Chair's Statement

HJ Banks & Company Limited Discretionary Retirement Benefits Scheme

The Trustee of the HJ Banks & Company Limited Discretionary Retirement Benefits Scheme (the Scheme) present their annual Chair's statement on governance of the Scheme.

The Statement covers the annual period up to 31 March 2026 and covers:

- the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- the Trustee knowledge and understanding.

The default investment option

The Scheme has from its establishment placed members in a with-profits fund and therefore this is recognised as a default investment option under the Scheme. For members who joined the Scheme before December 1999, the only investment option available is a traditional with-profits fund. A member on joining the Scheme would secure a basic sum payable at normal retirement date providing all contributions are paid by that time. If a member suspends or ceases contributions an adjustment is made to the guaranteed basic sum on a broadly pro-rata basis. For this group of membership there are no other investment options provided directly through the policy offered by Scottish Widows.

Members who joined the Scheme after December 1999, have been placed in a unitised with-profits fund. This is therefore considered another default investment option, applying to this group of members. For these members, they also have access to a range of 60 alternative funds are potentially available from the Investment Platform Manager, but these are not considered as default options under the Scheme.

There is also one member whose funds have been held in a building society fund since reaching Normal Retirement Age. At that time, the member's funds were automatically transferred from the with-profits fund into the building society fund in accordance with the terms and conditions of the with-profits fund. As the member did not actively select the building society fund, the Trustee considers that it may form part of the Scheme's default investment strategy and will consider its suitability as part of the wider review of the default investment arrangements. The primary objective of the traditional and unitised with-profits funds is to provide a stable and smoothed level of investment return over the medium to long term to the member policy vesting date. This approach is designed to provide the member with a higher level of certainty of their retirement outcome and benefit from guaranteed annuity rates where applicable. The smoothing approach aims to reduce the level of investment market volatility for the members policy.

Since the Scheme has less than 100 members, the Scheme's Statement of Investment Principles (SIP) was disapplied with effect from 1 April 2021, as permitted under legislation. In contrast with previous annual statements, we have therefore not appended a copy of the SIP to this annual statement.

Under the governance framework provided by the Pensions Regulator the Trustee is required to undertake a review of the default investment strategies at least every three years. The Trustee noted that the formal triennial review of the default investment strategy was overdue, with the previous review having been completed in September 2022. Given the constraints arising from the Scheme's guarantees and the Scottish Widows platform, the Trustee considered that a separate full investment strategy review could be disproportionate in cost and scope. It was therefore agreed that the appropriateness of the default investment strategy would be considered as part of the wider strategic review of the Scheme, including whether the existing arrangements continue to meet members' needs and remain appropriate.

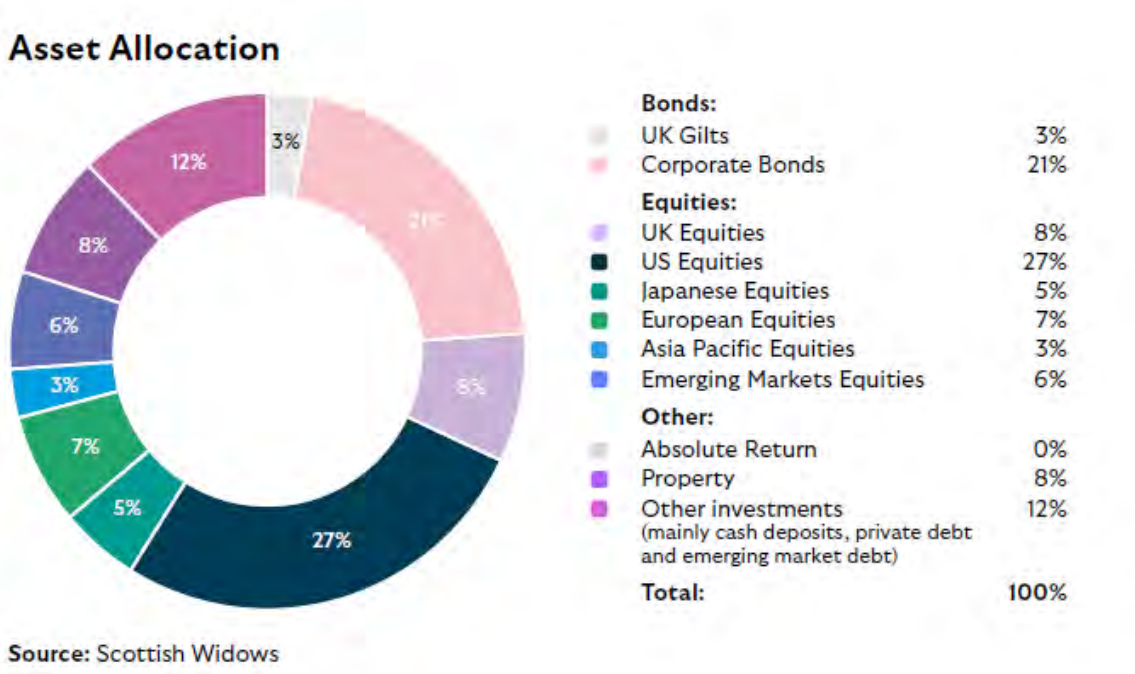
The review needs to take into account both current contributing and non-contributing members of the Scheme to ensure the default is appropriate to the membership's needs. The last formal review of the default investment strategies in 2022, concluded that:

Membership invested in the two with-profits funds is expected to continue to value the capital protection, terminal bonus and guarantees, where applicable, provided by the two current default investment strategies.

The one member that has been invested in the building society account as a result of exceeding their retirement age in the with-profits funds would most likely value the capital protection.

The Trustee, through the report provided by its investment advisors, was satisfied with the security of the with-profits funds. Through its governance and monitoring process the Trustee concluded that the strategy and returns of these funds continued to meet objectives. The review concluded that the overall objective of the default investment arrangements remained appropriate and no changes were implemented.

Asset Allocation as at 31 December 2025 – Scottish Widows With Profits Fund (Default Fund)



Source – Scottish Widows fund fact sheet

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately.

This includes:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to, or in respect of, members.

The Trustee has an agreement in place with the Scheme's administrator, Scottish Widows, regarding the service levels and core financial transactions. Broadly, the service level agreement is for tasks to be completed within 5 working days.

Information on the processing of core financial transactions is provided to the Trustee by the Scheme's administrator. The Trustee reviews core financial transactions on an annual basis.

Information on the processing of core financial transactions has been requested from Scottish Widows by the Trustee. Scottish Widows has not provided any summary statistics at the time of writing, so the Trustee has been limited in their ability to carry out a review of performance, other than the commentary provided below. The Trustee and the Sponsoring Employer work closely throughout the year to ensure that all retirements and transfers over the year were carried out in a timely manner to ensure that there was no loss to members arising through delays. The Trustee is satisfied that this was achieved in all cases.

In relation to investment of contributions throughout the year, Scottish Widows has provided confirmation of the contributions received in each case on a month by month basis, and in addition the Trustee can confirm that the correct amount of annual contributions are showing on the relevant annual benefit statements. In terms of timeliness of the investment of the new contributions, the Trustee is limited in its ability to confirm this occurred within the target service level agreement in each case, in absence of supporting information being provided by Scottish Widows.

However, the Trustee confirmed with Scottish Widows that their policy is, if contributions are ever delayed in being invested in the relevant funds, they will backdate the unit pricing to the date that the contribution should have been invested by, to ensure there is no loss to members. Scottish Widows have confirmed that there were no late payments over the Scheme year and that the policy would have been applied where necessary. Based on the information available and its own oversight during the Scheme year, the Trustee has not identified any member financial loss arising from the processing of core financial transactions. However, Scottish Widows has not provided sufficient performance data to demonstrate compliance with its service standards in all cases. The Trustee is therefore unable to reach a fully evidenced conclusion and will continue to seek appropriate service-level information and monitor this area.

Net investment return on funds

The Trustee is required to report on the net investment return achieved by the default funds and all other funds that the members are invested in. The net returns over the year to 31 March 2026, and longer periods where available, was as set out below.

	1 year	3 years	5 years	10 years
Scottish Widows With Profits fund*	*12.4%*	*9.3%*	*6.0%*	*6.0%*
Smart default	*11.4%*	*10.6%*	*7.8%*	-
*Nest Default***	*13.3%*	*11.1%*	*7.1%*	*7.4%*
TPP Default	*14.6%*	*10.9%*	*6.6%*	*8.3%*

*The return provided by Scottish Widows is based on a single premium of £10,000 paid into a policy taken out before Scottish Widows demutualised in March 2000.The figures apply to any policy which is maturing between 1/1/26 and 30/6/26 and an MVR does not apply.

