Chair's DC Governance Statement, covering 1 January 2023 to 31 December 2023

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 arrangement (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 arrangement 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 arrangement 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 arrangement, the HIPS Drawdown Lifestyle, by replacing the allocation to the Baillie Gifford Multi Asset Growth Fund with the Nordea Diversified Return Fund within the HIPS Active Diversified Fund, and to restructure the asset allocation of the HIPS Passive Diversified Fund based on the investment outlook of various asset classes. This is due to be implemented over 2024.
- The performance of the Scheme's administrator, Capita, against service level agreement (SLA) remained below target over the first three quarters, however it processed core financial transactions promptly and accurately to an acceptable level during the Scheme year. The Scheme was impacted by a cyber security attack on 31 March 2023. We have worked with Capita and while disappointed that the attack occurred, are comfortable with the actions undertaken by Capita and will continue to monitor it for effective protection of member assets and data.
- 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, 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, 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 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.

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 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 Scheme's default arrangements are reviewed every three years and were last reviewed on 1 March 2023. The performance and strategy of the default arrangements were reviewed to check whether investment returns (after deduction of charges and costs) have 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.

The review concluded that the Main Default, targeting income drawdown at retirement, remains appropriate as the Scheme's default arrangement, keeping in view membership demographics and the projected pension pots. We decided to restructure the HIPS Passive Diversified Fund, used within the Main Default, by increasing the allocation to listed infrastructure and reducing the allocation to direct property keeping in view relative attractiveness of these asset classes. We also decided to replace the current fixed interest gilts and index-linked gilts allocations within the HIPS Passive Diversified Fund with alternative all stocks gilts and index-linked gilts funds in order to reduce the Fund's exposure to long-dated bonds and manage duration risk. This change is due to be implemented in 2024 after the Scheme year end. Also following Scheme year end, within the HIPS Passive Diversified Fund, the Invesco Global Real Estate Fund was replaced with the Invesco Global Direct Property Fund, a DC-only version of the same fund, to manage the liquidity of the Fund more effectively. This change was implemented in April 2024.

We are satisfied that the Main Default remains appropriate based on Scheme member demographics subject to the changes listed above.

In addition to this, as part of the strategy review, we decided to replace the Baillie Gifford Multi Asset Growth Fund, used within the HIPS Active Diversified Fund, with the Nordea Diversified Return Fund to improve the expected risk and return profile of the Fund. These changes also impacted the two alternative lifestyle strategies alongside the Main Default and is due to be implemented in 2024 after the Scheme year end. Prior to this, in January 2023, we replaced the Abrdn Global Absolute Return Strategies Fund with the Ruffer Diversified Return Fund within the HIPS Active Diversified Fund. This change was implemented following the review of the Fund's allocation during the previous Scheme year.

We also reviewed the Legacy Default and are satisfied that it remains appropriate for members invested in it. We are also satisfied that the Money Market Fund continues to be appropriate for members' investments.

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.

Asset allocation breakdown

We are required to calculate the percentage of the Scheme assets within the default arrangements allocated to key asset classes. In line with DWP's guidance we have also shown this asset allocation for different ages as at the Scheme year end.

HIPS Drawdown Lifestyle Strategy (Main Default)

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.9	0.9	2.0	28.3
Corporate bonds (UK and overseas)	5.9	5.9	13.3	22.2
Government bonds (UK and overseas)	4.2	4.2	9.4	15.7
Listed equities	87.3	87.3	71.4	27.3
Private equity	0.0	0.0	0.0	0.0
Infrastructure (direct)	0.0	0.0	0.0	0.0
Property (direct)	1.0	1.0	2.3	3.9
Private debt	0.0	0.0	0.0	0.0
Other	0.7	0.7	1.6	2.6

Totals may not sum due to rounding.

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	0.0	0.0	25.0
Corporate bonds (UK and overseas)	0.0	0.0	0.0	0.0
Government bonds (UK and overseas)	0.0	0.0	0.0	75.0
Listed equities	100.0	100.0	100.0	0.0
Private equity	0.0	0.0	0.0	0.0
Infrastructure (direct)	0.0	0.0	0.0	0.0
Property (direct)	0.0	0.0	0.0	0.0
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0

Totals may not sum due to rounding.

