

CHAIR'S ANNUAL GOVERNANCE STATEMENT 2024

(1 January 2024 – 31 December 2024)

This statement has been prepared by the Trustee of the Trafalgar House Pension Trust (“the Trust”) to demonstrate how the Defined Contribution Scheme (“DCS”) of the Trust and the Additional Voluntary Contribution (“AVC”) arrangements have complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015.

With effect from 6 April 2018, following new statutory guidance, it has been a requirement to provide more information to members about charges and transaction costs.

The Trustee receives investment advice from Cardano Risk Management Limited and takes Defined Contribution (“DC”) governance advice from WTW when requested.

The DCS investments are held in the Ruffer Total Return International Fund. The Trust’s chosen AVC provider is Legal & General (“L&G”). Legacy AVC arrangements are also held with Prudential, Zurich, Aviva and ReAssure. The Standard Life AVC policy has closed as the final member has retired and withdrawn their funds.

The Trust is closed to all future contributions.

What do you need to do next?

This report is for noting. You do not need to take any action.

If you have any questions or require any further information you should contact Tina Keeling Chief Pensions Officer at Trafalgar House, via email tina.keeling@thtl.co.uk.

The investment strategy

The Trust does not have, nor does it need, a default investment strategy. DCS funds are invested in accordance with the Trustee’s decision as each member’s benefit is subject to a Defined Benefit (“DB”) underpin of the Guaranteed Minimum Pension (“GMP”).

A copy of the Statement of Investment Principles (“SIP”) can be obtained on the member website (www.myworkpension.co.uk/SchemeNoticesTHPT) or on request from the Administrator.

Core financial transactions

During the Trust year the Trustee ensured the core financial transactions of the Trust were processed promptly and accurately by:

- Having an agreement with their service provider committing them to defined service level agreements (“SLAs”)
- Having the service provider regularly report on their performance against the SLAs above.

The Trustee has received assurance from the DCS's administrator that it has taken steps to review and test the internal controls to ensure that core financial transactions relating to the DCS were processed promptly and accurately during the Trust Year.

The core financial transactions include:

- The transfer of assets relating to members out of the Trust
- Payments from the Trust to, or in respect of, members

Quarterly reporting demonstrated that the Administrator was operating within the agreed service levels and within the statutory disclosure limits. There were no issues or significant breaches raised in the quarterly reports during the Trust year, nor any material administration errors in relation to the processing of core financial transactions. Core financial transactions are completed by THPA's Scheme Service team, with a minimum of two individuals involved in the sign off of any disinvestment.

The Trustee having considered these reports, alongside the reports received from the Trust's auditor, has concluded that the Trust's core financial transactions have been processed promptly and accurately, with no material administration errors, during the Trust year.

Investment market volatility

The Trustee continues to work closely with its advisers to monitor investment market volatility caused by world events and considers the impact on the DCS.

The Trust's investment performance continues to be monitored frequently and members are kept well informed through messaging on the member website and within the annual newsletter.

Net investment returns

Defined Contribution Scheme

The Trustee is required to show the net investment return achieved on the DCS funds over the Trust year.

The Ruffer net return from 1 January 2024 to 31 December 2024 was -0.5%.

Charges and transaction costs

Defined Contribution Scheme

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The information related to charges and transaction costs applicable to the DCS funds available through the Trust during the Trust year are set out below:

- On the investments held with the Ruffer Total Return International Fund, the latest charges are as follows. These charges are met by the members:

Management Fee	<u>0.78%</u>
Other Costs	<u>0.08%</u>
Transaction Costs	<u>0.35%</u>

ILLUSTRATION

The table below shows how charges could affect the value of your DCS savings over time. Please note:

- *This information is for illustration purposes only and should only be used to demonstrate the impact of charges.*

The illustration gives a summary of the projected fund and the impact of costs and charges up to a Normal Retirement Age of 65. The figures are presented against three member examples; the youngest member, an average aged member and a member approaching retirement. Additionally, the table includes the performance of the Ruffer Total Return International Fund over different time periods depending on the age of the member.

Over time, the charges and transaction costs that are taken out of the member's DCS fund may reduce the amount available to the member at retirement. However, in most cases, the value of the GMP underpin is greater than the DCS fund value at retirement, with the difference being absorbed by the Trust.

These illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

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 Trustee has had to make a number of assumptions about what these might be. These are set out in the 'Assumptions and notes' section below the table.

