

# **HENDRE LIMITED RETIREMENT BENEFITS SCHEME**

## **CHAIR'S STATEMENT (Scheme year ended - 31<sup>st</sup> March 2023)**

### **1. Introduction**

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee Board of the Hendre Limited Retirement Benefits Scheme (the "Scheme") are required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which member's funds are invested;
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of the costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding

This statement covers the period from 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.

### **2. Default investment arrangements**

The Scheme is not used as a Qualifying Scheme for auto-enrolment.

The scheme is closed to new members and remains open only for existing members who were investing in the Scottish Widows With-Profits Fund prior to the 15th February 1999, and who elect to continue contributing to this fund at the pre-February 1999 level in order to maintain their ongoing entitlement to a Guaranteed Annuity Rate (GAR); 9.09% for women at age 60 and 11.11% for men at age 65.

The Trustee Board is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement.

Details of the objectives and the Trustees' policies regarding the investment arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Scheme's SIP covering the Scottish Widows With-Profits Fund is attached to this annual statement regarding governance.

The aims and objectives of the default arrangement, as stated in the SIP, are as follows:

- Investing in a diverse range of assets and investments with a view to achieving the best possible long-term performance.
- Having an asset allocation that is appropriate for members and is consistent with how members are expected to take their retirement savings.
- Ensuring that the With-Profits Fund can always meet its commitment to the Guaranteed Annuity Rates at the scheme's normal retirement age.

The Trustee Board regularly monitors the performance of the default arrangement and will formally review both this and the strategy at least every three years.

Having reviewed the With-Profits Fund in February 2023, the Trustees remain satisfied that the With-Profits fund continues to be appropriate for the majority of scheme members, who are predominantly over age 45 and who value the Guaranteed Annuity Rate which provides members with a non-escalating Single Life Annuity with a 5-year guarantee; 9.09% and 11.11%, available at age 60 and 65 for women and men, respectively.

The Scottish Widows With-Profits Fund invests in a diverse range of assets and investments, which are expected to provide steady returns over long periods. This being said, the With-Profits Fund adopts a more cautious approach to investing compared to other pension providers default investments funds, with exposure to Equities limited to 52%, with the remaining 48% invested in medium to low and low risk assets such as Bonds, Gilts, Property and Cash. Given that the majority of scheme members are within 15 years of their normal retirement age, this more cautious approach to investing is considered to be appropriate.

In addition to the strategy review the Trustees also review the performance of the default arrangement against their aims, objectives and policies and the default arrangement performed broadly as expected with the Guaranteed Annuity Rate exceeding comparable annuity rates in the market and this is consistent with the aims and objectives of the default as stated in the SIP.

### **3. Requirements for processing core financial transactions**

The Trustees have received assurance from the Scheme's administrator, Philip Thomas, and have taken steps to ensure that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme Year. This includes 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.

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 it meet the SLA are as follows:

The Trustee Board receives quarterly reports about compliance with the SLA; using this and information provided by the auditors, the Trustee is satisfied that over the period covered by this statement:-

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no material administration errors in relation to

- processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

The Trustee Board is satisfied that the core financial transactions are accurate and that the contributions are paid within the SLAs, due to the rigorous procedures in place to monitor this aspect of the Scheme:-

- The administrator sends a contribution schedule for both the employer and the employee contributions to Scottish Widows prior to the end of each month in which the contributions are deducted from the members pay.
- The administrator sends across a manual payment by BACs at the same time enabling Scottish Widows to reconcile and to allocate the contributions well within the permitted time frame; prior to the 22<sup>nd</sup> of the following month.
- Scottish Widows acknowledges receipt of the contributions via secure email, which is also the date they are deemed to be invested.
- The Finance Manager, Andrew Roberts, reconciles the amounts each month as well as the bank account, which is again checked and signed off by the Corporate Director of Finance, Investments and Development, Simon Mellor.
- External Auditors audit the scheme annually.

#### **Transfer of assets into and out of the Scheme**

- The administrator and the Scheme Adviser, Origen Financial Services, monitors the progress of any potential transfers, to ensure that all enquiries are answered within 10 working days.
- Upon receipt of all necessary paperwork and checks, payments are processed by Scottish Widows within 2 working days.

There have been no transfers in or out of the scheme during the scheme year.

