DWA Pension Scheme

Chair's Statement

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1 Introduction

The DWA Pension Scheme (the "Scheme") is a small occupational pension scheme providing defined contribution (DC) benefits. The Trustee for the Scheme is DWA Trustees Limited acting as a collective (the "Trustee"), with chair responsibilities represented by Peter Osthwaite. Governance requirements apply to improve standards of DC pension arrangements in order to help members achieve a good outcome from their pension savings. The Trustee of the Scheme is required to produce an annual statement, signed by the Chair of Trustees, to describe how these governance requirements have been met in relation to:

- the default arrangement in which members' funds are invested;
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investments options;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 11th September 2024 to 31st December 2025. This is an extended scheme year; the scheme year end date was adjusted to coincide with the calendar year.

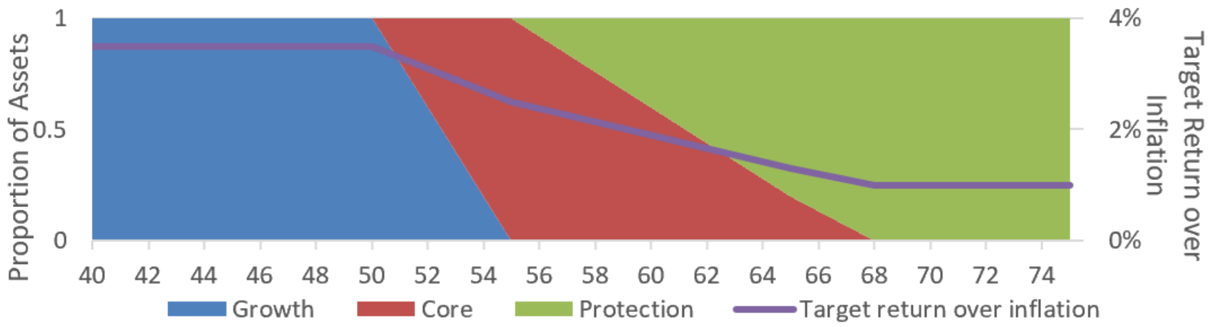
2 Default Investment Arrangement

The Scheme operates a single default investment approach that follows a diversified strategy throughout a member's working life. The default option progressively reduces investment risk over time by moving members through a series of multi-asset funds as they approach retirement. The simplicity of this structure aims to provide a straightforward and flexible investment pathway for members. Each fund within the strategy is managed to target a level of risk, and this is used to determine an indicative long-term return objective. This return is not guaranteed.

The table below shows the target return and risk level of each portfolio.

Strategy	Target Return	Target Risk Level
Growth	Inflation + 3.5%	95% of Equity Risk
Core	Inflation + 2.5%	2/3rd of Equity Risk
Protection	Inflation + 1%	1/3rd of Equity Risk

The glidepath below shows the fund allocation as a member ages.



The Trustees may adjust the underlying funds within the strategy. The strategic asset allocation on December 31st 2025 is shown below, though the actual allocation may drift before rebalancing:

Asset Class / Fund name	Growth	Core	Protection
Equity	**89%**	**56%**	**15%**
Global Equity - *DB - World Equity Index*	42%	34%	0%
Future World All World – *GPGE*	32%	13%	15%
Future World UK Equity – *UPAK*	15%	9%	0%
Diversifiers	**8%**	**11%**	**15%**
REITS - *MD - Global Real Estate Equity Ind*	2%	3%	5%
Infrastructure - *MB - Global Infrastructure Equity Index*	1%	2%	3%
Private Equity - *MC - Global Listed Private Equity Passive Fund*	2%	1%	0%
EM local currency government bond - *XPAB - EM Passive Local Currency Government Bond*	1%	2%	3%
EM hedged debt - *XPAC - EM Passive USD Gov Bond*	2%	3%	4%
Bonds	**3%**	**33%**	**65%**
Corporate Bonds - *EB - Investment Grade Corporate Bond All Stocks Index*	0%	5%	10%
Future World Corporate Bonds - *CCAT*	0%	18%	18%
Long Gilts - *AF - Over 15y Gilts Index*	3%	0%	0%
Index Linked - *Y - All Stocks Index-Linked Gilts*	0%	10%	5%
Short Gilts - *BS - 0 to 5 Year Gilts Index*	0%	0%	32%
Cash	**0%**	**0%**	**5%**

*Totals may not sum to 100% due to rounding.

