Chair's DC Governance Statement, covering 1 January 2021 to 31 December 2021

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 one into which employee and employer contributions are paid, but where member chooses their investments and bears the investment risk). Some Scheme members also pay Additional Voluntary Contributions ("AVCs").

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 (which is where contributions are invested for members that do not choose their own investments);
- processing of core financial transactions (i.e. the administration of the Scheme, such as the 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:

- We regularly monitor the Scheme's investment range and are satisfied that the default and other investment options remain suitable for the membership. For example, over the Scheme year covered by this Statement, we adjusted the default investment option by replacing the UK property allocation with a global property allocation.
- 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 its performance.
- Fees can have a material impact on the value of your pension savings in the Scheme: the fee impact becomes greater the more time passes, as fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement: we remain comfortable that these are reasonable, (given the circumstances of the Scheme) and continue to represent value for the benefits Scheme members obtain.
- Please rest assured that we are looking after your best interests as members, and undertake training and receive advice as appropriate, so that we have sufficient knowledge and understanding to run the Scheme 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 scheme for employees who are eligible for automatic enrolment. We are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

The Scheme offers a range of investment options for members. Those who join the Scheme who do not choose an investment option are invested into the 'HIPS Drawdown Lifestyle', (which in this Statement is called the "Main Default"). In common with many other similar schemes, we recognise that most members do not make active investment decisions and are therefore likely to invest in the Main Default.

After taking advice, we decided to make the Scheme's Main Default use a 'lifestyle strategy', which means that your contributions are automatically moved towards investment funds with a lower expected level of risk as you approach your 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.

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

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, or immediately following any significant change in investment policy or the Scheme's member profile. The next review is expected to take place by May 2023.

Following the 2020 investment strategy review, we agreed to replace the UK property component within the Main Default (property represents 10% of the HIPS Passive Diversified Fund) 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 the triennial strategy reviews, we also review the performance of the Default funds 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 funds performed broadly as expected and consistently, with the aims and objectives stated in the SIP.

3. Requirements for processing core financial transactions

The processing of the Scheme's core financial transactions is carried out by the current 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 recognise that delay and error can cause significant issues for Scheme members, which can cause them 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 Capita which covers the accuracy and timeliness of all core financial transactions. These include, but are not limited to:

- 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 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 and conditional data.
- Management of member records and financial data.
- The provision and management of member online access.

The key processes adopted by Capita to help it meet its SLA targets 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 (this incorporates peer review of all monetary transactions with authorisation of transactions processed at a case level).

To help us monitor whether service levels are being met, we receive quarterly reports about Capita's performance and compliance with SLA targets. Any issues identified are raised with Capita immediately, and steps taken to resolve any issues.

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

- Capita operated using appropriate procedures, checks and controls, and that majority of tasks were completed within the agreed SLA;
- there have been no material administrative 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 – 92.0%
- Q2 – 95.4%
- Q3 – 92.8%
- Q4 – 91.4%
- Capita's performance against SLA was slightly below the target of 95% over the Scheme year, apart for Q2 2021. While majority of 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 third party queries were consistently below target over the year.

  Performance for fund switches and transfer values were also notably low and inconsistent. During the Scheme year there were 10 complaints made by DC members, with 5 upheld. Since Q2 2021, Capita has been reporting complaints received from DB and DC members separately. This is an improvement from last year because it allows DC-specific complaints to be better understood and addressed by the Trustee.

  Most of these complaints related to delays in processing 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 and days required to resolve. Over the Scheme year there were four data breaches reported (compared to three in the last Scheme year), of which one related to a DC member. All breaches over the year were rectified.

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

4. Scheme 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), which is paid by the members and reflected in the unit price in their funds.

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

We are also required separately 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 in this Statement have been supplied by Fidelity, which is currently the provider that processes investments in the Scheme.

When preparing this section of the Statement, we have taken account of the relevant statutory guidance. Because of the way in which transaction costs have been calculated (which is prescribed), it is possible for some of these figures to be negative, which can happen where investment 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 on page 7 we have used zero, where a transaction cost is negative, to give a more realistic projection (i.e. 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 using 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 tables below.

Main Default charges and transaction costs

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.18%	0.06%
15 years to retirement	0.23%	0.10%
10 years to retirement	0.27%	0.13%
5 years to retirement	0.35%	0.20%
At retirement	0.36%	0.24%

Legacy lifestyle charges and transaction costs

Years to target retirement date	TER	Transaction costs
5 or more years to retirement	0.13%	0.01%
At retirement	0.12%	0.01%

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

	TER	Transaction costs
HIPS Money Market	0.12%	0.02%

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.

