DC Governance Statement

Annual DC Chair's Statement for the Scheme Year ending 5 April 2024

This statement has been prepared by the Trustees of the Lopex Group Pension Scheme ("the Scheme") in accordance with legal requirements. It explains how the Trustees have met their legal obligations in relation to the management of the Defined Contribution Section of the Scheme ("the DCS") over the period 6 April 2023 to 5 April 2024 ("the Scheme Year").

The DCS is administered under agreement by the Prudential Assurance Company Limited ("M&G Prudential"), a third-party administrator, and is also supported by the Scheme's external advisers, Isio Group Limited ("Isio").

There have been no changes to the Trustees in this Scheme Year.

1. The Default Arrangement

i) Overview of the default arrangement

The Scheme does not have a default investment arrangement for the purposes of the Administration Regulations as the last active member stopped building benefits in the Scheme from 2005.

As the majority of members (all except one member) have their benefits invested in the Prudential With-Profits Cash Accumulation Fund, this has been treated as the default strategy for the purposes of this Statement.

The fund is a With-Profits fund that aims to achieve competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are passed to policyholders through bonuses. The fund invests in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long-term returns, but the return on these assets can be volatile and so the fund is actively managed by M&G Prudential to optimise the returns while controlling risk.

Details of the Trustees' objectives in respect of the investments of the DCS are set out in the Statement of Investment Principles which is attached to this statement.

ii) Overview of With-Profits funds

- Contributions are pooled together and invested in an insurance company's With-Profits fund.
- The With-Profits fund is invested in a range of different types of investment, such as shares, property, bonds and cash.
- With most policies, the amount of growth on contributions depends mainly on the performance of the investments in the With-Profits fund.
- The costs of running the fund are deducted and what is left over (the profit) is available to be paid to the With-Profits investors. Investors receive a share of profits in the form of annual bonuses added to their policies. This is usually "smoothed" so that in years where investment returns are high, some is held back to allow bonuses to be paid in years where investment returns are low.
- A "terminal bonus" may also be payable when investors retire, and it is designed to broadly reflect the actual performance of the fund over the period invested.
- Usually, once added, bonuses can't be taken away. But the insurance company can claw back some or all of the bonuses paid by making a Market Value Reduction (MVR) – or Market Value Adjustment (MVA) – to policies if they are surrendered early (i.e. if members transfer out of the fund or take their benefits early). This is most likely in times of adverse investment conditions like a stock market crash.

iii) Review of the default arrangements

The Trustees are expected to review the investment strategy and objectives of the default arrangement at regular intervals (at least every 3 years). The last review was undertaken on 12 July 2023 where the Trustees requested that Isio undertake a review of the suitability of the DCS's default investment option. This review concluded that:

Whilst Isio would not generally recommend that DC schemes offer With-Profits as a default option due to the costs involved, they did not have any immediate concerns with the fund. This advice was based on:

i. Fees are expensive compared with the broader market; however, it was noted that With Profits funds are typically more expensive.
ii. The fund is well diversified and offers members a balance between growth and protection assets. Returns are based on bonuses which are smoothed over time. Members funds receive a minimum guaranteed regular bonus rate dependent on the scheme year they were invested in.
iii. The funds performance reflects a portfolio invested in a mix of assets and has delivered growth and smoothed returns as per the objectives over the longer term.
iv. Bonuses have been paid on an annual basis and there is nothing to suggest this will not continue, given the way the portfolio is invested and the indications of the financial strength of M&G Prudential.
v. The potential reductions (or enhancements) to funds are unique to each individual member's circumstance. It is therefore not possible to consider whether it is beneficial for members to transfer to an alternative investment vehicle without considering the individual transfer values and also any applicable guarantees (like the terminal bonus) that could also be lost on transfer.

Isio recommended that DCS members should continue to be made aware of how the With-Profits fund works, and in particular the implications to members of any market value reductions upon transferring out. Isio also recommended that the Trustees continue to monitor the suitability of the With-Profits fund as a default option.

The next formal review of the suitability of the DCS default investment option is due by July 2026.