The illustrations are explained as follows:

- the "before costs" figures represent the savings projection assuming an investment return with no deduction of member fees or transaction costs.
- the "after costs" figures represent the savings projection using the same assumed investment return but after deducting member fees and an allowance for transaction costs.

The illustration does not indicate the likely variance and volatility in the possible outcomes from the Ruffer Total Return International Fund.

EXAMPLE MEMBER	YEARS	BEFORE CHARGES	AFTER CHARGES
Youngest Member	1	£11,000	£10,900
	3	£13,200	£12,900
	5	£15,900	£15,300
	10	£25,300	£23,400
	15	£40,300	£35,800
	20	£64,000	£54,700
Average Member	1	£16,500	£16,300
	3	£19,800	£19,400
	5	£ 23,900	£22,900
	10	£38,000	£35,100
Approaching Retirement	1	£16,500	£16,300
	3	£19,800	£19,400

Assumptions and notes

1. Projected pension account values are shown in today's terms.
2. Example members
 - i. Youngest: age 45, total contribution: £0, starting fund value: £10,000.
 - ii. Average: age 55, total contribution: £0, starting fund value: £15,000.
 - iii. Approaching retirement: age 62, total contribution: £0, starting fund value: £15,000
3. Pension scheme's normal retirement age is 65.
4. No additional contributions assumed.
5. Values shown are estimates and not guaranteed.
6. Figures have been rounded to the nearest £100.

Value for members

The Trustee is committed to ensuring that the DCS represents value for members ("VFM") i.e. the costs and charges deducted from members' pots provides good value in relation to

the benefits and services provided. However, charges and transaction costs are not formally assessed in terms of whether they represent good value for members because of the nature of the benefits and the GMP underpin. Investments held in the DCS funds are therefore monitored by the Trustee from the perspective of DB entitlements across the whole Trust. Performance of the funds after fees has been assessed against the Trust's liabilities overall.

Additional Voluntary Contributions

The Trust's chosen AVC provider is L&G. Legacy AVC arrangements are also held with Prudential, Zurich, Aviva and ReAssure.

Legal & General

FUND	SCHEME ANNUAL MANAGEMENT CHARGE*	INVESTMENT MANAGEMENT CHARGE*	ADDITIONAL EXPENSES*	TOTAL EXPENSES*	TRANSACTION COSTS*
L&G Diversified Fund	0.35%	0.18%	0%	0.53%	0.00%
L&G Cash Fund	0.35%	0.09%	0%	0.44%	0.00%
LGIM UK Equity Index Fund	0.35%	0.10%	0%	0.45%	0.00%
LGIM Global Equity Market Weights (30:70) Index Fund 75% Currency Hedged	0.35%	0.14%	0%	0.49%	0.04%
LGIM World (Ex-UK) Equity Index Fund	0.35%	0.12%	0%	0.47%	0.00%

FUND	SCHEME ANNUAL MANAGEMENT CHARGE*	INVESTMENT MANAGEMENT CHARGE*	ADDITIONAL EXPENSES*	TOTAL EXPENSES*	TRANSACTION COSTS*
LGIM Future World Annuity Aware Fund	0.35%	0.12%	0%	0.47%	0.04%
LGIM Over 15 Year Gilts Index Fund	0.35%	0.08%	0%	0.43%	0.05%

*All figures shown are for the 12-month period to 30 September 2024, as these are the latest available.

For this reporting period, the transaction costs quoted by L&G are the average cost incurred over the last financial year as a necessary part of buying and selling the funds' underlying investments in order to achieve the investment objective. A proportion of these costs is recovered directly from investors joining and leaving the fund. In the case of shares, broker commissions are paid by the fund on each transaction. Transfer taxes and/or stamp duty may also be payable. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of the dealing spread. These costs are captured using the implicit cost methodology set out in FCA rules and PRIIPs guidance.

Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the mid-market price of an asset at the time the order was placed in the market (arrival price). Where the arrival price was not available, the implicit cost was calculated as the difference between the price at which a deal was struck and the mid-market opening price on the day of the trade. Where the mid-market opening price was not available, the mid-market previous closing price was used. Where the previous mid-market closing price was not available, a fixed fee was used to estimate the implicit costs of each trade.

Where the fund holds an investment managed by a third party, the transaction costs provided by the third-party manager are represented as an indirect external fund transaction cost. Where transaction cost information has not been made available by a third party, transaction costs incurred in the externally managed fund have been estimated or excluded.

In accordance with COBS 19.8, where aggregated transaction costs result in a negative value these costs have been adjusted to zero for reporting purposes.