#### **Switching investments**

- Active members wanting to switch their pension contributions from the Scottish Widows With-Profits Fund will instruct the administrator to redirect their contributions to the employer's workplace pension scheme, where they are able to select from a wide range of competitively priced unit-linked investment funds.
- Any such requests will be processed by administrator to coincide with the next pay run.
- The member will be made aware that it is their responsibility to both select and manage their investments in the workplace pension scheme.

No members have instructed a pension fund switch from the Scheme in the scheme year.

## **Payments out of the Scheme**

### **Retirements**

- Scottish Widows generates and issues a range of communications in the 12 months leading up to a member's scheme retirement age, which are received by and checked by the administrator before being issued to the member.
- The administrator reviews the master listing monthly to ensure that members who are approaching their scheme retirement age, are made aware that their entitlement to the GAR is only secured if the paperwork and associated documentary evidence is received by Scottish Widows, prior to the members 60<sup>th</sup> birthday for women; 65<sup>th</sup> birthday for men.
- The Scheme adviser also checks the member listing for up and coming retirements and notifies the scheme administrator.
- Scottish Widows will be reminded of forthcoming retirees and will be chased by the administrator and the Scheme adviser for any outstanding retirement illustrations and communications, to ensure that these are issued at least 8 weeks prior to a member's scheme retirement age.
- Upon receipt of the member's application form and documentary evidence the administrator will check for any omissions before obtaining the Trustees authority and sending all of the required documents and evidence to Scottish Widows.
- Scottish Widows will acknowledge receipt of the claim and will process the annuity making any payments due to the member within 10 working days, or by their scheme retirement age if later.

2 members secured their guaranteed annuity in the scheme year and these were all processed within the SLAs.

### **Death Claims**

- The administrator regularly reminds members to keep their nomination of beneficiary forms up to date, and does this at least annually.
- Upon receiving notice of the death of a member the administrator will obtain any necessary evidence on behalf of the Trustees, along with the member's completed nomination for consideration of payment. This will be presented to the Trustees for consideration within 2 working days of receiving the necessary evidence of death.
- The Trustees will immediately consider the deceased member's nomination and undertake due diligence to establish the most appropriate beneficiary/ies.
- The administrator will pass the evidence and documents to Scottish Widows with instructions from the Trustees for payment.
- Scottish Widows will pay the death benefits to the Trustee's within 5 working days.
- The administrator will distribute the payments in accordance with the Trustee's instructions within 2 working days.

One death claim was settled during the scheme year.

#### 4. Member borne charges and transaction costs

The Trustee Board is required to set out the on-going charges borne by members in this statement, which consist of any annual fund management charges plus any 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 Trustee Board is also required to separately disclose any transaction cost figures that are borne by members. 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.

The charges and transaction costs have been provided by Scottish Widows who are the Scheme's pension provider and investment manager, the Trustees are satisfied that all costs and charges have been fully disclosed by Scottish Widows.

When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

##### 4.1 Default arrangements

- The only active investment fund for the Scheme is the Scottish Widows With-Profits Fund which provides members with an annual investment return based on the profits of Scottish Widows which is shared with their With-Profits members and provides members in the Scheme with a Guaranteed Annuity Rate of 9.09% for women at age 60 and 11.11% for men at age 65.
- The level of charges and transaction costs are the same for all members regardless of age and length of time to retirement, so do not vary dependent on these factors.
- The Scheme is not used for auto enrolment and is exempt from the charge cap of 0.75% due to the third party promise of the GAR provided by Scottish Widows.

##### Default arrangement charges and transaction costs

###### Scottish Widows With-Profits Fund:-

Years to target retirement date	TER	Transaction
20 or more years to retirement	1.02%	0.20%
15 years to retirement	1.02%	0.20%
10 years to retirement	1.02%	0.20%
5 years to retirement	1.02%	0.20%
At retirement	1.02%	0.20%

Scottish Widows confirmed the TER and transactions costs associated with the Scottish Widows With-Profits Fund, are as follows:-

- 0.3% Capital fee
- 0.07% Investment Management fee
- 0.65% Administration fee
- 0.20% Transaction fee

## 4.2 Self Select Options

Some deferred members will have invested in unit linked funds, for completeness the TER and transaction costs for each self-select fund over the period covered by this statement are set out in the following table:-

### Self-select fund charges and transaction costs

Scottish Widows Unit Linked fund – Series 1	TER	Transaction costs
Scottish Widows Cash	0.875%	0.020%
Scottish Widows Fixed Interest	0.875%	0.000%
Scottish Widows Indexed Stock	0.875%	0.000%
Scottish Widows International	0.875%	0.046%
Scottish Widows Mixed	0.875%	0.045%
Scottish Widows Property	0.875%	0.250%
Scottish Widows UK Equity	0.875%	0.000%

*Plus, Bid/Offer Spread of 0.5% on buying/selling units*

The employer pays all fees in respect of any professional services associated with the Scheme, including auditing annual accounts, administrative support and financial advice.