2. Financial Transactions

i) Service Level Agreements

The Trustees are required to report to members about the processes and controls in place in relation to the "core financial transactions". The law specifies that these include the following:

- investing contributions paid into the Plan;
- transferring assets related to members into or out of the Plan;
- transferring assets between different investments within the Plan; and
- making payments from the Plan to or on behalf of members.

The Trustees ensure that these important financial transactions are processed promptly and accurately. Whilst the Trustees retain ultimate responsibility for these transactions, in practice responsibility for these functions is delegated to the Plan's administrator. The Plan's administrator for the With-Profits Fund is M&G Prudential.

There are service level agreements (SLA) in place with Plan administrators covering the timeliness and accuracy of transactions and there are monitored through administration reports at Trustee meetings. If any issues occur, then the Trustees will work closely with the Plan's administrators to resolve issues and use external support if required. There were no issues identified over the Plan Year.

The Plan administrator has daily monitoring of bank accounts and transaction processing and a dedicated team to check all investment and banking transactions.

ii) Monitoring

The Trustees monitor M&G Prudential's compliance with the required service levels in respect of core financial transactions, including fund switches and transfers out of the Scheme.

The Trustees have also been in discussions with M&G Prudential regarding a potential restructure of the DC Section, with the ultimate goal of improving the offering and service provided to members. The Trustees have held various calls with M&G Prudential on the matter, however the project is currently paused as M&G Prudential is updating its systems and conducting a migration of schemes to a new platform, which is expected to improve the services provided to members.

The Trustees will continue to closely monitor M&G Prudential's performance.

iii) Accuracy of record keeping and data security

The Trustees review the accuracy of record keeping on an ongoing basis. Isio is the third-party administrators of the Defined Benefit Section (the "DBS") and M&G Prudential is the third-party administrator for the DCS. As there are a number of members with benefits in both sections and there are frequent interactions between the Trustees and the two third-party administrators.

The Trustees have undertaken comprehensive member existence and data tracing to better understand and improve the quality of the Scheme's data in the Scheme Year and the results of this exercise were presented to the Trustees. Steps have been agreed and any associated risks have been identified and documented in the risk register. The quality of Scheme data will continue to be monitored by the Trustees in conjunction with the third party administrators.

iv) Business continuity and risk mitigation

The Trustees have identified heightened risk in certain areas over the Scheme Year, such as:

- The risk of fraud due to remote working practices;
- The risk that business continuity plans fail to support ongoing member administration in a remote working environment; and
- The risk of failures of administrators to work in line with SLAs.

The Trustees are keeping each of these risks under continuous review. They have sought to minimise the risks by:

- Sharing advice and documents on scams to members considering transfers, including:
    - ScamSmart documents by the Financial Conduct Authority;
    - Advice from Money Helper; and
    - A joint letter from the Pension Regulator, Financial Conduct Authority and Pensions Advisory Service about transferring out during this time.
- Confirming that the various administrators, Isio and M&G Prudential, regularly maintain their business continuity plans.
- Focussing on completing essential services in the first instance i.e. imminent retirements and death cases.

All of the above is captured in the Trustees' risk register.

3. Asset allocation of the default arrangement

The Trustees are required to disclose a breakdown of the asset allocation of the default investment strategy for the Plan. The below table sets out the asset allocation of the default strategy across the core asset classes noted as:

- Cash
- Bonds
- Listed Equities
- Private Equities

- Infrastructure
- Property
- Private debt
- Other (any assets which do not fall into the above)

Within the below table, the Trustees have provided a further breakdown within some of these broader categories. The underlying assets of the fund do not change based on the age of the member.

Asset Class	Strategic asset allocation (%) – as at 31/03/2024			
	25 years old	45 years old	55 years old	1 day prior to State Pension Age
Cash	1.9	1.9	1.9	1.9
Bonds	27.5	27.5	27.5	27.5
Fixed Interest Government bonds	27.5	27.5	27.5	27.5
Index-linked government bonds	-	-	-	-
Investment grade bonds	-	-	-	-
Non-investment grade bonds	-	-	-	-
Securitised credit	-	-	-	-
Listed equities	40.0	40.0	40.0	40.0
UK equities	12.0	12.0	12.0	12.0
Developed Market equities	24.3	24.3	24.3	24.3
Emerging markets	3.7	3.7	3.7	3.7
Private equities	-	-	-	-
Venture capital	-	-	-	-
Growth equity	-	-	-	-
Buyout / Leveraged funds	-	-	-	-
Infrastructure	-	-	-	-
Property	13.8	13.8	13.8	13.8
Private debt	-	-	-	-
Other	16.8	16.8	16.8	16.8
Total	100.0	100.0	100.0	100.0

Source: M&G Prudential.

