

DC Chair's Statement

Hanson Industrial Pension Scheme

4 June 2025

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, Pi Partnership Group, and the legacy AVC providers including Prudential, Zurich, Royal London, Utmost, Countrywide Assured and Aviva.

The Pensions Regulator ("TPR") can issue 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.

If you are comfortable with the Statement, then it should be physically pen & paper signed by the Chair of the Trustees and included in your Report and Accounts ending 31 December 2024 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 "HIPS Drawdown Strategy" or the "Main Default") must be appended to the signed Statement. In our experience most trustees find it easier to attach the whole SIP. Please find enclosed the SIP that we understand is the current "in force" version.

Chair's statements 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. To reduce costs we have taken a pragmatic approach and shown the figures for one and five years based on availability of data. Please contact me if you would like to discuss the possibility of including earlier investment returns. We are keeping a record of returns each year which will build up to showing longer periods in future chair's statements.

Chair's statements covering periods after 1 October 2023 must include a breakdown of the asset allocation of the default arrangements.

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 arrangements, and details of any review of the default arrangements and performance of the default arrangements (or if no review was undertaken, the date of the latest review);
- member borne charges (including the amount of any performance-based fees incurred in relation to each default arrangement during the scheme year), 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).

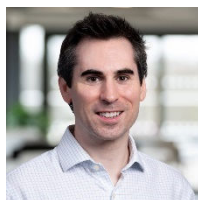
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Enc: Draft Chair's Statement
Latest Statement of Investment Principles

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Chair's DC Governance Statement, covering 1 January 2024 to 31 December 2024

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; members choose their investments (or are invested in the default investment option) and bear 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 Trustees) 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 investment 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.

Over the Scheme year, changes to the default investment option agreed over the previous Scheme year were implemented. This included the restructure of the HIPS Passive Diversified Fund, used within the default investment option, by increasing the strategic allocation to listed infrastructure and reducing the allocation to direct property. The current fixed interest and index linked gilts funds within the Passive Diversified Fund were also replaced with all stocks versions. Changes were also made to the HIPS Active Diversified Fund used within the default investment option. The Baillie Gifford Multi Asset Growth Fund used within the HIPS Active Diversified Fund was replaced with the Nordea Diversified Return Fund.

- The performance of the Scheme's administrator, Capita, 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.
- 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, the default investment option 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 lifestyle had fewer than five years to their expected retirement date, they will currently be in the final switching phase or past their target retirement age, and therefore invested in the HIPS Fixed Interest Gilts Fund and the HIPS Money Market Fund.

The HIPS Money Market Fund has also been classified as a default arrangement since April 2020, when the HIPS Property Fund was 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 in 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 Main Default arrangement.

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

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

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

The Scheme's default arrangements were not reviewed during the period covered by this Statement. The last review was carried out on 15 February 2023. We regularly monitor the performance of the Main Default and formally review the strategy (aims, objectives and SIP policies) at least every three years. The next review is intended to take place by March 2026 or immediately following any significant change in investment policy or the Scheme's member profile.

In addition to triennial strategy reviews, we also review the performance of the Main Default against its objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Scheme year concluded that the Main Default was performing broadly as expected and consistently with the aims and objectives as stated in the SIP.

Asset allocation breakdown

We are required to show the asset allocation of the default arrangements. In line with DWP's guidance we have also shown this asset allocation for different ages as at the scheme year end. We note that totals may not sum due to rounding.

HIPS Drawdown Lifestyle Strategy (Main Default)

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	-0.1	-0.1	-0.1	24.8
Corporate bonds (UK and overseas)	1.0	1.0	2.3	3.8
UK government bonds	2.8	2.8	6.2	10.4
Overseas government bonds	6.5	6.5	14.7	24.5
Listed equities	87.8	87.8	72.5	29.3
Property	0.8	0.8	1.7	2.8
Infrastructure	1.0	1.0	2.3	3.8
Other	0.2	0.2	0.4	0.6

The property allocation is in respect of the Invesco Global Direct Property Fund which invests directly in property. The infrastructure allocation is through the L&G Infrastructure Equity MFG Fund, which invests in infrastructure through global listed infrastructure equities. Nordea uses derivatives in the Diversified Return strategy which results in a negative figure for the cash allocation.