## 4.3 Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustees have set out illustrations below of the impact of the charges and transaction costs on the default investment arrangement, which has the most members invested in it.

The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustees have had to make a number of assumptions about what these might be.

The assumptions in projecting the annual returns are as follows:-

- The values shown are estimates and are not guaranteed.
- The illustrations do not indicate the likely variance and volatility in the possible outcome from the investment in the Scottish Widows With-Profits Fund.
- The assumed annual growth rate used is 3.5%.
- The projected pension pot values are shown both in future and in today's terms, with the latter adjusted to take account of future inflation which for the purposes of the figures illustrated is assumed to be 2%.
- The starting pot size used is £181,600 which is representative of the average fund value held by members of the Scheme.
- The monthly contribution used is £166.25 which is representative of the average total monthly contribution paid to the Scheme (employee plus employer).
- The projection is for 2, 8 and 14 years which represents the approximate duration for the shortest, the average and the longest time to retirement for the Scheme membership.
- The member borne charges and transaction costs used in the illustrations are based on the figures provided by Scottish Widows over the past 5 years; 1.22% per annum.

**Assumptions: no contributions paid, no charges applied**

Term to Retirement (years)	Starting Fund Value (£)	Annual Charge (%)	Further Contributions Paid (£)	Total Charges (£)	Future Fund Value (£) No adjustment for inflation	Future Fund Value (£) adjusted for inflation
2 (shortest)	181,600	0	0.00	0.00	194,534.46	186,980.45
8 (average)	181,600	0	0.00	0.00	246,804.69	210,645.43
14 (longest)	181,600	0	0.00	0.00	293,954.95	222,781.11

**Assumptions: contributions paid, no charges applied**

Term to Retirement (years)	Starting Fund Value (£)	Annual Charge (%)	Further Contributions Paid (£)	Total Charges (£)	Future Fund Value (£) No adjustment for inflation	Future Fund Value (£) adjusted for inflation
2 (shortest)	181,600	0	3,990	0.00	198,736.38	191,019.20
8 (average)	181,600	0	15,960	0.00	266,088.96	227,104.37
14 (longest)	181,600	0	27,930	0.00	330,454.81	250,443.45

**Assumptions: no contributions paid, charges applied**

Term to Retirement (years)	Starting Fund Value (£)	Annual Charge (%)	Further Contributions Paid (£)	Total Charges (£)	Future Fund Value (£) No adjustment for inflation	Future Fund Value (£) adjusted for inflation
2 (shortest)	181,600	1.22	0.00	4,480.61	189,816.77	182,445.95
8 (average)	181,600	1.22	0.00	19,258.93	223,720.38	190,943.19
14 (longest)	181,600	1.22	0.00	35,957.61	247,540.92	187,605.08

**Assumptions:** contributions paid, charges applied

Term to Retirement (years)	Starting Fund Value (£)	Annual Charge (%)	Further Contributions Paid (£)	Total Charges (£)	Future Fund Value (£) No adjustment for inflation	Future Fund Value (£) adjusted for inflation
2 (shortest)	181,600	1.22	3,990	4,554.17	193,941.67	186,410.68
8 (average)	181,600	1.22	15,960	20,189.13	241,934.91	206,489.12
14 (longest)	181,600	1.22	27,930	38,778.45	280,643.96	212,693.05

The illustrations are based on the Scottish Widows With-Profits Fund which is the only active arrangement into which contributions have been paid during the Scheme Year and show that the charges are unlikely to have a negative impact on a member's investment regardless of whether they are an active or deferred member.

## 5. Value for members

When thinking about whether the Scheme offers members good value for money, the Trustee looked at different aspects of the Scheme and took account of those areas suggested by the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits). Whilst it is difficult to give a precise legal definition of 'good value' the Trustees considers that this can be determined through answering a number of questions.

Is the Scheme governed well, are the charges made to members reasonable, are appropriate investment choices made available, are the features of the Scheme appropriate and likely to provide good member outcomes for members, and does the Scheme compare well to other arrangements?

The Trustees 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 year's assessment.

The value members will receive will be influenced by how much the member pays in, the investment returns on their contributions, the choices members make and how the Scheme is run, including what happens between members joining the Scheme and leaving or drawing their benefits.

