

CHAIR'S ANNUAL STATEMENT for the period from 6 April 2023 to 5 April 2024

The Cronite Pension Scheme

The Trustees are pleased to provide this Statement which gives you information about the governance of the Defined Contribution section of the Cronite Pension Scheme ("the Scheme") and explains how we have looked after the Scheme during the year which ended on 5 April 2024.

1. The purpose of this Statement

This Statement has been prepared in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended).

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. Every year the Trustees are required to confirm in the Chair's Statement how the Scheme meets the governance standards set by the Pensions Regulator, and describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are automatically 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
- Trustee knowledge and understanding.

The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.

This Statement is made available at the following website www.cronite-group.com/brochures/ under miscellaneous and covers the Scheme year from 6 April 2023 to 5 April 2024. The Statement is published in the annual report and accounts. The Scheme is not being used as a qualifying scheme for automatic enrolment purposes as no contributions have been paid by members since 6 April 2015.

The Statement of Investment Principles ("SIP") which references the defined benefit ("DB") section only, was last updated in September 2021 and is available to view and download from the following URL:

<https://www.cronite-group.com/wp-content/uploads/2023/03/Cronite-Group-Pension-Scheme-Statement-of-investment-principles-9-21.pdf>

There has not been a review of the strategy over the year to 5 April 2024.

2. Background

Pension schemes in the UK are usually either called Defined Contribution ("DC") or Defined Benefit ("DB") schemes, depending on how pensions are built up.

Whilst the Cronite Pension Scheme is fundamentally a DB Scheme; it has both sorts of benefit. Some members of the Scheme benefitted from a surplus distribution in 1992 whereby they were granted a small DC pot in addition to their DB entitlement. As a result, members of the Scheme may be entitled to a DC benefit in addition to their DB benefits. The Chair's Statement therefore deals only with the DC benefits.

As at 5 April 2024, there were 23 DC members with DC assets of £7,555.

3. Value for Member Assessment

Legislation requires that Trustees of DC arrangements need to undertake an annual Value for Members Assessment. The Value for Members assessment requires that Trustees consider three factors:

1. Costs and charges
2. Investment returns, and
3. Administration and governance.

The Trustees of the Scheme have not undertaken a formal Value for Members assessment but have compared the charges paid by the member against the benefits provided by the Scheme. The Trustees considered the benefits of membership in the Scheme against cost of membership with regards to the DC benefits. No charges are deducted from members' DC funds, and administrative and running costs are met by the employer and do not fall on Scheme members.

Although the investment strategy means that members will receive low returns, due to the profile of the DC membership (the vast majority of members who hold DC funds are due to retire within the next few years), the Trustees feel that providing members with certainty and security is more important. Given the turmoil in the financial markets over the year the Trustees are content with the results of this strategy. Members can use the DC assets to supplement the Pension Commencement Lump Sum at retirement and the Trustees consider this is a valuable benefit and not in members' interests to switch these funds to another DC arrangement.

The DC assets are administered and governed by the Trustees as part of their wider responsibilities for the Scheme, as outlined later in this Statement. The Trustees are content that the administration and governance of the DC assets are operating at a satisfactory level.

4. The Default Investment Strategy

There is no default fund in the Scheme. Due to the circumstances of how the DC benefits arose in the scheme, there are no separate money purchase investments; each member's DC entitlement is recorded as a notional unit allocation within the assets the Scheme holds. The notional units are held as a cash sum in the Scheme bank account, earning interest at the Bank of England base rate.

The Trustees take advice on, monitor and review these investments regularly. The investment strategy review conducted in 2019 concluded that, as the DC members were close to retirement age, it was reasonable and prudent for the strategy to be de-risked and for the units to be held in cash.

Asset Allocation

The Trustees are required to disclose the full asset allocation of investments within the default investment strategy. Although there is no default fund in the Scheme, we have illustrated below the percentage of assets held by the Scheme's members as at 5 April 2024.

This information is provided in line with statutory guidance.

Asset Class	Allocation (%) at Age 25	Allocation (%) at Age 45	Allocation (%) at Age 55	Allocation (%) at Age 65
Cash	100.0	100.0	100.0	100.0
Bonds	0.0	0.0	0.0	0.0
Listed Equities	0.0	0.0	0.0	0.0
Private Equity	0.0	0.0	0.0	0.0
Infrastructure	0.0	0.0	0.0	0.0
Property / Real Estate	0.0	0.0	0.0	0.0
Private Debt / Credit	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
TOTAL	100.0	100.0	100.0	100.0

Source: Broadstone.

Investment Returns

The notional units are held in the Scheme bank account earning Bank of England base rate and the return over the year has been as expected by the Trustees. Past investment returns are set out in the table below and are prepared in line with statutory guidance.

Fund	1 Year (%)	3 Years (% p.a.)	5 Year (% p.a.)
Cronite	5.0	2.5	1.7

Source: FE Analytics.

5. Costs and charges (including transaction costs)

As the notional units were held in the bank account during the year, there were no charges to the members; all charges for operating the bank account and making transactions were paid by the Trustees. Based on the Trustees' investment strategy, the cumulative effect of charges over time on a pot size of £2,500, is illustrated below.