It is also worth noting that the above transaction costs take into account both:

- **Explicit costs** which are directly observable and include broker commissions and taxes, and
- **Implicit costs** which cannot be observed in the same way but can also result in a reduction in the value of capital invested. Implicit costs include market impact or delay costs which can also result in a gain for the fund (i.e. negative transaction cost).

Legacy AVC providers

PROVIDER	CHARGES INFORMATION RECEIVED
Zurich	<p>The Zurich With Profits 90:10 fund is a traditional with profits fund and as such its charges are not explicitly set out. Fund expenses vary across different groups of plans and are considered when determining bonus rates each year. The expenses taken from the fund vary with different groups of plans and remained on average less than 0.7% of the fund's value for the year ending 31 December 2024.</p> <p>The latest transaction cost data we have available for the year to 30 September 2024 for which period the transaction costs for the fund were 0.05% pa.</p>
Prudential	<p>For this with profit fund, a charge is deducted through the bonus mechanism. The charge depends on the performance, in particular the investment return and Prudential's expenses. Prudential confirmed it expected this charge to be 0.80% a year.</p> <p>The latest transaction cost data available is for the year to 30 September 2024 for which period the transaction costs for the fund were 0.06% pa.</p>
Aviva	<p>Aviva allow for charges for administration expenses, investment management and deductions for the cost of guarantees prior to the announcement of annual bonuses.</p> <p>The latest transaction cost data available is for the year to 31 December 2024, for which period the Aviva With Profits Fund had an administration cost of 0.72% and an underlying transaction cost of 0.027%.</p>

PROVIDER	CHARGES INFORMATION RECEIVED
ReAssure	As with Zurich this is a conventional with-profit fund and the costs of administration and investment management are not applied as specific charges are defined in the policy.

Illustration

The table below shows how charges could affect the value of your AVC savings over time. For illustration purposes, we have shown the funds that are most used within the L&G AVC policy and used example members, please note:

- *This information is for illustration purposes only and should only be used to demonstrate the impact of charges.*
- *You should consider your own circumstances when reviewing your investment choices.*
- *Investment returns are not guaranteed and your AVC value can go down as well as up.*

The illustration gives a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. The figures are presented against three member examples; the youngest member, an average aged member and a member approaching retirement.

EXAMPLE MEMBER	YEARS	L&G DIVERSIFIED FUND		L&G UK EQUITY INDEX		L&G CASH	
		BEFORE CHARGES	AFTER CHARGES	BEFORE CHARGES	AFTER CHARGES	BEFORE CHARGES	AFTER CHARGES
Youngest Member	1	£14,900	£14,800	£15,200	£15,100	£14,600	£14,500
	3	£15,000	£14,800	£15,900	£15,700	£14,100	£14,000
	5	£15,200	£14,800	£16,700	£16,400	£13,700	£13,400
	10	£15,600	£14,800	£18,900	£18,100	£12,700	£12,200
	15	£15,900	£14,700	£21,400	£20,100	£11,800	£11,000
	16	£16,000	£14,700	£22,000	£20,500	£11,600	£10,800
	1	£9,000	£9,000	£9,200	£9,200	£8,900	£8,800

EXAMPLE MEMBER	YEARS	L&G GLOBAL EQUITY MW 30:70 INDEX		L&G WORLD (EX-UK) EQUITY INDEX		L&G FUTURE WORLD ANNUITY AWARE FUND	
		BEFORE CHARGES	AFTER CHARGES	BEFORE CHARGES	AFTER CHARGES	BEFORE CHARGES	AFTER CHARGES
Approaching Retirement	3	£10,200	£10,100	£10,200	£10,100	£10,200	£10,100

EXAMPLE MEMBER	YEARS	L&G OVER 15 YEAR GILT INDEX	
		BEFORE CHARGES	AFTER CHARGES
Youngest Member	1	£15,200	£15,100
	3	£15,900	£15,700
	5	£16,700	£16,400
	10	£18,900	£18,100
	15	£21,400	£20,000
	16	£22,000	£20,400
Average Member	1	£9,200	£9,200
	3	£9,700	£9,600
	5	£10,200	£9,900
Approaching Retirement	1	£9,700	£9,700
	3	£10,200	£10,100