3 Requirements for processing core financial transactions

The Trustee has appointed Legal & General to administer the scheme on the Trustee's behalf. As this is a new scheme, and there have been no deaths or transfers out, the only core transactions over the period were contributions and transfers in. The Trustee has reviewed evidence from the employer and the investment manager and has satisfied themselves that all contributions were paid well ahead of the required timeline, and that these contributions were in turn successfully invested in a prompt manner by Legal & General. Further, the Trustee has reviewed the AAF report of Legal & General and has concluded that there are reasonable processes in place to protect member assets. The Trustee is satisfied that the service standard has been suitable for the scheme.

4 Member-borne Charges and Transaction Costs

The table below summarises all costs faced by the members over the scheme year. At present only three funds have been made available to members.

	Investment Cost	Admin Cost	TER	Transaction Costs
DWA Growth Portfolio	0.15%	0.30%	0.45%	0.02%
DWA Core Portfolio	0.15%	0.30%	0.45%	0.00%
DWA Protection Portfolio	0.14%	0.30%	0.44%	0.00%

The Trustee is satisfied that the level of costs are appropriate for a scheme of this size. Having reviewed pricing in the Chair Statements of a number of master trusts, the Trustee is comfortable that the costs associated with the scheme are in line with or less than those that members may be able to obtain elsewhere. The default arrangement complies with the charge cap 0.75%.

5 Investment Returns

The pension fund held member assets from November 2024, therefore only the one year returns reported below are actual scheme returns. However, the strategy existed previously within the Crystal Mastertrust where members were previously invested. There was a period between the closing of Crystal Mastertrust in August 2024 and the launching of the DWA investment funds in November 2024 where we have used simulated data for periods beyond one year. We have maintained the asset allocation as it was at the point of closure during this period. The returns below are based on a net of investment fees return series, with the admin deducted on a pro rata monthly basis.

	1 Year to 31/12/2025	3 Years* to 31/12/2025 (annualised)	5 Years* to 31/12/2025 (annualised)
Growth Portfolio	14.7%	14.9%	10.5%
Core Portfolio	11.4%	10.7%	5.9%
Protection Portfolio	7.1%	6.1%	1.9%

*Periods between August 2024 and November 2024 are simulated using a static portfolio held in the proportions that were in effect at the closure of the Crystal Mastertrust. Returns prior to November 2024 were prior to scheme inception. Only the one year returns reflect actual performance of the scheme.

The Trustee believes the default arrangement is suitable for members.

6 Value for Members Assessment

As the scheme is less than three years old the scheme is not currently required to do an enhanced VFM assessment. The Trustee has assessed value for members in accordance with Reg 25 and concludes that the scheme provides good value.

The Trustee has satisfied themselves that the quality of administration provided by L&G is of good quality. They have also comfortable themselves that member's assets are adequately protected. The Trustee is aware that Legal & General offers a variety of additional benefits to members that the Trustee may explore adding to the scheme in the future. The Trustee is therefore comfortable that from an administrative perspective the scheme is able to offer value for members.

