DC Chair's Statement

Hanson Industrial Pension Scheme

20 July 2023

This paper has been prepared for the Trustee of the Hanson Industrial Pension Scheme (the "Scheme") in response to your request that we provide a draft DC Chair's Statement for the Scheme.

There is a requirement for most trust-based defined contribution ("DC") schemes to produce an annual Chair's Statement (the "Statement"). The Statement should outline how the Scheme has complied with the prescribed minimum governance standards for DC schemes. You requested that we provide a draft Statement for the Scheme, which we have enclosed. The draft is based on the industry-wide template that was created from a project driven by LCP, working with the Pensions and Lifetime Savings Association. In producing the draft Statement, we have relied on information provided by Fidelity, Capita and Pi Partnership Group.

The Pensions Regulator ("TPR") has issued fines for non-compliant Chair's statements. We have produced the draft Statement based on our template, which has been guided by our understanding of the requirements. However, it is the Trustee's responsibility to produce a compliant Statement, and therefore we suggest that you obtain legal advice to confirm that all requirements have been met; for efficiency we suggest that the legal adviser is asked to restrict their comments to those that are essential.

TPR has issued a "Quick guide to the chair's statement" which includes a checklist of items to include for each section of the Statement. It also gives some examples of good practice for each requirement, as well as some common misunderstandings and omissions TPR has seen in statements so far. TPR has also published an accompanying technical appendix.

If you are comfortable with the Statement, then it should be physically pen & paper signed by the Chair of the Trustee and included in your Report and Accounts ending 31 December 2022 to comply with the relevant regulations. The Statement needs to be finalised within seven months of the end of the Scheme year.

The Statement of Investment Principles ("SIP") wording covering the DC default investment arrangement (the "Default") must be appended to the signed Statement. In our experience most trustees find it easier to attach the whole SIP.

Chair's statements covering periods after 1 October 2021 must include the investment return, net of charges and transaction costs, of each investment option that members can select or were in the past able to select, and in which member assets were invested during the scheme year. DWP guidance indicates that figures for net investment returns should be shown for the scheme year at a minimum, but recommends including returns for at least five years where possible. As the scheme's default strategy has changed in the last 5 years, we have taken a pragmatic approach (and to reduce costs) and have only shown figures for one and three year periods. Please contact me if you would like to discuss the possibility of including earlier investment returns. We will keep a record of returns going forward and build up to showing longer periods in future chair's statements.

Requirement for publication on the internet

You are required to publish the charges and transaction costs illustration and certain other parts (see below) of the Statement on a website for public access (including, potentially, viewing by TPR).

- The information should be publicly available in a manner which allows for the content to be indexed by search engines. No passwords or personal information can be required to view it.
- It can be published on the Scheme's or employer's website or another website such as a social media site.
- A specific web address for the location of the published materials on the internet must be included in members' Annual Benefit Statement (where members do not receive one, they must be sent a separate notification containing this information).

At a high level the minimum material required to be published is:

- the SIP covering the Default, and details of any review of the Default strategy and performance of the Default (or if no review was undertaken, the date of the latest review);
- member borne charges, transaction costs, and net investment returns for each investment option in which members were able to select during the scheme year and had member assets invested in during the year;
- the illustration of charges and transaction costs; and
- an explanation of the value for members' assessment.

In other words, most of the Statement apart from details of the Scheme's administration and Trustee knowledge and understanding. However, TPR's guidance encourages schemes to publish the full Chair's Statement. Although the original Statement must be physically signed, we recommend that the signature is removed from the version which is published (to help prevent fraud).

You should satisfy yourselves that you have considered the needs of disabled people in publishing the information (for example whether the text can be enlarged so it can be read by visually impaired people).