Years to retirement	Projected Fund Size			
	Average Member – Aged 60		Youngest Member – Aged 52	
	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted
13	N/A	N/A	£2,500	£2,500
10	N/A	N/A	£2,687	£2,687
7	N/A	N/A	£2,889	£2,889
5	£2,500	£2,500	£3,032	£3,032
3	£2,623	£2,623	£3,181	£3,181
1	£2,753	£2,753	£3,338	£3,338
0	£2,820	£2,820	£3,420	£3,420

Notes:

1. The starting pot size is assumed to be £2,500. The projected pension pot values are shown in future money terms and do not allow for the effect of future inflation.
2. It is assumed that no future contributions will be paid. Values shown are estimates and are not guaranteed.
3. The projected growth rate for the Scheme bank account is 5.0% (which is the Bank of England base rate as of October 2024).
4. Timeframe: the illustrations are shown over a 13-year time frame as this covers the approximate duration that the youngest member would take to reach retirement age. For the average member, the illustrations are shown over a 5-year time frame.

6. Administration Standards and Core Financial Transactions

The Trustees believe the administration and governance for the DC Section are appropriate and members receive a good service. This section was set up in 1992 and it is usually the source of the pension commencement lump sum. The records for this section are of good quality. As members near

their retirement age, they are updated on the benefit and how they may access it. The communications in this respect are clear and provide members with the detail required. Broadstone administer the Scheme for the Trustees and are responsible for maintaining the security of this data. All payments out of the Scheme are completed in a timely fashion and well within the established service level agreements ('SLAs').

In relation to core financial transactions there are no new contributions, investments or transfers in. Transfers out and payment of benefits are arranged by Broadstone, the Scheme Administrator. During the year the Trustees ensured the core financial transactions of the Scheme were processed promptly and accurately by:

- Having an agreement with their Scheme Administrator committing them to defined service level agreements ("SLAs")
- Reviewing biannual administration reports to monitor the SLAs
- Retaining the Scheme auditor to independently audit the Scheme accounts

The administrator has adopted processes to ensure core financial transactions are processed promptly and accurately, as described below:

- Processes and procedures are in place to ensure all work is done within any agreed SLA in place, or to Broadstone's internal service levels (generally, ten working days for most events) where there is no SLA.
- Broadstone employ a workflow management system to ensure that tasks are completed on time, that nothing gets missed and that a full checking process is followed before any tasks are completed. The checking process involves all automated calculations being checked by an administrator and then reviewed by a senior administrator who is independent of the doing stage.
- Monthly SLAs are reported to the administration manager who in turn reports back to the Board of Directors at Broadstone each month. Some work will also be selected for audit on a sampling basis. Broadstone annually conducts a quality audit, performed by a person of appropriate seniority, who chooses a selection of cases at random from across its schemes, for detailed second-checking. The quality audit is also reported to the Directors of Broadstone.
- Broadstone are aware of the requirement to complete core financial transactions promptly and therefore these items are given higher priority than other events.
- Directors of Broadstone will ensure a sample of work is audited to ensure compliance with the SLA, internal standards and external legislative requirements. Broadstone's ISO9001 accreditation requires them to carry out monthly audits to ensure their quality controls are in place and correctly adhered to. The quality controls are also audited on an annual basis by an accredited, independent company.
- To ensure the work undertaken is accurate, the Trustees receive Broadstone's internal AAF01/06-style report on an annual basis to check their controls have been operating effectively throughout the period.
- The administration report also contains reconciliations between the investment manager and the units held on the administration system.
- The Trustees also review member complaints and any breaches to ensure service is being delivered in line with expectations. We have not received any member complaints and SLA performance remains in line with expectations.
- The Trustees have a close working relationship with the administrator and are able to escalate any issues to a senior member of staff to ensure that any issues arising are dealt with promptly if they were to arise.

7. Knowledge and understanding of the Trustees

The Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The 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 Trustee 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 a Trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee directors have a good working knowledge of the Trust Deed and Rules of the Scheme, and a sufficient level of knowledge and understanding of the law relating to pensions.

The Trustees consist of two lay trustees and a professional company ZEDRA Governance Limited. The professional trustee company has a number of directors, all of whom keep their knowledge up to date by attending seminars and reading material from the Regulator and other pension service providers.

The Trustees are aware of their training requirements and have a policy on "Trustee Knowledge and Understanding". The Trustees, as a body, brought in a professional trustee for their expertise and skills and to ensure there are no knowledge gaps. The Trustees also seek advice on their arrangements from their appointed professional advisers. Trustee training is provided ahead of key decisions to ensure all Trustees are well informed and able to make informed decisions.

ZEDRA have 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 all Client Directors (representatives) of ZEDRA are required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent ZEDRA as Trustee of the Scheme. The annual review process within ZEDRA identifies training needs for each individual and has a requirement for a minimum of 15 hours Continuing Professional Development (CPD) to be completed each year and this is often exceeded. Each Client Director is shadowed by a peer and calls take place on a three-monthly basis to provide a peer review to the work undertaken and challenge the Client Director running the matter. All key decisions would be subject to peer review by the shadow Client Director or another Director of ZEDRA. All ZEDRA Client Directors are accredited members of APPT.

ZEDRA work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes. With their knowledge and understanding of pension schemes and the issues faced, they are able to properly exercise their functions to act in members' best interests and to deliver good member outcomes for the contributions made.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustees consider that they can properly exercise their functions as Trustee directors of the Scheme. The Trustees did not consider it necessary to conduct a Board Effectiveness Review during the year.

8. Communicating with members

The Trustees endeavour to provide Scheme communication that is regular, accurate, clear and understandable.

In conjunction with its advisers, the Trustees regularly review member communications (including retirement options packs and benefits statements) to ensure members are aware of their benefit entitlements and, in respect of the Scheme. Retirement packages cover all disclosure requirements, including retirement choices and the details of the Government's Pension Wise service.

Members receive an annual benefit statement which sign-posts them to where they can find this Statement to understand the investment they hold, the returns on investment, the charges/transaction costs and how these represent value for members.

Signed:

Name:

Position:

Date: