Annual Chair's Statement

UK Shell Pension Plan

For year ending 31 December 2022

Annual Chair’s Statement for the UK Shell Pension Plan ("the Plan")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) requires the Trustee to prepare an annual statement regarding governance and include this in the annual Trustee report and accounts. The governance requirements apply to all defined contribution (“DC”) pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustee covers the period from 1 January 2022 to 31 December 2022 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. The Default arrangements
2. Net investment returns
3. Member borne charges and transaction costs
    i. Default arrangement
    ii. Self-select funds
    iii. Illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Processing of core financial transactions
6. Trustee knowledge and understanding

1. The Default Arrangements

The Trustee is required to design the default arrangements in members' interests and keep them under review. The Trustee needs to set out the aims and objectives of the default arrangements and take into account the level of costs and the risk profile that are appropriate for the Plan’s membership.

The Plan is used as a Qualifying Scheme for auto-enrolment purposes.

The Trustee is responsible for the Plan’s investment governance, which includes setting and monitoring the investment strategy for the Plan’s primary default arrangement, the 'Drawdown Lifestyle Approach' and other default arrangements.

The Drawdown Lifestyle Approach (the “**Primary Default**”) is primarily provided for members who join the Plan and do not choose an investment option for their contributions and are looking to take their retirement savings through income drawdown in retirement.

The other lifestyle strategies – the Annuity Purchase Lifestyle Approach and the Cash Lifestyle Approach – also contain members' funds where no active decision has been taken to invest in that option. Therefore, these are also considered "default" strategies for the purposes of legislation.

Furthermore, the cash fund option offered to members of the UKSPP is also considered a "default" arrangement, as defined in legislation. This is by virtue of the fact that future contributions for members investing in the UK property fund option were invested into the fund following the suspension of the UK property fund from March 2020 to September 2020. Additionally, in the event that one of the self-select fund options is removed and members do not make an alternative choice for their investments, the Trustee has agreed that the cash fund option may be used for the redirection of members’ future contributions and existing assets.

Details of the objectives and the Trustee's policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' (SIP). The Plan's SIP is attached; however, the aims are set out here for ease of reference:

- "asset choice" to ensure members have an appropriate choice of assets for investment; and
- "return objective" to enable members to benefit from investment in assets which are expected to achieve growth as they approach retirement, when they will be able to switch to assets which are more related to their income and cash requirements in retirement.

The Trustee's investment strategy has been chosen to enable members to maximise the likelihood of achieving these objectives, taking into account the profile of membership.

Investment strategy review

An investment strategy review, including a review of the default arrangements, is undertaken at least every three years, or following any significant changes in the demographic profile of the Plan members, which is in line with the Regulatory requirements.

The last investment strategy review, which included a review of the Primary Default arrangement, was completed on 16 June 2021. The review analysed the membership profile of the Plan and took into account factors such as age, salary, contribution level, accumulated fund values and term to retirement to identify different types of members in order to test alternative investment strategies. The analysis included multiple simulations of future economic and investment scenarios and considered the various options members have regarding the way in which they draw their benefits in retirement. The Trustee took advice from its investment consultant, Aon, on all these aspects. Subsequently, the changes were implemented by Fidelity during September and October 2021.

As part of the investment strategy review, the following areas were considered:

- Trustee's investment beliefs and priorities
- Meeting the needs of members
- Membership analysis
- Reviewing the defaults
- Reviewing the wider self-select fund range

The membership analysis involved the assessment of the Plan for any material change to the member demographics since the last strategy review and to consider projected fund values at retirement to ensure that the income drawdown portfolio as the target outcome at retirement, remained appropriate for the Primary Default strategy. The projected fund values and industry analysis continued to support a drawdown targeting investment strategy as the default lifestyle for the Plan based on relatively high projected fund values at retirement. The analysis also identified different representative members from the membership profile for modelling potential changes to the default strategy and for ongoing monitoring.

The next stage of the investment strategy review considered the blended funds used within the Primary Default and other default lifestyle strategies to ensure that they were delivering the necessary expected returns. The analysis showed that the current ten-year de-risking period provided a good balance between risk and reward. Moreover, the analysis suggested that the existing allocations to the blended funds used within the different phases of the default strategies remained appropriate. Therefore, no changes were made to the existing allocations of the blended funds underlying the default strategies at any stage of the lifestyle. However, changes to the underlying structures of the three blended funds – the Growth Fund, the Transition Fund, and the Pre-Retirement Fund – were made in order to improve the expected risk-adjusted returns from the default strategies.