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Enc: Draft Chair's Statement
Latest Statement of Investment Principles

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Chair's DC Governance Statement, covering 1 January 2022 to 31 December 2022

1. Introduction and members' summary

The **Hanson Industrial Pension Scheme** (the "Scheme") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions ("AVCs") in the Scheme.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee Directors of the Scheme, are required to produce a yearly statement (signed by the Chair of the Trustee) covering:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie administration of the Scheme, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Scheme is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the default and other investment options remain suitable for the membership. For example, over the Scheme year covered by this Statement, the decision was made to adjust the default investment option by replacing the allocation to the Abrdn GARS Fund with the Ruffer Diversified Return Fund within the Active Diversified Fund.
- The Scheme's administrator (Capita) has processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.
- During the Scheme year, the annual management charge of the HIPS World Equity Fund (Currency Hedged), used within the Main Default, was reduced. The change took effect from 19 December 2022.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Scheme is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

We have made available a range of investment options for members. Members who join the Scheme and who do not choose an investment option are placed into the HIPS Drawdown Lifestyle, (which in this Statement is called the "Main Default"). We recognise that most members do not make active investment decisions and instead invest in the Main Default. After taking advice, we decided to make the Main Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

In addition to the Main Default, there is also a 'legacy' default lifestyle (the "Legacy Default"). We decided to retain this in the Scheme for members who had fewer than five years to retirement when the transition to the new investment arrangements was implemented in November 2014. As the only members that remain invested in this strategy had fewer than five years to their expected retirement date, they will currently be in the final switching phase, which involves them investing in the HIPS Fixed Interest Gilts Fund and the HIPS Money Market fund.

The HIPS Money Market Fund was also classified as a default from April 2020 when the HIPS Property Fund was temporarily suspended and Scheme members' contributions to the HIPS Property Fund were redirected into the HIPS Money Market Fund. Although the HIPS Property Fund re-opened on 1 October 2020, ongoing contributions remain directed to the HIPS Money Market Fund, unless members actively choose to redirect them to another fund in the range.

We are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the default arrangements are set out in a document called the 'Statement of Investment Principles' ("SIP"). The Scheme's SIP covering the default arrangements is attached to this Statement as an Appendix.

The aims and objectives of the Main Default, as stated in the SIP, are to generate returns significantly above inflation whilst Scheme members are some distance from retirement, but then switch automatically and gradually into less risky assets as members near retirement. The asset allocation at retirement is currently designed to be appropriate for members who wish to flexibly access their DC account in the Scheme by using income drawdown.

The Scheme's Legacy Default options' objective is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually into less risky assets as the member nears retirement date, with the asset allocation at retirement being designed to be appropriate for members who wish to purchase an annuity.

The aims and objectives of the HIPS Money Market Fund are that it invests in a diversified portfolio of money market instruments of a high quality: it aims to achieve an investment return that is in line with its benchmark.

The Scheme's Default Strategies were not reviewed during the period covered by this Statement. The last review was carried out on 12 May 2020. We regularly monitor the performance of the Defaults and will formally review both this and the wider strategy at least every three years. The next review commenced in March 2023, after the Scheme year end, and we will include details in the next year's Statement.

In the last review, the performance and strategy of the Default Strategies was reviewed to check whether investment returns (after deduction of charges and costs) has been consistent with the aims and objectives as stated in the SIP, and to check that they continue to be suitable and appropriate given the Scheme's risk profiles and membership.

We concluded that it remains appropriate for the Main Default to continue to target income drawdown at retirement and are satisfied that the Main Default is in the best interest of the members. We also concluded that the Legacy Default remains suitable for the members invested in it. As part of the review, we agreed to replace the UK property component within the Main Default (property represents 10% of the HIPS Passive Diversified Fund used within the Main Default) with a global property fund in order to increase diversification. This change was implemented in September 2021. This change also impacted the Scheme's two additional lifestyles as these also use the HIPS Passive Diversified Fund.

In addition to triennial strategy reviews, we also review the performance of the default arrangements against their objectives on a quarterly basis. These reviews include performance analysis to check that the risk and return levels meet expectations. Our reviews over the Scheme year concluded that the default arrangements were performing broadly as expected and consistently with the aims and objectives as stated in the SIP.

Over the Scheme year, we reviewed the Abrdn Global Absolute Return Strategies Fund ("Abrdn GARS Fund") that is used within the HIPS Active Diversified Fund. Following the review, we decided to replace the Abrdn GARS Fund with the Ruffer Diversified Return Fund to improve the expected risk and return profile of the HIPS Active Diversified Fund. This change impacted the Main Default and the two additional lifestyles as these use the HIPS Active Diversified Fund. This change was implemented in January 2023 after the Scheme year end.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Scheme, Capita. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Scheme, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from Capita that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Scheme has a Service Level Agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by the administrator to help meet the SLA are as follows:

- The processing of monthly contributions, and payment reconciliation, with the investment manager(s) within 3 days of receipt of contributions and contribution data.
- The processing of investment fund switches within 3 days of receipt of member requests. Scheme members can do this by using an online form hosted on 'Hanson Pensions' (https://www.hansonpensions.co.uk/en).
- The processing of transfer requests into the Scheme within 3 working days and transfer requests out of the Scheme within 5 working days from receipt of request. All DC members can view their fund values online if they are registered on the website.
- The processing of retirement requests and payments within 5 days from receipt of request.
- The production of annual benefit statements and Statutory Money Purchase illustration statements within 2 months following the receipt of full, accurate data.
- Annual reporting on the completeness and accuracy of common data.
- Management of member records and financial data.
- The provision and management of member online access.

The key processes adopted by the administrator to help it meet the SLA are as follows:

- Recording all member transactions and benefit processing activities in a work management system which automatically assigns the correct SLA for each activity. Work activity is monitored, with tasks allocated daily.
- Preparing quarterly reporting which is presented and discussed with the Trustee.
- Monthly bank and unit reconciliations are provided to the Trustee. Authorisation of transactions is processed at a case level.

To help us monitor whether service levels are being met, we receive quarterly reports about the administrator's performance and compliance with the SLA. Any issues identified as part of our review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

Based on our review processes, other than the areas covered below, we are satisfied that over the period covered by this Statement:

- The administrator was operating appropriate procedures, checks and controls, and completed most tasks within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Scheme year.

Reported SLA rates for each quarter during the Scheme year (with a target of 95%) were:

- Q1 – 92.6%
- Q2 – 92.4%
- Q3 – 89.7%
- Q4 – 87.6%

Capita's performance against SLA was below the target of 95% over all quarters in the Scheme year. While most tasks were completed within the SLA, we will continue to monitor Capita's performance and discuss this with them to ensure performance against SLA improves and stays within target. In particular, the SLA success rates for transfers in and additional voluntary contributions were consistently below target over the year. Performance for IFA queries, retirement estimate or payments, and member record amends were also notably low and inconsistent.

Capita reports complaints received from DB and DC members separately, which allows DC-specific complaints to be better understood. During the Scheme year, there were 25 complaints made by DC members, out of which 21 were upheld. Most of these complaints related to delays in providing information on transfer payments and the processing of payments, and have been addressed by Capita in the form of letters of apology and / or compensations. Details of all member complaints are included in Capita's quarterly reports, including information on the actions taken.

Capita also reports any GDPR breaches that have occurred. Over the Scheme year, there were seven data breaches reported (compared to four in the last Scheme year). Two of these related to DC members, and both were rectified. The Trustee will continue to work with Capita to ensure this is improved in future.

Although SLA performance was below target over the period, Capita has confirmed that core financial transactions on the whole were processed promptly and accurately to an acceptable level during the Scheme year.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges are shown as a per annum ("pa") figure and exclude administration charges, since these are not met by the members.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. Transaction costs are borne by members.

The charges and transaction costs have been supplied Fidelity, who are the Scheme's platform provider. When preparing this section of the Statement we have taken account of the relevant statutory guidance.

Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

Default arrangements

The Scheme's Main Default arrangement is the HIPS Drawdown Lifestyle. The Main Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

Main Default charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.19	0.10
15 years to retirement	0.23	0.14
10 years to retirement	0.27	0.19
5 years to retirement	0.35	0.28
At retirement	0.38	0.31

Legacy Lifestyle charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
5 or more years to retirement	0.13	0.03
At retirement	0.14	-0.02

The TER and transaction cost figures have been shown from 5 years to retirement for the Legacy Default, as the only Scheme members that remain invested in this Strategy had fewer than five years until their expected retirement date when the Main Default was introduced in 2014.

HIPS Money Market Fund charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
HIPS Money Market	0.18	0.01

The HIPS Money Market Fund was classified as a default from April 2020 when the HIPS Property Fund was temporarily suspended and Scheme members' contributions to the HIPS Property Fund were redirected into the HIPS Money Market Fund. Although the HIPS Property Fund re-opened on 1 October 2020, ongoing contributions remain directed to the HIPS Money Market Fund, unless members actively choose to redirect them to another fund in the range.