Having considered the above questions the Trustee believes that the Scheme provides good value for the following reasons:-

### 5.1. The costs and charges are reasonable and appropriate

Taken collectively, all members whether active or deferred if invested in the default fund, will pay total costs and charges equal to 1.22% per annum which covers the cost of administering the individual member's policies and managing



the member's investment.

The employer in addition to this, pays for any associated costs for services in respect of the Scheme Administration, Audit and advice services.

The Trustee reviews 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 Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and it is expected that this will lead to greater investment returns net of fees over time.

The charges analysis undertaken in March of this year shows that the Scheme charges remain considerably higher than the three alternative Schemes considered and are approximately 3 times higher if not double that of the charges levied in the alternative Schemes. This alone would indicate poor value for money.

However, no new Pension Scheme or any of the alternative Schemes used for comparison purposes will provide members with a GAR at retirement and so the value of this benefit has been considered when reviewing and comparing the investment performance of the Default Investment Fund.

Overall, the Trustee Board believes that members of the Scheme are receiving reasonable value for money for the charges and cost that they incur.

The Trustees place value on the Guaranteed Annuity Rates as these provide certainty for members at their normal retirement age, enabling them to plan for a specific and guaranteed income at age 60 for women and 65 for men.

In addition, the Trustees have concluded that members would need to secure an additional growth rate of 6.95% for men, 19.94% for women per annum, in order to secure a fund at retirement that would match their GAR from the Scheme at age 65/60.

## **5.2. The value added through investment performance**

The Trustee assessment included a review of the performance of the Scheme's default and only active investment fund (after all charges), in the context of the investment objectives.

The Scottish Widows With-Profits Fund invests in a mix of assets such as company shares, property, bonds and cash deposits. Whilst shares and property have usually performed better producing greater growth than bonds over longer periods of time, the return has been much more variable and as such involves greater investment risk for the investor.

With-profits investing includes a special feature called 'smoothing' which works

by keeping back some of the gains earned in good investment years and using them to pay bonuses in poor investment years but these are not in any way guaranteed. Members of the Scottish Widows With-Profits Fund will benefit from 'smoothing' which will shield their investment against any large downturns in the market.

The Trustee reviews the investment objectives and the performance of the Scottish Widows With-Profits Fund at least every 3 years with the Scheme Adviser; Origen Financial Services Limited and was reviewed in February this year.

Whilst reversionary bonus rates remain low and there is non-disclosure regarding terminal bonus rates, the Scottish Widows With-Profits Fund provides members with a low but steady return with low volatility providing members with certainty over their pension fund and their pension income at their normal retirement age, due to the GAR.

The investment returns for the Scottish Widows With-Profits Fund do not compare favorably with the three other default funds used for comparison purposes. However, male and female members of the Scheme would need to secure an additional growth rate of 6.95% or 19.94% per annum respectively, from age 55 in order to secure a fund at retirement that would provide an equivalent standard annuity income to that of the GAR payable at age 65/60. With this in mind the Trustees consider the GAR provided by the Scottish Widows With-Profits Fund to be suitable investment for the Scheme members even though the annual investment return is lower than the default funds used for comparison purposes.

The Trustee is satisfied that the Scottish Widows With-Profits Fund adopts a diversified investment approach with an emphasis on lower risk investments and this together with the smoothing of returns provides an appropriate investment solution without the need for further de-risking. In addition, the Scottish Widows With-Profits Fund is able to meet its objective which is to continue to provide the GAR for members at the Scheme's normal retirement age.

The scheme is closed to new members and to increments and as a result the membership profile is aging. With this in mind the more cautious investment approach adopted by the Scottish Widows With-Profits Fund is considered appropriate for all Scheme members including those who choose to remain in active membership of the Scheme.

Members who may have different preferences for investing or withdrawing pension benefits are able to divert their contributions from the Scheme to the employer's Workplace Pension Scheme with Aegon which offers greater investment choice, lower charges and can accommodate full flexi-access.

## **5.3. Admin and Governance**

### **i. Promptness and accuracy of core financial transactions**

The Trustee is satisfied that due to the procedures and controls in place that all core financial transactions have been calculated and processed effectively by the scheme administrator.

The Trustees are satisfied that Scottish Widows has met the needs of the scheme and its members in a timely and efficient way, and have processed all core financial transactions promptly and accurately.