Stochastic modelling of the default strategies was carried out by considering different asset allocation structures of the blended funds to analyse and compare the expected returns and volatilities of the existing default and alternative portfolios. The modelling results indicated that changes could be made to the funds to improve potential future returns.

For the Growth Fund (used within the growth phase of the default strategies), an allocation to multi-factor equities with an ESG screen was introduced through the BlackRock World Multifactor ESG Equity Tracker Fund. Additionally, the existing UK bias of the fund was removed. For the purpose of setting a return target, CPI +4% p.a. was agreed as an achievable objective for the growth phase over the long term.

For the Transition Fund (used within the default strategies that starts to de-risk when members are ten years away from their selected retirement age), an allocation to multi-asset credit through the M&G Total Return Credit Investment Fund was introduced, while the Invesco Global Targeted Returns, the absolute-return style multi-asset fund, was removed and the allocation to the risk parity fund, the BlackRock Aquila Life Market Advantage Fund, was reduced. This was done to enhance the objective of the fund to provide growth for members alongside downside protection should markets experience volatility. A return target of CPI +2.5% p.a. at five years before retirement was agreed.

For the Pre-Retirement Fund (which makes up the largest allocation within each of the default strategies at retirement), the restructuring involved introducing an allocation to absolute return bonds through the BlackRock Absolute Return Bond Fund and reducing the allocation to index-linked gilts. Moreover, the duration of the gilts was shortened. These changes were made to improve the expected return and risk profile of the fund. For members at retirement, a return target of CPI + 1.5% p.a. was agreed.

For the Cash Fund it was recommended that the current structure be maintained, so no restructuring took place.

The Trustee is satisfied that the default arrangements for the Plan remain appropriate for the Plan's membership.

The next investment strategy review is due to start in Q4 2023 and continue into 2024.

The latest Statement of Investment Principles for the Plan, updated in Q3 2021, is attached, which governs decisions about investments in the default arrangements.

Performance Monitoring

The Trustee reviews the performance of the default arrangements against their aims and objectives as part of the investment strategy review and on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. The performance of the funds is reviewed against benchmarks and, where relevant, targets that have been agreed with the investment managers.

The Trustee reviews that took place in the year concluded that, although it had been a challenging year, the default arrangements were performing broadly as expected and in line with the aims and objectives of the strategies as shown in the SIP.

2. Net investment returns

The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which Plan members were invested in during the Plan year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns have been provided by Fidelity (the Plan's provider) and have been prepared having regard to statutory guidance. They have been calculated on a net asset value to net asset value basis.

It is important to note that past performance is not a guarantee of future performance.

(i) Primary Default strategy – UKSPP Drawdown Lifestyle Approach

Performance to 31 December 2022	Annualised returns (%)		
Age of member in 2022	1 year	3 years	5 years
25	-7.2	6.8	6.8
45	-7.2	6.8	6.8
55	-7.2	6.8	6.8
60	-8.0	3.6	4.6
65	-10.5	0.6	1.8

(ii) Other Default Strategies – UKSPP Annuity Purchase Lifestyle Approach

Performance to 31 December 2022	Annualised returns (%)		
Age of member in 2022	1 year	3 years	5 years
25	-7.2	6.8	6.8
45	-7.2	6.8	6.8
55	-7.2	6.8	6.8
60	-8.0	3.6	4.6
65	-17.1	-3.5	-0.8

(iii) Other Default Strategies – UKSPP Cash Lifestyle Approach

Performance to 31 December 2022	Annualised returns (%)		
Age of member in 2022	1 year	3 years	5 years
25	-7.2	6.8	6.8
45	-7.2	6.8	6.8
55	-7.2	6.8	6.8
60	-8.0	3.6	4.6
65	0.7	2.1	2.3

(iv) Other Default Strategies – UKSPP Cash Fund

Performance to 31 December 2022	Annualised returns (%)		
Fund name	1 year	3 years	5 years
BlackRock Cash Fund	1.2	0.4	0.5

Source: Aon and Fidelity. Returns are quoted net of fees and reflect the Total Expense Ratios (TERs) of the funds as at 31 December 2022. Assumes selected retirement age of 65. The funds underlying the default lifestyle strategies were restructured over the year as part of the investment strategy review. This is reflected in performance.

The allocation to the funds underlying the default lifestyle strategies remain unchanged until members are less than five years away from their selected retirement age, therefore, the returns for members aged 25, 45 and 55 are identical.

The Trustee is satisfied with the performance of the funds relative to their investment objectives and longer-term return targets.