Self-select and AVC options

In addition to the default arrangements, members also have the option to invest in two other lifestyles, targeting annuity purchase and cash withdrawal and several other self-select funds. The annual charges for these lifestyles during the period covered by this Statement are set out in the tables below.

HIPS Annuity Lifestyle charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.19	0.10
15 years to retirement	0.23	0.14
10 years to retirement	0.27	0.19
5 years to retirement	0.22	0.15
At retirement	0.14	0.03

HIPS Cash Lifestyle charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.19	0.10
15 years to retirement	0.23	0.14
10 years to retirement	0.27	0.19
5 years to retirement	0.35	0.28
At retirement	0.18	0.01

The level of charges for each self-select fund (including those used in the Defaults) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Main Default are shown in **bold**.

Self-select fund charges and transaction costs (% per annum)

Fund name	TER	Transaction costs
HIPS UK Equity	0.11	0.07
HIPS World Equity	**0.12**	**0.02**
HIPS World Equity (Hedged)	**0.12**	**-0.01**
HIPS Active Diversified	**0.65**	**0.74**
HIPS Passive Diversified	**0.26**	**0.09**
HIPS Property	0.47	-0.31
HIPS Fixed Interest Gilts	0.12	-0.03
HIPS Index-Linked Gilts	0.12	0.09
HIPS Corporate Bonds	0.12	0.05
HIPS Money Market	**0.18**	**0.01**
HIPS 60:40 Global Equity	0.13	0.03

AVC funds charges and transaction costs (% per annum)

Fund name	AVC provider	TER	Transaction costs
Managed Pension[1]	Utmost	0.75	0.08
Multi-asset Cautious Pension[1]	Utmost	0.75	0.13
Multi-asset Moderate Pension[1]	Utmost	0.75	0.18
Multi-asset Moderate[1]	Utmost	0.75	0.18
Clerical Medical With Profits	Utmost	Not available	Not available
Crest Secure[2]	Royal London	2.25	0.00
Unit-linked Managed Pension[3]	Countrywide Assured	1.39	Not available
Profit Sharing Account[4]	Phoenix Life	Not available	Not available
With-Profits I & II[5]	Prudential	Not available	Not available

Fund name	AVC provider	TER	Transaction costs
With-Profits Cash Accumulation[5]	Prudential	Not available	Not available
Discretionary[6]	Prudential	0.77	0.07
UK Equity[6]	Prudential	0.76	0.10
International Equity[6]	Prudential	0.78	-0.05
Fixed-interest[6]	Prudential	0.76	0.03
Index-linked[6]	Prudential	0.76	-0.02
Cash[6]	Prudential	0.55	0.00
Equity Managed[7]	Zurich	0.97	0.27
UK Equity[7]	Zurich	0.97	0.17
Managed[7]	Zurich	0.98	0.24
Secure[7]	Zurich	0.35	0.02
UK Preference and Fixed Interest[7]	Zurich	0.96	0.06
With-Profits[7]	Zurich	0.99	0.04

Funds in the Scheme's legacy AVC arrangements shown in the table above are closed to future contributions.
[1] TERs as at 1 February 2023 and transaction costs as at 31 March 2021.
[2] TER shown is the annual management charge as at 31 March 2022 which includes all charges and transaction costs.
[3] The TER shown is the annual fund charge as at 30 September 2022. Countrywide Assured has not yet provided the transaction costs for the fund.
[4] Phoenix Life has not yet provided data for the Profit Sharing Account.
[5] Prudential has not yet provided data for these funds.
[6]TERs as at October 2022 and transaction costs cover the year to 30 September 2021.
[7]TERs as at 6 December 2022 and transaction costs as at 30 September 2020.

In addition to the funds listed above, there is also an 'AVC Lifestyle' which uses the Zurich Equity Managed Fund, and gradually switches to the UK Preference & Fixed Interest Fund from 5 years to retirement.

Zurich AVC Lifestyle	TER (% pa)	Transaction costs (% pa)
10 or more years to retirement	0.97	0.27
5 years to retirement	0.97	0.27
At retirement	0.96	0.06

The TERs shown are as at 6 December 2022 and the transaction costs are as at 30 September 2020.