**based on a term to retirement of 35 years

P000022861 & P000034173

Wider fund range

	1 year	3 years	5 years	10 years
Unitised With-profits	5.6%	6.6%	3.3%	3.9%
SW Fidelity Managed	10.5%	7.6%	4.6%	6.3%
SW BlackRock Managed	15.2%	9.2%	5.8%	8.1%
SW Newton Managed	13.5%	9.9%	7.5%	7.3%
SW Invesco Perpetual Managed	10.5%	8.9%	6.3%	6.4%
SW Schroder Life Managed	13.5%	8.2%	4.4%	6.4%
SW Royal London UK Equity Income Fund	18.1%	11.2%	9.9%	-
SW Invesco Perpetual Global Bond	1.0%	-0.3%	-1.3%	0.2%
SW Invesco Perpetual Distribution	6.8%	7.5%	4.2%	4.3%
SW UK All Share Tracker Pension	17.0%	11.7%	9.7%	7.5%

Source: Scottish Widows, Smart, Nest and The People's Pension. All Investment performance data is annualised to 31/03/2026.

Charges and transaction costs

As required by the regulations, the Trustee report on the charges and transaction costs for the investments used in the Scheme and their assessment on the extent to which the charges and costs represent good value for members.

The Annual Management Charge met by members consists principally of the investment platform manager's annual charge for managing and operating a fund(s) and includes additional expenses (such as custodian fees) incurred by the manager. In addition, an administration charge is levied on members to meet the cost of the administration service, and there may also be other ad-hoc member borne charges such as legal and audit fees which the managers may incur. Together these comprise the Total Expense Ratio shown below. The TER is paid by the members and is reflected in the unit price of the funds.

The costs of other services provided to the Trustee, such as governing the Scheme (Investment and pension consultancy services) are paid by the Scheme's sponsor.

The Trustee is also required to separately disclose 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.

Below, we set out the Total Expense Ratio (TER) for each Fund utilised within the Scheme across the three policies being utilised to provide the investments. We also provide transaction costs as supplied by Scottish Widows, which are not included in the TER.

ML86	Total Expense Ratio	Annual impact of charges on £1,000	Transaction Costs
With-Profits Fund*	n/a	n/a	0.23%

P000022861 & P000034173	Total Expense Ratio	Annual impact of charges on £1,000	Transaction Costs (%)
Unitised With-Profits	1.000%	£10.00	0.23
SW Fidelity Managed	1.534%	£15.34	0.29
SW BlackRock Managed	1.097%	£10.97	0.52
SW Newton Managed	1.064%	£10.64	0.12
SW Invesco Perpetual Managed	1.260%	£12.60	0.21
SW Schroder Life Managed	1.135%	£11.35	0.34
SW Invesco Perpetual Distribution	1.690%	£16.90	0.26
SW Invesco Perpetual Global Bond	1.595%	£15.95	0.00
SW Royal London UK Equity Income	1.595%	£15.95	0.10
SW iShares Env & Low Carbon Tilt Real Est	1.020%	£10.20	0.19
SW UK All Share Tracker Pension (Series 1)	0.875%	£8.75	0.04

*There are no explicit charges or transaction costs levied against this fund. Charges are taken into account when declaring annual bonus rates. The Trustee can confirm that the charge cap provisions do not apply to the Scheme.

The Scheme's investment platform manager does not apply an explicit charge to switch investments between unitised funds. However, a Market Value Reduction (MVR) may be applied to the With-profit investments.

Illustrative impact of charges

We have provided an illustration of the likely impact of charges for a short-, medium- and long-term member invested in the with-profits arrangement and illustrations for the building society account as well as the most expensive self-select fund currently being utilised.

	Short term (5 years)	Medium term (15 years)	Long term (25 years)
With-profits fund (ML86) No charges	£12,450	£41,253	£76,178
With-profits fund (ML86) (net of 0.23% transaction costs)	£12,376	£40,512	£73,851
Unitised With-profits fund (1.23%)	£12,062	£37,482	£64,736
Lowest self-selected fund charge – SW UK All Share Tracker Pension (0.92%)	£12,459	£41,349	£76,481
Highest self-selected fund charge – SW Invesco Perpetual Distribution (1.87%)	£12,158	£38,385	£67,385

Charge cap for qualifying workplace pension scheme (0.75%)	£12,211	£38,898	£68,918

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 illustration follows the statutory guidelines for illustrating the cumulative effect of costs and charges.

