

DC Governance Statement covering the 12 months to 31 March 2024 for the Societe Generale Pension Plan (“the Plan”)

Governance requirements apply to defined contribution (“DC”) pension arrangements, to help members achieve a good outcome from their retirement savings. This statement covers governance and charge disclosures for the Plan for the period 1 April 2023 to 31 March 2024 in relation to the following:

- The Default Arrangement
- Processing of core financial transactions within the Plan
- Member borne charges and transaction costs
- The Trustee's assessment of how the charges and transaction costs paid by members represent good value for members
- Net investment returns
- Value for member assessment
- Trustee knowledge and understanding

Among other things, the statement demonstrates how the Plan has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 which was inserted into Regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996.

Following last years' Value for Member Assessment it was concluded that the Plan no longer offers good value. The Trustee has therefore commenced a project to wind-up the Plan, although have not yet formally triggered the wind-up process. The Trustee has engaged with the Pensions Regulator to make this known.

1. Default arrangements

The Trustee is responsible for investment governance.

As the Plan was closed to new members and contributions prior to 6 April 2015 the Trustee has not established a default investment strategy. Members are required to make an investment choice, and can update their selection at any time, from the range of funds the Trustee has made available to members.

Over the Plan year the Trustee considered the net of fees performance of the self-select options made available as part of their annual preparation of disclosures. As no default arrangement was in place over the year and all members of the Plan are deferred, the Trustee has not undertaken detailed investment work, however has no major concerns over the range of funds made available, which cover the main asset classes and regions.

Over the Plan year the Trustee, supported by their advisers, have engaged with both Zurich as Insurer of the Plan, and Willis Towers Watson as the administrator of the Plan to agree a project plan to commence wind-up.

The Plan is not used as a Qualifying Scheme for automatic enrolment purposes.

2. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- *transfer of member assets into and out of the Plan;*
- *transfers between different investments within the Plan; and*

- *payments to and in respect of members.*

The processing of core financial transactions for the Plan is met by Willis Towers Watson as the plan administrator and Zurich as the insurer. From 1 September 2024 the plan administrator was changed from Willis Towers Watson to Trafalgar House.

The number of financial processes completed each year is very low and both Willis Towers Watson and Zurich have service standards in place.

The Trustee has asked Willis Towers Watson and Zurich to report on these and the maintenance of appropriate internal controls. Additionally, the Trustee has put in place a six-monthly process to request updates on administration processing performance. When administering the arrangement, Willis Towers Watson have not reported any instances where they have failed to process the associated members' benefits in a timely manner at retirement.

The Trustee is comfortable that Willis Towers Watson has adequate internal controls to ensure that core financial transactions relating to the Plan are processed promptly and accurately. During the period of this statement, there have been no material service issues that need to be reported by the Trustee. If any mistakes or delays occur, these are investigated, and action is taken to correct these as quickly as possible. There have been no complaints received during this period by the Trustee.

In light of the above, the Trustee is satisfied that there are processes in place to provide for administration of core financial transactions in an accurate and timely manner.

3. Member Borne Charges and Transaction costs

The Trustee is required to assess the costs associated with the Plan, which are paid by the members. These costs comprise charges and transaction costs.

Charges, such as the Annual Management Charge ("AMC" – the annual fee charged by the investment manager for investing in a fund), as well as additional expenses, together comprise the Total Expense Ratio ("TER"), which is the total cost of investing in a fund.

Transaction costs are costs which are incurred within the day-to-day management of the assets by the fund manager. These cover such things as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of a fund.

The requirement for fund managers to calculate and disclose transaction costs using a method prescribed by the FCA was introduced on 3 January 2018. Fund managers calculate transaction costs at fund-level not Plan-level therefore the Trustee requested details of transaction costs for the period 1 April 2023 to 31 March 2024 from the Plan's provider.

As defined by the FCA, **explicit transaction costs** are the costs that are directly charged to or paid by a fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities.

Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time of the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as 'negative costs'. The transaction costs calculated by the providers, using a method prescribed by the FCA, have resulted in negative costs (i.e. a profit) for some funds held by members during the period of review.

Where transaction costs are negative within our calculations, we have assumed those costs to be zero as a measure of prudence.

The charges have been provided via Zurich, who are the Plan's insurer, and members have access to a wide range of funds. Zurich have provided the transaction costs for the 12-month period to 31 March 2024.

A full breakdown of the Fund Management Charges and transaction costs payable for the self-select fund range are listed in the table below.

Fund name	SEDOL	Fund Management Charge (% p.a.)	Transaction costs* (%)
Zurich Managed Acc 3/4 AP	BYNM0K0	0.18	0.12
Zurich Property Acc 3/4 AP	BYNM1B8	0.54	0.13
Zurich Equity Acc 3/4 AP	BYNM3Z6	0.15	0.19
Zurich Gilt Edged Acc 3/4 AP	BYNM668	0.11	0.03
Zurich Far East Acc AP	0406932	0.25	0.30
Zurich American Equity Acc AP	0406910	0.14	0.05
Zurich European Acc AP	0019192	0.14	0.65
Zurich Fixed Interest Deposit Acc 3/4 AP	BYNM4W0	0.08	0.02
Zurich HSBC Equity Acc AP	0021528	0.14	0.00
Zurich M&G Recovery Acc AP	B5KB1Y4	0.70	0.07
Zurich Stewart Investors Asia Pacific Leaders Sustainability Acc AP	B5BJNG7	0.75	0.09
Zurich Managed Bond Acc AP	B50Q530	0.25	0.09
Zurich Managed Equity & Bond Acc AP	B59BHH4	0.23	0.19
Zurich Allianz Emerging Markets Equity Accumulation AP	B5M4XF0	0.97	1.33

**The FCA requires that implicit transaction costs are calculated using the 'slippage method'. The slippage method calculates transaction costs by looking at the difference in the asset value before and after a transaction. There can be a difference in the time when the transaction is executed and when it enters the market. As such, if an investor is selling in a rising market, or buying in a falling market, the calculation will create a gain that may outweigh the other explicit transaction costs, resulting in a negative cost. Where transaction costs are negative within our calculations we have assumed those costs to be zero as a measure of prudence.*

Zurich has not provided a Total Expense Ratio (TER) figure. The Trustee has observed that there are both percentage-based charges and fixed monetary charges applicable, making the calculation of a TER figure complex. Consequently, Zurich has opted to disclose all relevant charges individually rather than calculate and provide a single TER figure.

Capital Unit versions of the above funds are also available to members which have the same costs and charges. An additional charge is levied on Capital Unit funds inherent within the unit price of the fund. This is estimated to be 3.5% p.a.

A further annual administration charge of 0.75% is also levied on capital and accumulation units which is reflected in the unit price for the funds.

An administration charge of £14.80 per month is applied by reducing the number of units in each member's account each month and this increases each year with inflation.

Additional charges are levied on payments into the Zurich policy. The Trustee has observed that the overall level of charges levied on members of the Plan are higher than what is typical for a modern DC arrangement and complex to understand for members.

4. *Illustration of the cumulative effect of costs and charges on member fund values over time*

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 charges and transaction costs by the trustees and managers of a relevant Plan. These changes are intended to improve transparency on costs. As part of the changes, the Trustee is required to illustrate the cumulative effect over time of the application of transaction costs and charges on the value of a member's benefits.

The next few pages contain illustrations of the cumulative effect of costs and charges on the value of member savings within the Plan over a period of time. The illustrations have been prepared by Zurich having regard to statutory guidance.

As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained in the notes section below the illustrations.

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. This means that the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members each year by the Plan.

The "before charges" figures represent the savings projection assuming an investment return with no deduction of member borne fees (ie the TER). The "after charges" figures represent the savings projection using the same assumed investment return but after deducting member borne fees.