HIPS Legacy Lifestyle Strategy (Legacy Default)

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0	0	0	25
UK government bonds	0	0	0	75

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Listed equities	100	100	100	0

HIPS Money Market Fund

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	100	100	100	100

3. Processing of core financial transactions

The processing of core financial transactions is carried out by the Scheme administrator, 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 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 Capita to help it 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’ ([Heidelberg Materials UK Pensions | Heidelberg Materials UK Pensions](#)), with the request to be actioned within 3 days.
- 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.
- 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.
- Providing monthly bank and unit reconciliations to the Trustee. Peer review and authorisation of transactions across different approval levels 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.

Reported SLA rates for each quarter during the Scheme year were 93% in Q1, 91% in Q2, 97% in Q3 and 96% in Q4. Capita’s performance against SLA was below the target of 95% over the first two quarters. In particular, tasks within SLA for pensioner queries, IFA queries and members leaving the Scheme were notably low and inconsistent over the period. The performance against SLA improved in Q3 and Q4, which we take comfort from.

Capita reports complaints received from members. Most complaints related to delays in providing information, the transfer procedure and the processing of payments. Complaints are addressed by Capita in form of letters of apologies and/or compensations. Details of all member complaints are included in Capita’s quarterly reports, including the actions taken to resolve them. In order to mitigate member complaints, Capita has:

- Reviewed the back log to prioritise dated or more urgent cases; and
- Implemented monthly meetings to progress member cases.

Capita also reports any GDPR breaches that have occurred. Over the Scheme year, there were four data breaches reported (compared to six in the previous Scheme year). We will continue to monitor Capita to ensure continued improvement going forward.

Overall, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and where there were cases that did not meet the SLA, these were summarised for our review in the administration reports;
- there were no material administration issues in relation to processing of core financial transactions; and
- core financial transactions were processed promptly and accurately to an acceptable level.

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. The TER and transaction costs are the only costs borne by members.

The charges and transaction costs have been supplied by Fidelity who are the Scheme’s platform provider. Additionally, charges and transaction costs have also been obtained from the Scheme’s AVC providers Prudential, Zurich, Royal London, Utmost, Countrywide Assured, Phoenix and Aviva. When preparing this section of the Statement, we have considered the relevant statutory guidance. Whilst charges and transaction cost data has been obtained for most AVC funds, we continue to work with our investment advisers to source the most up-to-date data for the remaining funds. Our investment advisers continue to liaise with the AVC providers to obtain this data for inclusion in next year’s Statement.

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 Main Default, the HIPS Drawdown Lifestyle, 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 the funds in which 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	0.20	-0.02
15 years to retirement	0.26	0.01
10 years to retirement	0.31	0.04
5 years to retirement	0.41	0.10
At retirement	0.45	0.12

Legacy Default charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
5 years to retirement	0.12	0.11
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 it 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	0.00

The default arrangements do not have any performance-based fees associated with them.

Self-select and AVC options

In addition to the Main Default, 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	0.20	-0.02
15 years to retirement	0.26	0.01
10 years to retirement	0.31	0.04
5 years to retirement	0.25	0.04
At retirement	0.14	-0.02

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

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.20	-0.02
15 years to retirement	0.26	0.01
10 years to retirement	0.31	0.04
5 years to retirement	0.41	0.10
At retirement	0.18	0.00

The level of charges for each self-select fund (including those used in the Main Default) 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	0.12	0.08

Fund name	TER	Transaction costs
HIPS World Equity	0.12	-0.06
HIPS World Equity (Hedged)	0.12	-0.04
HIPS Active Diversified	0.80	0.28
HIPS Passive Diversified	0.28	0.04
HIPS Property	0.47	-0.15 ¹
HIPS Fixed Interest Gilts	0.12	0.02
HIPS Index-Linked Gilts	0.12	-0.10
HIPS Corporate Bonds	0.12	0.00
HIPS Money Market	0.18	0.00
HIPS 60:40 Global Equity	0.12	0.11
HIPS Low Carbon Global Equity	0.14	0.04 ¹
HIPS Islamic Global Equity	0.33	0.01

¹At the time of writing, Fidelity has been unable to provide transaction costs over the Scheme year. Therefore, the latest available transaction costs, to 30 September 2024, have been shown.