(v) Self-select investment funds

Performance to 31 December 2022	Annualised returns (%)		
Fund name	1 year	3 years	5 years
BlackRock World (ex-UK) Equity Index Fund	-9.9	8.3	8.5
BlackRock UK Equity Index Fund	-0.2	1.9	2.7
BlackRock Emerging Markets Index Fund	-10.1	-0.4	0.4
BlackRock ACS World Multifactor ESG Equity Tracker Fund[1]	-4.7	n/a	n/a
Mellon Long Term Global Equity Fund	-9.6	7.2	9.4
HSBC Islamic Global Equity Index Fund	-16.1	9.3	10.9
RBC Global Focus Equity Fund[1]	-26.0	n/a	n/a
BlackRock Over 5 Years Index Linked Gilt Fund	-38.1	-10.2	-5.2
Fidelity Pension Annuity Fund	-25.3	-7.2	-2.8
BlackRock Absolute Return Bond Fund[2]	1.3	1.6	n/a
BlackRock Aquila Life Market Advantage Fund	-13.6	-3.1	-0.5
Threadneedle Property Fund	-10.6	2.0	1.2
BlackRock Cash Fund	1.2	0.4	0.5

Source: Fidelity. Returns are quoted net of fees and reflect the TERs of the funds as at 31 December 2022.

[1] Funds added to the self-select fund range in June 2021 following the investment strategy review.

[2] Fund added to the self-select fund range in March 2018.

The BlackRock World Multifactor ESG Equity Tracker Fund and the RBC Global Focus Equity Fund were added to the self-select fund range in June 2021. As the funds have been in the UKSPP fund range for less than three years, the returns for longer-term reporting periods are currently not applicable.

3. Member Borne Charges and Transaction costs

The Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- **Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;**
- **Transaction costs: these are not explicit, and are incurred when the Scheme's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.**

The Trustee is also required to produce an illustration of the cumulative effect of the overall costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the statement year in respect of each investment fund members were invested in during the scheme year. These comprise the Annual Management Charge (AMC) / Total Expense Ratio (TER) and insofar as we are able to, transaction costs.

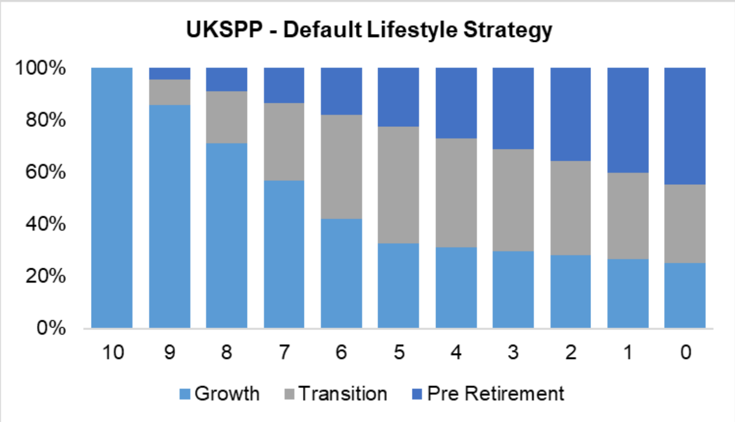
The TER information is readily available to members and can be found in fund factsheets available on Fidelity's PlanViewer website. The TER is deducted each month as a percentage of a member's fund balance. These are explicit costs such as broker commissions and taxes and levies like stamp duty.

Transaction costs are implicit costs incurred within the day to day management of the assets by the fund manager. Implicit costs include market dealing spreads, i.e. the difference between the price of a security at the time of an order and the price of a security at the time the deal is struck.

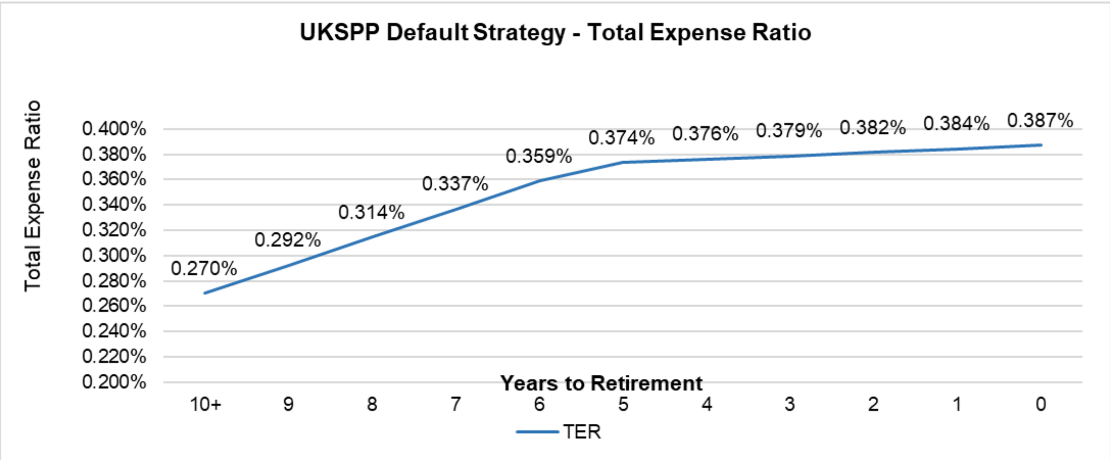
The charges and transaction costs have been supplied by Fidelity, who are the Plan's platform provider. Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustee.