The transaction cost figures used in the illustration are those provided by the manager over the past three years (where available), subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past three years (where available) as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the Plan year

The Plan does not have a default option (see page 1 above). The most frequently used self-select fund is the Zurich Managed AP Fund. The three additional self-select funds shown in the illustration are:

- Zurich European AP – the second most popular self-select fund members are invested in.
- Zurich Allianz Emerging Markets Equity Accumulation AP – the fund with the highest charges.
- Zurich Fixed Interest Deposit AP – the fund with the lowest charges.

The examples below illustrate the projected pension pot values in today's prices, accounting for inflation, both before and after charges and costs are deducted. The starting pot size (transfer value) is assumed to be £43,000.

Example 1 – For members who have not reached their originally selected retirement age

The table below provides an illustrative example of a member whose pension pot is invested in each of the four funds listed above. The member begins the projection at age 55 and reaches their selected retirement age of 60, 5 years later.

Age	Zurich Managed AP			Zurich European AP			Zurich Allianz Emerging Markets Equity Accumulation AP		
	Estimated Fund Value (before charges) £	Estimated Fund Value (after charges) £	Effect of charges £	Estimated Fund Value (before charges) £	Estimated Fund Value (after charges) £	Effect of charges £	Estimated Fund Value (before charges) £	Estimated Fund Value (after charges) £	Effect of charges £
55	44,500	43,900	600	45,200	44,300	900	45,200	44,000	1,200
60	51,400	48,600	2,800	55,700	50,900	4800	55,300	48,900	6,400

Zurich Fixed Interest Deposit AP			
Age	Estimated Fund Value (before charges) £	Estimated Fund Value (after charges) £	Effect of charges £
55	42,700	42,300	400
60	41,900	40,300	1,600

Example 2 – For members who have passed their originally selected retirement age

The table below provides illustrative examples for members whose pension pot is invested in each of the four funds and who have surpassed their originally selected retirement age by 1 year and by 10 years.

Age	Zurich Managed AP			Zurich European AP			Zurich Allianz Emerging Markets Equity Accumulation AP		
	Estimated Fund Value (before charges) £	Estimated Fund Value (after charges) £	Effect of charges £	Estimated Fund Value (before charges) £	Estimated Fund Value (after charges) £	Effect of charges £	Estimated Fund Value (before charges) £	Estimated Fund Value (after charges) £	Effect of charges £
+1 yr past retirement age	44,500	44,200	300	45,200	44,600	600	45,200	44,200	1,000
+10 yr past retirement age	61,500	56,900	4,600	72,300	62,500	9,800	71,100	57,500	13,600

Zurich Fixed Interest Deposit AP			
Age	Estimated Fund Value (before charges) £	Estimated Fund Value (after charges) £	Effect of charges £
+1 yr past retirement age	42,700	42,500	200
+10 yr past retirement age	41,900	40,900	1000

Assumptions for illustrations

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

1. *Accumulated fund values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
2. *Inflation is assumed to be 2.5% each year.*
3. *No allowance has been made for real salary growth above assumed inflation of 2.5% p.a.*
4. *The projected fund values shown are estimates for illustrative purposes only and are not guaranteed.*
5. *Total contributions (employee plus employer) are assumed to be 0% of salary per year since the Plan is closed to new contributions*
6. *The assumed growth rates (gross of costs and charges) and transaction costs used in the illustrations are as follows:*

Fund	Projected Growth Rate	Assumed Transaction Costs* (% p.a.)
Zurich Managed AP	3.6% above inflation	0.25
Zurich European AP	5.3% above inflation	0.98
Zurich Allianz Emerging Markets Equity Accumulation AP	5.1% above inflation	0.80
Zurich Fixed Interest Deposit AP	0.5% below inflation	0.01

*In cases where transaction costs were negative for any of the reported periods, they were treated as zero for these purposes.