AVC funds charges and transaction costs (% per annum)

AVC provider / fund name	TER	Transaction costs
Utmost		
Managed Pension	0.75	0.01
Multi-asset Cautious Pension	0.75	0.00
Multi-asset Moderate Pension	0.75	0.00
Multi-asset Moderate Life	0.75	0.00
Clerical Medical With Profits	Not available	0.18
Royal London		
Crest Secure Fund	1.45	N/A
Countrywide Assured		
Managed Pension ¹	1.39	Not available
Prudential		
With-Profits	N/A ³	Not available
Discretionary ²	0.76	0.16
UK Equity ²	0.72	0.28
International Equity ²	0.76	0.11

Cash ²	0.55	0.00
Zurich		
Equity Managed ⁴	0.99	0.57
Managed ⁴	0.98	0.35
Secure ⁴	0.35	0.00
UK Preference and Fixed Interest ⁴	0.96	0.09
With-Profits ⁴	0.99	0.07
Aviva		
FP With-Profits Sub-Fund	N/A	Not available

Source: Providers. As at 31 December 2024. Data in relation to the Scheme's policies with Phoenix Life is unavailable at the time of writing this report.

¹ As at 28 October 2022.

² TERs as at April 2025 and transaction costs as at 30 June 2023.

³ Charges on the With-Profits Fund vary and depend on investment returns and the expenses incurred.

⁴ TERs as at 18 November 2024 and transaction costs as at 30 September 2023.

AVC funds in the Scheme's legacy arrangements, shown in the table above, are closed to future contributions. At the time of writing the report, we have not received information in respect of two policies with Zurich and three policies with Phoenix.

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 these are expected to 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 Index Linked Gilts Fund.

Projected pension pot in today's money

Years invested	Default option		Legacy Default option		HIPS Money Market		HIPS Active Diversified (highest cost)		HIPS Index-Linked Gilts Fund (lowest cost)	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£27,600	£27,600	£27,700	£27,700	£26,800	£26,700	£27,200	£26,900	£28,200	£28,200
3	£42,300	£42,000	£42,700	£42,500	£39,000	£38,800	£40,800	£39,500	£44,600	£44,500
5	£57,600	£57,100	£58,400	£58,100	£50,900	£50,500	£54,500	£52,000	£62,500	£62,300
10	£98,800	£97,100	£101,300	£100,300	£79,000	£78,100	£89,400	£82,000	£114,900	£114,000
15	£144,400	£141,000	£149,800	£147,700	£105,100	£103,400	£125,100	£110,800	£180,200	£178,000
20	£195,100	£189,000	£204,700	£201,000	£129,300	£126,700	£161,800	£138,400	£261,600	£257,200
25	£252,000	£241,600	£266,800	£260,800	£151,800	£148,000	£199,300	£164,700	£363,000	£355,400
30	£315,600	£298,200	£337,000	£328,000	£172,600	£167,700	£237,900	£189,900	£489,300	£476,900
35	£383,600	£355,200	£416,500	£403,500	£191,900	£185,700	£277,400	£213,900	£646,800	£627,400
40	£431,600	£389,300	£520,700	£502,200	£209,800	£202,200	£317,900	£237,000	£843,000	£813,700

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 £20,500. This is the approximate average (median) pot size for 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.
- The salary is assumed to be £44,100. This is the approximate median salary of the active membership.
- Total median contributions (employee plus employer) are assumed to be 15% of salary per year.
- The projected before costs annual returns used are as follows:

- Main Default: 2.1% above inflation for the initial years, gradually reducing to a return in line with assumed inflation at the ending point of the lifestyle
- Legacy Default: 2.5% above inflation for members 5 years from retirement, gradually increasing to a return of 3.0% above inflation at the ending point of the lifestyle
- HIPS Money Market Fund: 1.5% below inflation
- HIPS Active Diversified Fund: 0.5% above inflation
- HIPS Index Linked Gilts Fund: 4.5% above inflation
- No allowance for active management outperformance has been made.