Core financial transactions are transactions such as:

- Payments in and investment of member and employer contributions
- Transfer of money or benefits from the scheme
- Transfer and switches between investments within the scheme
- Payments out of the scheme to beneficiaries

Scottish Widows understand that these transactions are particularly important. To make sure members are not put at risk of losing out financially, they have effective quality controls in place to assess the accuracy of the transactions processed and information provided to all customers. This includes full end to end monthly quality checking across all areas of the business. Scottish Widows aims to ensure all core transactions are completed within 5 working days of receiving all the information we require.

The Trustee is comfortable with the quality and efficiency of the administration and core financial transaction processes.

### **ii. Quality of record keeping**

The Trustees can confirm that the record keeping and data provided to Scottish Widows for the Scheme and its members is accurate and up to date.

In addition, Scottish Widows produces annual communications for this scheme which provide details of the data held for each member (e.g. Scheme Year End Audit Schedule). This allows the trustees to check that the information that is held is accurate and up to date for each member of the scheme.

The security of Scottish Widows customers is paramount and they have taken measures to make sure effective data security controls are in place that comply with the relevant legal and regulatory requirements, whilst also ensuring their customers are protected.

Scottish Widows use personal data to help administer and service the scheme. Sometimes the information is shared with other companies to help Scottish Widows fulfil the administrative requirements and services, members who wish to find out more about how the personal data is used visit can visit - <http://www.scottishwidows.co.uk/legalprivacy>

### **iii. Appropriateness of Default Investment Strategy**

The Scottish Widows With-Profits Fund invests in a mix of assets such as company shares, property, bonds and cash deposits. While shares and property have usually performed better producing greater growth than bonds and cash over longer periods of time, the return has been much more variable and as such involves greater investment risk for the investor.

With-profits investing includes a special feature called 'smoothing' which works by keeping back some of the gains earned in in good investment years and using them to pay bonuses in poor investment years but these are not in any way guaranteed. The benefit of a With-Profits Fund is that 'smoothing' will shield against large downturns in the markets.

The scheme is closed to new members and, therefore, the membership profile is aging. The active scheme membership is predominantly aged 45 and over. With this in mind the With-Profits Fund with its more cautious approach to investing is considered appropriate for the majority of scheme members, who choose to remain in active scheme membership.

Members who do not want to want to purchase an annuity on the basis prescribed by the Scheme, who wish to withdraw their pension benefits flexibly or earlier than the ages mentioned above, or who may want to invest in an alternative investment fund have the option of redirecting all of their contributions to the employer's Qualifying Workplace Pension Scheme (QWPS) with Aegon.

The Trustees review the investment objectives and the performance of the Scottish Widows With-Profits Fund at least every three years with the Scheme Adviser; Origen Financial Services Limited.

Whilst reversionary bonus rates remain low (0.5% for 2021) and there is nondisclosure regarding terminal bonus rates, the With-Profits Fund provides members with steady returns and low volatility with certainty over their pension income at their normal retirement age.

The scheme also entitles members to withdraw their tax free cash entitlement from any Unit Linked funds thereby maximising the benefit of the GAR from the remaining fund.

The Trustee is satisfied that the Scottish Widows With-Profits Fund adopts a diversified investment approach with an emphasis on lower risk investments. This together with the smoothing of returns provides an appropriate investment solution for the current scheme members who are predominantly approaching retirement, with no need to consider further de risking.

### **iv. How is the Scottish Widows With-Profits Fund governed internally**

Scottish Widows is committed to treating all of its customers fairly and to help them ensure that they do so, they have a With Profits Committee. The responsibility of the Committee is to provide an independent view of the management and operations of the with-profits business.

The Committee reviews how the Scottish Widows With-Profits Fund is managed and scrutinises any major proposal that affects the Fund. The Committee meets separately from and provides advice to the Company's Board.

The Trustee is satisfied that this is an effective independent Committee which is transparent in its processes and is working for the benefit of all Scheme beneficiaries.

#### **v. Quality of communication with scheme members – Communications issued by Scottish Widows and associated SLAs**

The Scheme Trustees are responsible for meeting the requirements set out in the Disclosure Regulations (The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 No.2734).

The Trustee is aware of the obligation to meet the minimum statutory obligations under these regulations and therefore, members are signposted to the relevant and important scheme information, including transaction costs and charges and value for money assessments, when issuing annual benefit statements.

The required steps for issuing communications to members within the required time scales is followed and the appropriate risk warnings are always pointed out when leading up to a member's retirement, when a member approaches the scheme for a retirement pack or requests a transfer illustration.