(i) Primary Default strategy– Drawdown Lifestyle Approach

The Drawdown Lifestyle Approach has been set up as a lifestyle arrangement which means that member's assets are automatically moved between different investment funds as they approach their target retirement date. This is illustrated in the bar chart below.



The TER that a member paid over the year depends on their term to retirement, as shown in the line chart below. The TER ranges from 0.270% p.a to 0.387% p.a, which is within the 0.75% p.a charge cap for schemes that are used by employers for auto-enrolling their employees.



Transaction costs ranged between 0.030% p.a. and 0.380% p.a, meaning that the total cost associated with the Default Lifestyle Approach (TER plus transaction costs) is between 0.300% p.a. and 0.767% p.a.

(ii) Other default arrangements

In addition to the Drawdown Lifestyle Approach, members also have the option to invest in a further two default lifestyles, targeting annuity or cash at retirement.

The TERs and transaction costs for each of these default strategies are shown in the following tables:

Lifestyles	TER % p.a.	Transaction Costs % p.a.	Total costs % p.a.
Drawdown Lifestyle Approach (default)	0.270-0.387	0.030-0.380	0.300-0.767
Annuity Purchase Lifestyle Strategy	0.238-0.374	0.003-0.370	0.240-0.743
Cash Lifestyle Strategy	0.200-0.374	0.010-0.370	0.210-0.743

The TER and transaction costs for the final default arrangement – the cash fund – are set out below:

BlackRock Cash Fund	0.200	0.010	0.210

(iii) Other self-select investment funds

In addition, members also have the option to invest in 13 individual funds (including the cash fund which is also a default arrangement).

Individual funds	TER % p.a.	Transaction Costs % p.a.	Total costs % p.a.
BlackRock World (ex-UK) Equity Index Fund	0.260	0.000	0.260
BlackRock UK Equity Index Fund	0.200	0.070	0.270
BlackRock Emerging Markets Index Fund	0.550	0.000	0.550
BlackRock ACS World Multifactor ESG Equity Tracker Fund1	0.230	0.000	0.230
Mellon Long Term Global Equity Fund	1.090	0.030	1.120
HSBC Islamic Global Equity Index Fund	0.750	0.000	0.750
RBC Global Focus Equity Fund1	0.600	0.090	0.690
BlackRock Over 5 Years Index Linked Gilt Fund	0.200	0.090	0.290
Fidelity Pension Annuity Fund	0.320	0.000	0.320

BlackRock Absolute Return Bond Fund	0.570	1.240	1.810
BlackRock Aquila Life Market Advantage Fund	0.420	1.310	1.730
Threadneedle Property Fund	1.000	0.090	1.090
BlackRock Cash Fund	0.200	0.010	0.210

Source: Fidelity. As at 31 December 2022.

[1] Funds added to the self-select fund range in June 2021 following the investment strategy review.

(iv) Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided seven illustrations of their cumulative effect on the value of typical scheme members savings over the period to their retirement.