4. Charges and Transaction costs

i) Charges borne by the members

The Trustees are required to explain the charges and transaction costs which are met by members through their investment pots (rather than Havas Shared Services Limited ("the Employer")).

There are 4 funds available to members, however all members of the DCS are currently only invested in two of the available funds:

- Prudential With-Profits Cash Accumulation Fund (292 members); and
- Prudential Series 1 Global Equity Fund (1 member).

In the Prudential With-Profits Cash Accumulation fund, returns are listed net of any charges which are deemed to be implicit. M&G Prudential has confirmed that the Annual Management Charge for this fund is 0.96% p.a. and the further costs and charges for this Scheme Year were 0.31% p.a.. These charges have been allowed for in the bonus rates. Transaction costs for the Prudential With-Profits Cash Accumulation Fund were 0.17% p.a. (covering the 12-month period to 5 April 2024).

For the one member in the Prudential Series 1 Global Equity Fund, the Annual Management Charge is 0.75%, the Total Expense Ratio is 0.78% and Transaction Costs for the Scheme Year were 0.19% (covering the 12-month period to 5 April 2024).

ii) Transaction costs

Firms that manage money on behalf of DC workplace pension schemes are required, on request, to provide information about administration charges and transaction costs. In addition to this, measures require the disclosure of costs, charges and investments in occupational DC schemes.

The Trustees have requested from M&G Prudential, via its advisers, transaction cost information covering each of the past five scheme years, for all funds members are invested, in the Scheme's fund range.

The Trustees have set out the average costs over the last five years to 5 April 2024 for members in the table below:

	Average Total Expense Ratio	Average transaction cost
Prudential With-Profits Cash Accumulation Fund	1.226% p.a.	0.126% p.a.
Prudential Series 1 Global Equity Fund	0.776% p.a.	0.096% p.a.

Source: M&G Prudential.

In order to achieve greater transparency about costs, Trustees are required to provide members with additional information in relation to investment charges and core transaction costs. These must be set out as example member illustrations that have been prepared with regard to the relevant statutory guidance: Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes.

The illustrations for DCS members are set out and explained in Section 6 of this Chair's Statement.

iii) Value for members assessment

As the Scheme has total assets of below £100m, under the 2021 Regulations, the Trustees are required to carry out a detailed Value for Member assessment. This includes using three comparator schemes for the purpose of comparing the costs and charges and net performance returns of the Scheme with other larger DC schemes.

The comparator schemes chosen include a bundled DC arrangement and an unbundled DC arrangement, both with DC assets in excess of £100m. The third comparator is a Master Trust arrangement capable of taking on the benefits and assets of the Scheme and has confirmed that it would take on the members if the Scheme was to wind up.

The costs and charges and net investment returns of the Scheme and those of the comparator schemes chosen are set out in the 'Costs and charges relative to three comparator schemes' section of this Chair's Statement. The data on costs and charges highlights that higher charges are applied to members policies within the Scheme than the comparator schemes in terms of the Default Investment Strategy. In addition, the net Investment returns of the funds invested by members in the Scheme are below the returns of the comparator schemes over the periods assessed. Although the With-Profits Fund has underperformed when compared to the comparators, the With-Profits Fund has consistently received steady and consistent growth.

Although the comparator schemes' funds are not With-Profits funds and so do not represent a true a like for like comparison, on the basis of costs and charges and net investment returns alone, they suggest that the Scheme does not provide good value for members relative to the comparator schemes.

In addition, the Trustees are required to carry out a self-assessment of scheme governance and administration against certain criteria, which are prescribed in the 2021 Regulations. The Trustees intend to conduct a gap-analysis as part of the General Code of Practice requirements and fill any gaps to ensure the highest level of governance support is provided. The Trustees' assessment of the Scheme's governance and administration against the areas prescribed in the 2021 Regulations does not change the position materially, suggesting that the Scheme does not provide good value for members on the whole relative to the comparator schemes.

