

# ERICSSON EMPLOYEE BENEFITS SCHEME

## ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2024

### PREPARED IN ACCORDANCE WITH REGULATION 23 OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME ADMINISTRATION) REGULATIONS 1996

#### 1. Introduction

The Trustee is required to prepare an annual governance statement for the year ending 31 December 2024. This must cover any default investment strategy, administration, costs and charges, fund performance, value for members and trustee knowledge and understanding.

The Trustee is Ericsson Pension Trustees Limited and its Directors as at 31 December 2024 and currently are:

- Capital Cranfield Pension Trustees Limited (Chair) represented by Ramona Tipnis;
- Andrew Barker;
- Andrew Cummins;
- Rodolfo Di Muro;
- Linda Doran;
- Linda Mawson;
- John Robbins; and
- Richard Winfield.

The Trustee oversees the governance of the Scheme. The Trustee must operate in accordance with the Scheme Rules and the prevailing legal and regulatory regime.

#### 2. DC Funds

The Scheme holds defined contribution (“**DC**”) benefits. They derive from transfer values received from members’ previous pension arrangements and Additional Voluntary Contributions (“**AVCs**”) that members have paid to the Scheme. In some cases, the transfer values received into the Scheme include liabilities for members’ Guaranteed Minimum Pensions (“**GMPs**”) and in such circumstances the benefits to be provided to the member are the greater of the GMP and those benefits which can be secured by the DC funds.

Members’ DC benefits are held in a with-profits fund managed by The Prudential Assurance Company Limited (“**Prudential**”) and a range of unit-linked funds managed by Legal & General (“**L&G**”)

Investment return on the with-profits fund, managed by Prudential, comes in the form of regular annual bonuses and a final bonus. These bonuses are not directly related to the investment returns achieved on the assets in which the fund is invested; returns are smoothed with the intention of reducing fluctuations in bonus rates. It is not guaranteed that a regular bonus will be added, but once added it cannot be removed. A final bonus may be paid on retirement or death. If money is withdrawn from a with-profits fund other than at a member’s normal retirement date or death, the amount may be reduced by a Market Value Reduction (“**MVR**”) if the value of the underlying assets is less than the fund value including all bonuses.

For unit-linked funds, managed by L&G, the value of the fund directly reflects the value of the underlying assets. The price of units changes daily to reflect the value of the assets held in the fund. Some of these funds are invested passively, meaning that they aim to track a particular market index or benchmark. Others are invested actively, where the manager makes specific investments with the goal of out-performing an investment benchmark index or target return.

### 3. Default Arrangement

The Scheme does not have a default arrangement in place for the DC funds; the Scheme is not used as a qualifying arrangement for the purposes of auto enrolment and the Scheme does not receive and has not received contributions from members or transfer values where no choice has been made about their investments.

As no default fund is required, there is no requirement for a Statement of Investment Principles (SIP) to cover the DC funds specifically. However as required under section 35 of the Pensions Act 1995, a SIP is in place covering the Trustee's investment policy for the main Scheme.

The Trustee will keep the position under review should a default arrangement be needed in the future.

### 4. Core Financial Transactions

As the Scheme has closed to future accrual of benefits, no new contributions are being paid to the Scheme, and so the Core Financial Transactions which the Scheme undertakes relate to the disinvestment of DC funds to pay members' benefits, the transfers of assets between different DC funds and the transfers of assets out of the Scheme.

The Trustee seeks to ensure that these Core Financial Transactions are processed promptly and accurately by establishing with L&G agreed timescales and procedures for completing these transactions.

L&G has undertaken to ensure that 95% of all Core Financial Transactions are completed within the defined Service Level Agreements (SLA). The performance during the year ending 31 December 2024 in respect of the processes undertaken during the year was as follows:

Process	Service Target	Completed in Target	Not Completed in Target	Total	Service Levels (SLA)	Average days outside of SLA (for cases Not Completed in Target)
Maturity Pack	5 working days	4	0	4	100.00%	-
Transfer Quote	9 working days	3	0	3	100.00%	-
Surrender	5 working days	10	8	18	55.56%	6
Customer Updates & Enquiries	5 working days	106	10	116	91.38%	6
Investment Management (Switches)	24 hours	2	0	2	100.00%	-
Divorce Quote	9 working days	1	0	1	100.00%	-
<b>Total</b>		<b>126</b>	<b>18</b>	<b>144</b>	<b>87.50%</b>	<b>6</b>

L&G provides a quarterly report to the Trustee against these targets detailing the number of Core Financial Transactions processed in the period and the number of Core Financial Transactions that were not processed within the agreed timescales.