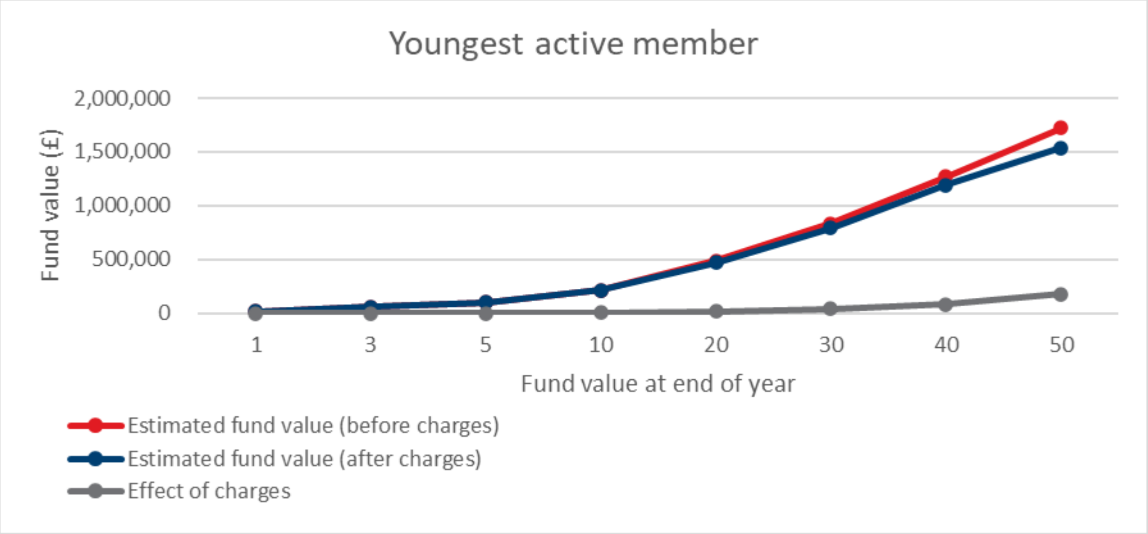
The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out in the appendix.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Plan they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements.

- Illustrations A, B and C is shown for a different type of member invested in the Drawdown Lifestyle Approach, which is the Primary Default investment arrangement.
- Illustrations D, E, F and G are shown for a typical member contributing to the Plan in the Cash Lifestyle Approach, Annuity Lifestyle Approach and the Plan’s lowest and highest charging self-select funds respectively. Note that the Plan’s lowest charging fund is the cash fund which is also a default arrangement as defined under legislation.

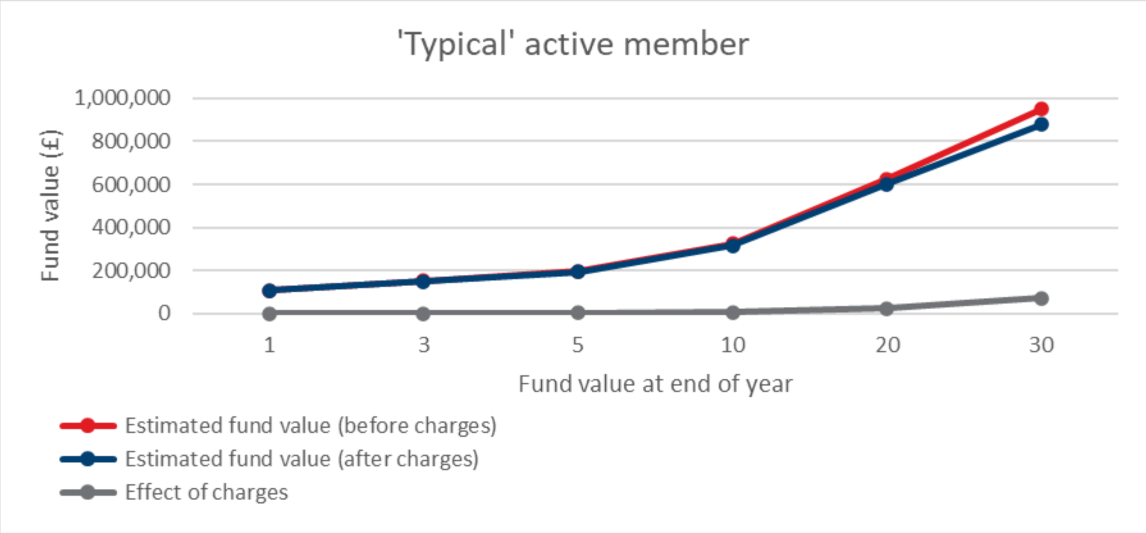
All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

Illustration A: is based on a new Plan member who has 50 years to go until their selected retirement age and is invested in the Drawdown Lifestyle Approach. The member has a current fund value of zero and makes contributions of £1,600 per month until they retire.