Starting assumptions:

- Figures in today's terms based on an assumed inflation rate of 2.8% pa (average CPI levels since 2007).
- Contributions: £200 per month increasing by 2.8% per annum. Starting pot size is zero.
- Unitised With-Profits Fund charge of 1.23% consists of a 1.00% Total Expense Ratio plus 0.24% transaction costs (average cost over last 5 years).
- SW UK All Share Tracker Pension (Series 1) charge of 0.92% consist of a 0.88% Total Expense Ratio plus 0.04% transaction costs.
- SW Invesco Perpetual Distribution charge of 1.87% consists of a 1.69% Total Expense Ratio plus 0.18% transaction costs (average cost over last 2 years).
- Growth rate used is 2% p.a. above assumed inflation rate of 2.8% for With-profits fund and charge cap, and 3% above assumed inflation rate of 2.8% for the SW UK All Share Tracker Pension and SW Invesco Perpetual Distribution funds.

Source: Secondsight Pension Calculator

Value for Members

The Trustee is required to undertake an assessment of value for members including consideration of net investment returns, charges, administration and their own governance practices in line with the framework set out by the DWP with supporting guidance from The Pensions Regulator.

To assist the Trustee in determining whether the Scheme provides value for members, the Trustee commissioned the appointed specialist defined contribution consultancy, Secondsight, to undertake a value for members assessment.

This year the Trustee, working with Secondsight, undertook value for members assessment that includes:

A review of the Scheme's charges and investment performance net of charges, against three established Master Trusts that have been through the authorisation process implemented by the Pensions Regulator.

A review of the Scheme's administration and governance practices and processes.

The three comparators used were Master Trusts that operate as auto-enrolment specialists. Comparator	Structure	Rationale	Approach taken to comparison
Smart Pension	Master trust Bundled	Auto enrolment specialist master trust with a focus on technology. Able to cater for high turnover and lower contribution membership of the Scheme.	Indicative services and charges sought from provider

The People's Pension (TPP)	Master trust Bundled	Auto enrolment specialist that focuses on workforces with modest pay and contributions	Comparison with TPP's standard charges and services
Nest	Master trust Bundled	Auto enrolment specialist that focuses on workforces with modest pay and contributions	Comparison with Nest's standard charges and services

Following a report prepared by Secondsight alongside the Trustee's knowledge of the Scheme and its membership, the Trustee concluded that the Scheme's overall benefits and options represent good value for members. A summary of the assessment and the value provided to members of the Scheme can be found in the table below:

Costs & Charges

Within the costs and charges, we have given greater weight to the default investment strategy of the With-Profits Fund. As members do not directly meet a cost for this fund, it has scored well. However, we would note that costs and charges of managing the pension policy are taken into account before announcing any bonuses. As such, the members do indirectly meet the costs of this fund. Therefore, the wider value provided by this fund should be considered.

The costs and charges for the wider fund range are notably higher than those available from the comparison schemes and the wider market. This is common amongst legacy pension arrangements such as those offered to the Scheme by Scottish Widows. These higher charges can have a material detriment on pension investors. However, we do not believe the lack of value in self-select options significantly detracts from the overall value offered to investors in the default strategy. Members choosing to invest in a relatively expensive self-select option do so after consideration of the charges which would apply and must assess the relative value their personal choices may provide.

Default investment strategy	3.0
Self-select fund range	1.0
Overall	**Delivering Good Value**

Investment Performance

The performance of the Scheme's default With-Profits Fund has been mixed relative to the comparator arrangements over the periods assessed. The fund delivered a return of 12.4% over one year, 9.3% a year over three years and 6.0% a year over both five and ten years. Although some comparator funds achieved higher returns over certain periods, the terminal bonuses available to long term investors and the valuable guaranteed annuity rates materially enhance the overall value provided to members.. The majority of members will have been invested over the long term and so would benefit from the terminal bonuses at this level should they remain in the Scheme until normal retirement age.

In addition, the With-Profits Fund under ML86 has associated guaranteed annuity rates, which provide further value for members. Within the Scheme's benefits, part of each member's fund has an entitlement to a guaranteed annuity rate. These rates are available on the following terms.

Default investment strategy	3.0
Self-select fund range	2.0
Overall	**Delivering Good Value**