The Trustee monitors L&G's performance against these targets and requests reports from L&G where Core Financial Transactions have been processed significantly outside the agreed timescales. No such report was requested in the year ending 31 December 2024.

The Trustee requests annual confirmation from L&G of the internal controls they have in place to ensure the accuracy of Core Financial Transactions, which is reviewed for any issues.

The Trustee requests additional reports where the correct procedures have not been followed. During 2024 the Trustee was notified by Prudential that 2 members had not had their unit-linked funds transferred across into equivalent unit-linked funds with L&G in 2021, as part of the bulk exercise undertaken at that time. This was due to an administrative error by Prudential. The Trustee is liaising with Prudential and its advisers to address the situation for these two members considering their individual circumstances and to ensure they are not disadvantaged compared to if they had transferred in 2021.

The Trustee was also notified by Prudential during 2024 that 1 member with a holding in the Prudential with-profits fund switched this into unit-linked funds with Prudential in April 2023. The Trustee is currently taking advice on how these funds should be treated.

## **5. Charges and Transaction Costs**

This section has been prepared having regard to 'Reporting of costs, charges and other information: guidance for trustees and managers of occupational pension schemes - effective from 21 October 2022' issued by the Department for Work & Pensions in October 2022.

In respect of their DC benefits in the Scheme, members pay charges in respect of the investment managers' administration costs. No charges are made for other costs such as the Scheme Administrator's costs for administering the DC benefits or for Scheme governance. The level of charges payable under each fund varies. Further details of the charges and any transaction costs payable are set out below.

### **L&G**

An Annual Management Charge (AMC) is deducted as L&G's charge for running the arrangement with them. The AMC is 0.2% p.a. for all funds held with L&G. It is calculated daily and then deducted monthly by cashing in units from the member's funds.

Each fund also has its own Fund Management Charge (FMC). These charges are shown below. They are accrued daily. They are deducted from the assets held in the funds, and so taken into account when calculating each fund's unit price.

The FMC consists of the Investment Management Charge (IMC) plus Additional Expenses (AE). AE refers to variable costs that are not known in advance and are associated with operating a fund, such as professional, custodian and share registration fees. L&G review the allowance for AE annually, based on actual historic experience.

Transaction charges are also incurred when units in the funds are bought and sold. Transaction costs vary across the different funds. Details of the transaction costs of these funds, during the year under review, are set out below. These are calculated as a percentage of the bid price of the units sold in the relevant fund.

L&G unit-linked fund	Annual Management Charge	Fund Management Charge	Transaction Costs
Global Equity Index*	0.20%	0.13%	0.04%
Cash	0.20%	0.09%	0.00%
Multi-Asset	0.20%	0.13%	0.03%
All Stocks Gilts Index*	0.20%	0.08%	0.05%
Managed Property	0.20%	1.78%	0.00%
Over 5 Year Index Linked Gilts Index*	0.20%	0.08%	0.05%
Ethical Global Equity Index*	0.20%	0.30%	0.00%
Future World Annuity Aware	0.20%	0.12%	0.00%

\* Passively invested fund; all other funds are actively invested.

## Prudential

There are no explicit charges in the Prudential with-profits fund. However, Prudential deducts a charge when calculating any bonuses declared on the fund. Prudential has indicated that the allowance made for expenses when calculating the bonus rates on the with-profits fund is approximately 1% per annum. Prudential has confirmed that the regular annual bonus rate declared on the with-profits fund as at 31 December 2024 was 2.50% per annum (calculated once the charges have been deducted).

## Illustration of cost and charges

The following table sets out examples of the cumulative effect over time of the application of costs and charges on the value of a member's benefits. The table has been prepared in accordance with guidance produced by the Department for Work and Pensions.

Members should note that the information contained in these tables is only intended to be illustrative and members should exercise caution before relying on this for the purposes of making decisions about savings, investment and retirement choices. In particular, the values are based on a number of assumptions and are not guaranteed. Members can obtain from the Scheme Administrators further information provided by L&G and Prudential on the characteristics (as opposed only to cost) of investment options and are recommended to take independent financial advice as appropriate when making decisions.