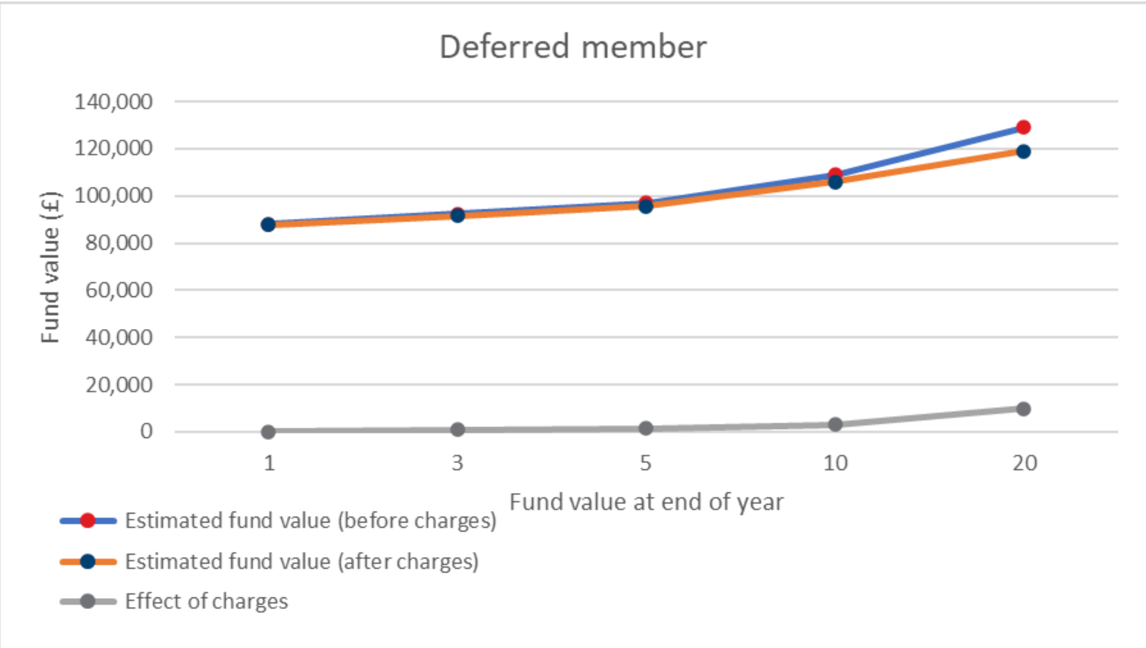
Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	49	19,200	19,200	0
3	47	59,100	58,800	300
5	45	100,000	100,000	0
10	40	214,000	211,000	3,000
20	30	488,000	472,000	16,000
30	20	836,000	794,000	42,000
40	10	1,270,000	1,190,000	80,000
50	0	1,720,000	1,540,000	180,000

Illustration B: is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Drawdown Lifestyle Approach. The member has a current fund value of £86,000 and makes contributions of £1,600 per month until they retire.



Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	107,000	107,000	0
3	27	151,000	150,000	1,000
5	25	197,000	195,000	2,000
10	20	324,000	317,000	7,000
20	10	627,000	603,000	24,000
30	0	949,000	878,000	71,000

Illustration C: is based on a deferred member (a member who is no longer making contributions into their Pension Account) who has 20 years to go until their selected retirement age and is invested in the Drawdown Lifestyle Approach. The member has a current fund value of £86,000.



Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	19	88,000	87,800	200
3	17	92,400	91,500	900
5	15	97,000	95,500	1,500
10	10	109,000	106,000	3,000
20	0	129,000	119,000	10,000

Illustration D: is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Cash Lifestyle Approach. The member has a current fund value of £86,000 and makes contributions of £1,600 per month until they retire.

Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	107,000	107,000	-
3	27	151,000	150,000	1,000
5	25	197,000	195,000	2,000
10	20	324,000	317,000	7,000
20	10	627,000	603,000	24,000
30	0	915,000	854,000	61,000

Illustration E: is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Annuity Purchase Lifestyle Approach. The member has a current fund value of £86,000 and makes contributions of £1,600 per month until they retire.

Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	107,000	107,000	-
3	27	151,000	150,000	1,000
5	25	197,000	195,000	2,000
10	20	324,000	317,000	7,000
20	10	627,000	603,000	24,000
30	0	912,000	851,000	61,000

Illustration F: is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Cash Fund (which is the lowest charging self-select fund). The member has a current fund value of £86,000 and makes contributions of £1,600 per month until they retire.

Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	104,000	104,000	-
3	27	140,000	140,000	-
5	25	177,000	175,000	2,000
10	20	265,000	261,000	4,000
20	10	434,000	423,000	11,000
30	0	594,000	573,000	21,000

Illustration G: is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Mellon Long Term Global Equity Fund (which is the highest charging self-select fund). The member has a current fund value of £86,000 and makes contributions of £1,600 per month until they retire.

Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	107,000	106,000	1,000
3	27	151,000	147,000	4,000
5	25	197,000	189,000	8,000
10	20	324,000	299,000	25,000
20	10	627,000	541,000	86,000
30	0	1,010,000	815,000	195,000

As younger members are exposed to charges for longer, due to their longer term to retirement, the impact of charges is higher in percentage terms.