HIPS Money Market Fund

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	100.0	100.0	100.0	100.0

Specified performance-based fees

We can confirm no specified performance-based fees were incurred over the 2023 Scheme year.

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. 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, 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 – 89.4%
- Q2 – 79.6%
- Q3 – 93.6%
- Q4 – 95.7%

Capita's performance against SLA was below the target of 95% over the first three quarters in the Scheme year. In particular, the SLA success rates for pensioner queries, IFA queries, and transfer out quotes were notably low and inconsistent over the period. The performance improved in the second half of the year, and we will continue to monitor it and discuss with Capita to ensure SLA performance improves and stays above target.

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 21 complaints made by DC members, out of which 12 were upheld. Most of these complaints related to delays in providing information, retirement quotes and the processing of payments. Complaints are addressed by Capita in accordance with standard processes. Details of all member complaints are included in Capita's quarterly reports, including information on 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 on any GDPR breaches that have occurred. Over the Scheme year, there were six data breaches reported (compared to seven in the last Scheme year). We will continue to work with Capita to ensure this is improved in future.

On 31 March 2023, a significant cyber attack was reported to have occurred at Capita which affected DC members. Capita has confirmed that its systems and networks are clean and secure and that this has been verified by third-party advisors. We have worked with Capita and are comfortable with the actions undertaken by Capita following the cyber attack and will continue to monitor it for effective protection of member assets and data. Some examples of activities carried out by the Trustee in order to monitor the situation around the cyber attack include:

- Notifying the Information Commissioner's Office ("ICO") and the Pensions Regulator of the incident;
- Communication with members;
- Carrying out a full review of the Kroll report (covering fraud and financial crime) and notiying ICO for the additional members that require communication; and
- Regular liaison with Capita regarding the incident including meeting with Capita management.

Although SLA performance was below target over most of the period covered by this Statement, 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. However, they include the platform fee charged by Fidelity, the Scheme's platform provider.

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 the transaction costs are the only costs borne by members.

The charges and transaction costs have been supplied by Fidelity, Prudential, Zurich, Royal London, and Utmost. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Whilst the charges and transaction cost data for most AVC funds available to members has been obtained, we continue to work with our investment advisers to source most up to date charges for the remaining funds. Our investment advisers continue to liaise with the AVC providers to obtain this information 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 Scheme's main default arrangement is the HIPS Drawdown Lifestyle (Main Default). The Main Default and Legacy Default have 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 tables.

Main Default charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
20 or more years to retirement	0.18	0.08
15 years to retirement	0.22	0.12
10 years to retirement	0.26	0.16
5 years to retirement	0.34	0.24
At retirement	0.38	0.27

Legacy Lifestyle charges and transaction costs (% per annum)

Years to target retirement date	TER	Transaction costs
5 or more years to retirement	0.13	0.00
At retirement	0.13	0.03

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)

Fund	TER	Transaction costs
HIPS Money Market	0.18	0.02

The HIPS Money Market Fund has 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 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 at retirement, and several other self-select funds. In addition to these, members also have assets invested in AVC funds.

The annual charges for the alternative 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	0.18	0.08
15 years to retirement	0.22	0.12
10 years to retirement	0.26	0.16
5 years to retirement	0.22	0.11
At retirement	0.13	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	0.18	0.08
15 years to retirement	0.22	0.12
10 years to retirement	0.26	0.16
5 years to retirement	0.34	0.24
At retirement	0.18	0.02

The level of charges for each self-select fund (including those used in the default arrangements) 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	0.09
HIPS World Equity	**0.11**	**0.01**
HIPS World Equity (Hedged)	**0.11**	**-0.01**
HIPS Active Diversified	**0.64**	**0.66**
HIPS Passive Diversified	**0.25**	**0.05**
HIPS Property	0.47	-0.43
HIPS Fixed Interest Gilts	0.12	0.03
HIPS Index-Linked Gilts	0.12	0.03
HIPS Corporate Bonds	0.12	0.01
HIPS Money Market	**0.18**	**0.02**
HIPS 60:40 Global Equity	0.13	0.00

