ANNUAL STATEMENT REGARDING GOVERNANCE OF THE DEFINED CONTRIBUTION FUNDS in Imperial Tobacco Pension Fund ("the Fund")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to prepare an annual statement regarding governance, which must be included in the annual Trustee report and accounts and published online. These governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement covers the period from 1 April 2025 to 31 March 2026 ("the Fund Year") and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. Changes to the defined contribution arrangements over the year
2. The default arrangement used to invest members' funds and other funds members can select;
3. Net investment returns;
4. The charges and transaction costs borne by members (and illustrations of the cumulative effect of these costs and charges);
5. Processing of core financial transactions;
6. A value for members assessment; and
7. Trustee knowledge and understanding.

The Fund has two arrangements providing DC benefits to members:

- The Defined Contribution section which was opened for new Fund entrants on 1 October 2010 (total value at 31 March 2026 £155,515,903). Since 1 October 2023, all active members have built up benefits in the DC section. The assets of the DC section are managed by Legal and General Assurance Society Limited ("L&G"). L&G also administers the DC section (other administration services are provided by Imperial's Pensions Fund Office ("PFO")); and
- Defined Benefit section members' Additional Voluntary Contributions ("AVCs") which are also invested with L&G (value as at 31 March 2026, £2,604,122 is included in the total DC section total value above).

Following the appointment of L&G, the Trustee agreed to offer Defined Benefit members access to the investment options in the DC section for the purposes of investing AVCs. These arrangements are considered as part of the DC section throughout this statement.

1.1. Changes to the Defined Contribution arrangements over the year

Over the year, there have been no material changes to the structure of the DC arrangement. The Trustee completed a significant review of the default arrangement in the previous year, concluding that it was fit for purpose but not reflective of the best-in-class arrangements available. This resulted in the appointment of L&G as the Fund's investment and administration provider, replacing Aegon. Contributions for active members began being invested with L&G from 1 October 2024, with the bulk transfer of assets for active and deferred members completing on 8 January 2025, and AVC assets for Defined Benefit members transferred on 10 February 2025.

Following the implementation of the changes, the Trustee has continued to monitor the default arrangement and remains satisfied that it continues to be appropriate for the membership.

L&G reviewed its default investment strategy, Target Date Fund, during the Fund year and agreed to increase the allocation to growth assets within the growth phase from c.89% to 100%, which was implemented Q4 2025. L&G also agreed to increase the allocation to growth assets in the at-retirement phase, which is due to be implemented using a phased approach post Fund year end.

2.1 The default arrangement

The Defined Contribution section is used as a Qualifying Scheme for auto-enrolment purposes.

When members are automatically enrolled into the Defined Contribution section, their retirement age is set as age 65 and contributions are invested in the default arrangement, which is the L&G PMC Target Date Funds 3 range of funds.

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default investment strategy and take account of the level of costs and the risk profile that are appropriate for the Fund's membership.

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in the 'Statement of Investment Principles' ("SIP"). The Fund's current SIP is included at the end of this statement. The SIP was updated during the Fund Year, in January 2026, to reflect the Trustee's compliance with the General Code of Practice and the latest investment offering available to members.

The aims of the default fund are detailed in the SIP. Extracts are set out below:

- The lifestyle strategy targeting a flexible retirement outcome has been chosen as the default option by the Trustee. The strategy initially aims to maximise return, at an appropriate level of risk for the majority of members' working lives before switching into diversified funds as retirement approaches, to target a flexible retirement outcome for members to decide how they wish to access their savings.

- The lifestyle strategy's growth phase invests in equities and other growth-seeking assets that provides growth along with some downside protection and some protection against inflation erosion. As a member's pot grows, the investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy which seeks to reduce investment risk as the member approaches retirement is appropriate.

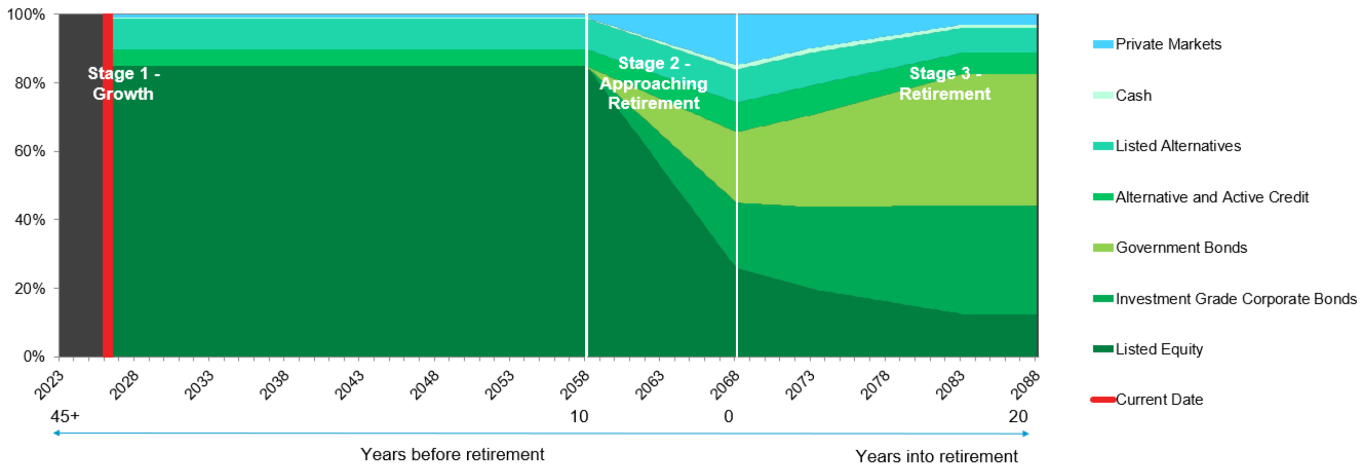
The L&G PMC Target Date Funds 3 adjust the way members' pension savings are invested as they move closer to retirement, spreading risk by investing in a range of asset classes throughout, and reducing investment risk as members approach retirement age.

The aim of the L&G PMC Target Date Funds 3 is to provide opportunity for growth in the early years of investment by investing predominantly in equities. As retirement approaches, assets are switched to lower risk investments which have historically been less volatile, with the aim of protecting the value of the accumulated fund.

The chart below shows the structure of the L&G PMC Target Date Funds 3 2065-2070 'vintage', which is the fund a member would be put in if they had a target retirement date between 2065-2070. This means as at 31 March 2026 the member invested in this fund would be between 39 and 44 years from retirement. The member will stay invested in this vintage for their entire savings journey. The asset allocation shown is dynamic and is expected to evolve over time. Other target date fund 'vintages' may have a different asset allocation to the one shown below.

Over the year, L&G updated the asset allocation of the growth phase of the Target Date Funds to increase exposure to growth assets and in turn the potential for better member outcomes.

The chart also shows the asset allocation for members that choose to continue contributing or defer taking their pension beyond their normal retirement age ('Stage 3 – Retirement' in the chart). Please note that the Fund does not offer a drawdown facility so members will not be able to stay invested in the Fund while taking their pension benefits. To access retirement options such as lump sums and drawdown, members must transfer out to another arrangement. Members considering taking flexible income can access the Legal & General WorkSave Mastertrust Pension Access Scheme or they can switch to another provider. Members can find out more about the Pension Access Scheme at www.legalandgeneral.com/imperialpas



Source: L&G

The Trustee is responsible for the Defined Contribution section's investment governance, which includes setting and monitoring the investment strategy for the default arrangement. The Investment Committee is responsible for monitoring and reviewing the investment performance and suitability of the fund range offered, including the default arrangement for the DC section.

2.2. The asset allocation of the default arrangement

The Trustee is required to disclose the full asset allocation of the default arrangements.

The table below shows the percentage of assets allocated in the default arrangement to specified asset classes for members of different ages (with a retirement age of 65) for the current default arrangement managed by L&G.

Table 1 **Asset class**	**Strategic and Actual asset allocation as at 31 March 2026 (%)**			
	25 years old	**45 years old**	**55 years old**	**One day to State Pension Age**
Cash	0.2	0.2	0.9	7.1
Bonds	5.0	5.0	17.7	51.5
Fixed Interest Government Bonds	-	-	4.2	6.3
Index Linked Government Bonds	-	-	1.6	11.1
Investment Grade Bonds	-	-	6.4	26.8
Non-Investment Grade Bonds	5.0	5.0	5.5	7.3
Equities	87.1	87.1	76.9	20.0
UK Equities	4.6	4.6	5.6	1.7
Developed Market Equities	70.8	70.8	63.1	15.8
Emerging Market Equities	10.0	10.0	7.4	2.4
Private Equities	1.8	1.8	0.8	0.2
Infrastructure	4.2	4.2	2.0	2.9
Property / Real Estate	3.1	3.1	2.5	4.5
Private Debt / Credit	0.2	0.2	0.0	13.4
Other	0.2	0.2	0.0	0.6
Total	**100**	**100**	**100**	**100**

Source: L&G, Isio calculations.

2.3. Specified performance-based fees

Where a fee is calculated by reference to the returns from investments held by the Fund and is not calculated by reference to the value of the member's rights under the Fund, the Trustee must state the amount of any such performance-based fees in relation to each default arrangement.

During the Fund Year there were no such fees levied on the default arrangement and accordingly no assessment of the extent to which they represent good value has been carried out.

2.4. Review of the investment strategy and performance of the default arrangement

The Trustee undertakes a formal investment strategy review of the default arrangement at least every 3 years.

The last review concluded on 20 June 2024 and as a result the strategic changes detailed earlier in this statement were implemented. The next review is due in 2027.

The Investment Committee reviews the performance of the default arrangement against the benchmark(s) set by L&G on a quarterly basis as well as receiving presentations from L&G when appropriate. The performance review includes an analysis of the value of the funds invested in the default strategy and the self-select funds and of fund performance to check that the risk and return levels meet expectations. The relevant performance reviews carried out by the Investment Committee over the Fund Year concluded that the default arrangement with L&G was performing broadly both as expected and remains consistent with the aims and objectives set out in the SIP.

2.5.AVCs

The AVC arrangements do not have a default arrangement, as defined in the Occupational Pension Scheme (Investment) Regulations 2005 since they relate only to AVCs of members of the DB section. Members have to choose which funds their AVCs are invested in.

3. Net Investment Returns

The Trustee is required to report the net investment returns for each default arrangement and for each non-default fund which members of the Fund are invested in. Net investment return refers to the return on a fund minus all member-borne transaction costs and charges.

The net investment returns reported here have been prepared with regard to statutory guidance. The guidance states that, for arrangements where the net returns vary with age, such as the L&G PMC Target Date Funds 3, net investment returns should be shown for a member aged 25, 45 and 55 at the start of the investment reporting period. For completeness, we have reported the net investment returns for all L&G PMC Target Date Funds 3 'vintages' held over the Fund Year.

Performance has been shown over 1 and 5 year periods where available. Some funds were launched less than 5 years ago, therefore 5-year returns are not available.

It is important to note that past performance is not a guarantee of future performance.

3.1 Defined Contribution section - default arrangement – L&G PMC Target Date Funds 3

Table 2 **Age of member at the start of the investment reporting period**	**Net investment return to 31 March 2026**	
	1 year (%)	**5 years (% p.a.)**
25	14.7	6.6
45	14.7	6.2
55	13.3	5.3

Source: L&G

3.2 Defined Contribution section – all L&G PMC Target Date Funds 3 and self-select funds invested in during the Fund Year

Table 3 Fund name	Net investment return to 31 March 2026 1 year (%)	 5 years (% p.a.)
L&G PMC 2065 - 2070 Target Date Fund 3	14.7	6.6
L&G PMC 2060 - 2065 Target Date Fund 3	14.7	6.5
L&G PMC 2055 - 2060 Target Date Fund 3	14.7	6.5
L&G PMC 2050 - 2055 Target Date Fund 3	14.7	6.5
L&G PMC 2045 - 2050 Target Date Fund 3	14.7	6.2
L&G PMC 2040 - 2045 Target Date Fund 3	14.7	5.6
L&G PMC 2035 - 2040 Target Date Fund 3	13.3	5.3
L&G PMC 2030 - 2035 Target Date Fund 3	10.7	4.2
L&G PMC 2025 - 2030 Target Date Fund 3	8.5	3.3
L&G PMC 2020 - 2025 Target Date Fund 3	7.3	3.1
L&G MT Active Global Equity Fund	-1.6	n/a
L&G MT UK Smaller Companies Fund	12.3	n/a
L&G MT Emerging Markets Index Fund	17.4	4.3
L&G MT Global Fossil Fuel Exclusions Equity Index Fund	13.7	n/a
L&G MT Future World Multi-Asset Fund	10.8	4.3
L&G MT Global Developed Index Equity Fund	15.8	10.9
L&G MT Short Dated Bond Index Fund	4.5	2.0
L&G MT Smaller Companies Index Fund	21.1	6.2
L&G PMC AAA-AA-A Corporate Bond All Stocks Index Fund 3	3.5	-1.1
L&G PMC Cash Fund 3	4.1	3.3
L&G PMC Ethical Global Index Equity Fund 3	17.1	11.5
L&G PMC FW Global Multi-Factor Equity Index Fund	21.6	9.8
L&G PMC Global Diversified Bond – GBP Currency Hedged Fund 3	4.8	n/a
L&G PMC HSBC Islamic Global Equity Index Fund 3	17.3	12.9
L&G PMC Multi-Asset Fund 3	11.4	4.4
L&G PMC Future World Annuity Aware Fund 3	2.4	-5.1
L&G PMC Sustainable Property Fund 3	5.6	2.9
L&G PMC CT Managed Equity 3	12.7	5.9
L&G PMC UK Index Equity Fund 3	22.0	11.0
L&G PMC World (Ex-UK) Equity Index Fund 3	17.0	11.0

Source: L&G

Note: Given that new contributions were transferred to L&G on the 1 October 2024 and existing members were transferred on 8 January 2025, fund returns over 5 years are indicative and not reflective of actual member experience.

3.3 AVCs

Members with AVCs have access to the fund range available to members of the DC section. For AVCs the net investment returns apply as shown in section 3.1.

4. Member-borne Charges and Transaction Costs

The Trustee must report the level of charges and costs borne by members through their investments during the Fund Year. These comprise:

- Charges – which represent the explicit costs associated with operating and managing a members' account or policy.

- Transaction costs, which are incurred when the fund manager buys and sells assets within investment funds. These are implicit and are reflected in the unit price of funds, or the fund value quoted for With Profits funds.

The Trustee is also required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required following the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has taken account of statutory guidance when compiling the information in this section, which uses a median aged member and the youngest member in the Fund.

Except as stated below, all costs and expenses relating to DC benefits (including advisory costs) are borne by the Trustee and are not passed onto members.

4A.1. Defined Contribution section

Members of the Defined Contribution section pay the following charges:

- An administration charge (Annual Management Charge ("AMC")) which covers the cost of running their policy. This is met by cancelling units each month as shown on members' annual benefit statements and transaction history;

- A Fund Management Charge ("FMC") which covers the cost of managing the fund(s) in which members are invested, including any additional expenses disclosed by the fund manager. This is met by adjusting the unit price of the funds members invest in (so it's not shown separately on members' annual benefit statements or transaction history).

- The Total Expense Ratio ("TER") is the term used to describe the total of all explicit charges members pay. This is made up of the AMC and FMC.

- Members also bear transaction costs.

The table below shows the explicit costs (the AMC and the FMC) and annual and five-year average implicit costs (transaction costs) on funds held through the Defined Contribution section as at 31 March 2026. These have been provided by L&G.

The TER on the default arrangement (the L&G PMC Target Date Funds 3) is 0.19% p.a. which is below the statutory charge cap of 0.75% p.a.

Table 4 Fund name	AMC (% p.a.)	FMC (% p.a.)	Annual transaction cost (%)	Average transaction costs (% p.a.)	Total costs and charges (% p.a.)
L&G PMC Target Date Funds 3 **(the default arrangement)**	0.04	0.15	0.06-0.12	0.04-0.09	0.23-0.28
L&G MT Active Global Equity Fund	0.04	0.68	0.19	0.09	0.81
L&G MT UK Smaller Companies Fund	0.04	0.51	0.15	0.11	0.66
L&G MT Emerging Markets Index Fund	0.04	0.26	0.04	0.04	0.34
L&G MT Global Fossil Fuel Exclusions Equity Index Fund	0.04	0.16	0.00	0.02	0.22
L&G MT Future World Multi-Asset Fund	0.04	0.16	0.05	0.04	0.24
L&G MT Global Developed Equity Index Fund	0.04	0.10	0.00	0.01	0.15
L&G MT Short Dated Bond Index Fund	0.04	0.12	0.00	0.00	0.16
L&G MT Smaller Companies Index Fund	0.04	0.22	0.00	0.03	0.29
L&G PMC AAA-AA-A Corporate Bond - All Stocks - Index Fund 3	0.04	0.12	0.00	0.00	0.16
L&G PMC Cash Fund 3	0.04	0.09	0.04	0.00	0.13
L&G PMC Ethical Global Equity Index Fund 3	0.04	0.30	0.01	0.00	0.34
L&G PMC FW Global Multi-Factor Equity Index Fund	0.04	0.24	0.20	0.10	0.38
L&G PMC Global Diversified Bond – GBP Currency Hedged Fund 3	0.04	0.37	0.27	0.06	0.47
L&G PMC HSBC Islamic Global Equity Index Fund 3	0.04	0.20	0.00	0.00	0.24
L&G PMC Multi-Asset Fund 3	0.04	0.13	0.01	0.02	0.19
L&G PMC Future World Annuity Aware Fund 3	0.04	0.12	0.00	0.00	0.16
L&G PMC Sustainable Property Fund 3	0.04	0.55	0.04	0.00	0.59
L&G PMC CT Managed Equity 3	0.04	0.49	0.46	0.19	0.72
L&G PMC UK Equity Index Fund 3	0.04	0.10	0.00	0.00	0.14
L&G PMC World (Ex-UK) Equity Index Fund 3	0.04	0.12	0.00	0.02	0.18

Note: Given that new contributions were transferred to L&G on the 1st October 2024 and existing members were transferred on 8th January 2025, average transaction costs over the last five years are indicative and not reflective of actual member experience. In relation to the average transaction costs, a floor of 0% p.a. has been used for the transaction costs if these were negative when aggregated so as not to potentially understate the effect of charges on fund values over time. Total costs and charges (p.a.) reflect the AMC, FMC and average transaction costs.

To give an example in monetary terms, a member invested in one of the L&G PMC Target Date Funds 3 with a fund value of £1,000 will pay an AMC of £0.40 a year (paid by cancelling units) plus a FMC of £1.50 a year, paid by adjusting the unit price. The costs of buying and selling assets in the L&G PMC Target Date Funds were between £0.60 and £1.20 per £1,000 over the year to 31 March 2026. The unit price of the L&G PMC Target Date Funds took account of the costs of buying and selling assets in the Fund.

4A.2. AVCs

Members with AVCs have access to the fund range available to members of the DC section. For AVCs the same transaction costs and charges apply as shown in section 4A.1.

4B. Illustrations to show the cumulative effect of costs and charges

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided illustrations to show their cumulative effect on the value of typical Fund members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative example members, and are based on a number of assumptions about the future which are set out at the end of this section.

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 and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Fund they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements. The Fund does not offer members access to flexi-access drawdown therefore this option has not been taken into account in these illustrations.

4B.1. Defined Contribution section

For the Defined Contribution section, the Trustee has decided to illustrate two example members.

In addition to the default investment for the example members, the Trustee has included illustrations showing:

- L&G MT Short Dated Bond Index Fund – lowest assumed growth
- L&G MT Smaller Companies Index Fund – highest assumed growth
- L&G PMC Cash Fund – lowest charges
- L&G MT Active Global Equity Fund – highest charges

The tables illustrate the cumulative effect of the costs and charges after different time periods on members' projected retirement pots for the example member invested in the relevant funds. The projected retirement fund is shown in today's terms and so it already takes account of the effect of inflation between now and retirement.

<u>Youngest active member</u>
Current age is 21 and retirement age is 65. The existing fund value is £1,500 and annual contributions paid are £3,500 (£292 each month increasing by 2.5% each year in line with assumed salary increases).

The Trustee has shown the 2065-2070 TDF (as the default investment for the youngest member).

For the youngest active member, the estimated impact of charges on accumulated fund values is shown in the tables below.

Table 5 Age	L&G PMC 2065 - 2070 Target Date Fund 3			L&G MT Short Dated Bond Index Fund			L&G MT Smaller Companies Index Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
22	£5,113	£5,104	£9	£4,984	£4,979	£5	£5,145	£5,136	£9
24	£12,723	£12,665	£58	£11,899	£11,867	£32	£12,936	£12,874	£62
26	£20,876	£20,720	£156	£18,745	£18,665	£80	£21,443	£21,277	£166
31	£43,888	£43,239	£649	£35,564	£35,270	£294	£46,295	£45,582	£713
36	£71,220	£69,626	£1,594	£51,966	£51,335	£631	£77,266	£75,454	£1,812
41	£103,681	£100,543	£3,138	£67,962	£66,877	£1,085	£115,861	£112,165	£3,696
46	£142,235	£136,769	£5,466	£83,563	£81,912	£1,651	£163,957	£157,283	£6,674
51	£188,024	£179,215	£8,809	£98,777	£96,458	£2,319	£223,894	£212,732	£11,162
56	£242,408	£228,950	£13,458	£113,615	£110,530	£3,085	£298,586	£280,878	£17,708
61	£306,999	£287,224	£19,775	£128,085	£124,144	£3,941	£391,667	£364,628	£27,039
65	£367,297	£340,970	£26,327	£139,403	£134,715	£4,688	£482,377	£445,239	£37,138

Table 6 Age	L&G PMC Cash Fund			L&G MT Active Global Equity Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
22	£4,984	£4,980	£4	£5,113	£5,087	£26
24	£11,899	£11,873	£26	£12,723	£12,553	£170
26	£18,745	£18,680	£65	£20,876	£20,427	£449
31	£35,564	£35,325	£239	£43,888	£42,040	£1,848
36	£51,966	£51,453	£513	£71,220	£66,721	£4,499
41	£67,962	£67,078	£884	£103,681	£94,905	£8,776
46	£83,563	£82,218	£1,345	£142,235	£127,089	£15,146
51	£98,777	£96,887	£1,890	£188,024	£163,841	£24,183
56	£113,615	£111,100	£2,515	£242,408	£205,809	£36,599
61	£128,085	£124,870	£3,215	£306,999	£253,734	£53,265
65	£139,403	£135,578	£3,825	£367,297	£296,927	£70,370

Median active member

Current age is 43 and retirement age is 65. The existing fund value is £82,200 and annual contributions paid are £31,400 (£2,620 each month increasing by 2.5% each year in line with assumed salary increases).

The Trustee has shown the 2045-2050 TDF (as the default investment for the median member).

For the median active member, the estimated impact of charges on accumulated fund values is shown in the tables below.

Table 7 Age	L&G PMC 2040 - 2045 Target Date Fund 3			L&G MT Short Dated Bond Index Fund			L&G MT Smaller Companies Index Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
44	£117,022	£116,758	£264	£113,110	£112,954	£156	£117,998	£117,715	£283
48	£268,931	£266,519	£2,412	£235,214	£233,952	£1,262	£278,039	£275,368	£2,671
53	£490,708	£482,592	£8,116	£384,441	£380,762	£3,679	£522,090	£512,770	£9,320
58	£754,110	£735,890	£18,220	£529,974	£522,791	£7,183	£826,222	£804,533	£21,689
63	£1,066,949	£1,032,824	£34,125	£671,906	£660,194	£11,712	£1,205,226	£1,163,105	£42,121
65	£1,207,950	£1,165,458	£42,492	£727,690	£713,894	£13,796	£1,381,778	£1,328,558	£53,220

Table 8 Age	L&G PMC Cash Fund			L&G MT Active Global Equity Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
44	£113,110	£112,983	£127	£117,022	£116,231	£791
48	£235,214	£234,188	£1,026	£268,931	£261,757	£7,174
53	£384,441	£381,449	£2,992	£490,708	£466,800	£23,908
58	£529,974	£524,129	£5,845	£754,110	£700,945	£53,165
63	£671,906	£662,370	£9,536	£1,066,949	£968,323	£98,626
65	£727,690	£716,456	£11,234	£1,207,950	£1,085,614	£122,336

4B.2. AVCs

For the AVC arrangement, the Trustee has also decided to illustrate two example members. No members are currently paying contributions.

Table 9 Example Member	Current Age	Retirement Age	Current fund value (£)
Youngest member	42	65	8,200
Median member	54	65	24,000

In accordance with the guidance, we have produced illustrations to demonstrate the cumulative effect of the costs and charges for the Target Date Fund, L&G MT Global Developed Index Equity Fund and the L&G MT Smaller Companies Index Fund because these are the funds that represent the default and the self-select funds with the lowest and highest charges respectively.

For the AVC example members, the estimated impact of charges on accumulated fund values is shown in the table below.

Youngest member

Table 10 Age	L&G PMC 2045 - 2050 Target Date Fund 3			L&G MT Global Developed Index Equity Fund			L&G MT Smaller Companies Index Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
43	£8,487	£8,465	£22	£8,487	£8,475	£12	£8,569	£8,545	£24
47	£9,739	£9,613	£126	£9,739	£9,669	£70	£10,219	£10,078	£141
52	£11,567	£11,269	£298	£11,567	£11,400	£167	£12,734	£12,385	£349
57	£13,738	£13,210	£528	£13,738	£13,442	£296	£15,869	£15,221	£648
62	£16,316	£15,486	£830	£16,316	£15,850	£466	£19,776	£18,707	£1,069
65	£18,090	£17,035	£1,055	£18,090	£17,497	£593	£22,568	£21,170	£1,398

Median member

Table 11 Age	L&G PMC 2035 - 2040 Target Date Fund 3			L&G MT Global Developed Index Equity Fund			L&G MT Smaller Companies Index Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
55	£24,648	£24,590	£58	£24,840	£24,804	£36	£25,080	£25,010	£70
57	£25,997	£25,815	£182	£26,609	£26,494	£115	£27,388	£27,161	£227
60	£28,160	£27,768	£392	£29,502	£29,247	£255	£31,254	£30,737	£517
63	£30,503	£29,868	£635	£32,710	£32,285	£425	£35,666	£34,785	£881
65	£32,173	£31,355	£818	£35,039	£34,485	£554	£38,948	£37,776	£1,172

4B.3. Assumptions and Data for Illustrations

All fund values shown are estimates and are not guaranteed.

The projected fund values and the effect of charges on fund values is rounded to the nearest £100.

Fund values shown are in real terms and do not need to be reduced to allow for the effect of inflation. Inflation is assumed to be 2.5% p.a. consistent with the guidance.

For the example active members of the Defined Contribution section, contributions are assumed to continue until retirement and to increase by assumed earnings inflation of 2.5% p.a.

The transaction costs have been averaged over five years in line with statutory guidance to reduce the level of volatility. A floor of 0% p.a. has been used for the transaction costs if these were negative when aggregated so as not to potentially understate the effect of charges on fund values over time.

The projected growth rates and costs and charges used for the illustrations are shown in the table below. These are the same as the growth rates used by the providers for annual benefit statements. We have used a single growth rate for the Target Date Funds, irrespective of the length of time members have to retirement, consistent with L&G's practice for annual benefit statements.

Table 12 **Fund**	**Total costs and charges**[1]	**Growth rate (gross of charges)**
L&G PMC 2065 - 2070 Target Date Fund 3	0.28% p.a.	6.0% p.a.
L&G PMC 2045 - 2050 Target Date Fund 3	0.27% p.a.	6.0% p.a.
L&G PMC 2035 - 2040 Target Date Fund 3	0.24% p.a.	5.2% p.a.
L&G MT Short Dated Bond Index Fund	0.16% p.a.	2.0% p.a.
L&G MT Smaller Companies Index Fund	0.29% p.a.	7.0% p.a.
L&G PMC Cash Fund	0.13% p.a.	2.0% p.a.
L&G MT Active Global Equity Fund	0.81% p.a.	6.0% p.a.
L&G MT Global Developed Index Equity Fund	0.15% p.a.	6.0% p.a.

[1]This is the TER plus the average transaction costs

5. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Fund, transfers between different investments within the Fund and payments from the Fund to and in respect of members/beneficiaries.

5.1. Defined Contribution section

The bulk of the core financial transactions are undertaken on behalf of the Trustee by L&G. The Company is responsible for ensuring that contributions are paid to the Fund promptly. The Pension Fund Office monitors the contributions paid and investigates any anomalies. The Pension Fund Office reports Service Level Agreement ("SLA") performance to the Trustee. The Trustee monitors the allocation of contributions based upon the quarterly administration reports provided by L&G.

The Trustee has an SLA in place with L&G. This details a number of key administration processes to be performed and the target timescale within which each of these processes need to be completed. The SLA covers the accuracy and timeliness of all core financial transactions. Under the current SLA, L&G aims to complete investment of contributions within 24 hours, and all other core financial transactions within 5 working days.

L&G uses automated processes wherever possible, to avoid the need for manual intervention. However, there will always be some manual tasks and L&G has processes in place to ensure these are completed promptly and accurately. L&G have an independent Business Standards Team which carry out the oversight of risk and controls for Operations. This includes:

- Execution of a quality framework;
- Ensuring Operations carry out quality assurance in accordance with the framework; and
- Review of results on a monthly basis and the production of a monthly quality report in conjunction with the Operations management team to identify any actions that are required where quality assurance has not met the benchmark.

L&G processed all of the core financial transactions within the SLA since its appointment.

The Trustee aims to have appropriate internal controls in place to minimise the risk of inaccurate or late payment of core financial transactions. Key processes include:

- As well as processes described above, the Trustee receives quarterly administration reports on compliance with agreed standards and timescales to help it monitor that the SLAs of the Pension Fund Office and L&G are being met; and
- L&G attends at least one Investment Committee meeting a year, and maintains regular communication with the Fund Secretary.

The Trustee is therefore satisfied that over the period since appointment:

- L&G was operating appropriate procedures, checks and controls;
- There have been no material administration errors in relation to processing core financial transactions; and
- L&G was operating within the agreed SLAs the majority of the time. Most core financial transactions have been processed promptly and accurately since appointment, with appropriate steps being taken to improve performance in instances where expectations have not been met.

5.2. AVCs

The AVCs are processed in the same manner as the DC section, noting that no new contributions are payable, and the relevant findings in section 5.1 also apply.

6. Value for Members Assessment

The Administration Regulations require the Trustee to make an assessment of charges and transaction costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is currently no legal definition of "good value" and so the process of determining this for scheme members is a subjective one. The Trustee, with the support of their advisers, undertake an annual value for member assessment review in respect of the Fund Year to assess whether the Fund represents good value for its members. The review is carried out across seven key areas, covering costs and charges, investment, retirement support governance, administration, contributions and education and engagement. The review includes the use of a detailed scoring mechanism. The Trustee has taken account of the relevant guidance and the Pensions Regulator's General Code of Practice when carrying out this assessment. Outcomes are documented with any areas for improvement captured in the Trustees' remit for the year ahead.

The Trustee's assessment for the year ended 31 March 2026 concluded that the charges and transaction costs borne by members of the Defined Contribution section and AVCs represented good value for members, taking account of the benefits of Fund membership.

A summary of the assessment for both the DC section and AVCs benefit is set out below.

6.1. Cost and charges

Members pay the administration and investment costs of their policy in the Defined Contribution section or the AVC arrangement.

Defined Contribution section – The Trustee identified costs and charges as the AMC and FMC, which make up the TER and transaction costs as set out in section 4 of this statement. Although no benchmarking information is available for transaction costs, those reported for the Defined Contribution section over the period appear reasonable when compared with similar funds. L&G typically uses cash flows to manage and minimise transaction costs and most investments in the Defined Contribution section are in the default Target Date Funds, using index-tracking funds which have lower transaction costs than actively managed funds.

The Trustee arranged for AVC members' funds to be transferred to the same arrangement and terms as the Defined Contribution section, enabling members to benefit from lower costs and charges it provides.

6.2. Investment

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.

Defined Contribution section - the Trustee has chosen L&G's range of target date funds as the default arrangement, following advice from its professional advisers and analysis of the membership. A suitable range of alternative investment options on the risk / return spectrum is made available to members, including a Shariah-compliant fund and funds with ethical and environmental, social and governance biases.

The Statement of Investment Principles sets out the aims and objectives of the Defined Contribution section default investment strategy and this is reviewed at least every three years.

The Investment Committee reviews investment performance after investment charges and transaction costs against the benchmarks set by L&G on quarterly basis. The investment performance reviews carried out since the appointment of L&G identified no major concerns in relation to the relevant investment objectives.

The Trustee undertakes a formal review of the investment strategy every three years. The last review was completed on 24 June 2024. As a result of the review the Trustee agreed to appoint L&G as investment and administration provider, replacing the incumbent, Aegon. From 1 October 2024 contributions from active members were paid to L&G and on 8 January 2025 the funds held by Aegon for active and deferred members of the Defined Contribution section were transferred to L&G.

The Trustee has concluded that the processes it has in place to review and monitor investments are suitable.

6.3. Retirement support

The Trustee believes that retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement help members understand and improve retirement outcomes.

The Defined Contribution section allows members to access their funds as an uncrystallised fund pension lump sum (i.e. cash) or to take their entitlement to tax-free cash and use the remainder to buy an annuity. Members also have the opportunity to transfer their DC funds out of the Fund to a suitable arrangement, if they wish to draw income directly from their fund. For members considering taking flexible income the Trustee has signposted the availability of the L&G WorkSave Mastertrust Pension Access.

Members of the Defined Contribution section have access to L&G's Fund-specific website, which includes financial planning education materials and tools to support retirement decision making.

The Fund allows defined benefit section members with AVCs to use their AVCs as the first source of tax-free cash from the Fund rather than having to commute defined benefit pension. The Trustee believes this option is valued highly by members who have made AVCs. Pre-retirement communications clearly set out the options available to members (i.e. standard benefit option, maximum cash option or no cash option).

The Trustee has concluded that the retirement options available to members are appropriate for the Fund's current DC membership and in line with those currently offered by similar schemes.

6.4. Governance

The Trustee believes that having robust processes and structures in place to support effective management of risks and ensure members interests are protected should increase the likelihood of good outcomes for members.

The Trustee has a business plan which is reviewed regularly.

DC issues are included in the Fund's risk register, which is also reviewed regularly, and the Trustee and the Investment Committee take professional advice in respect of actuarial, legal and investment matters (the costs of which are not passed onto members).

The Trustee has a service level agreement ("SLA") in place with the Pension Fund Office and

L&G and receives quarterly reporting on this. The Trustee also has appropriate internal controls in place to minimise the risk of inaccurate or late payment of contributions.

Defined Contribution section - the Trustee has governance processes in place for the Defined Contribution section whereby core financial transactions and other key governance factors are monitored quarterly. The Trustee has an SLA in place with L&G. This covers a number of key administration processes to be performed, including all core financial transactions and the target timescale within which each of these processes needs to be completed. The Pension Fund Office receives quarterly reports from L&G that enable the Pension Fund Office to monitor and report to the Trustee that the SLA is being met, and to investigate any instances where the SLA is not met. L&G also attend regular meetings with the Pension Fund Office to discuss any issues and queries.

The Trustee's DC advisers review the suitability of the Defined Contribution section and L&G as a provider on an annual basis.

The Trustee undertook a review of board effectiveness and its governance and beliefs on 18 September 2024. There was consensus that the Board worked well, with directors from different disciplines contributing different knowledge, experience and perspectives.

The Trustee concluded it has suitable governance processes in place with the right structures in place to support effective management of risks.

6.5. Administration

The Trustee believes that good administration and record keeping play a crucial role in ensuring that the Fund operates efficiently and members receive the retirement benefits due to them.

The Trustee has service level agreements in place with L&G and the Pension Fund Office covering all aspects of administration undertaken and both service providers report performance against these on a quarterly basis. This enables the Trustee to monitor standards of administration on a regular basis and investigate any issues that arise. In the Fund Year, L&G met the SLA for all tasks 99.94% of the time and 98.20% for the tasks covering customer updates and enquiries.

L&G also reports on the time taken to respond to member enquiries and any member complaints received in its quarterly governance reports. L&G received minimal complaints during the period.

Interfaces used to provide data to L&G include automatic validation of key member data. The Trustee monitors the data quality on an ongoing basis, working with L&G to rectify any elements that are considered material.

The Trustee has concluded that the processes it has in place to review and monitor administration are suitable and that members received good standards of administration service over the period.

6.6 Contributions

The Trustee believes that an appropriate contribution structure is a key driver of good member outcomes, supporting members in building adequate retirement savings over time.

Defined Contribution section – Members of the Defined Contribution section participate in a salary sacrifice arrangement, which provides tax-efficient savings for contributions made to the Fund.

The Trustee considers the overall level of contributions available to members to be adequate. The default contribution level is set above the minimum level required for scheme participation, encouraging members to save at a higher rate from outset, offering members the ability to select contribution levels above the default.

The Trustee has concluded that the contribution structure and member engagement with contributions were appropriate.

6.7 Education and engagement

The Trustee believes that effective member communications and delivery of the right support and tools help members understand and have the potential to improve their retirement outcomes.

For the Defined Contribution section, the Trustee predominantly uses L&G's standard suite of communications that the Pension Fund Office reviews before issue to ensure it is suited to the Fund's membership. The Trustee issues separate DB and DC newsletters next year.

The Fund is in line with many other schemes, providing most information to members online. Members of the Defined Contribution section and members who hold AVC funds have online access to their accounts via the L&G websites. The L&G website includes modelling tools and supporting information such as the member guide and investment guide for the Defined Contribution section. Relevant sources of information are also signposted to members. In addition, L&G has an app for members to have additional online access as well as their secure online access website. L&G also provides a helpline to members of the Defined Contribution section.

The Trustee concluded that the Fund's communications available to members were appropriate.

7. Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirements for trustees to have appropriate knowledge and understanding. These requirements are considered in the Pension Regulator's Code of Practice 7.

The comments in this section relate to the Fund as a whole and not solely the DC section.

New Trustee Directors are required to complete a structured induction programme before taking up office, which may include a period of acting as an observer. Completion of the Pensions Regulator's Trustee Toolkit forms part of that induction.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up to date with relevant developments and review their own training needs. The Fund Secretary, with the help of the Trustee's advisers, regularly considers training requirements and arranges for training to be made available to individual

Trustee Directors or to the whole Trustee body as appropriate. Training is recorded in the Trustee Director's training logs. Trustee Directors have access to all Fund governance documents, including the Trust Deed and Rules, and policies through the Fund's online governance site, "Boards". The Trustees can refer to these during Board meetings. In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Fund and, where relevant, deciding individual member cases.

The Trustee has met the requirement for knowledge and understanding through:

- Maintaining an annual programme of bespoke Trustee training, which is delivered at a designated annual training day and within Trustee and sub-committee meetings where appropriate. The items covered by the Trustee at the dedicated training session on 17 June 2025 are set out on the next page.
- Attendance at appropriate external webinars and events.
- Receiving updates (via ad hoc emails and quarterly newsletters) from its advisers about matters relevant to the DC section and Fund as a whole. Representatives from the Trustees' actuaries, legal advisers and investment consultants attend all Trustee board meetings and are on hand to address any queries from the Trustees or explain the detail of potential issues. Additionally, representatives from the Trustees' Actuaries and investment consultants attend all Investment Committee meetings.
- Carrying out periodic effectiveness self-assessment reviews.
- As appropriate, completion of the relevant parts of the Pensions Regulator's Trustee Toolkit.

The Trustee Board contains a diverse range of experience and skills and includes an independent professional trustee. Their combined knowledge and understanding, together with advice and support from their professional advisers enables them to properly exercise their duties as Trustees. When appointing new Trustees any gaps in the skills and experience of the Trustee Board as a whole is taken into consideration as part of the selection process.

During the period covered by this statement, the Trustee Directors' learning activities included the following matters:

Trustee training day			
Name	**Area covered**	**Content type**	**Date**
Asset backed securities / B&M update	DB investment	1 hour Isio presentation and discussion	June 2025
Covenant review and new requirements	DB Funding & Convent	1 hour WTW presentation and discussion	June 2025
Legal / Trust Deed & Rules	Trustee discretions	1 hour OC presentation and discussion	June 2025
DC	Member experience	1 hour L&G presentation and discussion	June 2025
Mortality trends and experience	DB funding	1 hour WTW presentation and discussion	June 2025

Trustee Board meetings			
Name	**Area covered**	**Content type**	**Date**
Member options actuarial factors	Administration / Buy-in	Paper presented at meeting	April 2025
Balance of Powers – Trustee & Company	Trust Deed & Rules	Paper presented at meeting	March 2026
GMP Equalisation & Conversion	Scheme benefits	Paper presented at meeting	March 2026

Taking account of actions taken individually and as a Trustee Board, together with advice available from its professional advisers, the Trustee considers that its Board has the necessary knowledge and understanding to properly exercise its functions as Trustee of the Fund.

7B. Feedback

Members are encouraged to make their views on matters relating to the Fund known to the Trustee. Because of the size, nature and demographic of the Fund's membership, a range of different channels is available to members should they wish to share their views with the Trustee. They may contact the Trustee via the contact details (telephone number, email and postal address) in the annual report and the annual members' newsletter and on the Fund's website. Members may also give feedback when in contact with the Pension Fund Office and they are encouraged to give feedback in the annual members' newsletter. The Trustee keeps under review the level of engagement with members and the opportunities for feedback from members. The presence of a number of member-nominated Trustee Directors on the Trustee Board is also helpful in this regard.

Signed on behalf of the Trustee of the Imperial Tobacco Pension Fund by the Chair of the Trustee

Date: 27 August 2026