There are some mitigating factors, which are not directly accounted for in the 2021 Regulations as the Scheme provides potentially valuable benefits at retirement via the final bonuses applied to the with profits fund, other member protections and/or underpins applied to members' benefits. It is difficult for the Trustees to reach a conclusion on whether these potential benefits are valuable enough to change the outcome of this assessment. However, based on the information that is available, it appears that, even allowing for these benefits, the Scheme does not provide value for members overall relative to the comparator schemes. The Trustees are, therefore, currently reviewing the position, considering an improvement plan and continuing exploratory analysis to potentially winding-up the Scheme and moving members to an arrangement that offers better value.

Please note that as the 'final' terminal bonus received within the Scheme may vary and is not guaranteed it has not been included in this assessment. The terminal bonus may outweigh the benefits of transferring to an alternative fund if a member is close to accessing the terminal bonus. There are a number of complex actuarial factors taken into account when calculating surrender values in any With-Profits fund and this approach is not normally shared as it's classed as commercially sensitive information. Members should seek regulated financial advice before considering a transfer of pension benefits.

5. Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) Amendment) Regulations 2021 introduced additional requirements for trustees of DC pension schemes. Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

Below are the annualised net investment returns to 31 March 2024 for all funds members are invested in.

Fund performance

Fund	1 year (%)	5 years (% p.a)
Prudential Cash Accumulation With-Profit Fund *(default strategy)*	2.5	1.4
Prudential Global Equity Fund	9.4	5.6

Source: M&G Prudential.

Notes:

- The net return is calculated as at 31 March 2024.
- Final bonus is not included in the net investment return calculation for the Prudential Cash Accumulation With-Profit Fund as it is not applied until the policy is out of force. No final bonus applies to the Prudential Global Equity Fund.
- Returns calculated as the annual geometric average.
- None of the funds above use lifestyling and therefore no age-related returns have been shown.

6. Trustee Knowledge and Understanding (TKU)

i) Trustee training

During the Scheme Year, the Trustees took action to maintain and develop the knowledge and understanding. Each of the Trustees maintain their own personal training record and this is also held centrally by Isio.

In the light of Trustee knowledge and understanding requirements, the Trustees regularly review their personal training needs throughout the Scheme Year. The Trustees are encouraged to maintain knowledge linked to the various training modules on the Pensions Regulator's Trustee Toolkit.

Isio also provide regular training to the Trustees and some of the topics covered over the Scheme Year. This Scheme Year the Trustees were provided training on the General Code of Practice and DC Market and Legislation.

ii) Trustee experience and skills

Each member of the Board has different skills and expertise which provide for an overall diverse and strong composition, enabling the Trustees to address the following areas:

- Finance: understanding of financial markets and reporting (including outside the Trustee role), enabling the Trustees to better understand how market conditions could impact the Scheme's funding and the potential impact this would have for members and the Employer;
- Member insights: looking at all Trustee decisions from a member perspective, enabling the Trustees to consider the impact of their decision on members and to challenge existing processes, procedures and communication channels to meet member needs;
- Strategy and restructuring: experience of adopting a methodical approach to business strategy (including outside the Trustee role), enabling the Trustees to set appropriate business plans and consider how to monitor and develop the Trustees' relationship with the Employer and third parties such as the DBS or DCS administrators; and
- Information and Data Security: practical experience and understanding of IT and security issues of the Employer (including outside the Trustee role), enabling the Trustees to question third party suppliers to the Trustees about how they operate adequate security controls in order to protect Scheme data and members' personal information.

In addition, the Trustees receive advice on investment, legal and other matters from a number of advisers including:

- Isio – pensions consultancy
- Squire Patton Boggs - legal advice

It is usual for the Scheme Actuary, Robert Bass FIA of Isio, to be present at each Trustee meeting in order to provide appropriate advice and support as and when it is needed.

For these reasons, the Trustees believe that their combined knowledge and understanding, together with the advice which is available to the Trustees, enable them to properly exercise their functions as the Trustees of the Scheme.