Whilst TER and transaction cost data for most AVC funds available to members has now been obtained, we will continue to work with our advisers to source the most up to date charges for any remaining funds. Our advisers will continue to liaise with the AVC providers to attempt to obtain this information with the aim of including it in next year's Chair's Statement**.**

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past five years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past five years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Scheme year.
- The illustration is shown for the Main Default (the HIPS Drawdown Lifestyle Strategy), as well as the other legacy / legislative default arrangements (the Legacy Default and the HIPS Money Market Fund) and two funds from the Scheme's self-select fund range. The two self-select funds shown in the illustration are:
    - the fund with highest annual member borne costs (TER plus Scheme Year transaction costs) – this is the HIPS Active Diversified Fund.
    - the fund with lowest annual member borne costs – this is the HIPS Fixed Interest Gilts Fund.

The projection figures have been shown from 5 years to retirement for the Legacy Default, as the only Scheme members that remain invested in this strategy had fewer than five years until their expected retirement date when the Main Default was introduced in 2014.

Projected pension pot in today's money

	Default option		Legacy Default option		HIPS Money Market		HIPS Active Diversified (highest cost)		HIPS Fixed Interest Gilts (lowest cost)	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£22,200	£22,100	£22,200	£22,200	£21,400	£21,300	£22,200	£22,000	£21,700	£21,700
3	£33,500	£33,300	£33,600	£33,500	£30,300	£30,200	£33,400	£32,500	£31,600	£31,500
5	£45,700	£45,300	£46,000	£45,800	£39,200	£39,000	£45,700	£43,800	£41,800	£41,600
10	£81,400	£80,100			£61,500	£60,800	£81,200	£75,000	£69,000	£68,500
15	£125,400	£122,500			£83,800	£82,500	£125,100	£111,400	£98,800	£97,700
20	£179,900	£174,300			£106,100	£104,000	£179,200	£153,700	£131,400	£129,500
25	£246,500	£236,400			£128,500	£125,200	£246,000	£203,000	£167,000	£164,000
30	£327,000	£309,200			£150,800	£146,300	£328,500	£260,400	£205,900	£201,500
35	£422,700	£392,200			£173,100	£167,200	£430,300	£327,100	£248,400	£242,300
40	£521,300	£471,600			£195,400	£187,900	£556,000	£404,800	£294,900	£286,600

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The long term annual inflation assumption used is 2.5%.
- Annual salary growth is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £16,900. This is the approximate current average (median) pot size of the membership.
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age. For the Legacy Default option, the projection is for 5 years, as all members in this lifestyle are within five years of retirement.
- The starting salary is assumed to be £38,800. This is the approximate median salary for active members.
- Total contributions (employee plus employer) are assumed to be 11.5% of salary per year.
- The projected annual returns used are as follows:
  - Main Default option: 4.3% above inflation for the initial years, gradually reducing to a return of 2.7% above inflation at the ending point of the lifestyle.
  - Legacy Default option: 4.5% above inflation for members 5 years from retirement, gradually reducing to a return of 1.35% above inflation at the ending point of the lifestyle.
  - HIPS Money Market Fund: in line with assumed inflation
  - HIPS Active Diversified Fund: 4.3% above inflation
  - HIPS Fixed Interest Gilts Fund: 1.8% above inflation
- No allowance for active management outperformance has been made.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Scheme year.

The With-Profits fund returns stated are that of the underlying investments, which are the only figures that can be quoted. With Profits Funds are designed to smooth the returns members receive over their investment term and underlying investment returns are not the only factor determining the return members receive.

For arrangements where returns vary with age, such as for the Main Default, returns are shown over the Scheme year for a member aged 25, 45, 55 and 60 at the start of the period the returns are shown over.

The Main Default, Cash Lifestyle and Annuity Lifestyle have the same underlying asset allocations for members who are aged 25, 45 and 55, and so have the same net returns for members of these ages. Asset allocations, and therefore returns, of these three Lifestyles only begin to diverge once members reach the age of 57 (assuming a retirement age of 65).

For the Legacy Default, the returns for members who are aged below 60 were zero over the period, given that all members in the Legacy Default have fewer than five years to retirement (assuming a Target Retirement Age of 65).