The Trustee believes the charges are competitive based on our knowledge of the broader market and the review of the services provided to members during 2022 (see Value for Members assessment below). The charge illustrations are for information and transparency purposes only, and therefore the Trustee doesn't expect members to take any action in respect of the information above. Members are regularly encouraged to check that their investment choices are suitable to meet their needs.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future.

Members are advised to consider both the level of costs and charges and the expected return on investments (ie. the risk profile of the strategy) in making investment decisions.

Assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

1. *Projected fund values are shown in today's monetary terms, which means that they have been adjusted for the effect of future inflation*
2. *Inflation is assumed to be 2.5% each year*
3. *First year contributions are assumed to be £1,600 per month, thereafter increasing annually in line with inflation until retirement*
4. *The assumed growth rates (gross of costs and charges) are as follows:*
    - *Equity asset classes 2.44% p.a.*

- *Bond asset classes -0.59% p.a.*
- *Cash asset classes -0.78% p.a.*

5. *Values shown are estimates and are not guaranteed*

For full details of the assumptions made, see the 'Further notes and assumptions' section here:

https://retirement.fidelity.co.uk/about-workplace-pensions/investing/costs-and-charges/SHEL

4. Value for Members assessment

The Administration Regulations require the Trustee to make an assessment of charges and transaction costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with our advisers, Aon, the Trustee has developed their cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Plan relative to the costs and charges they pay.

The costs that members pay have been identified as TERs and Transaction Costs and are set out in section 3 of this statement. The Trustee has considered the benefits of membership under the following five categories: Plan governance, investments, administration and member experience, member communications and engagement and Retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

The Trustee beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

Plan governance

The Trustee believes in having robust processes and structures in place to support the effective management of risks and ensure members' interests are protected, increasing the likelihood of good outcomes for members

The arrangements in place are robust and sufficiently flexible to enable the Trustee to make considered, timely decisions in the members' interests

Investments

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes

The Plan offers a variety of lifestyle strategies and self-select funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind (e.g. consideration of member targets, variety of self-select funds in different risk brackets and considerations for ESG-focussed funds).

Administration and member experience

The Trustee believes that good administration and record keeping play a crucial role in ensuring that scheme members receive the retirement income due to them. In addition, the type and quality of service experienced by members has a bearing on the level of member engagement.

The service received from Fidelity (as scheme administrator) is of high quality. The Trustee obtains information to assess the member experience through Fidelity's administration services. There are sufficient checks in place for monitoring and reporting on the standard of administration and to ensure that when administrative errors do occur, members are not disadvantaged as a result.

During the year, at the request of the Trustee, the Plan's governance advisor Aon reviewed Fidelity's charges and processes against the wider market and were satisfied that the charges and member experience were broadly comparable to the wider market.

Member communications and engagement

The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.

The communications members receive are appropriate with members having access to information via post, emails, webinars and a suite of online resources. Communications are often targeted at specific membership categories. The Trustee seeks ways of improving engagement, such as the interactive annual newsletter, electronic simpler benefit statements and tailored video statements. The Trustee will continue to monitor the impact of these different types of engagement.

Retirement support

The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.

The Plan offers appropriate support to enable members to make informed retirement decisions, these include access to modelling tools, calculators and supporting information through Fidelity's PlanViewer platform and administration team. The Trustee continues to monitor how members are taking their pots at retirement to understand whether any action is required in relation to retirement support.

The Trustee's assessment concludes that the charges and transaction costs borne by Plan members represents good value for members relative to the benefits of Plan membership. Aon have commented that the AMC and TER charges are competitive when compared to current market rates on a like for like basis and adjusting to take account of the benefits of the Plan's membership.

5. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.

The bulk of the core financial transactions are undertaken on behalf of the Trustee by the Plan administrator, Fidelity and the Company is responsible for ensuring that contributions are paid to the Plan promptly. The timing of such payments is monitored by the Trustee from quarterly administration reports submitted by Fidelity.

In order to determine how well the administration is performing the Trustee has service level agreements ("SLA") in place with Fidelity. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. There are SLAs in place for all core financial transactions. Under the current SLA, Fidelity aims to accurately complete all financial transactions within 5 working days, with the exception of the investment of contributions, which is within 2 working days of receipt.

The Trustee measures the administrator's performance against the SLAs in quarterly reviews and has regular conversations with the administrator to have oversight of the key processes in order to minimise the risks of inaccurate or late payment or processing of core financial transactions and to help it meet its SLAs.