Assumptions and notes

1. *Projected pension account values are shown in today's terms, and do not need to be reduced further for the effect of inflation.*
2. *No further pension contributions are assumed.*
3. *Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.*
4. *Charges and costs are deducted before applying investment returns.*
5. *Inflation is assumed to be 2.5% each year.*
6. *Values shown are estimates and are not guaranteed.*
7. *Figures have been rounded to the nearest £100*
8. *The real projected growth rates for each fund are as follow:*
 - *L&G Diversified Fund: 0.500%*
 - *L&G UK Equity Index: 2.500%*
 - *L&G Cash: -1.5%*
 - *L&G Global Equity MW 30:70 Index: 2.500%*
 - *L&G World (Ex-UK) Equity Index: 2.500%*
 - *L&G Future World Annuity Aware Fund: 2.500%*
 - *L&G Over 15 Year Gilts Index: 2.500%*
9. *Transaction costs and other charges have been provided by L&G and cover the period 1 October 2019 to 30 September 2024.*
10. *Pension scheme's normal retirement age is 65.*
11. *Example members*
 - *Youngest: age 49, total contribution: £0, starting fund value: £14,800.*
 - *Average: age 60, total contribution: £0, starting fund value: £9,000.*
 - *Approaching retirement: age 62, total contribution: £0, starting fund value: £9,500.*

Value for members

The Trustee is committed to ensuring that members receive good value from the AVCs i.e. that the costs and charges deducted from members' pots provide good value in relation to the benefits and services provided by or on behalf of the Trustee, including fund management, administration and communications.

The Trustee last undertook an exercise to review L&G as the provider of its chosen AVC policy and of the ongoing suitability of the core AVC fund range in December 2018. The conclusions of this review were that L&G were rated positively as a bundled pension provider and that a restricted range of passive fund options remained a suitable approach taking into account the membership's risk/return needs and the Trustee's governance resources. L&G were rated highly as a passive investment manager and all of the available funds had tracked their respective benchmarks to within a reasonable tolerance. Charges were considered competitive taking into account the size of the assets and the closed nature of the L&G policy. Based on their assessment the Trustee concluded that the funds adopted remain competitive and good value for money.

Trustee knowledge and understanding

The Trustee is a corporate entity with a number of appointed directors, who maintain a log of both required and voluntary training. The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the DCS effectively. The Trustee also receives regular technical and legislative updates and seeks advice on its arrangements from its appointed professional advisors as required. There is a training log in place which is set up to record and monitor the training undertaken and Trustees are expected to complete 40 hours of training each year. The Nomination Committee monitor and oversee the training log and propose training topics appropriate to the Trustee. The Trustee Board and each of the Committees are formally reviewed each year against a Competency Matrix, which defines the skills and experience required to ensure the Trust is run in accordance with its obligations. At the last review in December 2024, it was concluded that the Board and Committees met their competency requirements.

The Trustee's advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material. During the Trust year the Trustee received comprehensive training covering legal and regulatory updates and specific training on cyber security and GDPR, alternative DB end-game options, the new DB funding code and the General Code. This training was provided by LCP, Cardano and Crowe. The Trustee also held a strategy day to learn more about risk management. All Directors have completed the Pensions Regulator's toolkit including new modules and are required to recomplete at least once every three years (and within six months of appointment for new trustees). One Trustee has also completed the PMI Professional Trustee accreditation. Further background information on the Trustees, including their experience and specialisms, are shown in the Trustee Report and Accounts. Regular online training sessions are expected to be held throughout 2025 on agreed subjects, in addition to areas covered during Board and Committee meetings.

The Trustee has continued to closely monitor the Pensions Regulator's requirements and guidance for Trustee Knowledge and Understanding, which it fully supports. From the ongoing and periodic actions that have been taken, and in line with requirements, the Trustee has:

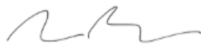
- A working knowledge of the trust deed and rules.
- A working knowledge of the current SIP.
- A working knowledge of all documents setting out the Trustee's current policies.
- Sufficient knowledge and understanding of the law relating to pensions and trusts.
- Sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.
- Combined knowledge and understanding, together with available advice, to properly exercise its functions and responsibilities.
- A number of policies including: Equality, Diversity and Inclusion, conflicts of interest, whistleblowing and adviser management and review.

Evaluation of the performance and effectiveness of the Trustee Board is carried out annually.

Where can I get further information?

If you require further information, you can contact the Trustee at Trafalgar House Trustees Ltd, Trafalgar House, Ascent 4, 2 Gladiator Way, Farnborough Aerospace Centre, Farnborough, GU14 6XN.

Further information is also available on the Trustee's website at www.myworkpension.co.uk.

Signed by the Chair on behalf of the Trustee of the Trust:

Roger Bartley

Chair

Date: 23/06/2025