The Scheme's self-select and AVC fund options

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

HIPS Annuity Lifestyle

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.18%	0.06%

Years to target retirement date	TER	Transaction costs
15 years to retirement	0.23%	0.10%
10 years to retirement	0.27%	0.13%
5 years to retirement	0.23%	0.10%
At retirement	0.12%	0.03%

HIPS Cash Lifestyle

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.18%	0.06%
15 years to retirement	0.23%	0.10%
10 years to retirement	0.27%	0.13%
5 years to retirement	0.35%	0.20%
At retirement	0.12%	0.02%

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

Fund name	TER	Transaction costs
HIPS UK Equity	0.12%	0.07%
HIPS World Equity	**0.12%**	0.00%
HIPS World Equity (Hedged)	**0.15%**	-0.03%
HIPS Active Diversified	**0.63%**	**0.56%**
HIPS Passive Diversified	**0.26%**	**0.06%**
HIPS Property	0.47%	0.00%
HIPS Fixed Interest Gilts	0.12%	0.00%
HIPS Index-Linked Gilts	0.12%	0.05%
HIPS Corporate Bonds	0.12%	0.03%
HIPS Money Market	**0.12%**	0.02%
HIPS 60:40 Global Equity	0.13%	0.01%

The following funds are available to members as options for AVCs, which are now closed to future contributions.

Self-select Fund name	AVC provider	TER (% pa)	Transaction costs (%pa)
Managed[1]	Utmost	0.75	0.07
Property[1]	Utmost	1.00	0.00
Multi-asset Cautious	Utmost	0.75	0.09
Multi-asset Moderate	Utmost	0.75	0.13
Multi-asset Growth	Utmost	0.75	0.13
Crest Secure[2]	Royal London	2.25	0.00
Unit-linked Managed Pension[3]	Countrywide Assured	-	-
National Provident[4]	Phoenix Life	-	-
With-Profits Cash Accumulation[5]	Prudential	0.80[7]	0.00
Discretionary[5]	Prudential	0.77	0.07
UK Equity[5]	Prudential	0.76	0.10
International Equity[5]	Prudential	0.78	-0.05
Fixed-interest[5]	Prudential	0.76	0.03
Index-linked[5]	Prudential	0.76	-0.02
Cash[5]	Prudential	0.55	0.00
Equity Managed[6]	Zurich	0.16	0.27
Managed[6]	Zurich	0.19	0.24
Secure[6]	Zurich	0.09	0.02
UK Equity[6]	Zurich	0.22	0.17
UK Preference and Fixed Interest[6]	Zurich	0.15	0.06
With-Profits[6]	Zurich	0.00	0.04

[1]Data shown for Utmost funds are as at 31 December 2021.
[2]The TER shown for Royal London's Crest Secure Fund is its annual management charge which includes all charges and transaction costs.
[3]Countrywide Assured has not yet provided data for its unit-linked Managed Pension fund.
[4]Phoenix Life was unable to provide data for its National Provident fund.
[5]TERs of the Prudential funds are as at October 2021 and transaction costs cover the year to 30 September 2021.

[6]TERs of the Zurich funds are as at 31 December 2020 and transaction costs are as at 30 September 2020.
[7]The annual charge of Prudential's With-Profits Fund depends on the performance of the Fund, in particular the investment return and Prudential's expenses. Prudential currently expects this charge to be 0.80% a year, based on the assumption that future investment returns from the With-Profits Fund will be 5% per year.

In addition to the funds listed above, there is also an 'AVC Lifestyle' option available to members which uses the Zurich Equity Managed Fund – this then gradually switches to the UK Preference & Fixed Interest Fund from 10 years to retirement. The TERs shown are as at 31 December 2020 and the transaction costs are as at 30 September 2020.

Zurich AVC Lifestyle	TER (% pa)	Transaction costs (% pa)
10 or more years to retirement	0.16	0.27
5 years to retirement	0.16	0.17
At retirement	0.15	0.06

Whilst TER and transaction cost data for the majority of the 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 four 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 four 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), as well as the Legacy Default, the HIPS Money Market Fund, which is a legislative default arrangement, 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 World Equity 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 World Equity (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	£27,000	£27,000	£26,900	£26,800	£25,800	£25,700	£26,800	£26,500	£27,100	£27,100
3	£39,900	£39,600	£38,200	£38,100	£35,200	£35,100	£38,900	£37,800	£40,200	£40,100
5	£53,500	£53,100	£47,800	£47,600	£44,300	£44,000	£51,500	£49,400	£54,300	£54,100
10	£91,500	£90,100			£65,100	£64,600	£85,200	£79,000	£93,900	£93,200
15	£135,800	£132,700			£83,800	£82,900	£122,400	£110,000	£141,000	£139,400
20	£187,300	£181,800			£100,600	£99,100	£163,600	£142,200	£196,900	£194,000
25	£245,700	£236,200			£115,500	£113,600	£209,000	£175,900	£263,400	£258,500
30	£309,500	£293,600			£128,900	£126,400	£259,100	£210,900	£342,300	£334,600
35	£376,400	£350,600			£140,900	£137,800	£314,500	£247,500	£436,000	£424,400
40	£428,900	£390,500			£151,600	£147,900	£375,600	£285,600	£547,200	£530,500

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.
- Annual salary growth and inflation 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 £20,900, which is the current median pot size.
- 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 £36,000, which is the current median salary.
- Total contributions (employee plus employer) are assumed to be 15% of salary per year.
- The projected annual returns used are as follows:
  - Main Default option: 3.1% above inflation for the initial years, gradually reducing to a return of 0.6% above inflation at the ending point of the lifestyle.
  - Legacy Default option: 3.5% above inflation for members 5 years from retirement, gradually reducing to a return of 1.9% below inflation at the ending point of the lifestyle.
  - HIPS Money Market Fund: 2.2% below inflation
  - HIPS Active Diversified Fund: 2.0% above inflation
  - HIPS World Equity Fund: 3.5% above inflation
- No allowance for active management outperformance has been made.