Please note that the expected returns used in the projections are the same assumptions used in the Scheme's latest Statutory Money Purchase Illustrations ("SMPIs"). Rules around SMPIs mean that return assumptions are set in a prescribed way based on the volatility of investment returns, with higher volatility meaning higher assumed returns. Because gilts have been very volatile in recent years the SMPI approach results in assumptions that may be considered unrealistic, specifically that gilts are assumed to have a higher return than equities over the long term. Therefore, you should interpret the projections with caution and any significant change to your investments should not be based solely on them. You should consider obtaining professional financial advice before making any significant change to your investments.

5. Investment returns

This section shows the return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during 2024, over periods to the Scheme year end (31 December 2024). We have had regard to the statutory guidance in preparing this Section.

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 strategy, returns are shown over various periods 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).

HIPS Drawdown Lifestyle (Main Default) net returns

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	18.1	10.4
45	17.7	9.3
55	13.5	5.4
60	8.9	2.3

HIPS Cash Lifestyle net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	18.1	10.4
45	17.7	9.3
55	13.5	5.4
60	8.9	3.7

HIPS Annuity Lifestyle net returns

Age of member at the start of the period	1 year (%)	5 years (% pa)
25	18.1	10.4
45	17.7	9.3
55	13.5	5.3
60	7.4	-1.0

Legacy Default net returns

Age of member at the start of the period	1 year (%)	5 years (% pa)
25 – 55 ¹	9.3	6.6
60 ¹	5.2	-3.7

¹ There were no members of these ages invested in the Legacy Default over the period. The youngest member was aged 65 as at 31 December 2024.

Self-select fund net returns

Fund name	1 year (%)	5 years (% pa)
HIPS UK Equity	8.7	4.2
HIPS World Equity	21.4	12.7
HIPS World Equity Fund - currency hedged	21.5	11.4
HIPS BlackRock 60:40 Global Equity	9.3	6.6
HIPS Low Carbon Global Equity Fund ¹	20.7	8.9 ²
HIPS Islamic Global Equity Fund ¹	29.4	14.8
HIPS Active Diversified	3.8	-0.7
HIPS Passive Diversified	5.7	2.3
HIPS Property	4.2	1.9
HIPS Fixed Interest Gilts	-11.1	-10.6
HIPS Index-Linked Gilts	-11.0	-8.3
HIPS Corporate Bonds	1.7	-1.1
HIPS Money Market	5.2	2.2

¹ These self-select funds were launched on 17 April 2024 therefore performance history for the periods shown in the table above is not available. However, the underlying funds have a longer track record therefore this has been shown instead.

² The underlying fund does not have a 5-year track record, therefore performance since inception in April 2021 has been shown.

AVC fund net returns

Fund name	1 year (%)	5 years (% pa)
Utmost Managed Pension	9.1	4.3

Fund name	1 year (%)	5 years (% pa)
Utmost Multi-Asset Cautious Pension	5.9	-1.0 ¹
Utmost Multi-Asset Moderate Pension	10.2	2.2 ¹
Utmost Multi-Asset Moderate Life	8.5	2.0 ¹
Clerical Medical With-Profits ⁴	8.7	3.6
Royal London Crest Secure	Not available	Not available
Zurich Equity Managed ³	12.5	10.3
Zurich Managed ³	10.8	7.2
Zurich Secure ³	5.1	2.5
Zurich UK Preference and Fixed Interest ³	3.0	-4.8
Zurich With-Profits ²	5.0	1.4
Countrywide Assured Managed Pension	10.9	3.9
Prudential With-Profits ⁵	0.0	0.0
Prudential Discretionary ⁵	4.6	8.5
Prudential UK Equity ⁵	6.6	10.2
Prudential International Equity ⁵	5.5	13.6
Prudential Cash ⁵	5.1	2.5
Aviva FP With-Profits Sub-Fund	Not available	Not available

Source: Providers.