HIPS Drawdown Lifestyle (Main Default) net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	3 years (% pa)
25	-8.8	6.7
45	-9.3	4.4
55	-13.2	2.5
60	-14.2	1.0

HIPS Cash Lifestyle net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	3 years (% pa)
25	-8.8	6.7
45	-9.3	4.4

Age of member at the start of the period	1 year (%)	3 years (% pa)
55	-13.2	2.5
60	-14.2	2.7

HIPS Annuity Lifestyle net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	3 years (% pa)
25	-8.8	6.7
45	-9.3	4.4
55	-13.2	2.3
60	-16.5	-4.1

Legacy Default net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	3 years (% pa)
25*	-2.0	4.3
45*	-2.0	4.3
55*	-2.0	4.3
60*	-9.7	-5.0
65	-30.0	-9.8

* There were no members of these ages invested in the Legacy Default over the period. All members in the Legacy Default have fewer than five years to retirement (assuming a Target Retirement Age of 65).

Self-select fund net returns over periods to scheme year end

Fund name	1 year (%)	3 years (% pa)
HIPS UK Equity	-0.1	2.0
HIPS World Equity	-7.6	8.6
HIPS World Equity Fund - currency hedged	-16.5	4.8
HIPS BlackRock 60:40 Global Equity	-2.0	4.3
HIPS Active Diversified	-13.2	-2.0
HIPS Passive Diversified	-13.6	0.3
HIPS Property	-10.0	1.7
HIPS Fixed Interest Gilts	-40.4	-14.2
HIPS Index-Linked Gilts	-38.1	-10.1
HIPS Corporate Bonds	-18.0	-5.0
HIPS Money Market[1]	1.3	0.5

[1] The HIPS Money Market Fund was classified as a default from April 2020 when the HIPS Property Fund was temporarily suspended and Scheme members' contributions to the HIPS Property Fund were redirected into the HIPS Money Market Fund. Although the HIPS Property Fund re-opened on 1 October 2020, ongoing contributions remain directed to the HIPS Money Market Fund, unless members actively choose to redirect them to another fund in the range.

AVC fund net returns over periods to scheme year end

Fund name	1 year (%)	3 year (%)
Utmost Managed Pension	-5.9	Not available
Utmost Multi-Asset Cautious Pension	-13.8	Not available
Utmost Multi-Asset Moderate Pension	-11.5	Not available
Utmost Multi-Asset Moderate	-9.2	Not available
Clerical Medical With-Profits	Not available	Not available
Royal London Crest Secure	Not available	Not available
Phoenix Life Profit Sharing Account	Not available	Not available
Prudential With-Profits Cash Accumulation	Not available	Not available
Prudential With-Profits	Not available	Not available
Prudential Discretionary	-3.7	9.4
Prudential UK Equity[1]	-0.5	10.3
Prudential International Equity[1]	2.5	15.7
Prudential Fixed-interest[1]	-15.7	-8.3
Prudential Index-linked[1]	-29.4	-8.0
Prudential Cash[1]	0.4	-0.7
Zurich With-Profits	-8.7	Not available

Zurich Equity Managed[2]	4.2	8.8
Zurich Managed[2]	-0.8	6.0
Zurich Secure[2]	1.7	0.9
Zurich UK Preference and Fixed Interest[2]	-19.6	-9.1
Zurich UK Equity[3]	5.1	13.3
Countrywide Assured Managed Pension	Not available	Not available

[1] *Returns as at 31 March 2023.*
[2] *Returns as at 28 February 2023.*
[3] *Returns as at 31 March 2023.*

Whilst net return data for most AVC funds available to members has now been obtained, we will continue to work with our advisers to source the most up to date charges for any remaining funds. Our advisers will continue to liaise with the AVC providers to attempt to obtain this information with the aim of including it in next year's Chair's Statement.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was 24 May 2023. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Our investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

Our assessment included a review of the performance of the Scheme's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives, apart from the HIPS Active Diversified Fund. Over the Scheme year, we reviewed the allocation to Abrdn GARS Fund within the HIPS Active Diversified Fund and decided to replace the Abrdn GARS Fund with the Ruffer Diversified Return Fund to improve the expected risk and return profile of the HIPS Active Diversified Fund. This change was implemented in January 2023 after the Scheme year end. We will be reviewing the HIPS Active Diversified Fund on the whole as part of the ongoing strategy review.

In carrying out the assessment, we also consider the other benefits members receive from the Scheme, which include:

- our oversight and governance, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Scheme website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

This summary sets out our ratings and the high-level rationale behind it.

