



TUI GROUP UK PENSION TRUST
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR TO
30 SEPTEMBER 2024

SCHEME REGISTRATION NUMBER 10014642

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TUI GROUP UK TRUSTEE LIMITED

TRUSTEE DIRECTORS, ADVISORS AND TRUST INFORMATION

DIRECTORS OF TUI GROUP UK Trustee Limited

Nominated by company management

Mr D Lawrence

Mr J Lawrence

PAN Trustees UK LLP (Mr M Roberts) (Chairman) (Independent Trustee)

Mr M Hall

Ms G Cunningham

British Airline Pilots Association (“BALPA”) Nominated

Mr L Nugent

Nominated by members

Mr G Bird (TUI UK Scheme)

Mr C Morris (TAPS Scheme)

Miss K Barry (TUI UK Scheme)

Mr J Winspear (BAL Scheme)

SECRETARY TO THE TRUSTEE & UK PENSIONS MANAGER

Mrs S E McMahon, TUI Group UK Pension Trust, Wigmore House, Wigmore Place, Wigmore Lane, Luton, Bedfordshire, LU2 9TN.

Email: tui_pensions@tui.co.uk.

REGISTERED OFFICE OF THE TRUSTEE

Wigmore House, Wigmore Place, Wigmore Lane, Luton, Bedfordshire, LU2 9TN

PRINCIPAL EMPLOYER

TUI UK Limited, Wigmore House, Wigmore Place, Wigmore Lane, Luton, Bedfordshire, LU2 9TN (“the Company”).
TUI UK Limited is a subsidiary of TUI AG.

PARTICIPATING EMPLOYERS

TUI Airways Limited, Wigmore House, Wigmore Place, Wigmore Lane, Luton, Bedfordshire, LU2 9TN (The BAL Scheme (“BAL”); the TUI UK Scheme (“TUI”) and the TAPS Scheme (“TAPS”))

TUI UK Limited, Wigmore House, Wigmore Place, Wigmore Lane, Luton, Bedfordshire, LU2 9TN (TUI)

TUI UK Retail Limited, Wigmore House, Wigmore Place, Wigmore Lane, Luton, Bedfordshire, LU2 9TN (TUI)

TUI Travel Group Solutions Limited, Wigmore House, Wigmore Place, Wigmore Lane, Luton, Bedfordshire, LU2 9TN (TUI)

TRUSTEE DIRECTORS, ADVISORS AND TRUST INFORMATION – CONTINUED

SCHEME ACTUARY

Aaron Punwani, Lane Clark & Peacock LLP, 95 Wigmore Street, London, W1U 1DQ

INDEPENDENT AUDITOR

RSM UK Audit LLP, 25 Farringdon Street, London, EC4A 4AB

INVESTMENT ADVISOR

Lane Clark & Peacock LLP, 95 Wigmore Street, London, W1U 1DQ

LEGAL ADVISOR

Linklaters LLP, One Silk Street, London, EC2Y 8HQ

COVENANT ADVISOR

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

BANKERS

Lloyds Bank plc, PO Box 1000, BX2 1LB

INVESTMENT MANAGERS

Insight Investment Management (Global) Limited, 160 Queen Victoria Street, London, EC4V 4LA ('Insight')

TUI Travel Common Investment Fund Trustee Limited, Wigmore House, Wigmore Place, Wigmore Lane, Luton, Bedfordshire, LU2 9TN ('CIF')

Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-On-Thames, Oxfordshire, RG9 1HH ('Invesco')

Bain Capital High Income Feeder Limited, John Hancock Tower, 200 Clarendon Street, Boston, MA 02116 ('Bain')

Invesco Real Estate Management Sarl, 37A Avenue JF Kennedy, L-1855, Luxembourg ('Invesco Real Estate')

Octopus AIF Management Limited, International Administration Group (Guernsey) Limited, Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 1WW ('Octopus')

Columbia Threadneedle Investments, c/o BNP Paribas Fund Services Dublin Limited, Trinity Point, 10-11 Leinster Street South, Dublin 2, Ireland ('Threadneedle')

Legal and General Investment Management Limited, 1 Coleman Street, London, EC2R 5AA ('Legal and General')

TRUSTEE DIRECTORS, ADVISORS AND TRUST INFORMATION – CONTINUED

ANNUITY PROVIDER

Legal & General Assurance Society Limited, Legal & General Investment Management, One Coleman Street, London, EC2R 5AA ('L&G')

INVESTMENT PERFORMANCE MEASURER

Northern Trust Corporation, 50 Bank Street, Canary Wharf, London, E14 5NT

GLOBAL CUSTODIAN

Northern Trust, 50 Bank Street, Canary Wharf, London, E14 5NT

ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS

Standard Life Assurance Limited, 30 Lothian Road, Edinburgh, EH1 2DH ('Standard Life')

Wesleyan Assurance Society Limited, Colmore Circus, Birmingham, B4 6AR ('Wesleyan')

The Prudential Assurance Company Limited, AVC Customer Services, Prudential, Craigforth, Stirling, FK9 4UE ("Pru")

DEFINED CONTRIBUTION PROVIDER

Standard Life Assurance Limited, 30 Lothian Road, Edinburgh, EH1 2DH ('Standard Life')

ADMINISTRATOR

Equiniti Paymaster, Sutherland House, Russell Way, Crawley, West Sussex, RH10 1UH ('Equiniti')

ENQUIRIES

Enquiries should be sent to the UK Pensions Manager at the address shown on page 3.

TRUSTEE'S REPORT

The Trustee of the TUI GROUP UK Pension Trust is pleased to present its Annual Report together with the financial statements of the Trust for the year ended 30 September 2024. The Investment Report forms part of this report. A set of non-statutory accounts is also prepared for each of the Schemes forming part of the TUI GROUP UK Pension Trust as stated below. Members may obtain a copy of the non-statutory accounts for the Scheme of which they are a member by contacting the UK Pension Manager at the address on page 3.

INTRODUCTION

The Britannia Airways Limited Superannuation and Life Assurance Scheme was set up with effect from 1 November 1962 by a definitive Trust Deed and Rules dated 18 September 1964.

On 29 September 2015, the name of the Britannia Airways Limited Superannuation and Life Assurance Scheme was changed to the TUI GROUP UK Pension Trust ("**the Trust**").

From 30 September 2015, the Trust included three segregated Schemes which are comprised as follows:

1. The BAL Scheme ("BAL Scheme") is comprised of the assets and liabilities of the Britannia Airways Limited Superannuation and Life Assurance Scheme immediately before 30 September 2015;
2. The TUI UK Scheme ("TUI Scheme") is comprised of the assets and liabilities of the TUI Pension Scheme (UK) which were transferred to the Trust on 1 October 2015; and
3. The TAPS Scheme ("TAPS Scheme") is comprised of the assets and liabilities of the Thomson Airways Pension Scheme which were transferred to the Trust in two parts on 1 October 2015 and 1 January 2016.