5. Net Investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) Amendment) Regulations 2021 introduces new requirements for trustees of DC pension schemes. From 1 October 2021, the Trustee is required to calculate and state the return on investments from the default and self-select funds, net of transaction costs and charges.

The table below sets out the annualised performance, net of all charges and costs, to 31 March 2024 for all funds in the Plan where members were invested:

The first table is for accumulation unit funds and the second table is for the corresponding capital unit funds.

The annualised returns are net of all fund charges related to the funds. The following charges are excluded from the Net Investment Return figures:

- These net investment returns do not take into account the policy charge that is payable as this relates to the policy as a whole and is not related to a given fund. Based on the current policy charge of £14.80 each month, the annual investment return for a fund of £10,000 would be increased by approximately **0.375%**.

Accumulation Unit Funds

Fund	5 Years p.a. (2019-2024)	1 Year (2023-2024)
Zurich Managed AP	6.8%	11.5%
Zurich Equity AP	12.1%	19.1%
Zurich Far East AP	6.6%	7.9%

Zurich American Equity AP	18.1%	31.8%
Zurich European 2000 AP	12.6%	14.3%
Zurich Property AP	3.3%	3.9%
Zurich Gilt Edged AP	-4.1%	-1.2%
Zurich Fixed Interest Deposit AP	1.8%	5.0%
Zurich Stewart Investors Asia Pacific Leaders Accumulation Sustainability AP	6.5%	5.2%
Zurich Managed Equity & Bond Accumulation AP	4.6%	10.6%
Zurich Managed Bond Accumulation AP	0.8%	4.7%
Zurich HSBC Equity AP	5.4%	7.6%
Zurich M&G Recovery Accumulation AP	-1.6%	0.7%

Capital Unit Funds

Fund	5 Years p.a. (2019-2024)	1 Year (2023-2024)
Zurich Managed Capital AP	2.3%	6.9%
Zurich Equity Capital AP	7.5%	14.1%
Zurich Far East Capital AP	2.2%	3.4%
Zurich American Equity Capital AP	13.2%	26.4%
Zurich European Capital AP	7.9%	9.6%
Zurich Property Capital AP	-1.0%	-0.4%
Zurich Gilt Edged Capital AP	-8.1%	-5.3%
Zurich Fixed Interest Deposit Capital AP	0.0%	-0.7%
Zurich Stewart Investors Asia Pacific Leaders Capital Sustainability AP	2.1%	0.8%
Zurich Managed Equity & Bond Capital AP	0.3%	6.0%
Zurich Managed Bond Capital AP	-3.4%	0.3%
Zurich HSBC Equity Capital AP	1.0%	3.1%
Zurich M&G Recovery Capital AP	-5.7%	-3.5%

6. Value for Members assessment

Following last years' Value for Member Assessment it was concluded that the Plan no longer offers good value. The Trustee has therefore commenced a project to wind-up the Plan and engaged with the Pensions Regulator to make this known.

Until formal wind-up commences, the Trustee is required to prepare a Value for Member Assessment for the Plan, however they have taken a pragmatic view in recognition of the ongoing wind-up project for the Plan. In addition, as the Plan has total assets of below £100m the Trustee is required to carry out a more detailed assessment.

In undertaking this assessment the Trustee has considered three factors:

Factor 1: the Scheme's costs and charges,

Factor 2: the Scheme's net investment returns,

Factor 3: administration and governance

As part of the assessment of factors 1 and 2 the Trustee has compared the Plan against three other comparator schemes, one of the comparator schemes would be willing to accept a transfer of the member's DC rights if the DC benefits were to be moved out of the Plan.

The tables below sets out the Plan's costs and charges against three comparator schemes.