Charges – Very Good

The charges remain competitive when compared to similar sized unbundled schemes, with most funds in line with average charges.

Administration – Fair

Capita's performance relative to SLAs has been below target over the Scheme year.

Governance – Very good

The Trustee is committed to the DC section of the Scheme and ensures governance is of a high standard.

Communications – Good

The Trustee makes use of a wide suite of communication tools and resources that are timely and accurate.

Default investment arrangement – Very good

The Main Default targets drawdown at retirement which is suitable for most members. The Main Default is performing broadly in line with its stated performance objectives.

Investment range – Good

A clear and appropriate fund range is offered to members. The fund range provides access to all major asset classes and offers suitable alternative lifestyle strategies.

At-retirement services – Fair

Support and guidance offered to members is clear, timely and reflects the choices available to members when taking their benefits.

Plan design – Very good

The Company and Trustee's commitment to the Scheme is strong and demonstrated in the Scheme design and contributions.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes other than the areas stated.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

We last reviewed the AVC charges on 23 November 2022 and concluded that the charges were reasonable and in line with expectations. We are currently investigating the potential for consolidation of some or all the AVC assets into the main DC scheme.

Overall, we believe that members of the Scheme are receiving good value for money for the charges and cost that they incur, for the reasons set out in this section. We aim to improve value for members in future through by taking the following steps:

- Considering potential fee negotiations when making changes to the investment arrangements, and continuing to monitor funds where future fee adjustments may be possible.
- Discussing areas of underperformance with Capita and setting an action plan for improvements, including improvements to security of member data.
- Consider feedback from member survey to improve effectiveness of the communications strategy.
- Considering ESG investment options for the Main Default and the self-select fund range to manage risks such as climate change risk.
- Providing additional post-retirement and financial wellbeing support to members.
- Continuing to monitor industry changes to ensure the offering remains competitive in the market.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, we received training on Effective System of Governance (ESOG) and Own Risk Assessment (ORA) that are expected to be introduced in the new single TPR Code, as well as on climate change scenario analysis and cybersecurity. The Trustee Directors undertake training as a group and are also encouraged to pursue individual training.

We are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

No new Trustee Directors were appointed or left the Board over the Scheme year. All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. In addition, individual Trustee Directors are required to maintain a log of personal training.

Additionally, the Scheme has in place a structured induction process for new Trustee Directors joining the Trustee Board. The process is completed over the first six months of appointment. The new Trustee Director is provided with access to the Scheme documents which they are asked to read and become familiar with. Support training is provided where required. New Trustee Directors are also encouraged to complete the Pension Regulator's toolkit and attend an initial trustee training course. They are also invited to take a training needs analysis so that specific training needs are identified. At the end of the first six month period a review is undertaken to identify any further actions needed to support the Trustee Director's induction.

A questionnaire is used to conduct a periodic evaluation of our knowledge and to help to identify training needs. We also conduct an evaluation of the performance and effectiveness of the Trustee Board as a whole is measured against the objectives of the Scheme's business plan. The last Trustee effectiveness review was carried out over the previous Scheme year, and no significant action arose from the review. The next Trustee effectiveness review is expected to take place over the upcoming Scheme year.

Our approach to training, in conjunction with the external support received from advisers, enables us to have the relevant knowledge and understanding of the scheme documentation (eg Trust Deed and Rules, Trustee policies, SIP etc), the relevant principles relating to funding and investment, and the law and regulations relating to pensions and trust, as well as market developments at the appropriate times to effectively run the Scheme and make decisions.

The Chair of the Trustee is an independent professional trustee. His general pensions expertise and experience as well as his knowledge of the Scheme documents supports the Trustee in fulfilling its knowledge and understanding requirements.

In addition, we have appointed professional advisers whom we meet regularly with. For example, the investment adviser attends all quarterly Joint Investment Sub-Committee meetings, Capita attends all Joint Administration Sub-Committee and Trustee meetings, and the legal adviser attends most Trustee meetings.

These advisers report on matters specific to the Scheme, as well as developments in legislation and the industry to ensure we are kept up to date on events. In addition, advisers are expected to take a proactive stance and raise pertinent matters as they arise.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustee Directors of the Scheme properly and effectively.

______________________________ Date: ______________

Signed by the Chair of Trustees of the Hanson Industrial Pension Scheme