400	£110	£2,050	£1,930	£120
0	£1,590	£1,460	£130	£1,630	£1,480	£150	£2,430	£2,240	£190

Example member 2:

For the example average member, the estimated impact of costs and charges on the accumulated fund values is shown in the table below.

Years to retirement	Cash Lifestyle Strategy			Future World Multi-Asset Fund (highest costs and charges)			UK Equity Fund (lowest costs and charges)		
	Fund value		Impact of charges	Fund value		Impact of charges	Fund value		Impact of charges
	Before charges	After charges		Before charges	After charges		Before charges	After charges	
6	£6,600	£6,600	£0	£6,600	£6,600	£0	£6,600	£6,600	£0
5	£6,700	£6,670	£30	£6,700	£6,670	£30	£6,830	£6,800	£30
0	£7,050	£6,880	£170	£7,200	£7,000	£200	£8,070	£7,890	£180

For the Prudential and Phoenix Life arrangements:

For the Prudential and Phoenix Life arrangements, we have chosen one representative member (example member 3). This is the youngest member (age 44) who is therefore 21 years from their retirement age of 65 with a current fund of £2,800.

The effect of costs and charges on the Prudential and Phoenix Life With Profits Funds have been illustrated, as these were the only material funds held in these arrangements at the end of the Scheme Year.

Example member 3:

For the example youngest member in the Phoenix Life and Prudential arrangements, the estimated impact of costs and charges on the accumulated fund values is shown in the table below.

Years to retirement	Prudential With Profits Fund			Phoenix Life With Profits Fund		
	Fund value		Impact of charges	Fund value		Impact of charges
	Before charges	After charges		Before charges	After charges	
21	£2,800	£2,800	£0	£2,800	£2,800	£0
20	£2,840	£2,810	£30	£2,840	£2,810	£30
15	£3,060	£2,850	£210	£3,060	£2,860	£200
10	£3,290	£2,900	£390	£3,290	£2,910	£380
5	£3,530	£2,940	£590	£3,530	£2,970	£560
0	£3,800	£2,990	£810	£3,800	£3,020	£780

Notes

- The illustrations assume no further contributions are paid;
- Starting fund values shown are estimates and are not guaranteed (they have been rounded to the nearest £10);
- Representative members are based upon the membership of Prudential S1 policies as at 31 March 2026, Prudential S3 policies as at 31 December 2025 and Phoenix Life policies as at 31 March 2025;
- The illustrations are shown in today's terms, and do not need to be reduced further for the effect of inflation, which is assumed to be 2.5% p.a.;
- Transaction costs have been averaged over up to five years in line with statutory guidance to reduce the level of volatility. A floor of 0.0% p.a. has been used for transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time;
- Growth rates are those used by the providers in members' annual benefit statements.

The projected growth rates and costs and charges assumed in the illustrations are as follows:

Fund / Strategy	Growth rate (% p.a.)	Costs and charges (% p.a.)
L&G Cash Lifestyle Strategy	2.0 – 4.0 ⁴	0.40 – 0.44 ⁴
L&G Future World Multi-Asset Fund	4.0	0.49
L&G UK Equity Fund	6.0	0.40
Phoenix Life With Profits Fund	4.0	1.13 ⁵
Prudential With Profits Fund	4.0	1.18

⁴Depending upon term to retirement

⁵Based upon costs and charges for pre-1991 regular contributions over the year ending 31 March 2025.

4. VALUE FOR MEMBERS

The Trustee's value for members assessment framework considers both the costs and benefits of membership of the DC arrangements. The costs and charges on all strategies and funds in which members were invested over the period are considered in order to evaluate the extent to which those costs and charges represent good value for members.

In relation to the benefits of membership, the Trustee has identified five core benefit categories of value for members as follows:

- **Scheme governance** – The Trustee believes that good governance is important to ensuring that a framework exists and is actively in use to help deliver better member outcomes. Only strong and stable providers should be appointed as this is important for the long-term outcome of members' benefits. The use of safeguards and controls to manage operational risk is important and the number of errors should be minimised and any impact from errors should be corrected to put members back in the position they should have been in.
- **Investments** – The Trustee considers a well-designed investment portfolio, which is subject to regular monitoring, and a varied range of investment funds, with appropriate charging structures, to be important to deliver better member outcomes. The Trustee believes it is important that performance of funds, over the long term, is in line with their market sector.
- **Administration** – The Trustee considers good administration and record keeping play a crucial role in ensuring that Scheme members receive the retirement benefits that are due to them. In addition, the type and quality of service experienced by members has a bearing on the level of member engagement.
- **Member communications** – The Trustee considers effective member communications, and delivery of the right support and tools to help members improve their outcomes, to be essential to aid member understanding.
- **Retirement options** – The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select an appropriate option(s) at retirement.

The Trustee has reviewed the above five core benefit categories and the assessment for the Scheme Year is summarised as follows:

Scheme governance: The Trustee has a suitable governance framework in place. The adequacy and effectiveness of governance and control over Data Protection, Information Security and Cyber Security is periodically reviewed by the Trustee. The Trustee reviews the risks relating to the DC arrangements annually, as part of the Scheme's risk assessment framework.

The Trustee has an Investment Committee in place which spends time discussing the Scheme's DC arrangements. Any decisions that need to be taken by the full Trustee board are considered accordingly. An annual review, using professional advisers, is undertaken which assesses the financial strength of providers and the suitability and relevance of the DC arrangements and whether they represent value for members. Core financial transactions at Scheme-level and other key governance metrics are monitored quarterly. Regular meetings are held with the administrator to discuss and progress the areas of administration that require input from the Trustee.

Investments: The Scheme offers an appropriate range of investment options to members which have been agreed, following advice from the Scheme's investment adviser, with the specific needs of members in mind. The Trustee has pro-actively consolidated unit-linked funds where possible, to improve value for members by reducing the charges they pay from their unit-

linked funds. As at the end of the Scheme Year, all unit-linked funds were held with L&G. With Profits Funds have been retained as the Trustee believes members are likely to value the guarantees they provide.

Administration: The Trustee monitors the administration of members' DC benefits. The Trustee is satisfied that the Scheme administrator and the DC providers have robust systems and the capability to process financial transactions promptly and accurately in line with the agreed service levels and relevant regulatory requirements. Following a delay to action a request by the Trustee to reconcile data held for members with DC benefits, the Trustee will work with the administrator to understand the reasons for this and look for improvements to this aspect of the service provided over the next period. The Scheme's administration procedure manuals are regularly reviewed and updated. Aptia provides a member helpline and the member experience is monitored through call statistics, complaint details and surveys that members are asked to complete after contacting the helpline.

Member communications: Members can register for access to the Scheme website www.aptiaoneview.co.uk/smiths which holds various Scheme documentation. L&G provides a Scheme-specific website for members of the L&G arrangement (legalandgeneral.com/workplace/s/smiths-group). The Trustee includes reminders for members to monitor their DC funds in the annual newsletter.

Retirement options: For the majority of members, the Trustee allows the proceeds arising from the DC arrangements to be taken as part of the tax-free cash sum or, in certain circumstances, to purchase a pension in the Scheme at retirement. The conversion factors are such that, in many cases, they are expected to be more favourable than annuity rates available elsewhere in the market. This enhances member outcomes at retirement. The Trustee no longer provides access to a Scheme-Authorised Independent Financial Adviser, but member communications and the Aptia oneview site signposts members to the MoneyHelper website where they can read how to find an independent financial adviser.

Costs and charges: In evaluating the costs and charges borne by members against the benefits of the DC arrangement, the Trustee has undertaken a benchmarking exercise to compare costs and charges against expectations. The table below sets out the current TERs for each of the unit-linked funds along with the Trustee's adviser's expected range for each asset class across the entire DC market. Note the TER on the Phoenix Life and Prudential With Profits funds is not explicit, costs of operating these funds are taken into account when the bonus rates are declared.

A Red/Amber/Green ("RAG") rating based on the following methodology is assigned to each fund.

GREEN – Lower 50th percentile **AMBER** – Upper 50th percentile **RED** – Outside of expected range.

L&G Fund	TER (% p.a.)	Expected range (% p.a.)	RAG
World Equity Index	0.41	0.05 – 0.70	AMBER
UK Equity Index	0.39	0.05 – 0.65	AMBER
Global Real Estate Equity Index	0.48	0.05 – 0.70	AMBER
Multi-Asset	0.42	0.13 – 1.30	GREEN
Future World Multi-Asset	0.45	0.13 – 1.30	GREEN
Future World Annuity Aware	0.41	0.15 – 0.90	GREEN
Cash	0.38	0.05 – 0.60	AMBER
Prudential Fund	TER (% p.a.)	Expected range (% p.a.)	RAG
International Equity	0.76	0.60 – 1.40	GREEN

The tables above show that the charges members pay for all funds are rated green or amber, so they are within the range expected by the Trustee's advisers, when compared to the entire DC market. The fact that some funds are rated amber indicates that members could find lower charges if they moved to a larger scheme. However, this does not mean the Scheme does not provide value to members as there are many good reasons why moving to a larger scheme would not be in members' best interests, for example, losing the link between their DB and DC benefits.

Based on the information and the circumstances outlined above, the Trustee has concluded that, during the Scheme Year, the Scheme's DC arrangements represented good value for members.

Further information is available in respect of the DC arrangements and investments on request by contacting the Scheme administrator, Aptia, as follows:

Online: pensionuk.aptia-group.com

Phone: 0121 816 1889

By Post: Aptia
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP

Information can also be obtained by visiting pensions.smiths.com where details of the value for members assessment can be found.

5. CORE FINANCIAL TRANSACTIONS

As no contributions are made into the Scheme's DC arrangements, core financial transactions include (but are not limited to):

- Transfers to other registered pension schemes;
- Transfers into other policies within the Scheme;
- Switches of assets between funds in the same policy; and
- Payments of benefits in the policy to, or in respect of, members.

The Trustee has overall responsibility to ensure such transactions which are administered by Aptia and the providers of the Scheme's DC arrangements, are processed promptly and accurately.

Controls and processes

Aptia and the DC providers process benefits in accordance with their internal processes and controls.

Aptia operate a peer review process to ensure the accuracy of financial transactions and that the transactions are approved by appropriately authorised individuals. These controls are independently audited and reported on in Aptia's internal controls and assurance report, which is periodically reviewed by the Trustee.

Transaction timescales

The Trustee has service level agreements in place with Aptia and L&G which include timescales in which to undertake all core financial transactions. Depending on the type of transaction being processed, the service level agreement is between one and ten days.

The Trustee monitors Aptia to ensure that core financial transactions have been processed promptly and accurately by:

- Reviewing the internal controls and assurance reports;
- Obtaining quarterly administration reports from Aptia, which include reporting on service level standards (noting that these service levels cover both DB and DC benefits); and
- Maintaining a close working relationship with Aptia and obtaining feedback from them regarding the DC providers.

In summary, the Trustee is satisfied that Aptia and L&G have robust systems and the capability to process financial transactions promptly and accurately, in line with the agreed service levels where relevant, and requirements of regulation 24 of the Regulations. If timescales are missed, Aptia monitor any impact on the members to make sure there is no financial loss.

During the Scheme Year, the Trustee is satisfied that the vast majority of core financial transactions were processed promptly and accurately, and where any delays were encountered checks were carried out to ensure members were not worse off as a result.

6. TRUSTEE KNOWLEDGE AND UNDERSTANDING

The Scheme is a DB scheme with the DC arrangements making up a small proportion of the benefits being provided. The Trustee Board's knowledge and understanding requirements are met with this in mind.

The requirement under sections 247/248 of the Pensions Act 2004, for the Trustee to demonstrate appropriate knowledge and understanding, has been met during the Scheme Year by:

- Providing induction training to new directors of the trustee company (there were no new directors over this Scheme Year);
- Maintaining a working knowledge of the Scheme's Trust Deed & Rules, Statement of Investment Principles, and documented Trustee's policies, as well as pension and trust law and funding and investment principles. During the Scheme Year, the directors have received updates and training relating to current investment matters, such as the impacts of the current geopolitical situation during formal Trustee Board and Committee meetings. Policies and risk assessments are reviewed on a rolling basis and all directors have been involved in the review of these documents during Trustee Board meetings during the Scheme Year;
- Encouraging all directors to complete and keep up to date with the Pension Regulator's trustee toolkit, which is a series of online learning modules developed to help trustees meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004;
- Maintaining training logs, which are reviewed annually;
- Identifying knowledge gaps that directors have and arranging for training to be provided to fill these;
- Providing appropriate tailored training to directors, such as investment-related training to the investment committee;
- Providing regular updates to all directors on current developments from both the Trustee's legal and investment advisers at Trustee meetings (the directors received and reviewed an update on current developments during Trustee Board meetings during the Scheme Year); and
- Carrying out an annual review of the suitability and appropriateness of the Scheme's DC arrangements with advice from the Trustee's investment adviser.

The Trustee also carries out ad-hoc evaluations of the performance and effectiveness of the Board as a whole with the support of an independent adviser. A log of all training undertaken by the directors is maintained by Smiths Pensions and is reviewed in detail on an annual basis, usually during the March Trustee Board meeting, to ensure it is up to date. Knowledge gaps are identified by each director carrying out a self-evaluation.

The Trustee is satisfied that, through the above, it meets the requirements for having, or having access to, sufficient knowledge and understanding to manage the Scheme, including the DC arrangements, effectively and that, also through the above, the combined knowledge and understanding of the directors of the trustee company, together with the advice which is available to them, enables the Trustee to exercise its functions properly.

CONCLUSION

The Trustee of the Scheme has reviewed and assessed the systems, processes and controls across key governance functions and concluded that they are consistent with those set out in the Regulations and the regulatory guidance.

This statement regarding DC governance was approved by the Trustee and is signed on its behalf by

Nicholas Godden

Chair of S.I. Pension Trustees Limited

Date: 13 July 2026