5. Investment returns

This section of the Statement 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.

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 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 the Scheme year

Age of member at the start of the period	1 year (%)
25	20.1
45	20.1
55	15.9
60	11.7

HIPS Cash Lifestyle net returns over the Scheme year

Age of member at the start of the period	1 year (%)
25	20.1
45	20.1
55	15.9
60	11.7

HIPS Annuity Lifestyle net returns over the Scheme year

Age of member at the start of the period	1 year (%)
25	20.1
45	20.1
55	15.9
60	8.3

Legacy Default net returns over the Scheme year

Age of member at the start of the period	1 year (%)
25*	0.0
45*	0.0
55*	0.0
60	17.1

* 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 the Scheme year

Fund name	1 year (%)
HIPS UK Equity	17.4
HIPS World Equity	23.7
HIPS World Equity Fund - currency hedged	24.6
HIPS BlackRock 60:40 Global Equity	17.1
HIPS Active Diversified	3.0
HIPS Passive Diversified	8.7
HIPS Property	27.6
HIPS Fixed Interest Gilts	-7.2

HIPS Index-Linked Gilts	4.1
HIPS Corporate Bonds	-3.2
HIPS Money Market[1]	-0.1

[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 the Scheme year

Fund name	1 year (%)
Utmost Managed	13.0
Utmost Property	6.5
Utmost Multi-Asset Cautious	5.0
Utmost Multi-Asset Moderate	12.4
Utmost Multi-Asset Growth	16.5
Royal London Crest Secure	0.3
Prudential With-Profits Cash Accumulation	6.0
Prudential Discretionary	11.6
Prudential UK Equity	15.5
Prudential International Equity	14.0
Prudential Fixed-interest	-7.9
Prudential Index-linked	5.1
Prudential Cash	-0.6

We have not yet received net returns from some AVC providers (namely Countrywide Assured, Phoenix and Zurich). We will continue to work with our advisers to source net returns for any remaining AVC funds with the aim of including the information in our next Annual Chair's Statement.

6. Value for members assessment

Every Scheme Year we are required to assess 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 2 March 2022. 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 funds 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 Aberdeen Standard Investments Global Absolute Return Strategies Fund (ASI GARS) which is used in the HIPS Active Diversified Fund. We are currently reviewing the ASI GARS in more detail.

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 Scheme's management fees are competitive, with most funds having lower than average charges.

Administration – Fair – Capita's performance relative to their SLA has been slightly below target over the Scheme year. We continue to monitor Capita's service levels closely.

Governance – Very good – We have clearly defined roles and responsibilities. Knowledge and understanding is of a high standard and training is a clear priority.

Communications – Good – We issue timely and relevant information to members.

Default investment arrangement – Very good – The current default strategy has provided members in the growth phase with strong returns, whilst reducing risk for members approaching retirement over the long-term.

Investment range – Very good – The self-select fund range provides access to all major asset classes and there are suitable alternative lifestyle strategies offered.

At-retirement services – Good – Support and guidance offered is reasonable and members are pointed in the appropriate direction for additional information.

Plan design – Very good – The Scheme's design and contribution structure are reasonable and encourage members to take advantage of the extra matching contributions.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the Scheme's current administration processes.

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 13 November 2019 and concluded that AVC charges were reasonable and in line with expectations.

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 by taking the following steps:

- Continuing to monitor the funds where future fee adjustments may be possible, by liaising with Fidelity (and more particularly the AVC providers), for further transparency on charges and transaction costs.
- Discussing any areas of underperformance with Capita, including setting an action plan for improvements.
- Continuing to monitor the development of ESG investment options which may be appropriate for members.
- Completing the review of the retirement options available via the Scheme.
- Monitoring the take-up of additional contributions and impact on expected retirement outcomes.

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 Trustee's 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 topics including the Pensions Act 2021 and climate change.

Additionally, we receive quarterly updates on topical pension issues from our investment advisers.

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 also formally reviewed annually and before making any change to the Scheme's investments. 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 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 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 trustees. 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.

Over the Scheme year, Mike Smaje, a professional Trustee of BESTrustees, was appointed as Chair and followed the Trustee induction process.

A questionnaire is used to carry out an annual evaluation of the Trustee's knowledge and to help to identify training needs. We also carry out an annual evaluation of the performance and effectiveness of the Trustee Board as a whole as measured against the objectives of the Scheme's business plan. We conducted an effectiveness review over the Scheme year, which reported on the background, expertise and diversity of the Trustee Board. We were satisfied with the results and no significant actions arose from this review.

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.

Mike Smaje

_________________________________ Date: 20/07/2022

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