## Projected pension pot in today's money (£'s)

	Fund					
	L&G Global Equity Index Fund		L&G Cash Fund		L&G Multi-Asset Fund	
Years	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
1	26,341	26,244	25,610	25,537	26,098	26,000
3	29,244	28,920	26,874	26,645	28,439	28,122
5	32,467	31,870	28,201	27,801	30,991	30,416
10	42,164	40,628	31,812	30,915	38,418	37,006
15	54,757	51,792	35,886	34,378	47,625	45,024
20	71,111	66,025	40,481	38,229	59,039	54,778
25	92,350	84,169	45,664	42,512	73,188	66,646
30	119,932	107,298	51,511	47,274	90,727	81,085

	Fund					
	L&G All Stocks Gilts Index Fund		L&G Managed Property Fund		L&G Over 5 Year Index Linked Gilts Index Fund	
Years	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
1	25,610	25,537	26,098	25,610	25,610	25,537
3	26,874	26,645	28,439	26,874	26,874	26,645
5	28,201	27,801	30,991	28,201	28,201	27,801
10	31,812	30,915	38,418	31,812	31,812	30,915
15	35,886	34,378	47,625	35,886	35,886	34,378
20	40,481	38,229	59,039	40,481	40,481	38,229
25	45,664	42,512	73,188	45,664	45,664	42,512
30	51,511	47,274	90,727	51,511	51,511	47,274

	Fund					
	L&G Ethical Global Equity Index Fund		Prudential With Profits Fund		L&G Future World Annuity Aware Fund	
Years	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
1	26,341	26,220	26,098	25,854	25,732	25,659
3	29,244	28,840	28,439	27,649	27,260	27,028
5	32,467	31,722	30,991	29,570	28,879	28,471
10	42,164	40,252	38,418	34,975	33,360	32,423
15	54,757	51,075	47,625	41,369	38,536	36,925
20	71,111	64,809	59,039	48,931	44,516	42,051
25	92,350	82,235	73,188	57,875	51,423	47,889
30	119,932	104,347	90,727	68,454	59,402	54,538

**Notes:**

- i. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- ii. The starting pot is assumed to be £25,000.
- iii. Inflation is assumed to be 2.5% p.a.
- iv. The assumed projected growth rates are as follows:

L&G Global Equity Index Fund	:	8.00% p.a.
L&G Cash Fund	:	5.00% p.a.
L&G Multi-Asset Fund	:	7.00% p.a.
L&G All Stocks Gilts Index Fund	:	5.00% p.a.
L&G Managed Property Fund	:	7.00% p.a.
L&G Over 5 Year Index Linked Gilts Index Fund	:	5.00% p.a.
L&G Ethical Global Equity Index Fund	:	8.00% p.a.
L&G Future World Annuity Aware Fund	:	5.50% p.a.
Prudential With Profits Fund	:	7.00% p.a.

- v. Values shown are estimates and are not guaranteed.

**6. Fund Performance**

This section has been prepared having regard to 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns: Guidance for trustees of relevant occupational defined contribution pension schemes' issued by the Department for Work & Pensions in October 2021.

The investment returns achieved on the funds operated by L&G and Prudential, net of transaction costs and charges, have been as follows:

	Period ending 31 December 2024		
	1 year %	3 Years % p.a.	5 Years % p.a.
<b>Prudential</b>			
With Profits	7.8	3.7	4.7
<b>L&amp;G</b>			
Global Equity Index	20.0	8.2	n/a
Cash	5.2	3.8	2.3
Multi-Asset	5.7	0.9	3.3
All Stocks Gilts Index	-3.2	-8.7	-4.8
Managed Property	4.7	-2.0	2.1
Over 5 Year Index Linked Gilts Index	-11.0	-17.9	-8.2
Ethical Global Equity Index	19.5	9.4	12.6
Future World Annuity Aware	-3.5	-9.8	-5.0

## 7. Value for members

The Trustee regularly reviews the arrangements with L&G and Prudential in order to assess whether they continue to be suitable and to represent good value for members.

In September 2023 the Trustee commissioned a review of these arrangements from their investment advisers, Schroders Solutions, and this was considered at their meeting on 17 October 2023. This review drew the following conclusions:

- With the exception of the Managed Property Fund, the Fund Management Charges for the L&G funds are in line with those in the wider market and are reasonable given the small size of the DC funds held by the Scheme and once platform services are taken into account.
- While the fee for the Managed Property Fund is higher, it is not recommended that the Trustee replace it, due to the high transaction costs which would be incurred.
- The performance of the passive L&G funds has been in line with their benchmarks.
- Although the L&G Multi-Asset fund has underperformed its benchmark in the short term, the long term performance is satisfactory. The other active L&G funds have exceeded their benchmarks.
- Although Schroders would not advocate the inclusion of a with-profits fund within the fund range for a new DC scheme, they do not recommend terminating the investment in the Prudential With-Profits Fund due to the potential exit costs and loss of guarantees. Schroders' view is that a decision to maintain or surrender a with-profits policy is better made by the member, ideally after receiving independent advice.