All of the Schemes are occupational pension schemes. The BAL and TUI UK Schemes have both defined benefit and defined contribution members whilst the TAPS Scheme has only defined benefit members.

Both the BAL and the TUI UK Schemes have always been contracted in. The TAPS Scheme has been contracted out of the State Second Pension and the State Earnings Related Pension Scheme but ceased to be contracted out with effect from 5 April 2016.

With effect from 31 October 2018, the Trust closed to future accrual and contributions.

The Trustee Board is made up of no more than eleven Trustee Directors as described overleaf and on page 3.

TRUSTEE'S REPORT - CONTINUED

TRUSTEE

The Trustee Directors have appointed professional advisors and other organisations to support them in delivering the Trust's objectives. These individuals and organisations are listed on pages 3, 4 and 5 of this report.

The Board is constituted as follows:

1. The employer appoints and removes up to five Trustee Directors, one of whom must be an Independent Trustee Director.
2. One Trustee Director is to be BALPA appointed, and
3. Four Trustee Directors are to be member nominated. The Trust has 3 constituencies for member Trustee nominations, one for each Scheme. One director is nominated by each of the BAL members and TAPS members. Two directors are nominated by TUI UK members.

The Trustee Directors as at 30 September 2024 can be found on page 3 of this report.

Due to the ongoing work in relation to the TAPS Scheme Buy in, the member nominated Trustee Director of the TAPS scheme has had their appointment extended further to December 2025, when it is expected that the data verification work will be completed.

COMMITTEES

The Trustee has set up various Committees comprising a number of Trustee Directors, each with some delegated authority to make the relevant decisions for each committee on behalf of the full Trustee Board. These Committees meet regularly to support the business plan for the full Trustee Board.

The table below lists out the Committees of the Trust and their membership at the year end:

Investment	Governance	Buy In Transactions
Mr M Roberts (Chair)	Mr M Roberts (Chair)	Mr M Roberts (Chair) (TAPS and BAL)
Mr G Bird	Miss K Barry	Mr C Morris (TAPS only)
Mr J Lawrence	Mr C Morris	Mr J Winspear (BAL only)
Mr J Winspear	Ms G Cunningham	
Mr L Nugent	Mr D Lawrence	

The Trustee Board met 15 times during the year. Decisions are taken by majority.

The Committees make representations to the Trustee board for items where they do not have delegated authority to make decisions.

There were 10 meetings, in total, of the above Committees during the year.

TRUSTEE'S REPORT - CONTINUED

FINANCIAL DEVELOPMENT OF THE TRUST

The financial statements have been prepared and audited in accordance with regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

BAL

At 30 September 2024 total BAL Scheme net assets amounted to £857.9m (2023: £840.4m), an increase of approximately 2.1% (2023: a decrease of 13.6%). The net reductions, due to contributions received being less than benefits paid, were £44.4m, (2023: £45.5m), and the return on investments was positive £61.9m (2023: negative £87.2m).

Normal deficit contributions of £Nil were received in the year (2023: £Nil), in accordance with the Schedules of Contributions dated 27 September 2023 and 24 September 2024 as agreed with the Principal Employer. Further details about the BAL contributions are detailed in Note 5 on pages 53 and 54.

TUI UK

At 30 September 2024 total TUI Scheme net assets amounted to £718.6m (2023: £610.8m), an increase of approximately 17.6% (2023: a decrease of 15.9%). The net additions due to contributions received being greater than benefits paid were £52.8m (2023: £47.8m). The return on investments was positive £54.9m (2023: negative £163.3m).

Normal deficit contributions of £81.6m (2023: £74.9m) were received in the year, in accordance with the Schedule of Contributions dated 11 February 2021 and 24 September 2024 as agreed with the Principal Employer. Further details about the TUI contributions are detailed in Note 5 on pages 53 and 54.

TAPS

At 30 September 2024 total TAPS net assets amounted to £111.9m (2023: £105.7m), an increase of approximately 5.9% (2023: a decrease of 13.1%). The net reductions due to contributions received being less than benefits paid were £5.6m (2023: £5.7m). The return on investments was positive £11.8m (2023: negative £10.1m).

Normal deficit contributions of £Nil (2023: £Nil) were received in the year in accordance with the Schedules of Contributions dated 27 September 2023 and 24 September 2024 as agreed with the Principal Employer. Further details about the TAPS contributions are detailed in Note 5 on pages 53 and 54.

COVENANT REVIEW

A review of the employer covenant of the sponsoring employers and the wider TUI Group is carried out on a regular basis by PwC. This is an assessment of the legal obligations and financial ability of the TUI Group to support the Schemes. The information provided is used by the Trustee Directors in their consideration of the going concern basis of preparation of the financial statements, actuarial valuation of the Schemes, and ongoing monitoring of the strength of support provided by the TUI Group.

PwC has completed a formal review of the covenant as part of the Schemes' actuarial valuation at 30 September 2022 which included a review of: the Schemes' legal access to value in the TUI Group; the TUI Group's Balance sheet and financial risk; the key markets in which the TUI Group operates; the TUI Group's current and future profits; and the cash flows and affordability of Scheme contributions for the TUI Group. The review also focussed on the TUI Group's recovery from COVID-19, liquidity headroom and management's ongoing balance sheet restructuring including the impact of proposed capital increases and debt refinancing.

PwC continues to perform frequent interim covenant monitoring, at a depth and frequency as requested by the Trustee Directors, including regular discussions with TUI Group management, including most recently an annual review in January 2025.

TRUSTEE'S REPORT – CONTINUED

GOING CONCERN

Geopolitical conflicts and political leadership changes in key global economies were the major focus for investors in the year to 30 September 2024. Despite these, the global economy showed resilience, with inflation rates showing signs of stabilisation. Interest rates also showed signs of having peaked with major central banks including the Federal Reserve in the United States, the Bank of England, and the European Central Bank all cutting rates.

Ongoing conflicts, particularly in Eastern Europe and the Middle East, have continued to have profound impacts on global trade and supply chains. The UK and the US saw significant changes in political power with the UK electing its first Labour government for fourteen years and in the US, the Republican Party's Donald Trump becoming President after the Trust Year end. These political changes have set the stage for significant policy shifts and are reshaping the political landscapes in both countries and globally.

Geopolitical tensions continue to present an elevated risk of adverse impacts on global trade and economic stability. The Trustee has monitored performance of the TUI Group and understands that TUI Group management's preservation of liquidity in the business is designed to provide mitigation against anticipated impact of geopolitical tensions and elevated inflation mentioned above. The Trustee has considered the current and plausible impact on TUI's bookings, operations, cost inflation and ability to finance, along with 12 month liquidity headroom forecasts for the Group.

In considering the going concern status of the Trust, the Trustee recognises that it holds a guarantee from TUI AG, and so bases its evaluation on the financial circumstances of TUI Group. As at the date of approval of these financial statements, the impact of the above events is minimal.

In light of this information, at the time of signing these financial statements the Trustee does not believe that there will be a material impact on the ability of the Trust to continue as a going concern for a period of at least 12 months from the date of signing.

GUARANTEE

TUI Travel Limited and TUI AG each provide a guarantee to the Trustee. This guarantees the obligations to fund the liabilities of the Schemes' on both the 'ongoing' funding basis and in the event that the Schemes are wound up at some point in the future. It also provides pre-sale protection in the event that the Participating Employers are to be sold from the TUI Group.

CASH SECURITY AND ESCROW ACCOUNTS

Since 2016, the funding arrangements of the Schemes have been recorded in the Framework Agreement and Funding Agreements dated 30 September 2016 (as amended and restated). These agreements included obligations about the provision of cash security by TUI Group. They also provided for when deficit contributions may be payable to an escrow account rather than to a Scheme (based on the funding level of the Scheme) and, included review mechanics which determined the release of the escrow funds at six-monthly intervals on 31 March and 30 September.

During the year ending on 30 September 2024, in accordance with the 2016 arrangements as amended by agreement between the Trustee and the Company, all regular deficit contributions payable to the BAL Scheme and the TAPS Scheme were paid to the respective escrow accounts for those Schemes. It was also agreed that the contributions should be retained in the accounts and the escrow release dates of 30 September 2023 and 31 March 2024 should be suspended pending completion of the actuarial valuations of the Schemes as at 30 September 2022 (the "2022 Valuations") to mitigate the risk of trapped surplus.

In September 2024, the 2016 agreements were replaced in connection with completion of the 2022 Valuations. A revised Framework Agreement and new Funding Agreements for each of the Schemes were entered into by the Trustee, TUI AG and the Company on 23 September 2024 (the "2024 Agreements"). The new funding arrangements for the Schemes implemented by the 2024 Agreements before 30 September 2024 are summarised as follows:

TRUSTEE'S REPORT – CONTINUED

CASH SECURITY AND ESCROW ACCOUNTS - continued

- The existing escrow accounts for the Schemes in the name of the Company were closed on 23 September 2024 and the charges over these accounts in favour of the Trustee were released.
- By 23 September 2024 two new escrow accounts, namely the TUI UK Funding Escrow Account and the BAL and TAPS De-risking Escrow Account, were opened in the name of a newly incorporated company in TUI Group called TUI Pensions SPV Limited (the "SPV").
- The SPV is a wholly owned subsidiary of the Company that will not undertake any business or activity other than those activities connected to the arrangements set out in the 2024 Agreements. The SPV has granted a charge over each of the new escrow accounts in favour of the Trustee.
- The cash security account in the name of TUI AG was closed on 23 September 2024 and the charge over this account in favour of the Trustee was released.
- The secured value of the cash security (£58m) and the funds held in the existing BAL and TAPS escrow accounts (in total £19.98m) were transferred on 23 September 2024 as follows:
 - £45m was deposited in the new TUI UK Funding Escrow Account;
 - £20m was deposited in the new BAL and TAPS De-risking Escrow Account; and
 - £12.98m was paid as a special contribution to the TUI UK Scheme.
- De-risking escrow is designed to support the BAL and TAPS schemes through to completion of buy-in up to September 2027. UK Funding escrow is designed to support improvement in the TUI UK scheme funding, and from October 2029 through to September 2032, to support a de-risking transaction such as an insurance buy-in.

Further details regarding this are shown in Note 5 on pages 53 and 54.

GMP EQUALISATION

On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that inequalities in scheme benefits arising from Guaranteed Minimum Pensions (GMP) should be removed. On 20 November 2020, the High Court further ruled that transfer payments which failed to take into account the obligation to equalise for GMPs may also require top-up payments to be made. The Trustee is working with the Employer and their respective advisors to assess the adjustments to the TAPS Scheme benefits (if any) required. At this stage the Trustee and Employer have agreed the equalisation methodology to be used and the Trustee is working with its advisers to obtain a reliable estimate of any backdated benefits and related interest that might be payable. Therefore, the cost of any such payments has not been recognised in these financial statements. The cost of any such payments will be recognised once the Trustee is able to obtain a reliable estimate, if material.

PURCHASE OF BULK ANNUITY POLICIES WITH LEGAL AND GENERAL (L&G)

In consultation with TUI Group, the Trustee decided in April 2021, to purchase bulk annuity policies from L&G as investments for the BAL and TAPS Schemes. The policies will provide income to the Schemes relating to the benefits due from the Schemes and are sometimes known as buy-ins.

The buy-in decisions were taken after conducting a full market review and taking into account a number of factors, including the funding level and maturity of the Schemes. For the TAPS Scheme, the most appropriate investment was to purchase a bulk annuity policy which will provide matching income payments in respect of all of the members benefits. For the BAL Scheme, the most appropriate investment was a buy-in policy which covers income payments for around 60% of the pensioner liabilities.

In consultation with TUI Group, in December 2024 the Trustee purchased a further bulk annuity policy from L&G which covers the income payments for all of the remaining BAL liabilities. Further information is available on page 67.

The purchase of the insurance policies from L&G is an important step in reducing risk within the Schemes and increasing the security of members' benefits (as the future payment of these benefits is no longer reliant on the investment performance of the Scheme's assets and continued support of TUI Group). In deciding the benefits to be secured by the policies, the Trustee obtained advice to ensure that they reflect those payable under the Schemes.

This decision by the Trustee does not affect any entitlements under the Schemes (which will remain the same as before). Benefit payments will continue in exactly the same way and on the same date as previously and benefits continue

TRUSTEE’S REPORT – CONTINUED

PURCHASE OF BULK ANNUITY POLICIES WITH LEGAL AND GENERAL (L&G) - continued

to be administered by the Scheme’s administrators, Equiniti, although they may be funded by income payments received from L&G. The Trustee will continue to have ultimate responsibility for the payment of all pensions.

For the TAPS Scheme, a data verification exercise is currently on-going in connection with the Insurance Policy with L&G which may result in additional premium or refund due to/from L&G. The value cannot be reliably measured at the date of this Report and is therefore not included at the balance sheet date.

For the BAL Scheme, a data verification exercise is currently ongoing in connection with the Insurance Policy purchased in December 2024.

REPORT ON TRUST LIABILITIES

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (FRS102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to members on request.