AVC funds charges and transaction costs (% per annum)

Fund name	AVC provider	TER	Transaction costs
Managed Pension[1]	Utmost	0.75	0.02
Multi-asset Cautious Pension[1]	Utmost	0.75	0.00
Multi-asset Moderate Pension[1]	Utmost	0.75	0.00
Multi-asset Moderate[1]	Utmost	0.75	0.00
Clerical Medical With Profits	Utmost	Not available	Not available
Crest Secure Fund[2]	Royal London	2.25	0.00
Managed Pension Fund[3]	Countrywide Assured	1.39	Not available
Profit Sharing Account[4]	Phoenix Life	Not available	Not available
With-Profits[5]	Prudential	N/A	Not available
With-Profits Cash Accumulation[5,6]	Prudential	N/A	0.17
Discretionary[6]	Prudential	0.80	0.16
UK Equity[6]	Prudential	0.76	0.28
International Equity[6]	Prudential	0.79	0.11
Fixed-interest[6]	Prudential	0.76	-0.12
Index-linked[6]	Prudential	0.76	0.39

Fund name	AVC provider	TER	Transaction costs
Cash[6]	Prudential	0.55	0.00
Equity Managed[7]	Zurich	0.97	0.57
UK Equity[7]	Zurich	0.97	Not available
Managed[7]	Zurich	0.98	0.35
Secure[7]	Zurich	0.35	0.00
UK Preference and Fixed Interest[7]	Zurich	0.96	0.09
With-Profits[7]	Zurich	0.99	0.07

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 up-to-date information in respect of two policies from Prudential, three policies from Zurich, and three policies from Phoenix. We will continue to work with our advisers to source this information with the aim of including in next year's report.

[1] As at 31 December 2023.
[2] TER shown is the annual management charge as at 31 March 2022 which includes all charges and transaction costs.
[3] TER shown is as at 31 December 2023. 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] Charges on the with-profits funds depend on the performance of the fund, in particular, the investment returns achieved, and the expenses incurred. The annual charge, further costs, and charges to cover the cost of guarantees, are considered when the bonus rates are calculated.
[6] TERs as at 31 December 2023 and transaction costs as at 30 June 2023.
[7] TERs as at 31 December 2023 and transaction costs as at 30 September 2023.

In addition to the AVC funds in the table above, Zurich also offers a lifestyle strategy as an investment option. It invests in Zurich Equity Managed Fund, and gradually switches to the Zurich UK Preference & Fixed Interest Fund from five years to retirement.

Zurich lifestyle strategy	TER (% pa)	Transaction costs (% pa)
10 or more years to retirement	0.97	0.57
5 years to retirement	0.97	0.57
At retirement	0.96	0.09

Zurich lifestyle strategy	TER (% pa)	Transaction costs (% pa)

TERs as at 31 December 2023 and the transaction costs are as at 30 September 2023.

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, which 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 – this is the HIPS Active Diversified Fund.
  - the fund with lowest annual member borne costs – this is the HIPS Property 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 it 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

	Main Default		Legacy Default		HIPS Money Market		HIPS Active Diversified (highest cost)		HIPS Property Fund (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	£25,900	£25,900	26,000	25,900	25,000	25,000	£25,900	£25,700	25,800	25,700
3	41,200	40,900	41,300	41,200	37,400	37,200	£41,100	£40,000	40,400	40,000
5	57,700	57,300	58,100	57,800	49,800	49,400	£57,700	£55,300	56,100	55,200
10	105,900	104,200			80,800	79,800	£105,700	£97,600	100,500	97,500
15	165,400	161,600			111,700	109,900	£164,900	£146,800	153,100	146,600
20	238,900	231,800			142,700	139,600	£238,000	£203,900	215,600	203,600
25	328,800	315,800			173,700	169,100	£328,200	£270,300	289,900	269,800
30	437,500	414,200			204,700	198,300	£439,600	£347,400	378,100	346,700
35	566,900	526,300			235,600	227,300	£577,100	£437,000	482,900	435,900
40	700,200	633,500			266,600	255,900	£746,800	£541,000	607,300	539,400