7. Illustrations of the effect of costs and charges

Background

The next few pages contain illustrations about the cumulative effect of costs and charges on member savings within the DCS over a period of time. The illustrations have been prepared in line with statutory guidance.

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

Members should be aware that such assumptions may or may not hold true, so the illustrations do not guarantee 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 DCS. Members seeking current projections which are more specific to their individual circumstances may also wish to contact M&G Prudential as the administrator of the DCS.

Key points to note

Each of the charts below illustrates the potential impact that costs and charges might have on the With-Profits fund provided by the DCS.

In each of the illustrations, the "Before charges" column gives the hypothetical value of the investments if members were able to invest in the fund at no cost. However, there will always be some cost to investing. This is because the organisations which manage funds charge fees for their services, and also because buying and selling the stocks and shares which drive funds' performance also has a cost. The "After all costs and charges deducted" column reflects the performance of the fund after these costs have been deducted.

Notes on member illustrations

1. Projected pension pot 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. This is the assumption used by M&G Prudential for Statutory Money Purchase Illustrations, which is consistent with the assumptions used for your annual benefit statements.
3. All of the illustrations assume that no further contributions are made as the Scheme is closed to future accrual.
4. Values shown are estimates and are not guaranteed.
5. These projections are based on the fund being in the Prudential With-Profits Cash Accumulation Fund.
6. There are 3 other funds available to members - the Prudential Series 1 Global Equity fund, the Prudential Series 1 Cash Fund and the Prudential Series 1 Index-Linked Fund. These have not been included in these illustrations because few, or no, members were invested in these funds over the Scheme Year.
7. The projected growth rate (net of inflation) is 1.5% p.a.
8. The projected pension values only reflect the impact of charges on the growth of the Prudential With-Profits Cash Accumulation fund. They do not show the impact of the GMP underpin which will impact some members of the Scheme
9. The projections shown net of all costs and charged have utilised the Total Expense Ratio applicable in the Scheme Year and average transaction costs over the previous five years (as required by legislation). This is equivalent to 1.226% p.a. and 0.126% p.a., respectively.
10. The starting DC pot sizes used in the projections below have been calculated with the inclusion of members' Additional Voluntary Contributions.

Youngest member aged 43 on 5 April 2024

An illustration of how the youngest member's benefits are impacted by costs and charges is required based on DWP guidance.

The tables below give the projected pot size at age 65 in today's money for the Prudential With-Profits Cash Accumulation fund. It assumes a starting DC pot size of £6,000, which is the approximate median pot size for members aged 40-45 in the DCS. It assumes the member doesn't pay anything more into their policy (as the Scheme is closed to future contributions). See the Notes section above for further details.

Projected pension pot in today's money – youngest member of this Scheme aged 43 on 5 April 2024		
Age	Before charges	After all costs and charges deducted
44	£6,088	£6,004
46	£6,267	£6,012
50	£6,642	£6,028
55	£7,143	£6,049
60	£7,681	£6,069
65	£8,260	£6,090

Average member aged 59 on 5 April 2024

The tables below give the projected pot size at age 65 in today's money for the Prudential With-Profits Cash Accumulation fund. It assumes a starting pot size of £28,000, which is the median pot size for all members of the DCS. It assumes the member doesn't pay anything more into their policy (as the Scheme is closed to future contributions). See the Notes section above for further details.

Projected pension pot in today's money – average member of this Scheme aged 59 on 5 April 2024		
Age	Before charges	After all costs and charges deducted
60	£30,439	£30,020
62	£31,336	£30,061
65	£32,732	£30,122

Costs and charges relative to three comparator schemes

The tables below sets out Schemes costs and charges against three comparator Schemes.

	The Scheme			Comparator 1		
	T-costs	FMC	Total Charges	T-costs	FMC	Total Charges
Default - age 65	0.17%	1.27%	1.44%	0.03%	0.48%	0.51%
Default - age 55	0.17%	1.27%	1.44%	0.06%	0.48%	0.54%
Default - age 45	0.17%	1.27%	1.44%	0.06%	0.48%	0.54%
Default - age 35	0.17%	1.27%	1.44%	0.06%	0.48%	0.54%

	Comparator 2			Comparator 3		
	T-costs	FMC	Total Charges	T-costs	FMC	Total Charges
Default - age 65	0.10%	0.27%	0.37%	0.07%	0.29%	0.36%
Default - age 55	0.11%	0.21%	0.32%	0.08%	0.29%	0.37%
Default - age 45	0.11%	0.21%	0.32%	0.08%	0.29%	0.37%
Default - age 35	0.11%	0.21%	0.32%	0.08%	0.29%	0.37%

Illustrations of the effect of annualised net investment returns against three comparator schemes.