The most recent triennial valuation of the Schemes was carried out as at 30 September 2022. This was completed on 24 September 2024, which was later than the 15 month statutory deadline for completing the valuation. The Pensions Regulator (TPR) was kept informed and confirmed that it did not intend to take any action in relation to the late submission of the 2022 valuation documentation.

The next actuarial valuation of the Trust (to be performed on a sectionalised basis) will be undertaken as at 30 September 2025.

The results of the most recent triennial valuation as at 30 September 2022 valuation were as follows:

Valuation date	BAL		TAPS		TUI	
	30 September 2019	30 September 2022	30 September 2019	30 September 2022	30 September 2019	30 September 2022
Value of technical provisions	£1,420m	£876m	£199m	£118m	£1,477m	£834m
Value of assets available to meet technical provisions	£1,431m	£944m	£222m	£121m	£1,185m	£712m
Value of assets available to meet technical provisions as a percentage of technical provisions	100.8%	107.8%	111.6%	102.5%	80.2%	85.4%

TRUSTEE'S REPORT – CONTINUED

REPORT ON TRUST LIABILITIES - CONTINUED

Funding updates (using the 2022 valuation basis) have been carried out as at 30 September 2023 and 2024, the results of which can be found below:

	BAL*		TAPS*		TUI*	
	30 September 2023	30 September 2024	30 September 2023	30 September 2024	30 September 2023	30 September 2024
Funding update date						
Value of technical provisions	£777m	£797m	£108m	£109m	£718m	£757m
Value of assets available to meet technical provisions	£816m	£831m	£110m	£112m	£596m	£703m
Value of assets available to meet technical provisions as a percentage of technical provisions	105.2%	104.3%	101.9%	102.8%	83.0%	92.9%

*The asset values were unaudited at the time the above update was produced and were, therefore, estimated. Audited asset information is always used for Triennial Valuations.

The Schemes' statutory funding objective is to hold sufficient and appropriate assets to cover their technical provisions. The Trustee took advice from the Scheme Actuary to determine the method and assumptions to use for the valuation with the agreement of the Employers. The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit method. The actual assumptions for the actuarial valuation as at 30 September 2022, and the derivation of the principle assumptions to be used in the calculation of the Technical Provisions can be found in the Statements of Funding Principles, which are available on request.

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

Significant Actuarial Assumptions:

Discount Rate:

For all three Schemes, the discount rate takes account of full yield curves as appropriate to the incidence of the Scheme cashflows.

- BAL: Weighted average return from fixed interest gilts is 3.85% pa. Forward curve is gilts + 0.75% pa to 29 September 2026; gilts + 0.25% pa from 30 September 2026.
- TAPS: Derived using LCP's in-house insurer pricing model, because the technical provisions for TAPS are an estimate of the cost of securing the Scheme members' benefits in full with an insurer via the purchase of immediate and deferred annuities. The model is based on principles that are similar to, albeit simpler than, those adopted by insurers to set their prices. It is calibrated against actual quotations and final transaction prices for other pension schemes. Weighted average discount rate is 4.40% pa.
- TUI UK: Weighted average return from fixed interest gilts is 3.75% pa. Forward curve is gilts + 0.75% pa to 29 September 2029; then sliding linearly to gilts + 0.25% pa from 30 September 2036.

Future Retail Price Inflation (RPI):

For all three Schemes, the RPI assumption takes account of full yield curves as appropriate to the incidence of the Scheme cashflows.

- BAL: Weighted average RPI assumption is 4.00% pa.
- TAPS: Weighted average RPI assumption is 4.00% pa.
- TUI UK: Weighted average RPI assumption is 3.85% pa.

Future Consumer Price Inflation (CPI):

- BAL: The CPI price inflation assumption is equal to the RPI price inflation assumption less 0.9% pa until 2030, and RPI less 0.1% pa from 2030.
- TAPS: The CPI price inflation assumption is equal to the RPI price inflation assumption less 0.8% pa until 2030, and RPI less 0.1% pa from 2030.
- TUI UK: The CPI price inflation assumption is equal to the RPI price inflation assumption less 0.9% pa until 2030, and RPI less 0.1% pa from 2030.

TRUSTEE'S REPORT – CONTINUED

REPORT ON TRUST LIABILITIES - CONTINUED

Pension Increases:

- BAL: Derived using a Black-Scholes model, with assumed volatility of 1.75% pa for RPI inflation and 1.75% pa for CPI inflation.
- TAPS: Set consistently with market-based pricing for the relevant minima and maxima on pension increases.
- TUI UK: Derived using a Black-Scholes model, with assumed volatility of 1.75% pa for RPI inflation and 1.75% pa for CPI inflation.

Mortality:

- BAL: Base table: 79% of S3NA. Mortality projections: From 2013 in line with CMI 2021 projections with a long-term annual rate of improvement of 1.5% pa for males and females, a smoothing factor of 7, an initial mortality improvement parameter (A) of 0.5%, w2020 parameter of 10% and w2021 parameter of 10%.
- TAPS: Base table: 79% of S3NA for pilots and flight deck; 101% (male) / 105% (female) of S3NA for other members. Mortality projections: From 2013 in line with CMI 2021 projections with a long-term annual rate of improvement of 1.5% pa for males and females, a smoothing factor of 7, an initial mortality improvement parameter (A) of 0.5%, w2020 parameter of 10% and w2021 parameter of 10%.
- TUI UK: Base table: 101% / 105% (male / female) of S3NA. Mortality projections: From 2013 in line with CMI 2021 projections with a long-term annual rate of improvement of 1.5% pa for males and females, a smoothing factor of 7, an initial mortality improvement parameter (A) of 0.5%, w2020 parameter of 10% and w2021 parameter of 10%.

In arriving at the assumptions, the Trustee took account of various relevant factors – in particular; the ability of the Employers to support the Trust; the guarantee in place from TUI AG and the terms of the Framework Agreement.

As part of the triennial valuation, although there are no current plans to discontinue the Trust and buy-out liabilities with an insurance company, the Trustee also considers the level of funding relative to the estimated costs of such a buy-out (known as “solvency liabilities”). The results of this review at the last full valuation were as follows:

	BAL	TAPS	TUI
Valuation date	30 September 2022	30 September 2022	30 September 2022
Value of solvency liabilities	£880m	£121m	£943m
Value of assets available to meet solvency liabilities as a percentage of solvency liabilities	103.4%	100.0%	75.5%

SCHEDULES OF CONTRIBUTIONS

In accordance with the Pensions Act 1995, the Trustee must prepare Schedules of Contributions and agree the contents with the employer.

Following the conclusion of the actuarial valuation of the Schemes as at 30 September 2022, new Schedules of Contributions for each of the Schemes were signed on 24 September 2024. The latest Schedules dated 24 September 2024 are appended to this report. The Schedules specify the rates of contributions due to the relevant Scheme for the year.

In the latest Schedules for the BAL Scheme and the TAPS Scheme, it has been agreed that no deficit contributions are payable due to the funding level of these schemes. However, the professional adviser fees and operational expenses of the BAL and TAPS Schemes are to be met out of Scheme assets as they fall due, in respect of fees and expenses incurred from 1 October 2024 unless otherwise agreed with the employers in accordance with the Framework Agreement dated 23 September 2024.

The latest Schedule for the TUI UK Scheme included the special contribution (as defined in the Schedule of Contributions dated 24 September 2024) of £12.98m which was paid by the employer no later than 30 September 2024.

Please see the Summary of Contributions on pages 80 and 81, Note 5 on pages 53 and 54 and the Independent Auditor's Statement about Contributions on page 95 for further information on the payment of contributions in the year.

TRUSTEE'S REPORT – CONTINUED

SCHEDULES OF CONTRIBUTIONS - CONTINUED

Deficit contributions were received as per each Scheme's Schedules of Contributions as follows:

	Normal
BAL:	-
TUI:	£81.6m
TAPS:	-

The deficit contributions received by the TUI UK Scheme after 30 September 2024 are subject to escrow arrangements set out in the Funding Agreement dated 23 September 2024. For further detail on the contributions received and the interaction with the escrow accounts please refer to Note 5 on pages 53 and 54 and the summary of contributions on pages 80 and 81.

RECOVERY PLAN

Based on the 2022 actuarial valuation, a Recovery Plan was agreed with the Principal Employer on 24 September 2024 for the TUI UK Scheme. The Recovery Plan for the TUI UK Scheme is available on request. Recovery Plans for the TAPS and BAL Schemes were not required following the 2022 valuation as both Schemes were overfunded against their Technical Provisions as set out on pages 11 to 13.

TRUSTEE'S REPORT – CONTINUED

TRUSTEE GOVERNANCE AND TRAINING

During the year

1. Each Trustee Director has signed a declaration of eligibility to act as a Trustee Director. The latest declarations were signed in February 2025. All of the Trustee Directors have obtained the Pensions Management Institute (“PMI”) Award in Pension Trusteeship except for Miss Barry, Ms Cunningham and Mr Nugent who are expected to obtain this in 2025.
2. General Trustee training is also provided at regular Trustee meetings and the board also received updates on Trustee Knowledge and Understanding. A log is maintained, by the Secretary to the Trustee, of training received.
3. The Trustee has documented its policy for managing the risks posed by cyber threats and has a robust trustee cyber hygiene policy in place.
4. The Governance Committee has continued to monitor the operational effectiveness of the third party administrators and has put in place an Incident Response Plan to ensure that the Trustee is able to continue to deliver service and pay benefits to members of the Trust.
5. An Annual Return for each of the Schemes was submitted to the Regulator.
6. The Investment Committee met regularly to ensure efficient and effective risk management, consistency across the Schemes, and effective governance of the investments. More details on the CIF can be found on pages 18 and 58, and in the CIF Report & Accounts, attached as an appendix to this report.
7. The Committees and Main Board regularly reviewed and updated the risk register. A full review of the risk register was carried out in connection with moving the register to an online monitoring tool. This work was completed in Q1 2025 and will now enable the Trustee to carry out the new Own Risk Assessment (ORA) in due course.
8. The Investment Committee has been regularly reviewing its investment strategy with the advisors and a revised Statement of Investment Principles (SIP) was adopted in December 2023.
9. The Trustee sent out newsletters to all Trust members in February 2024 and March 2025.
10. No Pension Regulator powers have been exercised in respect of the Trust.
11. Four members have made a complaint through the Internal Dispute Resolution (IDR) process during the year. (See further information on page 17 about IDR).
12. The triennial review of the DC investments took place on 7 December 2022. The Trustee consulted with the company on the results of the work and the Trustee decided that no changes were necessary. The next review is due in December 2025.

TRUSTEE'S REPORT – CONTINUED

MEMBERSHIP

The Trust contains three defined benefit Schemes, and two defined contribution Schemes.

At 30 September 2024, the members within the Trust were as follows:

DEFINED BENEFIT SCHEMES

Scheme	Active Members	Pensioners	Deferred Members	2024 TOTAL	2023 TOTAL
BAL	-	527	293	820	828
TUI	-	2,214	4,291	6,505	6,560
TAPS	-	293	120	413	415
Total	-	3,034	4,704	7,738	7,803

Note: All TAPS members and 304 BAL pensioner members are covered by the Buy-In. Post year end, all BAL members are now covered by the Buy-In.

DEFINED CONTRIBUTION SCHEMES

Scheme	Active Members	Pensioners	Deferred Members	2024 TOTAL	2023 TOTAL
BAL	-	-	218	218	227
TUI	-	-	302	302	304
Total	-	-	520	520	531
Total Membership	-	3,034	5,224	8,258	8,334

TRANSFERS TO OTHER PENSION SCHEMES

Cash equivalents paid during the year, for members of the BAL and TUI UK Schemes, were calculated as recommended by the Actuary and agreed by the Trustee. Each payment was the full cash equivalent of each early leaver's non-discretionary rights.

The Trustee keeps this under review and reserves the right to change its policy of paying full cash equivalents in the light of the Scheme's financial position and actuarial advice.

TAPS cash equivalents were calculated by Legal and General following the buy-in. Each payment was the full cash equivalent of each early leaver's non-discretionary rights. From January 2025 BAL cash equivalents are being calculated by Legal and General, following the buy-in in December 2024.

PENSION INCREASES

Pensions in payment are increased in accordance with the rules for each Scheme. Due to the number of membership categories and the number of differences in the pension increase rates, further details are not disclosed in this report. Scheme specific pension increase information can be found in the non-statutory accounts for each of the Schemes.

Deferred pensions have been increased at least in line with statutory requirements.

TRUSTEE'S REPORT – CONTINUED

EMPLOYER RELATED INVESTMENTS

As at 30 September 2024, there were no funds directly invested in shares in TUI AG, on behalf of the Trust. The Trust's investments comply with the restrictions prescribed by regulations made under section 40 of the Pensions Act 1995.

INTERNAL DISPUTE RESOLUTION (IDR) PROCEDURES

It is a requirement of the Pensions Act 1995 that all Occupational Pension Schemes have an IDR procedure in place for dealing with any disputes between the Trust and the beneficiaries. The Trustee Directors have agreed an IDR procedure, details of which can be obtained by writing to the UK Pensions Manager at the address shown on page 3.

TPAS, PENSION OMBUDSMAN AND THE PENSIONS REGULATOR

If members have a complaint concerning their benefits, they should contact the Trustee by writing to the Secretary at the address shown on page 3.

If a member has a complaint against the Trust that has not been resolved to their satisfaction through the Trust's dispute procedure, TPAS (The Pensions Advisory Service) an independent voluntary organisation may be able to offer advice. The name of the local TPAS advisor can be obtained from any local Citizens Advice Bureau or via email at enquiries@pensionsadvisoryservice.org.uk. If the complaint is not satisfactorily resolved, the government appointed Pensions Ombudsman could investigate complaints of injustice caused by bad administration, by either the Trustee or Trust administrators, or dispute of fact or law.

The Pensions Ombudsman can be contacted at:

10 South Colonnade, Canary Wharf, London, E14 4PU, email: enquiries@pensionsombudsman.org.uk

The Pensions Regulator can intervene if it considers that a Trust's trustee, advisors, or the employer are not carrying out their duties correctly.

The address for The Pensions Regulator is:

125 – 135 Preston Road, Brighton, BN1 6AF

Any enquiries about the Trust or benefits generally should be sent in writing to the UK Pensions Manager as detailed on page 3.

INVESTMENT REPORT

INVESTMENT MANAGEMENT

At the year-end, the Trust's defined benefit investments (excluding Insurance Policy assets) were managed by the CIF, Insight, Invesco, Bain, Invesco UK Residential, Octopus, Threadneedle and Legal and General.

The Trustee has elected to invest in a combination of segregated mandates and pooled funds or via the CIF. The Trustee recognises that the managers do take into account the social, environmental and ethical policies of the companies in which the pooled funds invest, and the Trustee seeks to appoint managers that have appropriate skills and processes to do this. The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate. Each of the managers has provided the Trustee (or their CIF counterpart) with details of its voting policy and practices. More detail can be found in the Implementation Statement on page 23 and in the SIP, which is on page 109.

In line with the recommendations of the Task Force on Climate Change-Related Financial Disclosures (TCFD) recommendations and the Occupational Pension Schemes Climate Change Governance and Report Regulations 2021, the Trustee published its first climate change governance report (covering the year to 30 September 2024) in February 2025. This report can be found at <https://cdn.sanity.io/files/b6xulh2p/production/2502b183ab66c0584bd69087ad12e8db1fe1118b.pdf>.

Day to day responsibility for investment decisions has been delegated to the investment managers. The majority of the Trust's investments as at 30 September 2024 with the investment managers are in pooled funds and the Trustee is not able to influence either asset allocation or stock selection. The exception to this are the Trust's segregated investments managed by Invesco and Insight. Day to day responsibility for investment decisions for the CIF has been delegated to Investment Managers appointed by the CIF Trustee Board.

INVESTMENT REPORT– CONTINUED

INVESTMENT MANAGEMENT – CONTINUED

The Trust held the following investments at 30 September 2024:-

	Market/Fair Value £'000
Defined Benefit Segregated and Pooled Investment Vehicles:	
L&G Insurance Policy	506,400
TUI Travel Common Investment Fund – Secure Income Sub-Fund	178,720
Insight Bespoke LDI Funds	432,156
Insight High Grade ABS Fund	75,082
Insight Liquidity Fund	19,442
Invesco Segregated Buy & Maintain Bond Mandates	5,336
Invesco Buy & Maintain	143,972
Bain Capital High Income Funds	49,097
Threadneedle Property Unit Trust	19,499
L&G LPI Income Property Funds	49,853
Invesco UK Residential Funds	36,254
Octopus Healthcare Fund	18,804
Other Investment Balances	213
Cash	87,946
Cash in Transit	5
	1,622,779
Defined Contribution Pooled Investment Vehicle:	
Standard Life	32,095
Total (excluding AVCs)	1,654,874
AVC Investments	10,174
Total (including AVCs)	1,665,048

The Trust's assets are held in the name of the Trust, except for the CIF assets which are held directly in the name of the CIF. The Trust indirectly owns all of these assets held in the CIF, split proportionately per Scheme based on units held. All assets are independent of the assets of the Principal Employer, TUI UK Limited, and other companies within the TUI Group. The Trustee has instructed LCP to provide quarterly independent assessments and to help it review the investment managers' performance. The CIF Trustee carries out reviews of the investment managers' performance with its advisers.

With the exception of the insurance policies, the Trust uses Northern Trust as the Global Custodian for all the Trust and the CIF's assets.

INVESTMENT PRINCIPLES

The Trustee has produced a Statement of Investment Principles ("SIP") as required by section 35 of the Pensions Act 1995. A copy of the SIP is available on the parent company's website, <https://www.tuigroup.com/en/about-us/markets>, and can also be found on page 109.

INVESTMENT REPORT– CONTINUED

INVESTMENT PRINCIPLES – CONTINUED

The Trustee has a strategy in place which for each Scheme is split into two portfolios: the Growth Portfolio and the Matching Portfolio. The asset allocation is monitored on a quarterly basis and the Trustee considers with its advisers whether it is appropriate to rebalance the assets.

The Trustee, with the help of its advisers and in consultation with the sponsoring employer revised its SIP and SIP Addendum in December 2023 to reflect the following changes in the Defined Benefit and Defined Contribution investment arrangements:

- DWP’s new guidance on Reporting on Stewardship and Other Topics through the SIP and Implementation Statement which expects trustees to take a more active role in relation to monitoring and engaging with investment managers on stewardship.
- Updates to the Defined Benefit strategies and investment mandates, including amendments to reflect:
 - the leverage management and monitoring process in place for the Trust’s Liability Driven Investment (“LDI”) portfolios; and
 - actions taken to re-register five semi-illiquid funds previously held in the CIF.
- In respect of the DC investments, the only change made to the SIP was to add the Trustee’s policy with respect to investment in illiquid assets, as required by legislation.

PERFORMANCE OF THE SCHEMES’ ASSETS

The Schemes were invested in a range of asset classes both individually and collectively through the Common Investment Fund (“CIF”). **Please refer to the CIF report and accounts for the full list of underlying managers.**

The Schemes’ investment returns (after fees) for the one, three and five years to 30 September 2024 are shown below:

	Annual (%)			3 Years (% p.a.)			5 Years (% p.a.)		
	Portfolio	Benchmark	Relative	Portfolio	Benchmark	Relative	Portfolio	Benchmark	Relative
BAL Scheme	7.1	9.7	-2.6	-13.8	-12.9	-0.9	-8.5	-8.1	-0.4
TUI UK Scheme	8.9	10.3	-1.4	-21.3	-19.4	-1.9	-14.2	-12.8	-1.4

Source: Northern Trust. Performance excludes buy-in policies. Note: returns have been provided by Northern Trust.

