

## **DC Governance Statement covering the 12 months to 31 March 2023 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 DC section of the Plan for the period 1 April 2022 to 31 March 2023 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
- 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.

### **1. Default arrangements**

*The Trustee is responsible for investment governance. This includes setting and monitoring the investment strategy for the Plan’s default arrangement.*

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 were required to make an investment choice, and can still update their selection at any time, from the range of funds the Trustee made available to members.

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:*

- *investment of contributions to the Plan;*
- *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 Zurich as the plan administrator.

The number of financial processes completed each year is very low and Zurich has service standards in place.

The Trustee has asked 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, Zurich have not reported any instances where they have failed to process the associated members’ benefits in a timely manner at retirement. Further, Zurich are tasked with including benefits within annual benefit statements for those members for whom these benefits apply.

The Trustee is comfortable that Zurich 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 there are any mistakes or delays occur, these are investigated, and action is taken to correct these as quickly as possible.

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 the fund. The TER for the funds that the Plan invests in, via the Zurich platform. The TER information is readily available as these charges are explicit and are deducted as a percentage of members' funds.

**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 the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the 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 2022 to 31 March 2023 from the Plan's providers.

As defined by the FCA, **explicit transaction costs** are the costs that are directly charged to or paid by the 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's platform. Zurich, who are the Plan's insurer, and members have access to a wide range of funds provided by different investment managers. Zurich have provided the transaction costs for the period to 31 March 2023.

The Total Expense Ratio (TER) is the charge applied to each fund. The TER represents the percentage that will be deducted from the fund's value each year. The TER is made up of the annual management charge (AMC) plus Transaction Costs (TC).

A full breakdown of the TERs applicable to these investment options is listed in the table below.

Fund name	SEDOL	Fund Management Charge (% p.a.)	Transaction costs* (%)	Total Expense Ratio (%)
Zurich Managed Acc 3/4 AP	BYNM0K0	0.18	0.35	0.93
Zurich Property Acc 3/4 AP	BYNM1B8	0.50	0.22	1.25
Zurich Equity Acc 3/4 AP	BYNM3Z6	0.14	0.54	0.89
Zurich Gilt Edged Acc 3/4 AP	BYNM668	0.09	0.14	0.84
Zurich Far East Acc AP	0406932	0.24	0.55	0.99
Zurich American Equity Acc AP	0406910	0.13	0.05	0.88
Zurich European Acc AP	0019192	0.14	2.06	0.89
Zurich Fixed Interest Deposit Acc 3/4 AP	BYNM4W0	0.08	0.00	0.83
Zurich HSBC Equity Acc AP	0021528	0.06	0.00	0.81
Zurich M&G Recovery Acc AP	B5KB1Y4	0.70	0.14	1.45
Zurich Stewart Investors Asia Pacific Leaders Sustainability Acc AP	B5BJNG7	0.77	0.11	1.52
Zurich Managed Bond Acc AP	B50Q530	0.24	0.17	0.99
Zurich Managed Equity & Bond Acc AP	B59BHH4	0.23	0.28	0.98

*\*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.*

*Costs and charges were not available for three funds, shown above as "n/a".*

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. Additional charges are levied on payments into the Zurich policy.

### ***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 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 sections 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 costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees (ie the TER). The "after costs" 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 managers 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 scheme 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 four additional self-select funds shown in the illustration are:

- the fund with the highest before costs expected return – this is the Zurich Stewart Investors Asia Pacific Leaders AP fund.
- the fund with the highest annual member borne costs – this is the Zurich European AP fund.
- the fund with the lowest before costs expected return– this is the Zurich Fixed Interest Deposit AP fund.
- the fund with the lowest annual member borne costs – this is the Zurich HSBC Equity AP fund.

The illustration below is based on a deferred member invested in the above funds, and the estimated impact of charges on accumulated fund values is shown in the table. The amounts shown relate to a deferred member with 9 years to retirement and a starting fund value of £890. No ongoing contributions are assumed to be paid. Projections are shown in current money terms.

As the projected fund values are dependent on investment returns as well as the level of costs and charges, we have also compared how projected values may change if the member were invested in a higher risk profile fund Zurich Stewart Investors Asia Pacific Leaders AP, which has a higher expected return along alongside Zurich European AP which has a higher level of charges. We have also shown projected values if the member were invested in a lower risk profile fund Fixed Interest Deposit AP, which has lower expected return along with Zurich HSBC Equity AP which has a lower level of charges.

*Example 1 – Representative of youngest deferred member*

The illustration below is based on a deferred member invested in each fund, and the estimated impact of charges on accumulated fund values is shown in the table beneath it. We have assumed that the example member remains as a deferred member in the Plan until a retirement age of 65. The amounts shown relate to a deferred member with 8 years to retirement, starting fund value of £890 and no ongoing contributions. Projections are shown in current money terms

Age	Zurich Stewart Investors Asia Pacific Leaders AP			Zurich Fixed Interest Deposit AP			Zurich HSBC Equity 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 £
60	917	917	-	1,075	1,072	3	1,030	1,030	-
65	964	964	-	1,473	1,461	12	1,315	1,315	-

Age	Zurich European AP			Zurich Managed 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 £
60	1,030	971	59	995	985	10
65	1,315	1,122	193	1,199	1,167	32

*Example 2 – Representative of average deferred member*

The illustration below is based on a deferred member invested in each fund, and the estimated impact of charges on accumulated fund values is shown in the table beneath it. We have assumed that the example member remains as a deferred member in the Plan until a retirement age of 65. The amounts shown relate to a deferred member with 1 year to retirement, starting fund value of £33,150 and no ongoing contributions. Projections are shown in current money terms

Age	Zurich Stewart Investors Asia Pacific Leaders AP			Zurich Fixed Interest Deposit AP			Zurich HSBC Equity 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 £
65	33,482	33,482	-	35,305	35,268	36	34,808	34,808	-

Age	Zurich European AP			Zurich Managed 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 £
65	34,808	34,125	683	34,410	34,294	116

**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), TERs and transaction costs used in the illustrations are as follows:*

Fund	Gross growth rates (% p.a.)	TER (% p.a.)	Transaction Costs* (% p.a.)
Zurich Stewart Investors Asia Pacific Leaders AP	9.00	1.52	0.11
Zurich Fixed Interest Deposit AP	3.50	0.83	0.00
Zurich HSBC Equity AP	7.50	0.81	0.00
Zurich European AP	7.50	0.89	2.06
Zurich Managed AP	6.30	0.93	0.35

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

### 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 2023 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 £13.66 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 (2018-2023)	1 Year (2022-2023)
Zurich Managed AP	4.8%	-4.1%
Zurich Equity AP	9.2%	-0.8%
Zurich Far East AP	4.8%	-3.5%
Zurich American Equity AP	14.5%	-4.9%
Zurich European 2000 AP	9.6%	8.4%
Zurich Property AP	2.7%	-14.7%
Zurich Gilt Edged AP	-3.9%	-17.2%
Zurich Fixed Interest Deposit AP	0.2%	1.0%
Zurich Stewart Investors Asia Pacific Leaders Accumulation Sustainability AP	6.8%	-2.3%
Zurich Managed Equity & Bond Accumulation AP	2.6%	-6.8%
Zurich Managed Bond Accumulation AP	0.2%	-8.8%
Zurich HSBC Equity AP	4.0%	2.4%
Zurich M&G Recovery Accumulation AP	-2.1%	-5.1%

## Capital Unit Funds

Fund	5 Years (2018-2023)	1 Year (2022-2023)
Zurich Managed Capital AP	1.1%	-7.4%
Zurich Equity Capital AP	5.5%	-4.2%
Zurich Far East Capital AP	1.2%	-6.8%
Zurich American Equity Capital AP	10.5%	-8.2%
Zurich European Capital AP	5.8%	4.6%
Zurich Property Capital AP	-0.8%	-17.7%
Zurich Gilt Edged Capital AP	-7.2%	-20.0%
Zurich Fixed Interest Deposit Capital AP	-0.1%	-0.7%
Zurich Stewart Investors Asia Pacific Leaders Capital Sustainability AP	3.1%	-5.7%
Zurich Managed Equity & Bond Capital AP	-1.0%	-10.0%
Zurich Managed Bond Capital AP	-3.3%	-11.9%
Zurich HSBC Equity Capital AP	0.4%	-1.0%
Zurich M&G Recovery Capital AP	-5.4%	-8.3%

### 4. 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 more 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 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
<b>Self Select Fund 1</b>	<b>0.75</b>	<b>0.11</b>	<b>0.77</b>	<b>1.63</b>	0.260	0.910	0.700	1.870
<b>Self Select Fund 2</b>	<b>0.75</b>	<b>0.00</b>	<b>0.08</b>	<b>0.83</b>	0.220	0.040	0.600	0.860
<b>Self Select Fund 3</b>	<b>0.75</b>	<b>2.06</b>	<b>0.14</b>	<b>2.95</b>	0.150	-0.010	0.070	0.210
<b>Self Select Fund 4</b>	<b>0.75</b>	<b>0.14</b>	<b>0.09</b>	<b>0.98</b>	0.210	0.390	0.550	1.150

	Comparator 2				Comparator 3			
	AMC	T-costs	FMC	Total Charges	AMC	T-costs	FMC	Total Charges
<b>Self Select Fund 1</b>	0.106	0.189	0.220	0.326	0.000	0.001	0.242	0.243
<b>Self Select Fund 2</b>	0.034	0.462	0.480	0.514	0.050	0.345	0.642	1.037
<b>Self Select Fund 3</b>	0.204	0.385	0.210	0.414	0.000	-0.006	0.342	0.336
<b>Self Select Fund 4</b>	0.013	0.124	0.200	0.213	0.070	0.848	0.792	1.710

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	3 years	1 year	5 years
Self Select Fund 1	-2.3	6.8	7.0	2.1	-1.4	n/a	-6.5	9.4
Self Select Fund 2	1.0	0.2	1.8	8.7	-7.7	n/a	10.4	1.5
Self Select Fund 3	2.4	4.0	-5.6	1.3	-1.4	n/a	15.6	11.4
Self Select Fund 4	-17.2	-3.9	N/A	N/A	-28.2	n/a	-17.4	-1.7

Higher charges are applied to members policies within the Plan than the comparator schemes. In addition, the net Investment returns of the funds of the Plan are lower than the returns of the comparator schemes over the periods assessed.

Although the comparator schemes' funds 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 Plan 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' 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 Plan does not provide good value for members on the whole relative to the comparator schemes.

During the Scheme Year the Trustee has engaged with Zurich to arrange for their DC adviser to have authority to discuss the steps required to wind-up the arrangement and transfer members to a modern DC plan, with Zurich. As a result, the Trustees have decided to commence a project to wind-up the Plan over the next 12-24 months, or as soon as practically possible noting the complexities involved in the legacy arrangement.

## 5. Trustee Knowledge and Understanding

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

The Trustee Directors are 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
- Participation in discussions to re-design self-select fund range
- Detailed due diligence on fund managers for UK Equity Small Cap and Property
- Participation in a Manager Selection presentation day with their advisers

The Trustee Directors are 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 believe 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's meetings.

Considering the knowledge and experience of the Trustee Directors 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

A handwritten signature in black ink, appearing to read 'H Nagar', written in a cursive style.

26 October 2023  
H Nagar, Chair of the Trustee