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 £18,800. 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, 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 £41,300. This is the approximate median salary for active members.
- Total contributions (employee plus employer) are assumed to be 15% of salary per year, based on average (median) Scheme member contribution.
- The projected annual returns used are as follows:
  - Main Default: 4.3% above inflation for the initial years, gradually reducing to a return 2.7% above inflation at the ending point of the lifestyle.
  - Legacy Default: 4.5% above inflation for members 5 years from retirement, gradually reducing to a return of 1.4% 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 Property Fund: 3.5% 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. We have had regard to the statutory guidance in preparing this section.

The With-Profits fund returns stated are those 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).

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)	5 years (%pa)
25	14.2	7.8	11.2
45	14.0	7.1	10.2
55	11.7	3.3	6.6
60	7.2	0.3	4.0

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)	5 years (%pa)
25	14.2	7.8	11.2
45	14.0	7.1	10.2

Age of member at the start of the period	1 year (%)	3 years (% pa)	5 years (%pa)
55	11.7	3.3	6.6
60	7.2	1.6	5.6

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)	5 years (%pa)
25	14.2	7.8	11.2
45	14.0	7.1	10.2
55	11.7	3.6	6.6
60	10.5	-2.1	1.0

Legacy Default net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	3 years (% pa)	5 years (%pa)
25*	10.9	8.4	8.4
45*	10.9	8.4	8.4
55*	10.9	8.4	8.4
60*	9.0	-0.4	-0.8

* 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)	5 years (% pa)
HIPS UK Equity	6.5	7.7	6.0
HIPS World Equity	17.2	10.2	13.4
HIPS World Equity Fund - currency hedged	22.6	8.4	12.3
HIPS BlackRock 60:40 Global Equity	10.9	8.3	8.4
HIPS Active Diversified	-1.0	-4.0	0.5
HIPS Passive Diversified	5.2	-0.4	4.0
HIPS Property	0.4	4.8	3.4
HIPS Fixed Interest Gilts	1.5	-17.5	-6.5
HIPS Index-Linked Gilts	0.0	-13.6	-5.0
HIPS Corporate Bonds	8.6	-4.8	0.4
HIPS Money Market	4.6	1.9	1.3

AVC fund net returns over periods to scheme year end

Fund name	1 year (%)	3 year (% pa)	5 years (% pa)
Utmost Managed Pension[1]	8.1	4.8	5.4
Utmost Multi-Asset Cautious Pension[1]	6.3	-1.3	N/A
Utmost Multi-Asset Moderate Pension[1]	9.5	2.9	N/A
Utmost Multi-Asset Moderate Life[1]	7.9	2.5	N/A
Clerical Medical With-Profits	Unavailable	Unavailable	Unavailable
Royal London Crest Secure	Unavailable	Unavailable	Unavailable
Phoenix Life Profit Sharing Account	Unavailable	Unavailable	Unavailable
Zurich Equity Managed[2]	17.7	8.4	9.3
Zurich Managed[2]	10.9	4.9	6.5
Zurich Secure[2]	5.0	2.4	1.8
Zurich UK Preference and Fixed Interest[2]	1.0	-7.0	-3.3
Zurich UK Equity[2]	8.5	6.1	5.3
Zurich With-Profits[3]	8.6	0.5	2.0
Countrywide Assured Managed Pension	7.0	2.7	5.3

Prudential With-Profits Cash Accumulation	Unavailable	Unavailable	Unavailable
Prudential With-Profits	Unavailable	Unavailable	Unavailable
Prudential Discretionary[4]	9.9	4.0	5.2
Prudential UK Equity[4]	6.5	4.5	4.1
Prudential International Equity[4]	15.6	8.6	9.3
Prudential Fixed-interest[4]	0.2	-6.8	-3.2
Prudential Index-linked[4]	-6.9	-11.0	-5.8
Prudential Cash[4]	5.0	2.4	1.6

[1] *Returns as at 31 December 2023.*
[2] *Returns as at 31 March 2024.*
[3] *As at 31 December 2023. Fund returns shown are before tax.*
[4] As at *31 March 2024.*

Zurich lifestyle strategy net returns over periods to Scheme year end

Age of member at the start of the period	1 year (%)	3 years (% pa)	5 years (%pa)
25	1.0	-7.0	-3.3
45	1.0	-7.0	-3.3
55	1.0	-7.0	-3.3
60	4.3	-0.7	6.6

Returns as at 31 March 2024.