	The Scheme		Comparator 1		Comparator 2		Comparator 3	
	Annualised returns (% p.a.)		Annualised returns (% p.a.)		Annualised returns (% p.a.)		Annualised returns (% p.a.)	
	1 year	5 years	1 year	5 years	1 year	5 years	1 year	5 years
Default Lifestyle - age 25	2.50%	1.40%	14.12%	5.64%	8.40%	5.10%	13.80%	6.20%
Default Lifestyle - age 45	2.50%	1.40%	14.30%	7.02%	8.40%	5.10%	13.80%	6.20%
Default Lifestyle - age 55	2.50%	1.40%	14.15%	7.00%	7.80%	5.00%	13.40%	4.90%

Signed on behalf of the Trustees:

Trustee [redacted] Date: 30/07/2024

Lopex Group Pension Scheme

Statement of Investment Principles ("SIP")

Purpose of this Statement

This SIP has been prepared by the Trustees of the Lopex Group Pension Scheme (the "Scheme"). This statement sets out the principles governing the Trustees' decisions to invest the assets of the Scheme.

The Scheme's investment strategy is derived from the Trustees' investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Scheme's investment arrangements are set out in the Investment Implementation Document ("IID").

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

Defined Benefit ("DB") Section

Investment objectives

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' current and future benefits can be paid. The Scheme's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme's circumstances. The Scheme's funding target is specified in the Statement of Funding Principles.

The Scheme's present investment objective is to achieve a return of 1.9% per annum above the return on UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme's liabilities).

Investment strategy

The Scheme's strategy is to invest according to the following broad asset allocation:

Asset Class	Proportion %	Expected Return[1] (relative to fixed interest gilts) %
Return Seeking		
Diversified Credit	20.0	2.5
Diversified Growth Funds	40.0	3.1
Liability Matching		
Liability Driven Investment ("LDI")	40.0	0.0
TOTAL	**100.0**	**1.9**

The expected return shown excludes buy-in and is calculated using Isio's asset class return assumptions over a 10 year period. (as at 30 Sep 2019).

The Scheme's investment strategy was derived following careful considerations of the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company's covenant. The Trustees considered the merits of a range of asset classes.

The Trustees recognise that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The Trustees have also considered a number of other risks set out in Appendix B.

The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Investment Management Arrangements

The Trustees have appointed several investment managers to manage the assets of the Scheme as listed in the IID. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.
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The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

The investment managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive and are reviewed on an ongoing basis. As the Scheme's assets are invested via an investment platform, the custody of the holdings is arranged by the platform provider, LGIM. The total fee paid by the Scheme is 0.41% per annum, which includes a platform provider fee of 0.01% per annum.

Defined Contribution ("DC") Section

Investment objectives

The Trustee's objectives are:

i) To provide a range of investment options which seek to provide access to high real long term returns to maximise the benefits (cash or pension) received by the member at retirement, and to consolidate investment gains through a more conservative strategy in the run up to retirement.

ii) To identify a number of investment vehicles which together aim to:
   a. maximise the value of member's retirement benefits during the bulk of their working lives by targeting equity investments; and
   b. protect the value of investment gains as members approach retirement by investing in cash and bonds.

iii) To allow members to tailor their investment choices to meet their own needs.

iv) To avoid over-complexity in the range of investment options in order to control administration costs and facilitate employee understanding

To meet these objectives the Trustees have selected a range of funds for members to select from. Members are advised to seek independent financial advice if they are unsure as to the appropriate investment strategy for their needs.