Unlike more modern pension arrangements, members do not have online access to the details of their pension savings and this causes delays in obtaining pension information such as fund values or quotes. Due to the age and the size of the scheme Scottish Widows will not be investing in such a service and as such this particular aspect of the scheme falls short in providing good value for money for members.

#### **vi. Effectiveness of management of conflicts of interest**

The Trustee is satisfied that they have adequate procedures in place to disclose and manage any conflicts of interest by maintaining a register highlighting any areas where trustees might be conflicted. This register is regularly reviewed and the trustees along with their advisers are asked to disclose any areas of actual or potential conflict.

At each Trustee Meeting the Trustees are asked to declare any new potential conflicts. Any identified potential conflicts between stakeholders are identified in a timely manner and are dealt with appropriately.

### **6. Trustee knowledge and understanding**

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee must:

- Be conversant with the trust deed and rules of the Scheme, the Scheme's statement of investment principles and any other document recording

policy for the time being adopted by the Trustees relating to the administration of the Scheme generally,

- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

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 program is reviewed annually to ensure it is up to date and to identify any knowledge gaps and training requirements. Additionally, the Scheme has in place a structured induction process for new trustees as follows:-

- The Scheme Administrator provides all new trustees with a full complement of relevant scheme documents.
- A new trustee will also receive a separate induction with the scheme adviser to ensure that they are familiar with the trust deed and rules and any other associated documentation setting out the current policies in running the Scheme.
- The induction will provide the new trustee with information to support their understanding of investments, their responsibilities and how the Scheme provides benefits.
- A new trustee is notified that they must complete all of the relevant modules of the Trustee Toolkit within 6 months of their appointment.

The Trustees with the help of their advisers, regularly considers training requirements to identify any knowledge gaps. The Trustees advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees advisers would typically deliver training on such matters at Trustee meetings if they were material.

Taking into account the knowledge and experience of the Trustees with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustees believe they are well placed to exercise their functions as Trustees of the Scheme properly and effectively.

During the period covered by this statement, the Trustees received training on the following topics:-

- Trustee Toolkit
- Value for Members assessment and reporting of Net Investment Returns

The Chair reviews the effectiveness of the Trustee Board annually looking at individual knowledge and understanding, the expertise of the appointed

advisers and steps taken to address any knowledge gaps and has concluded that:-

All the Trustees are familiar with the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustees have completed the Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning program from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law) and regularly revisit this to test and update their understanding and knowledge.

#### Trustee Board and structure

Trustee	Appointed	Trustee Toolkit completed	End of Current Term	Complete years served (to 31 <sup>st</sup> March 2023)
Neil Davies (Chair)	February 2019	Yes	N/A	4 years
Allan Jones	September 2015	Yes	N/A	7 years
David Michael	March 2020	Yes	N/A	3 years
Teresa Beggs	November 2021	Yes	N/A	1 years

Based on the outcome of the latest skills assessment, the professional qualifications and ongoing experience and training that has been undertaken to date, the Trustee is satisfied with their level of trustee knowledge and understanding.

The trustees are confident in their combined knowledge, skills and experience together with the advice available to them from their advisers enables them to properly exercise their functions.

\_\_\_\_\_  
Date: \_\_\_\_\_

**Signed by the Chair of Trustees of the Hendre Limited Retirement Benefits Scheme**

Links to useful documents:-

Asset mix of Scottish Widows With-Profits Funds (latest data – 31st December 2021)

<https://adviser.scottishwidows.co.uk/assets/literature/docs/43982B.pdf>

Fund Fact Sheet Scottish Widows With-Profits Fund (latest data - 31<sup>st</sup> December 2021)

<https://adviser.scottishwidows.co.uk/assets/literature/docs/47199.pdf>

Scottish Widows With-Profits - Your Guide

<https://adviser.scottishwidows.co.uk/assets/literature/docs/44620.pdf>

Scottish Widows With-Profits Fund - Principles and Practices of Financial Management (PPFM)

<https://reference.scottishwidows.co.uk/docs/ppfm.pdf>

Statement of Investment Principles (SIP) – February 2023

<https://www.hafod.org.uk/downloads/download/13/hendre-limited-retirement-benefits-scheme>

Implementation Statement – ESG

<https://www.hafod.org.uk/downloads/download/13/hendre-limited-retirement-benefits-scheme>

Scottish Widows With-Profits Review – February 2023

<https://www.hafod.org.uk/downloads/download/13/hendre-limited-retirement-benefits-scheme>