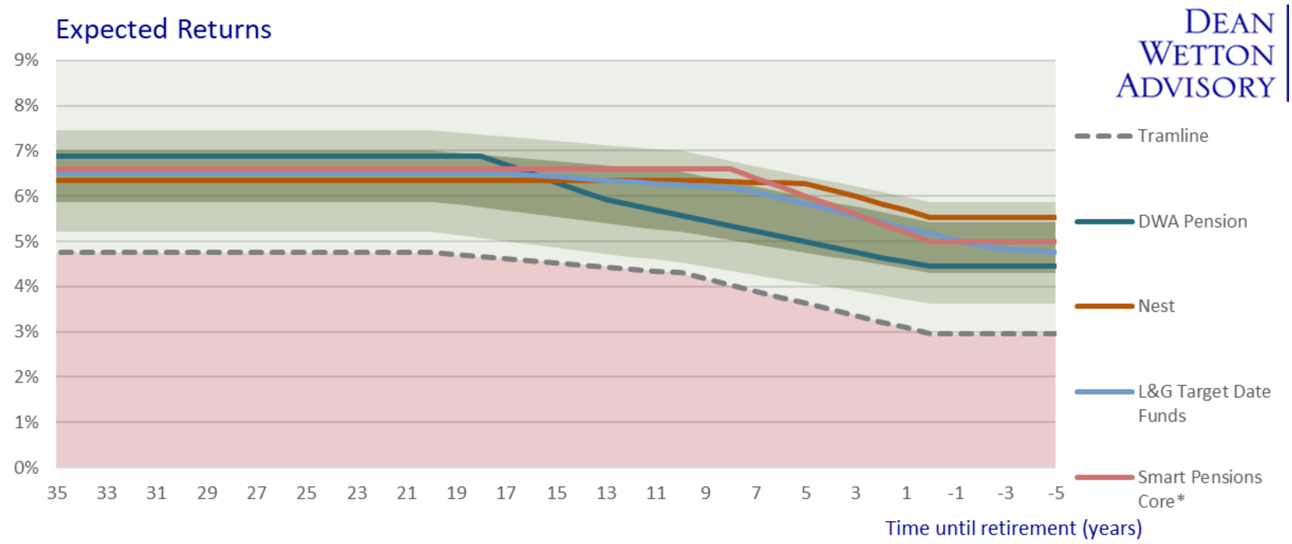
At a TER of 0.44%-0.45% the scheme costs are comfortably below the charge cap of 0.75%, and lower that the cost employees faced prior to the inception of the scheme. The Trustee is therefore comfortable that from a cost perspective the scheme is able to offer value for members.

To contextualise the performance the Trustee considers a variety of risk and return metrics against those of three mastertrusts and the DWA mastertrust benchmark which takes a sample of the returns from the universe of mastertrusts on a monthly basis and then removes the upper and lower quartile performers. An average of returns is then taken using the remaining constituents. The purpose of this benchmark is to create a proxy for typical mastertrust performance.

The following charts use our fairway model to analyse the strategies. The x-axis of each chart measures the number of years until a member retires, and the y-axis measures a single risk or return metric. We then plot a potential default strategy on these charts to see how it changes as a member ages. Each chart is divided into red and green areas, the boundaries of which are set by different blends of Global Equity and Cash. The green areas represent where we believe an appropriate default should fall, with darker green areas generally being more appropriate. If a strategy strays into the red area, it may be inappropriate and would merit further investigation to determine its suitability for the membership.