	SG Pension Plan				Comparator 1			
	AMC	T-costs	FMC	Total Charges	AMC	T-costs	FMC	Total Charges
Self Select Fund 1	0.75	0.00	0.14	0.89	0.300	N/A	0.200	0.500
Self Select Fund 2	0.75	0.19	0.15	1.09	0.300	N/A	0.200	0.500
Self Select Fund 3	0.75	0.03	0.11	0.89	0.300	N/A	0.200	0.500
Self Select Fund 4	0.75	0.13	0.54	1.42	0.300	N/A	0.200	0.500

	Comparator 2				Comparator 3			
	AMC	T-costs	FMC	Total Charges	AMC	T-costs	FMC	Total Charges
Self Select Fund 1	0.07	0.09	0.00	0.16	0.01	0.07	0.21	0.29
Self Select Fund 2	0.07	0.02	0.01	0.10	0.03	0.05	0.21	0.29
Self Select Fund 3	0.07	0.03	0.00	0.10	0.01	0.04	0.19	0.24
Self Select Fund 4	0.64	-0.08	0.05	0.61	0.03	0.32	0.28	0.63

The net investment returns of the Plan and those of the comparator schemes chosen are set out below:

	SG Pension Plan		Comparator 1		Comparator 2		Comparator 3	
	Annualised returns (%)		Annualised returns (%)		Annualised returns (%)		Annualised returns (%)	
	1 year	5 years	1 year	5 years	1 year	5 years	1 year	5 years
Self Select Fund 1	3.1	1.0	N/A	N/A	6.2	4.8	8.1	5.2
Self Select Fund 2	14.1	7.5	N/A	N/A	25.2	13.5	17.2	12.0
Self Select Fund 3	-1.2	-4.1	N/A	N/A	-7.7	-6.8	-7.8	-6.9
Self Select Fund 4	-0.4	-1.0	N/A	N/A	0.6	0.5	2.7	1.3

Notes:

- N/A entries - The Trustee requested this data, but the manager was unable to produce it. The Trustee is working with the manager to ensure that this data is available in the future.

Significantly higher charges are applied to members policies within the Plan than the comparator schemes. Although the comparator schemes' funds do not represent a true like for like comparison, on the basis of costs and charges, they suggest that the Plan does not provide good value for members relative to the comparator schemes.

As noted last year, the Trustee is also required to carry out a self-assessment of scheme governance and administration against certain criteria, which are prescribed in the 2021 Regulations. As part of this assessment the Trustee considered the following areas:

- Promptness and accuracy of core financial transactions
- Quality of record keeping
- Quality of investment governance
- Level of trustee knowledge, understanding and skills to operate the Scheme effectively
- Quality of communication with scheme members
- Effectiveness of management of conflicts of interest

Having considered all six metrics, and taking into account the level of charges levied on members of the Plan, the Trustee believes the assessment of the Plan's governance and administration against the areas prescribed in the 2021 Regulations does not change the

position materially, suggesting that the Plan does not provide good value for members and that the Trustee should proceed with wind-up of the Plan.

7. Trustee Knowledge and Understanding

The Trustee recognises the importance of training and development and has put in place arrangements for ensuring that Trustee take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs.

The Trustee is required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

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); some of which are identified below.

The Trustee's advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. During the period covered by this Statement, the Trustee received training on the following topics:

- Investment developments for pensions, including private markets and the Long Term Asset Fund
- Participation in discussions to select managers for self-select fund range

The Trustee is familiar with and have access to copies of the current Plan governing documentation, including the Trust Deed & Rules (together with any amendments). In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan. With that said, the Trustee believes they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

In addition to the skills within the Trustee board, the Trustee works closely with its appointed professional advisers throughout the year in order to ensure that it runs the Plan and exercises its functions properly. Its professional advisers also attend the Trustee meetings.

Considering the knowledge and experience of the Trustee with the specialist advice received from the appointed professional advisers (e.g. investment consultants, legal advisers), the Trustee believes the combined knowledge of the Trustee and their advisers enables it to properly exercise its function as Trustee of the Plan.

Signed electronically by the Chair of Trustee of the Societe Generale Pension Plan



31 October 2024
H Nagar, Chair of the Trustee