Investment strategy

The DC Section assets are invested in the Prudential UK With-Profits Cash Accumulation Fund with the with the exception of one member who currently holds unit linked investments in the M&G Global Equity Fund. The Prudential UK With-Profits Cash Accumulation Fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. The fund is priced and traded daily by the investment manager.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement. The Trustees believe that:
Performance, Strategy and Risk	• The Trustees receive bi-annual performance reports which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • The Scheme's investment managers are occasionally invited to present to the Trustees on their performance, strategy and risk exposures if issues arise.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the expectations of the Trustees. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees' investment managers provide reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustees receive information from their investment advisers on the investment managers' approaches to engagement. • The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustees' policies in this area.

Through the engagement described above, the Trustees will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant investment manager's appointment and will consider terminating the arrangement.

Legacy Additional Voluntary Contributions ("AVCs")

Some members have legacy DB and DC AVC arrangements. The assets are invested separately from the main DB and DC Section funds in the form of individual insurance policies held with Utmost Life and Pensions (DB Section members) and with Prudential UK (DC Section members). The Trustees monitor the AVC arrangements on a regular basis.

Employer-related investments

The policy of the Trustees is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value. The Trustees will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Approved and adopted by the Trustees of the Lopex Group Pension Scheme.

Signed: [redacted]

Date: 27/04/2023**……………………………………….**

Appendix A – Investment Beliefs

1. **Investment strategy is the most important decision and should be based on clear objectives**

Our long-term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 There is more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, cost, and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected pay-off profile of the Scheme's investments around our required objectives.

***Excess liquidity of our Scheme*:** We utilise excess liquidity in order to access any illiquidity premium (when illiquidity is rewarded), taking into consideration known cash flow requirements and the need for flexibility.

***True diversification*:** We optimise true diversification of underlying risk drivers.

3 We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objectives.

4 A long-term mind-set can be used to enhance returns

As a long-term investor we pursue incremental growth that rewards adherence to our strategic plan, rather than pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6 Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Scheme.

We monitor the performance of our strategy and investment managers to improve our decision making.

7 Our investment process reflects our beliefs on responsible investing and Stewardship

The Trustees recognise that ESG factors can have a positive influence on the long terms stability and returns of investments. However, mandates are selected with the purpose of maximising the chance of achieving the return objectives as set out in their mandates, which in combination aim to optimise the chance of achieving the Scheme's overall strategic objective.

The extent to which ESG and ethical considerations are taken into account in these decisions is delegate to the investment managers, acting within the guidelines and objectives set by the Trustees.

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge100% of liabilities valued on a Technical Provisions basis.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.

Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay member benefits as they fall due (including transfer values). The Scheme invests exclusively in daily and weekly dealt funds.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing across different sectors.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustees monitor the managers in this regard on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Delegate responsibility of currency hedging decisions within the diversified credit and diversified growth funds to the respective investment managers, within constraints imposed by the agreed investment guidelines. Hedge currency risks where deemed appropriate, following advice from investment advisers.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

The Trustee also considers the following DC Section-specific investment risks:

Risk	Definition	Policy
Inflation	The risk that the investment return over members' working lives does not keep pace with inflation.	To make a number of funds available to maximise the real value of each member's investments
Conversion	The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the member's pension pot, to be converted into a fixed or flexible income stream.	To ensure that lower risk bond and cash options are available for members nearing retirement.
Opportunity cost	The risk that members end up with insufficient funds at retirement with which to secure a reasonable income through not having taken enough risk whilst the opportunity was available.	To maximise the real return of each member's investments when the member's retirement is far away.
Manager	The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed.	To monitor and review manager performance on at least a triennial basis, and to make changes as required if material underperformance is observed.
Capital	The risk of a fall in the value of the member's fund.	To ensure a suitable range of funds and options are available to ensure investments are diversified.

The investments offered through the DC Section have been chosen, in part, to help members mitigate these risks through appropriate fund selection.

Appendix C

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees monitor the investment managers' engagement and voting activity on an ongoing basis as part of their ESG monitoring process. • The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees policies.	• The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed periodically to make sure the correct amounts have been charged and that they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. o For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

Voting Policy - How the Trustees expect investment managers to vote on their behalf	• The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme’s investment managers on their behalf.
Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about ‘relevant matters’	• The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme’s investment managers on their behalf. • The Trustees, via their investment advisers, will engage with managers about ‘relevant matters’ at least annually.