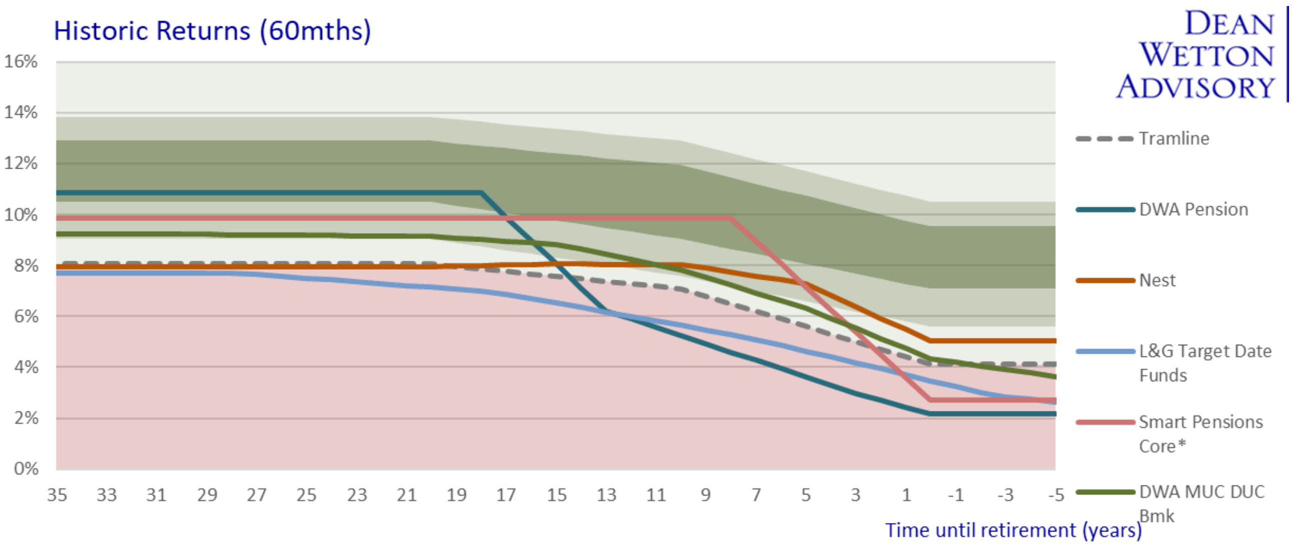
Expected Returns – How do we expect the strategy to perform?

The first chart looks at expected returns. We have used DWA's long-term expected return assumptions for the underlying asset classes. These are decided by committee at least twice a year, or when significant events cause us to believe they may have materially changed.



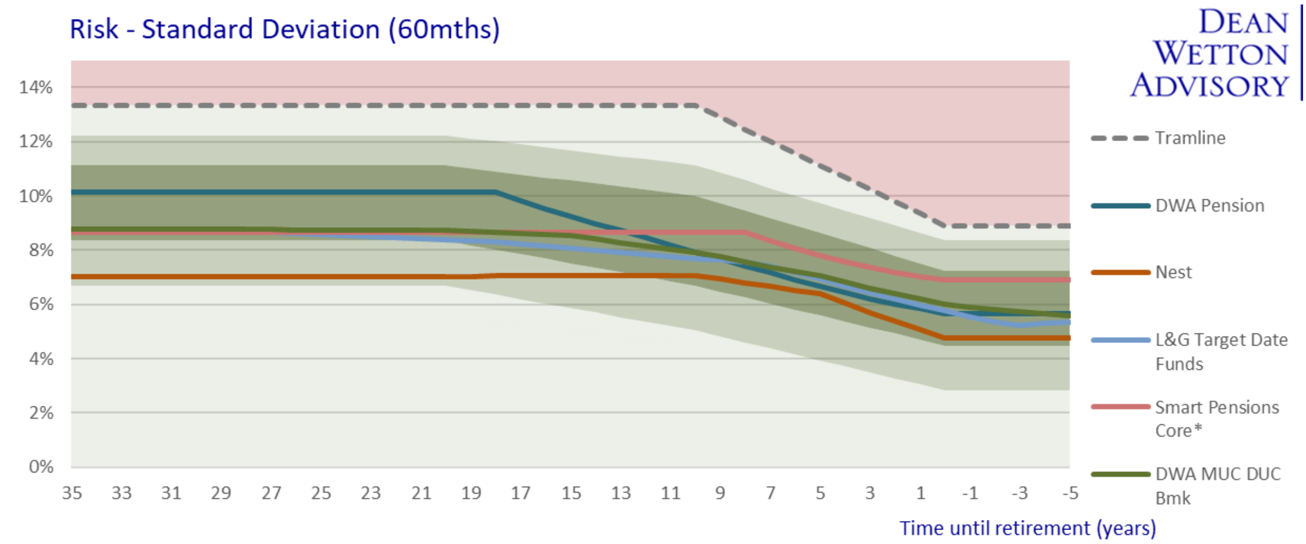
The expected returns of the strategy are reasonable for a DC default proposition, higher when members are far from retirement and derisking as the member ages. Closer to retirement expected returns are lower than competitors, and the strategy begins derisking earlier.

We now compare to actual historic returns below.



The shape of the glidepath is the same as the previous chart. However, the relatively high fixed income content in the derisked funds has been detrimental to members comparative to the considered mastertrusts. These particularly suffered during 2022 when interest rates rose rapidly. While this was an exceptional event, being one of the worst financial years in history, there may be benefits to adjusting the strategy for older members.

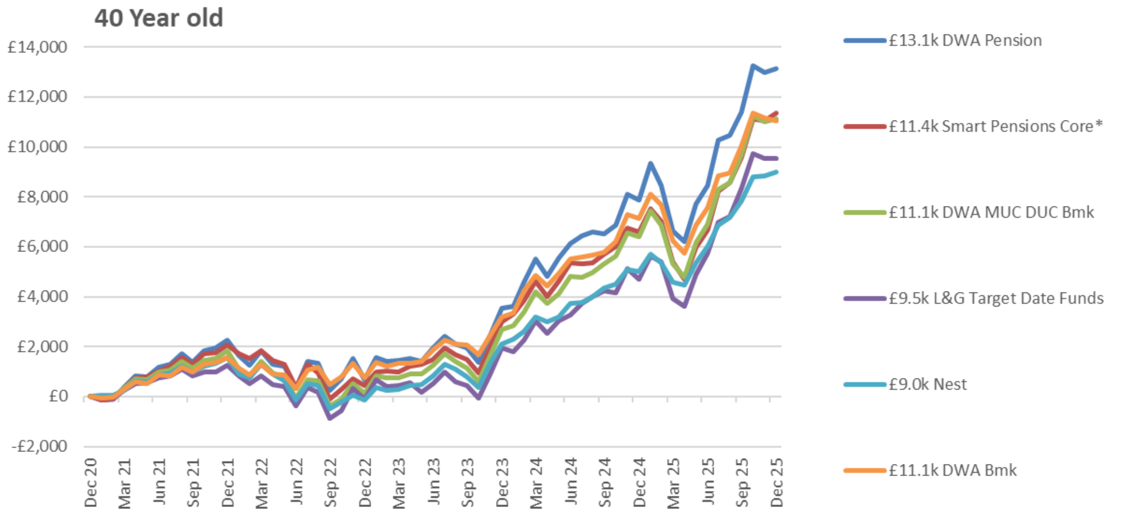
Moving on to look at risk, we use a measure of standard deviation, which considers the volatility of returns.

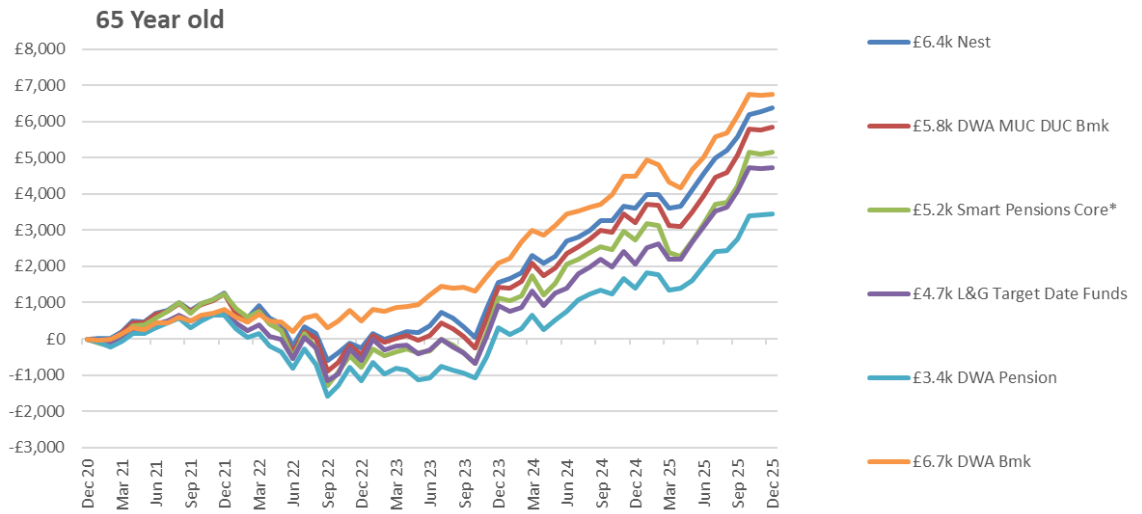


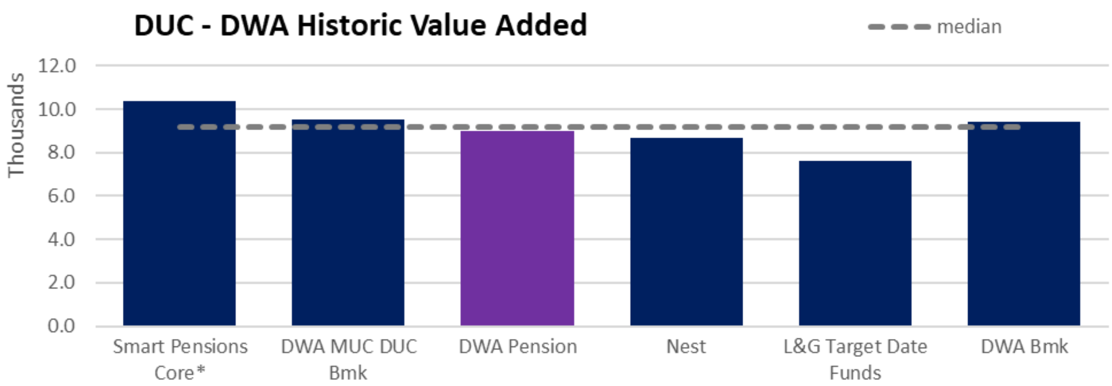
Risk has been well controlled and is in line with the considered mastertrusts. The shape is consistent with what we would expect from a well-designed lifestyle.

The final set of charts below track a metric we call "value added". This tracks how much more money is in a typical member's pension pot over a period of five years than the amount paid in (by the member and their employer). This is done by taking a typical member (earning £25,000 a year, combined contributions of 8% of total salary paid in monthly) and calculating the impact of returns on their contributions over this period. This naturally puts a more significant weight on more recent performance as this is when a member's pot size will be largest and therefore when performance will have the biggest impact. Where historic performance was not available for the full five years, we have used manager provided simulated returns. This first chart looks at the experience of a 40 year old over the 5 years, the second chart looks at a weighted average of outcomes for members between the ages of 36 and 65. Combined they give us an insight into experience for the membership.

Each chart also compares against DWA's standard benchmark. This simple benchmark invests in 70% Global Equity and 30% Cash far from retirement and 30% Global Equity 70% Cash at retirement derisking over a period of 20 years. This is meant to be a simple investable benchmark but in practice has been a tough target to beat with strong equity returns and rising interest rates being beneficial in a period where fixed income assets suffered.







The charts show that, for younger members, the strategy has been strong, outperforming the benchmarks and the considered mastertrusts, however for older members the higher fixed income element has been a relative detriment, particularly due to exposure to gilts in 2022. While we do not think the performance of the protection fund has been unreasonably poor it may benefit from a higher equity allocation.

