

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Tussauds Group (UK) Pension Plan ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC).

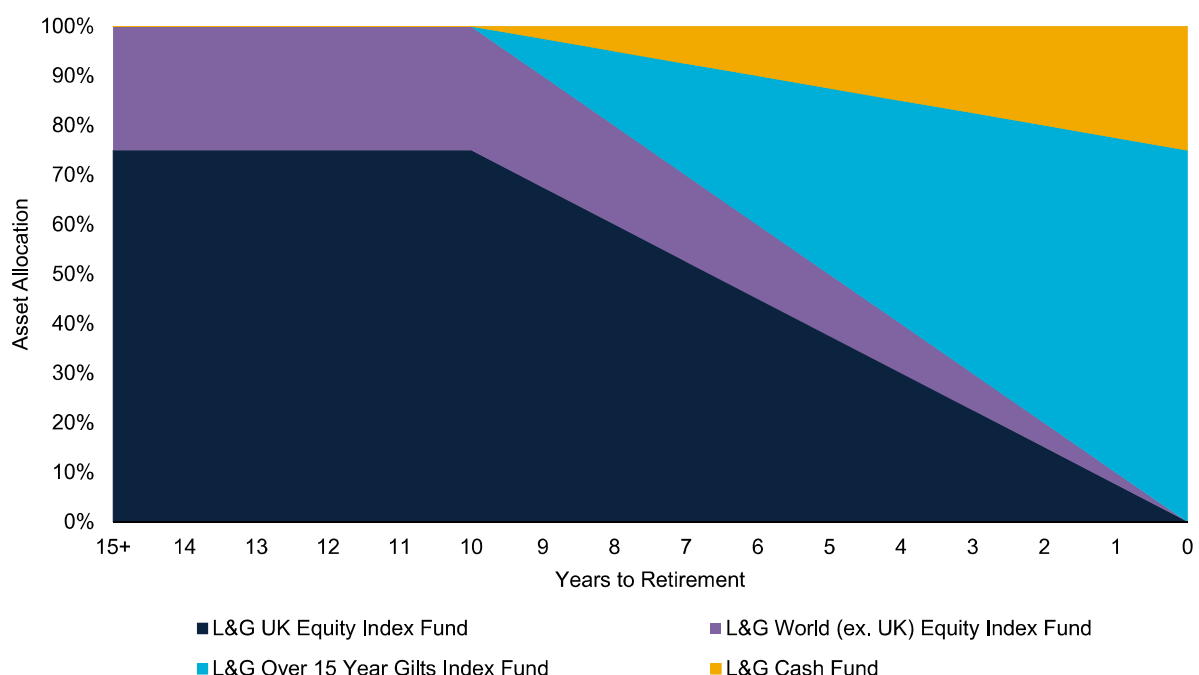
Default arrangement

Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant. There are no remaining active members in the Scheme and therefore no ongoing contributions into the Scheme.

It should be noted that as the Scheme was contracted out, a reference scheme test benefit underpin applies to the DC members. As a result, the Trustee also needs to be mindful of this underpin in setting suitable investment options. Under market conditions at the above date, this underpin exceeds the DC fund for the majority of members and, as such, the liability is effectively defined benefit in nature.

As at 31 December 2021, the default strategy invested in the L&G UK Equity Index Fund and the L&G World (ex. UK) Equity Index Fund at a ratio of 75:25 up until a member is 10 years from retirement. These equity funds expose members' savings to a high level of potential growth at a time when they can afford to take on more risk. Once members are 10 years from retirement, their assets are gradually moved out of the equity funds and into the L&G Over 15 Year Gilts Index Fund and the L&G Cash Fund, so that at retirement there is a 75:25 split between these two funds. This strategy is tailored towards members who will withdraw their 25% tax-free lump sum and purchase an annuity with the remainder of their savings.

This strategy can be illustrated using the following graph:



The default arrangement is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was last updated by the Trustees in August 2020 and a copy of this is submitted alongside this governance statement. Since 31 December 2021, the equity exposure in the Scheme's default arrangement has been switched to a 50:50 split between the LGIM Future World Global Equity Index Fund and LGIM Future World Global Equity Index Fund – GBP Hedged. An updated SIP is currently being prepared to reflect these recent strategy changes.

During the period covered by this statement there have been no significant changes to the Scheme's investment strategy. The Scheme's investment strategy was last reviewed in January 2020. The Scheme's investment strategy and SIP will be reviewed as a minimum every three years or as soon as any significant developments in investment policy or member demographics take place. The Trustee has set up processes to publish relevant information on the default arrangement online and will notify members about this in their annual benefit statements.

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Funds under management

The following table details the investments held by the DC Scheme at the end of the period.

Fund	Value as of 31 December 2021 (£)
L&G UK Equity Index Fund	6,870,387
L&G World (ex. UK) Equity Index Fund	2,350,704
L&G Over 15 year Gilts Index Fund	2,360,493
L&G Cash Fund	767,878
Total	12,349,462

The Trustee also makes available a facility to members to pay in additional contributions to boost Defined Benefit section benefits. The AVC arrangements are held with Utmost and investments are shown in the table below.

Fund	Value as of 31 December 2021 (£)
Multi Asset Moderate	18,580
Multi Asset Cautious	6,935
Managed	1,988
UK FTSE All Share	8,524
Total	36,028

Note totals may not sum due to rounding.

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Net investment returns

The following tables reflect the performance of each fund over varying periods based on investment returns after charges have been deducted and has taken account the statutory guidance when preparing this section of the statement.

Annualised returns as at 31 December 2021 (%)							
Legal & General	20 years	15 years	10 years	6 years	5 years	3 years	1 year
Default funds							
L&G UK Equity Index Fund	6.3	5.6	7.8	7.3	5.5	8.3	18.3
L&G World (ex. UK) Equity Index Fund	7.2	10.7	14.6	16.0	13.4	19.5	21.9
L&G Over 15 year Gilts Index Fund	6.6	6.8	5.8	6.3	4.0	5.6	-7.4
L&G Cash Fund	1.8	1.0	0.3	0.2	0.2	0.2	-0.1
Self-select funds							
L&G Over 15-year Index-Linked Gilts Index Fund	n/a	n/a	8.3	9.6	5.5	8.9	3.9
L&G Investment Grade Corporate Bond - Over 15 Year - Index Fund	n/a	n/a	n/a	n/a	5.1	8.2	-5.9

Source: L&G

As the inception dates for the L&G Over 15-Year Index-Linked Gilts Index Fund and L&G Investment Grade Corporate Bond - Over 15 Year - Index Fund are 31/8/2011 and 23/9/2016 respectively they do not have the performance history for all periods shown.

Annualised returns as at 31 December 2021 (%)								
Utmost AVC Funds	Since launch	20 years	15 years	10 years	6 years	5 years	3 years	1 year
Multi Asset Moderate	5.4	n/a	n/a	n/a	n/a	n/a	n/a	12.4
Multi Asset Cautious	3.5	n/a	n/a	n/a	n/a	n/a	n/a	5.0
Managed	8.1	6.0	5.8	7.5	7.2	5.7	8.5	13.0
UK FTSE All Share	4.5	5.6	4.9	7.4	6.9	4.7	7.7	17.1

Source: Utmost Life & Pensions and Morningstar

Note that as the inception date for the Multi-Asset Funds is 1/1/2020 they do not have the performance history for all periods shown.

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Processing Scheme transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustee's behalf by the Scheme administrator, CPRM Ltd, and its investment manager Legal and General Investment Management. The Trustee periodically reviews the processes and controls implemented by those organisations and consider them to be suitably designed to achieve these objectives. The Trustee has a service level agreement (SLA) in place with the Scheme administrator which covers the accuracy and timeliness of all core transactions and receives regular reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include dynamics checklists, a central financial control team separate to the admin team, peer checking and authorisation of payments, daily monitoring of bank accounts, daily checking and reconciliation of member unit holdings and four eyes checking of investment and banking transactions. During the period covered by this statement, 98% of work was completed within the agreed service levels. There were no issues relating to the processing of Scheme transactions. We continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from JLT.

We will also perform periodic assessments of methods and efficiency of the Scheme's administrators and will challenge them in terms of efficiency using available facilities including technological functionality.

In light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

Fund	Fund code	TER (%)	Transaction Cost (% pa)
L&G UK Equity Index Fund	AS	0.18	0.02
L&G World (ex. UK) Equity Index Fund	CC	0.22	-0.01
L&G Over 15 year Gilts Index Fund	AM	0.10	0.04
L&G Cash Fund	H	0.12	0.02

Source: L&G

This is lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustee also makes available a range of funds which may be chosen by members as an alternative to the default arrangement. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

Fund	Fund code	TER (%)	Transaction Cost (% pa)
L&G Over 15 year Index-Linked Gilts Index Fund	LUAA	0.10	0.03
L&G Investment Grade Corporate Bond - Over 15 Year - Index Fund	CCAC	0.15	-0.06

Source: L&G

We are comfortable that the costs for the default arrangement and other funds available are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

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Additional Voluntary Contributions (AVCs)

The Trustee also makes available a facility to members to pay in additional contributions to boost Defined Benefit section benefits. The AVC arrangements are reviewed at the same time as the review of the main Scheme benefits. The facility is now provided via Utmost Life and Pensions and below are the available funds together with associated fees:

Fund	AMC (% p.a.)	Transaction Cost (% p.a.)
Multi Asset Moderate	0.75	0.13
Multi Asset Cautious	0.75	0.09
Managed	0.75	0.08
UK FTSE All Share	0.50	0.12

Source: Utmost Life and Pensions

*Transaction costs as at 31/12/2021.

Cumulative effect of charges

The compounding effect of charges on a member's fund can be illustrated as follows:

Illustrations for a member with an average DC fund size of £24,948 based on the default strategy								
	UK Equity Index Fund (Most popular fund)		L&G World (ex. UK) Equity Fund (Most expensive fund)		L&G Over 15 Year Gilts Index Fund (Part of the default strategy)		L&G Cash Fund (Cheapest fund)	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£25,926	£25,876	£25,923	£25,866	£24,584	£24,549	£24,579	£24,544
3	£27,998	£27,837	£27,990	£27,805	£23,871	£23,770	£23,857	£23,755
5	£30,236	£29,947	£30,222	£29,889	£23,179	£23,015	£23,156	£22,992
10	£36,646	£35,947	£36,611	£35,808	£21,536	£21,232	£21,492	£21,189
15	£44,414	£43,149	£44,350	£42,900	£20,009	£19,587	£19,948	£19,527

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20	£53,829	£51,795	£53,726	£51,397	£18,590	£18,069	£18,515	£17,996
25	£65,240	£62,173	£65,083	£61,576	£17,272	£16,669	£17,185	£16,585
30	£79,070	£74,630	£78,842	£73,771	£16,048	£15,378	£15,950	£15,284
35	£95,831	£89,583	£95,509	£88,381	£14,910	£14,186	£14,804	£14,086
40	£116,145	£107,532	£115,699	£105,885	£13,853	£13,087	£13,741	£12,981
Assumptions <p>The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e., in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown. They do not need to be reduced further for the effect of future inflation.</p> <p>The average starting pot size is assumed to be £24,948 for the DC scheme.</p> <p>Inflation is assumed to be 2.5% each year.</p> <p>No contributions are assumed from age 25 to 65 and increase in line with assumed earnings inflation of 2.5% each year.</p> <p>Values shown are estimates and are not guaranteed</p>								
Expected future nominal returns on investment:								
• Default Strategy					3.92% above inflation			
• L&G World (ex. UK) Equity Index					3.91% above inflation			
• L&G Over 15 Year Gilts Index					-1.46% below inflation			
• L&G Cash					-1.48% below inflation			

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Illustrations for a member with an average AVC DC fund size of £6,004				
	Utmost Moderate Fund <i>(Most popular and most expensive fund)</i>		Utmost UK FTSE All Share <i>(Lowest charge fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£6,164	£6,112	£6,238	£6,238
3	£6,498	£6,332	£6,734	£6,734
5	£6,850	£6,561	£7,270	£7,270
10	£7,815	£7,170	£8,802	£8,802
15	£8,916	£7,836	£10,658	£10,658
20	£10,171	£8,563	£12,905	£12,905
25	£11,604	£9,357	£15,625	£15,625
30	£13,239	£10,226	£18,919	£18,919
35	£15,104	£11,175	£22,908	£22,908
40	£17,231	£12,212	£27,737	£27,737
Expected future nominal returns on investment: <ul style="list-style-type: none"> • Moderate Fund 2.67% above inflation • UK FTSE All Share 3.90% above inflation 				

Value for members

Whilst no formal value for money assessment has been carried out over the reporting period, the Trustee has a good understanding of the membership demographics of the Scheme and as such has a view as to what good member outcomes should look like for the Scheme's members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds. With this in mind, the Trustee has assessed the fees disclosed above and we are satisfied that we have negotiated a good deal for members and that the stated explicit charges for the Scheme's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

The Trustee has set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online and will notify members about this in their annual benefit statements.

Whilst charges for the Utmost AVCs are typical of legacy AVC arrangements, consideration may wish to be given to investigating whether they can be improved particularly given the transaction costs involved.

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Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustee properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13. The Trustee directors are mindful of developing the required level of knowledge and understanding under the Pensions Act 2004.

The Trustee directors have put in place arrangements for ensuring that we take personal responsibility for keeping ourselves up-to-date with relevant developments and carry out a self-assessment of training needs to help identify any knowledge gaps. The Secretary to the Trustee reviews the self-assessments and arranges for training to be made available to individual Trustee directors or to the Trustee body as appropriate.

Trustee directors are made aware of and encouraged to complete the Pension Regulator's Trustee Toolkit after taking up office. All the Trustee directors are also required to familiarise themselves with the Scheme's trust deed, rules and Statement of Investment Principles. The Trustee board also includes an experienced professional independent trustee who has familiarised themselves with these relevant documents to ensure they have adequate knowledge of the Scheme.

Over the last year, the Trustee has received training on current Defined Contribution regulations and recent developments, ESG considerations surrounding investment strategies, the Pensions Regulator commentary on the impact of COVID-19. Additionally, the Scheme Actuary recently delivered training on the valuation process in advance of the triennial valuation exercise. The Trustee also includes legislative updates and Trustee Knowledge and Understanding on the agenda for each of our meetings. Recent technical newsletters are reviewed as part of this agenda point, together with any topical issues identified. The Trustee has appointed First Actuarial as investment consultant. First Actuarial are currently revising the SIP document in light of recent investment strategy changes.

In addition, the Trustee receives advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustee directors consider that we are enabled properly to exercise our functions as Trustee of the Scheme.

In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise trustees cannot be certain that a scheme remains fit for purpose.

Given the extent of the training above, the Trustee directors are comfortable that we have demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes. I am also satisfied that the Trustee directors have demonstrated a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustees' current policies.

The Chair's statement regarding DC governance was approved by the Trustee and signed on its behalf by:

Chair of the Trustee Ian Eggleden (PSGS Trust Corporation Limited)
Date: 14 July 2022