The TAPS Scheme performance has not been included in the table above given the full redemption of its invested assets in payment for the buy-in policy with LGAS entered into in April 2021.

The Schemes’ performance figures largely reflect the impact of matching portfolio returns. The matching portfolios aim to largely match the impact of changes in yields on the Schemes’ non-insured liabilities, with the net effect aiming to reduce the volatility of the Schemes’ funding levels. Yields fell over the year to 30 September 2024, which had the impact of increasing the size of the Schemes’ non-insured liabilities, and accordingly contributed to positive performance of the Schemes’ assets over the period. Therefore, the Schemes’ funding positions were not substantially impacted due to changes in yields.

The valuations of the buy-in policies held with LGAS in the BAL and TAPS Schemes are carried out with reference to the benefits insured. The valuations of the buy-in policies as at 30 September 2024 have increased compared to the valuations as at 30 September 2023 mainly due to a fall in gilt yields over the period. However, the valuation increases were partially offset by a decrease in future inflation expectations. There is no impact on the benefits insured.

INVESTMENT REPORT– CONTINUED

DB INVESTMENT STRATEGY

The Trustee reviewed the investment strategy over the reporting period. The Trustee revised the Trust SIP and SIP Addendum in December 2023 with the help of its advisers and in consultation with the sponsoring employer.

The Trustee's objective is to invest the assets of the Trust prudently to ensure that the benefits promised to members are provided. The overall aim is to reach and maintain a position where sufficient assets are held to cover all liabilities plus an additional reserve for unforeseen events such as improvements in mortality, and to have a contribution rate which the Principal Employer, TUI UK Limited, can sustain.

More details in relation to the Investment Strategy can be found on page 66.

DC, DC TOP UP AND AVC PROVISIONS

The Scheme is closed to contributions on a DC basis. The DC, DC Top up and AVC Sections are invested on the Standard Life platform. BAL and TUI also have with-profits funds held with Wesleyan and Standard Life. In addition, BAL also has a with-profits fund held with Prudential. AVC policies are also still held with Prudential and Standard Life for TAPS members.

DC INVESTMENT STRATEGY

BAL and TUI UK Schemes

The Trustee has made available various investment options for members. Each member is responsible for choosing one or more funds for the investment of their account, or a lifestyle strategy, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a "lifestyle" strategy (i.e. it automatically combines investments in proportions that vary according to the time to retirement age). The Flexible Income Lifestyle Strategy is the default option for the DC Sections.

The default option is designed based on the demographics of the DC Sections' membership. It targets drawdown at retirement (ie where members re-invest some or all of their assets with a drawdown provider and gradually sell investments down over time for an income), since the Trustee believes that most DC members will wish to take their benefits in this form (noting that members would need to transfer out of the Scheme and to a drawdown provider).

The Flexible Income Lifestyle Strategy is initially invested in assets that have a relatively high expected return aiming for growth. Starting at 15 years to target retirement date the strategy gradually switches into assets that are expected to deliver lower but still positive returns and with less risk (variability of returns as measured by standard deviation), with the asset allocation at retirement being designed to be appropriate for members that intend to opt for income drawdown.

The Lump Sum Lifestyle Strategy is the default option for AVC sections. This lifestyle strategy is invested in the same way as the Flexible Income Lifestyle Strategy until a member is 5 years from retirement. It is therefore initially invested in assets that have a relatively high expected return aiming for growth, and then from 15 years before the target retirement date, the strategy gradually switches into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking a cash lump sum.

The Trustee will review the DC investments at least every three years and as soon as practicable after any significant change in relevant legislation, investment policy, or the demographic profile of relevant members. The Trustee will also monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice. The last triennial review of the DC investments took place on 7 December 2022 and no changes were made.

INVESTMENT REPORT – CONTINUED

BAL and TUI UK Schemes – DC fund performance over periods to 30 September 2024

The table below shows the gross of fees performance (i.e. before the deduction of explicit charges) of the underlying funds accessed through Standard Life as well as the relevant benchmark index return and relative return.

Fund name	1 year			3 years (pa)			5 years (pa)		
	Fund %	Index %	Relative %	Fund %	Index %	Relative %	Fund %	Index %	Relative %
Passive (aim to match index return)									
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	6.3	6.3	-	-12.4	-12.5	0.1	-7.5	-7.6	0.1
SL BlackRock Corporate Bond Index Pension Fund	10.0	9.7	0.3	-2.7	-2.9	0.2	-0.9	-1.1	0.2
SL BlackRock UK Equity Tracker Pension Fund	12.9	13.0	-0.1	7.4	7.3	0.1	5.9	5.8	0.1
SL BlackRock ACS World Multifactor Equity Tracker Pension Fund ¹	17.5	16.9	0.6	8.5	7.9	0.6	9.6	9.0	0.6
Standard Life World Ex UK Equity (BlackRock) Pension Fund ²	17.8	17.5	0.3	6.9	7.1	-0.2	9.5	9.7	-0.2
SL BlackRock North American Equity Tracker Pension Fund	23.2	23.1	0.1	10.3	10.3	-	13.5	13.4	0.1
SL BlackRock Emerging Markets Equity Tracker Pension Fund	16.0	17.4	-1.4	2.1	2.6	-0.5	4.7	5.1	-0.4
SL BlackRock Continental European Equity Tracker Pension Fund	15.0	14.6	0.4	6.3	6.1	0.2	8.0	7.9	0.1
SL Vanguard SRI Global Stock Pension Fund	21.1	20.9	0.2	7.5	7.4	0.1	10.4	10.3	0.1
SL HSBC Islamic Global Equity Index Pension Fund	27.2	27.0	0.2	12.6	12.6	-	15.9	16.0	-0.1
SL BlackRock Pacific ex Japan Equity Tracker Pension Fund	17.9	17.7	0.2	4.3	4.1	0.2	7.6	7.3	0.3
SL BlackRock Japan Equity Tracker Pension Fund	12.0	11.2	0.8	3.4	3.0	0.4	5.7	5.4	0.3
SL Annuity Targeting Pension Fund	9.5	9.1	0.4	-7.6	-7.6	-	-5.2	-5.3	0.1
Active (aim to outperform index return)									
SL BlackRock Market Advantage Fund	13.3	9.0	4.3	0.5	7.0	-6.5	1.6	5.7	-4.1
Standard Life Pension Property Fund	3.7	0.5	3.2	0.4	-1.3	1.7	2.1	-0.6	2.7
SL Deposit and Treasury Pension Fund	5.4	5.3	0.1	3.4	3.3	0.1	2.1	2.1	-

¹The 5 year performance of the Multifactor fund has been shown for indicative purposes. It was added to the self-select range and within all three lifestyles on 12 November 2020.