Overall, the Trustee is satisfied that from an investment perspective the scheme offers value for money, however they also recognise that the strategy may have the potential to be improved, particularly for older members. The Trustee will review the strategy more formally in the new scheme year.

7 Projections

There is currently only one strategy available within the pension scheme. We include projections based on a 22 year old and a 40 year old member in the scheme.

	22 Year Old		40 Year Old	
Years	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£3,392.00	£3,358.50	£43,295.05	£43,074.04
3	£10,527.43	£10,374.75	£50,226.55	£49,496.15
5	£18,158.47	£17,809.63	£57,639.49	£56,301.57
10	£39,636.25	£38,394.81	£78,503.41	£75,144.54
15	£65,040.09	£62,185.27	£97,608.12	£91,693.13
20	£95,087.66	£89,677.65	£114,707.37	£105,854.95
25	£130,627.81	£121,445.77	£131,202.15	£118,852.24
30	£170,727.51	£156,379.31		
35	£202,902.95	£183,051.59		
40	£235,324.65	£209,117.63		
45	£270,189.13	£236,499.35		

1. Projected pensions pot values are shown in today's terms, with inflation removed from return expectations and as such they do not need to be reduced further for the effect of future inflation.
2. Future RPI inflation is assumed to be 2.5% over the long term.
3. The starting pot size is assumed to be £0 for the 22 year old and £40,000 for the 40 year old.
4. We have assumed annual contributions based on 8% of a salary of £40,000, which we approximate to be £3,300 per year in the first year, and increasing with inflation.
5. All future costs are assumed to be consistent with those reported for this scheme year.
6. Based on AS TM1 assumptions, we have assumed a growth rate of 6% for the Growth portfolio and 4% for the Core and Protection portfolios.
7. Values shown are estimates and not guarantees.

8 Trustee Knowledge and Understanding

The Trustee is required to maintain an appropriate level of knowledge and understanding to run the Scheme effectively, in accordance with sections 247 and 248 of the Pensions Act 2004 and The Pensions Regulator's Code of Practice. This includes being able to exercise their functions properly and in the best interests of members.

To meet these requirements, the Trustee:

- Maintains a working knowledge of the Scheme's key governing documents, including the Trust Deed and Rules, the Statement of Investment Principles, and any policies adopted for the administration and governance of the Scheme.
- Understands relevant pensions and trust law, along with the investment principles applicable to occupational DC schemes and the investment arrangements offered to members.
- Undertakes ongoing training, making use of guidance from The Pensions Regulator and professional advisers, with a plan in place to support continued development.
- Carries out periodic assessments of their knowledge and skills to identify and address any gaps.
- Reviews the effectiveness of their training and TKU practices annually.

Where applicable under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Trustee also maintains knowledge and understanding of how climate-related risks and opportunities are identified, assessed and managed within pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding, having taken the steps set out below.

The Trustee regularly considers training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them.

The Trustee is familiar with and has access to copies of the current Scheme governing documentation. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments. All members of the Trustee have been required to review and understand the core documents.

Further, the Trustee considers that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of other relevant principles relating to the funding and investment of occupational pension schemes and of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change, to fulfil their duties.

The Trustee is required to commit to completing the training, either at the relevant meetings or by personal study. All members of DWA Trustees Limited have completed the Pensions Regulator's Trustee Toolkit.

Taking into account the knowledge and experience of the Trustee, the Trustee believes they are well placed to exercise their functions as Trustees of the Scheme properly and effectively.

Representing the sole Trustee I confirm that to the best of my knowledge the information contained in the document is accurate.

Signed

Recoverable Signature

X

Peter Osthwaite
On behalf of DWA Trustees Limited
Signed by: cf2989c3-a64d-4d11-807b-2ab4bcea7a87