The Trustee has also reviewed the key processes adopted by the administrator and output in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes include:

- A full member and Plan reconciliation being undertaken annually as part of the annual preparation of the Trustee report & Accounts – in previous exercises these have led to actions such as targeted member communications
- Provision of quarterly administration reports – enabling the Trustee to check core financial transactions and review processes relative to any member complaints made – The Trustee notes SLAs continue to be met and issues are escalated promptly where necessary
- Monthly contribution checks and daily reconciliation of the Trustee bank account
- Checks for all investment and banking transactions prior to processing
- Straight-through processing for data, therefore, avoiding the need for manual intervention and, in turn, significantly reducing the risk of error.
- Annual data reviews – the 2022 review based on Fidelity metrics reported the Plan's scores continue to be very good, and the main area for improvement is missing addresses, primarily for deferred members
- Documentation and operation in line with quality assurance policies and procedures
- Operation in line with the Business continuity plan and confirmation that the administrator has prioritised core financial transactions during this period.
- Annual audit – the Plan's auditors Ernst & Young commented the Plan's 2022 audit had been completed on time with no significant matters to report
- Member complaints

In addition, the Trustee Services Unit meets with Fidelity every month to discuss the administration of the Plan. These meetings provide an opportunity to discuss any issues that might arise (the resolution of which is tracked in an issues log).

Fidelity has confirmed that there are processes in place for each core financial transaction to ensure that all Plan transactions are processed promptly and accurately. An automated daily sales and redemptions report is used to check transactions placed the previous day. The report captures the sale type, date and details of units sold, enabling a check that processes are completed in an accurate and timely fashion (and are in line with SLAs)

Fidelity has an internal audit function, in addition to the external audit carried out on the Plan annually. The Plan's external auditors perform testing and reviews of Fidelity's processes. Fidelity also provides an annual report to the Board reporting on the quality and accuracy of common and conditional data which includes the processing of core scheme financial transactions and monitoring and controls.

The Trustee is satisfied that over the period:

- 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
- key core financial transactions have been processed promptly and accurately during the Plan year.

6. Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

The Trustee has processes and procedures in place to meet the Pension Regulator's Trustee Knowledge and Understanding requirements (as set out in their Code of Practice No 7); which include:

- A structured onboarding programme for newly appointed Trustee directors including completion of the Pension Regulator's Trustees toolkit, which is an online learning programme.
- Regular training on topical issues relating to regulatory/legislative developments or items on the Trustee workplan.
- A look ahead to future training needs
- Maintaining training logs for each Trustee director which supports the above.

During the Plan year to which this statement relates there was one change to the Trustee Board. The newly Company appointed Trustee Director received structured onboarding training in line with this approach. Copies of scheme documents are provided as part of the onboarding training by the Trustee on a regular basis.

During 2022 they carried out the following:

- Completed an annual review of Board effectiveness which considered a review of the Board's overarching objectives (demonstrating the requirement that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions).
- Updated the workplan to include training on net zero, climate change and ESG fiduciary duties following a review of the ESG workplan (demonstrating the requirement to understand the principles relating to the funding and investment of occupational DC schemes and to have a working knowledge of the current SIP).
- Reviewed Aon's performance against the formalised investment objectives, in line with the requirements of the Competition and Markets Authority (CMA) (demonstrating the requirement to have sufficient knowledge and understanding of the law relating to pensions and trusts).
- Received training from the Plan's legal advisor on investment fiduciary duties and net zero from a legal perspective (demonstrating the requirement to have sufficient knowledge and understanding of the law relating to pensions and trusts).
- Received training from the Plan's governance adviser on the Pension Regulator's Single Code of Practice, and also member considerations in relation to the cost of living crisis (demonstrating the requirement to have sufficient knowledge and understanding of the law relating to pensions and trusts).

The Trustee has engaged with their professional advisers regularly throughout the year to ensure that they exercise their functions properly and take professional advice where needed. In exercising their functions this has required knowledge of key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts, Statement of Investment Principles and all documents setting out the Trustee's current policies. A few of the areas that support this statement are set out below:

- Sign off of the Trustee's Report and Accounts
- Updating the risk register
- Reviewing and updating the Trustee governance framework for the Plan
- Annual review of the existing Data Protection & Cyber Security Policy and Privacy Notice in line with General Data Protection Regulations.

The Trustee board is made up of five members with a range of skills and experiences including a mixture of Member Nominated and Company Nominated directors with varying backgrounds.

The Trustee believes collectively they have sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational schemes.

The Trustee considers that they meet the Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly exercise their functions as the Trustee of the Plan.