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 27 February 2024. We note that value for money does not necessarily mean the lowest fee, and have also considered the overall quality of the service received 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 HIPS Active Diversified Fund.

In the previous Scheme year, we had decided to replace the Abrdn Global Absolute Return Strategies Fund with the Ruffer Diversified Return Fund within the HIPS Active Diversified Fund. This decision was implemented during the Scheme year in January 2023. Moreover, we reviewed the allocation to the Baillie Gifford Multi Asset Growth Fund within the HIPS Active Diversified Fund as part of the strategy review undertaken during the Scheme year, and decided to replace it with the Nordea Diversified Return Fund in order to further improve the expected risk and return profile of the HIPS Active Diversified Fund. Some adjustments to the allocation within the HIPS Passive Diversified Fund were also agreed as part of this review (set out in more detail above). These changes are due to be implemented after the Scheme year end.

The Scheme's funds performed broadly in line with their respective benchmarks over longer periods.

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

Administration – Poor

Capita's performance relative to SLA remained below target over the first three quarters of the Scheme year, and a cyber-attack affected DC members of the Scheme. Complaints also remained relatively high over the year. We continue to work with Capita and while disappointed that the attack occurred, are comfortable with the actions undertaken by Capita and will continue to monitor it for effective protection of member assets and data and that service levels are achieved.

Governance – Very good

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

Communications – Good

We make use of a wide suite of communication tools to provide members with accurate, timely information. The online survey that was carried out in 2022 continues to help guide further improvements.

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 fund range is offered to members. The fund range provides access to all major asset classes and offers suitable alternative lifestyle strategies. Moreover, we decided to offer two new self-select funds to members, a Shariah-compliant global equity fund, and a low carbon transition global equity fund. These funds are due to be added to the fund range after the Scheme year end.

At-retirement services – Good

Support and guidance offered to members is clear, timely and reflects the choices available to members when taking their benefits. Furthermore, we appointed Capita Sparks over the Scheme year to provide retirement and financial wellbeing services to members.

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 15 November 2022 and concluded that the charges were reasonable and in line with expectations. We are currently working with our investment advisers to assess whether any better value options are available to these members.

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:

- Considering fee negotiations when making changes to investment strategy and continuing to monitor funds for potential future fee adjustments.
- Discussing areas of underperformance with Capita, and examining whether there is adequate cyber resilience for prevention and response to cyber attacks.

- Implementing the planned communication activity to educate members on contribution levels and investment returns, and implications of opting out of the Scheme.
- Continuing to consider feedback from member survey and reviewing the effectiveness of the communications strategy for further improvements.
- Monitoring the take up of new funds and continuing to follow fund developments within responsible investment
- Implementing the planned additional at-retirement and financial wellbeing support for members, and helpfully communicating it 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 financial wellbeing; DC scheme structures and Master Trusts; diversity, equity and inclusion; investment strategy; and cybersecurity. The Trustee Directors undertake training as a group and are also encouraged to pursue individual training.

In May 2023, we published our Task Force on Climate-Related Financial Disclosures (TCFD) report in respect of the 2022 Scheme year, and our TCFD report for the 2023 Scheme year will be published in 2024. In doing so, we have ensured that we have the requisite knowledge and understanding of climate-related matters and have 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, 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.

A member-nominated Trustee Director was re-elected over the Scheme year. 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.

We 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. Trustee knowledge, experience, and skills in relation to individual sub-committees are also evaluated as part of this review. The last Trustee effectiveness review was carried out in February 2024 after the Scheme year end and no significant actions arose from the 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 (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