

DC Governance Statement

Annual DC Chair's Statement for the Scheme Year ending 5 April 2025

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 2024 to 5 April 2025 ("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 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 Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme 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 Scheme's administrator. The Scheme's administrator for the With-Profits Fund is M&G Prudential.

There are service level agreements (SLA) in place with Scheme 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 Scheme's administrators to resolve issues and use external support if required. There were no issues identified over the Scheme Year.

The Scheme 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. Following various calls the Trustees have held with M&G Prudential on the matter, it is understood that changes will be implemented in H1 2026.

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 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:

- Members are targeted by scams and are subject to fraudulent activity (e.g. in relation to a transfer out of the Scheme);
- 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.
- 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 Scheme. 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 31/03/2025			
	25 years old	45 years old	55 years old	1 day prior to State Pension Age
Cash	1.6	1.6	1.6	1.6
Bonds	28.9	28.9	28.9	28.9
Fixed Interest Government bonds	28.9	28.9	28.9	28.9
Index-linked government bonds	-	-	-	-
Investment grade bonds	-	-	-	-
Non-investment grade bonds	-	-	-	-
Securitized credit	-	-	-	-
Listed equities	38.2	38.2	38.2	38.2
UK equities	10.9	10.9	10.9	10.9
Developed Market equities	23.3	23.3	23.3	23.3
Emerging markets	4.0	4.0	4.0	4.0
Private equities	-	-	-	-
Venture capital	-	-	-	-
Growth equity	-	-	-	-
Buyout / Leveraged funds	-	-	-	-
Infrastructure	-	-	-	-
Property	13.8	13.8	13.8	13.8
Private debt	-	-	-	-
Other	17.5	17.5	17.5	17.5
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 (275 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 0.10% p.a. (covering the 12-month period to 5 April 2025).

For the one member in the Prudential Series 1 Global Equity Fund, the Annual Management Charge is 0.75%, the Total Expense Ratio is 0.83% and Transaction Costs for the Scheme Year were 0.25% (covering the 12-month period to 5 April 2025).

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 2025 for members in the table below:

	Average Total Expense Ratio	Average transaction cost
Prudential With-Profits Cash Accumulation Fund	1.24% p.a.	0.13% p.a.
Prudential Series 1 Global Equity Fund	0.79% p.a.	0.13% 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 7 of this Chair's Statement.

Note: Cash and Index-Linked Gilt funds were excluded, as no members are currently allocated to these investments.

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 have conducted a gap-analysis as part of the General Code of Practice requirements to 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 05 April 2025 for all funds members are invested in.

Default arrangement (Prudential Cash Accumulation With-Profit Fund)

Time period	1 year (%)	5 years (% p.a)
Age of member at the beginning of period		
25	2.5	1.7
45	2.5	1.7
55	2.5	1.7

Fund performance

Fund	1 year (%)	5 years (% p.a)
Prudential Cash Accumulation With-Profit Fund (default strategy)	2.5	1.7
Prudential Global Equity Fund	3.6	11.3

Source: M&G Prudential.

Notes:

- The net return is calculated as at 05 April 2025.
- 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.
- Cash and Index-Linked Gilt funds were excluded, as no members are currently allocated to these investments.
- Returns calculated as the annual geometric average.

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 are 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

The Scheme Actuary has changed during the Scheme Year from Robert Bass to Russell Pearson of Isio. Russell will 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.

Youngest member aged 43 on 5 April 2025

An illustration of how the youngest member's benefits are impacted by costs and charges is based on average members charges and investment returns. 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 below for further details.

Projected pension pot in today's money – youngest member of this Scheme aged 43 on 5 April 2025		
Age	Before charges	After all costs and charges deducted
44	£6,090	£6,006
46	£6,274	£6,019
50	£6,659	£6,044
55	£7,174	£6,075
60	£7,728	£6,107
65	£8,325	£6,139

Average member aged 59 on 5 April 2025

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 £30,000, 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 below for further details.

Projected pension pot in today's money – average member of this Scheme aged 59 on 5 April 2025		
Age	Before charges	After all costs and charges deducted
60	£30,450	£30,031
62	£31,370	£30,094
65	£32,803	£30,188

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 1.244% 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.

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	0.10%	1.27%	1.37%	0.035%	0.48%	0.515%
Default - age 55	0.10%	1.27%	1.37%	0.059%	0.48%	0.539%
Default - age 45	0.10%	1.27%	1.37%	0.058%	0.48%	0.538%
Default - age 35	0.10%	1.27%	1.37%	0.059%	0.48%	0.539%

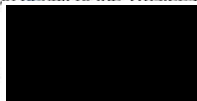
	Comparator 2			Comparator 3		
	T-costs	FMC	Total Charges	T-costs	FMC	Total Charges
Default - age 65	0.13%	0.27%	0.40%	0.03%	0.23%	0.26%
Default - age 55	0.12%	0.22%	0.34%	0.04%	0.23%	0.27%
Default - age 45	0.10%	0.21%	0.31%	0.05%	0.22%	0.28%
Default - age 35	0.10%	0.21%	0.31%	0.05%	0.22%	0.28%

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%	1.70%	6.00%	7.72%	3.70%	7.90%	3.20%	11.30%
Default Lifestyle - age 45	2.50%	1.70%	5.87%	9.87%	3.70%	7.90%	3.20%	11.30%
Default Lifestyle - age 55	2.50%	1.70%	5.74%	9.85%	3.90%	7.80%	3.30%	7.90%

Signed on behalf of the Trustees:

Trustee



Date: 11/09/2025