¹ These funds do not have a 5-year track record, therefore performance over the 3-year period has been shown.

² Returns shown are before tax and charges.

³ Returns are shown to 28 February 2025.

⁴ Returns are shown to 31 December 2024; unsmoothed return on assets, gross of tax and do not consider charges or deductions.

⁵ Returns are shown to 31 March 2025. Returns for With-Profits funds can be low or negative in some instances as final bonus is not included in the net investment return calculation as it is not applied until the policy is out of force.

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 that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was 25 February 2025. 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 in comparison to similar sized schemes.

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 most of the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives. The HIPS Active Diversified Fund underperformed its benchmark, reflecting the challenging macroeconomic conditions which negatively impacted most asset classes over the period. We continue to monitor its performance quarterly. Additionally, following the strategy review undertaken during the previous Scheme year, we replaced one of the funds underlying the HIPS Active Diversified Fund due to concerns about its long-term performance. This change was implemented during the Scheme year.

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 arrangement 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 pension schemes, with the charges for most funds within the Scheme in line with or below average charges for similar schemes.

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.

Administration – Fair

Capita's performance against SLAs was below target over the first two quarters of the Scheme year. However, we are satisfied that there were no material administration issues in relation to processing of core financial transactions, and they were processed promptly and accurately to an acceptable level.

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 to provide members with accurate, timely information.

Default investment arrangement – Very good

The Main Default targets income drawdown at retirement which is suitable for most members. The Main Default continues to perform in line with its stated performance objectives.

Investment range – Very good

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

A climate-focused equity fund and a shariah-compliant equity fund was added to the fund range over the period.

At-retirement services – Good

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

Scheme design – Very good

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

Overall, we believe Scheme members are receiving good value for money for the charges and costs they incur.

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 support from our advisers, we regularly consider training requirements to identify any knowledge gaps. Our advisers proactively raise any changes in governance requirements or other relevant matters and deliver training at Trustee meetings where appropriate. During the period covered by this Statement, we received training on various topics including Master Trusts, illiquid assets and investing in private markets, decumulation services and retirement options. Additionally, we receive quarterly updates on topical pension issues from our advisers. Trustee Directors undertake training as a group and are also encouraged to pursue individual training.

In July 2024, we published our Task Force on Climate-Related Financial Disclosures (TCFD) report in respect of the 2023 Scheme year. The TCFD report for the 2024 Scheme year will be published in 2025. In doing so, we have ensured that we have the requisite knowledge and understanding of climate-related matters and received appropriate 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. 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.

All 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 Trustee Knowledge and Understanding requirements. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Trustee Directors are also required to maintain a personal training log.

The Scheme has a structured six-month induction process. New Trustee Directors are provided key Scheme documents to read and become familiar with, and support training where required. They are also encouraged to complete the Pension Regulator's toolkit, attend a trustee training course, and invited to take a training needs analysis to identify specific training needs. At the end of the first six-month period, a review is undertaken to determine if any further support is needed. No Trustee Director appointments or departures occurred over the Scheme year.

We conduct a periodic evaluation of our knowledge and to help to identify training needs. We periodically evaluate the effectiveness of the Trustee Board against the objectives set out in the Scheme's business plan. This includes assessing Trustee knowledge, experience, and skills in relation to individual sub-committees. The last Trustee effectiveness review was carried out in March 2024, following the Scheme year end, with no significant issues identified.

Our approach to training, in conjunction with the support received from advisers, ensures we have relevant knowledge and understanding of Scheme documentation, the relevant funding and investment principles, pensions and trust law and regulations, and timely access to market developments to effectively run the Scheme and make informed 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 to on matters specific to the Scheme. For example, the investment adviser attends all quarterly Joint Investment Sub-Committee meetings, the administrator attends all Joint Administration Sub-Committee and Trustee meetings, and the legal adviser attends most Trustee meetings. Advisers are expected to take a proactive approach and raise relevant matters as they arise.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (e.g. investment advisers, legal advisers), 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