• Must be taken directly from the Scheme at age 65 for men and 60 for women • Must be single life (i.e., no attaching spouses' pension) • Must be level in payment (i.e., non- increasing) • Must be guaranteed for 5 years These guaranteed annuity rates are gender specific with male rates of 11.11% and female rates of 9.091 %. The guaranteed annuity rates can be very valuable to members as they may be considerably more generous than those available on the open market. However, it should be borne in mind that whilst the GAR is potentially valuable, the above conditions are inflexible and will not be suitable for all members of the Scheme. Unless the above conditions are met, the GAR does not apply, and the member would need to arrange an annuity at normal market rates, thereby losing the additional value the GAR may have provided. For a typical member of the Scheme, the guaranteed annuity rate could represent the equivalent of an additional 3.69% pa investment return, compared with the same member purchasing an equivalent annuity from the open market. For the proportion of the Scheme assets entitled to the GAR the impact may be 5.13% pa in investment returns.We conclude that the GAR provides a significant benefit to Scheme members The performance of the wider fund range is broadly equivalent to that of their comparators with a few exceptions. However, due to the high charges the net performance is often marginally lower over each timeframe. On balance, the Scheme provides good value in this area.	
Governance & Oversight The Trustee, working closely with the sponsoring employer, undertakes a hands-on approach to governing and administering the Scheme. The Trustee delegates much of the day-to-day activity to the administration capabilities of Scottish Widows. There have been some issues with the performance of Scottish Widows, however the overlay provided by the Trustee and the sponsoring employer has protected members to ensure that value continues to be provided. The Trustee's governance of the Scheme is in line with the recommended level of best practice set out by The Pensions Regulator, including an independent professional Trustee appointed as Sole Trustee to the Scheme. The Trustee can demonstrate each of the requirements expected in terms of governance, investment governance and conflict management. The Company and Trustee regularly review the administration of the Scheme to ensure it is accurate and complete. As part of this, member communications are reviewed and supplemented to support members in understanding their benefits and make informed decisions. The Trustee considers investment performance and suitability at least annually. The Trustee has good processes in place to monitor and review the Scheme's investments. Conflict management is managed well and there is a good working relationship with the sponsoring employer.	Promptness and accuracy of core financial transactions: **2.7** Quality of record keeping: **2.8** Appropriateness of default investment strategy: **2.8** Quality of Investment Governance: **3.0** Level of Trustees knowledge, understanding and skills to operate the pension scheme effectively: **2.9** Quality of communication with scheme members: **3.0**

	Effectiveness of management of conflicts of interest	3.0
	Overall	**Delivering Good Value**

The Trustee is aware that Annual Benefit Statements for members of the ML86 section were not issued within the statutory timescale due to ongoing system and IT issues experienced by Scottish Widows, including issues arising from its migration to a new administration platform. The Trustee has actively monitored and escalated the matter, issued alternative communications where appropriate and reported the breach to The Pensions Regulator. No financial loss to members has been identified, and the Trustee continues to seek confirmation that all outstanding and corrected statements have been issued and that appropriate measures are being taken to prevent a recurrence.

Further details of the Trustee's value for members assessment can be provided on request.

The overall view, in light of the quality of management services provided, the charges and performance above, is that members receive good value for money that is comparable or better than that of the three comparator schemes. The Trustee concluded that the Scheme continues to provide good value for members and that it is appropriate to continue operating the Scheme under its existing structure at this time. In reaching this conclusion, the Trustee recognised that further action is required in relation to the default investment strategy review, oversight of Scottish Widows' service levels and controls, and the wider strategic review of the Scheme.

Trustee knowledge and understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Scheme. This requirement has been met during the course of the Scheme year as follows:

An independent professional trustee, Zedra Governance Ltd ("Zedra"), has been appointed to the Scheme. Zedra has a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process the Trustee is required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent Zedra as a Trustee of the Scheme. The annual review process within Zedra identifies training needs for each individual and has a requirement for a minimum of 25 hours Continuing Professional Development (CPD) to be completed each year.

Zedra are appointed as sole trustee to the Scheme. Daniel Walsh is the Zedra representative acting as the Trustee. Daniel is a Client Director of Zedra and has significant DC trustee experience, and is also an Accredited Member of the Association of Professional Pension Trustee.

The Trustee is familiar with and have access to copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments) and key policies and procedures. In particular, the Trustee 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, and ensuring investment policies are formally reviewed at least every three years and as part of making any change to the Scheme's investments.

The Trustee has regularly reviewed their training needs and this is discussed at the Trustee meetings to identify if any further training is required to be included in the training programme;

As part of the Trustee training plan for 2025/26 the Trustee have ensured that they have completed the Pension Regulator's Trustee Toolkit modules.

The Trustee believe that it's knowledge together with the advice available enables the Trustee to properly exercise their duties to the Scheme and its membership.

I confirm that the above statement has been produced by the Trustee to the best of our knowledge.

SIGNED: *Dan Walsh*

Daniel Walsh

NAME: Daniel Walsh, Zedra Governance Ltd

DATE: 19 October 2026

POSITION: Trustee of HJ Banks & Company Limited Discretionary Retirement Benefits Scheme