Based on the above, the Trustee's assessment is that the arrangements with L&G and Prudential continue to represent good value for members.

The Trustee plans to commission a fresh review of these arrangements in Q4 2025.

The Trustee reminds members annually in the Scheme Newsletter of the importance of ensuring that their fund selections remain suitable for their own circumstances, and provides information on how to source independent financial advice.

## 8. Trustee Knowledge and Understanding

The Pensions Act 2004 requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively.

All Trustee Directors are required to meet the legal Trustee Knowledge and Understanding standards within 6 months of appointment.

The Trustee has an established induction process for any new Trustee Directors. After an initial assessment of their knowledge levels, appropriate training and courses are arranged. All new Trustee Directors are expected to complete the Pension Regulator's Trustee Toolkit within 6 months of their appointment.

The Trustee Directors receive ongoing regular training throughout the year to ensure they continue to meet the legal Trustee Knowledge and Understanding requirements. The training programme is intended to ensure that the Trustee Directors continue to:

- have a working knowledge of the Scheme Rules;
- have a working knowledge of the current Statement of Investment Principles;

- have a working knowledge of the policies which the Trustee has adopted in relation to the administration of the Scheme;
- have appropriate knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational pension schemes and the investment of scheme assets; and
- remain aware of the Pensions Regulator's statutory objectives to protect the benefits of pension scheme members and to promote good administration of work-based pensions.

The Trustee demonstrates knowledge and understanding in these areas as follows:

- the Trustee's legal adviser attends each meeting and provides updates from time to time (supporting a working knowledge of the Trust Deed and Rules and the law relating to pensions and trusts);
- the Trustee's investment advisers attend all Trustee meetings (supporting a working knowledge of the Statement of Investment Principles and relevant principles of the funding and investment of occupational pension schemes);
- any review of the Statement of Investment Principles is undertaken with professional advisers (which supports a working knowledge of this document);
- all Trustee Directors are required to read and understand the Scheme's key documents and current policies and they consider any changes to these documents in consultation with their legal and other advisers; and
- all Trustee Directors are expected to devote sufficient time to training in addition to training provided at Trustee and committee meetings, and are responsible for their own training programme and for completing the Pensions Regulator's Trustee Toolkit.

The Trustee Directors undertake a self-assessment of their capabilities each year in order to identify any knowledge gaps or training needs and the training programme is then adapted to address those particular training needs.

Training is generally undertaken by the Trustee's advisers giving presentations during Trustee meetings and is supplemented by supporting documentation (such as reference to the Pension Regulator's guidance). In the year ending 31 December 2024, the Trustee Directors received training in relation to:

- TPR's General Code of Practice, provided by Cartwright Group Ltd.
- TPR's Scheme Funding Code of Practice, provided by Mercer.
- Data Protection and Cyber Security, provided by Pinsent Masons.

In addition to this specific training, the scheme actuary, administrator, the trustee's legal, and investment advisers regularly attend trustee meetings and provide the Trustee Directors with updates on changes in legislation, case law and regulatory guidance, as well as markets trends and economic indicators.

The Trustee Directors are required to maintain a training log of any training they have received. This log is retained by the secretary to the Trustee.

The Trustee Directors are satisfied that as a result their combined knowledge and understanding, together with the advice which is available to them from their professional advisers, means that they are able to properly exercise their functions as the Trustee of the Scheme. The Trustee Directors are also satisfied that their current processes mean that they will continue to maintain the necessary level of Trustee Knowledge and Understanding required for the Trustee of the Scheme and are able to identify training needs.

## 9. Trustee Chair

The Chair of the Trustee Board is a professional independent trustee, Capital Cranfield Pension Trustees Ltd. Capital Cranfield is one of the largest professional pension trustee firm in the UK and its professional trustees are drawn from a wide range of relevant disciplines, with a wealth of experience and expertise. Capital Cranfield is represented at Trustee meetings by Ramona Tipnis. Ramona has an investment background, has served as an employer nominated trustee since 2011 and became a professional trustee in 2020. She has broad pensions, investment and corporate experience.

Capital Cranfield has strict on-going “continuous professional development” requirements for its professional trustees, with centrally held records and annual reporting, which includes being accredited members of the Association of Professional Pension Trustees. Additionally, all professional trustees are expected to complete the Pension Regulator’s “Trustee Toolkit”. Capital Cranfield hosts regular forums and workshops for its professional trustees and staff.

Signed for and on behalf of Ericsson Pension Trustee Limited

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Date \_\_\_\_\_

For Capital Cranfield Pension Trustees Limited  
Chair of Trustee Board