²BlackRock confirmed this fund has been wrapped by Standard Life using iShares as the underlying funds. As such, gross performance has been sourced from Standard Life.

Source: Underlying manager unless stated otherwise. Performance quoted by Standard Life for these funds may differ due to pricing point timings of their wrapped version.

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

The Trustee of the TUI GROUP UK Pension Trust (the “Trustee” of the “Trust”) is required to produce a yearly Implementation Statement (the “Statement”) to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Trust Year, as well as details of any review of the SIP during the Trust Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review.

This Statement has been produced with the assistance of our investment adviser Lane Clark & Peacock LLP (“LCP”).

The Trust is a sectionalised scheme for three separate schemes called:

- the BAL Scheme (“BAL”)
- the TUI UK Scheme (“TUI UK”)
- the TAPS Scheme (“TAPS”)

Given this segregated structure, in this document BAL, TUI UK and TAPS are referred to as the “Schemes”. The sections of the Schemes which provide benefits determined on a defined benefit (“DB”) basis, are referred to as the “DB Sections”. In addition, BAL and TUI UK also have assets related to the payment of Additional Voluntary Contributions (“AVCs”) and contributions to Defined Contribution (“DC”) sections (the “DC Sections”). TAPS also has assets related to the payment of AVCs.

Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2 to 10 below. The Statement is also required to include a description of the voting behaviour during the Trust Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 11.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s Guidance”) in June 2022.

This Statement is based on and uses the same headings as the Trust’s SIP which was in place during the Trust Year – dated 6 December 2023. This Statement should be read in conjunction with the SIP, which can be found online.

1. Introduction

The SIP was updated during the Trust Year to reflect the following:

- DWP’s new guidance on Reporting on Stewardship and Other Topics through the SIP and Implementation Statement which expects trustees to take a more active role in relation to monitoring and engaging with investment managers on stewardship.
- The Trustee’s policy in relation to investment in illiquid assets within the DC section.
- Updates to the Trust’s strategies and investment mandates where relevant.
- A new SIP format which only contains content required by legislation.

The Trustee has, in its opinion, followed all of the policies in the Trust’s SIP during the Trust Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

No changes were made to the voting and engagement policies in the SIP during the Trust Year. The last time these policies were formally reviewed was December 2023. The Trustee has, in its opinion, followed the Trust’s voting and engagement policies during the Trust Year.

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

2. Investment Objectives

Defined Benefit (“DB”) Sections

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“Our primary objective is to invest the assets of the DB Sections of the Trust prudently to ensure that the benefits promised to members are provided.”</i></p>	<p>We regularly monitor the Schemes’ cashflow requirements. A forward-looking review of liquidity requirements took place in August 2021, by LCP with input from the Schemes’ Administrator. Since then, cashflow needs have been managed using the agreed approach, and all cashflow requirements have been met during the Trust Year. This cashflow policy is periodically reviewed to ensure it remains appropriate.</p> <p>We receive ongoing advice from LCP on the Schemes’ investment strategies and journey plan progress to ensure that they remain appropriate, including ensuring sufficient expected asset returns and sufficient liquidity to meet member benefits.</p>
<p><i>“The overall aim is to reach and maintain a position where sufficient assets are held to cover all liabilities plus an additional reserve for unforeseen events such as improvements in mortality, and to have a contribution rate which the Principal Employer, TUI UK Limited, can sustain.”</i></p>	<p>We receive quarterly performance monitoring reports from LCP that monitor the Schemes’ funding position, and periodical updates from its Actuary.</p> <p>An appropriate contribution rate has been agreed with the TUI Group and is periodically reviewed. This was updated in September 2024 for the Schemes following the latest actuarial valuation results.</p> <p>The DB liabilities of TAPS were insured in full through the purchase of a bulk annuity (“buy-in”) policy with Legal & General (“L&G”) in April 2021, meaning payment of benefit payments for insured members is no longer reliant on the investment performance of the TAPS’ assets and continuing financial support of the TUI Group.</p> <p>As at 30 September 2024, BAL was fully funded on a Technical Provisions basis, noting that a proportion of its pensioner payments were also insured through the purchase of a buy-in policy with L&G in April 2021. The TUI UK Scheme was below full funding on a Technical Provisions basis but has a plan in place to reach full funding on the Technical Provisions basis.</p> <p>Post Trust Year end, the remaining BAL DB liabilities were insured through the purchase of a buy-in policy with L&G in December 2024.</p>

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

2. Investment Objectives - continued

Additional Voluntary Contributions (“AVCs”) & Defined Contribution (“DC”) Sections

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“Our objective for the DC Sections is to provide members with access to:</i></p> <ul style="list-style-type: none"> <i>• an appropriate range of investment options, reflecting the relevant membership profile and the variety of ways that members can draw their benefits in retirement; and</i> <i>• a default investment option that we believe to be reasonable for those members that do not wish to make their own investment decisions.</i> <p><i>For the BAL and TUI UK Schemes, which are both closed to DC contributions, the main default investment option is the Flexible Income Lifestyle Strategy (the “Default”). Our objectives for the Default are as follows:</i></p> <ul style="list-style-type: none"> <i>• Aim for significant long-term real investment growth whilst members are far away from retirement.</i> <i>• Manage down volatility in fund values as members near retirement.</i> <i>• Target an end point portfolio that is appropriate and consistent with members using their accumulated pot to fund their retirement via flexi-access drawdown.”</i> 	<p>As part of the review of the Default (as defined in the SIP) in 2022, we considered the membership demographics and the ways that members may draw their benefits in retirement from the Trust.</p> <p>We concluded that the default has been designed to be in the best interests of the majority of the DC Section members and reflects the membership demographics. Per the Default objectives, it targets an end point portfolio that is appropriate and consistent with members using their accumulated pot to fund their retirement via flexi-access drawdown.</p> <p>We also provide DC and AVC members with access to a range of investment options which we believe are appropriate. We have made available two alternative lifestyle strategies (targeting cash lump sum and annuity purchase outcomes at retirement) and a self-select fund range covering major asset classes.</p> <p>The Default has met its objectives over the Trust year; it has delivered long-term real investment growth for members far away from retirement. It has also managed down volatility in fund values as members near retirement.</p> <p>The performance of the BMAF as well as other investment options available to members, and the default arrangement, are reviewed in the quarterly reports we receive from LCP.</p>
<p><i>The BlackRock Market Advantage Fund (“BMAF”) is a diversified growth fund which invests in a broad range of assets and is considered to be an additional default arrangement for governance purposes.</i></p> <p><i>Our objective for the AVC investment arrangements is to make available a suitable range of options to reasonably meet members’ risk / return objectives.”</i></p>	

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

3. Investment Strategy

Defined Benefit (“DB”) Sections

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“In April 2021, we entered into two bulk annuity policies (also known as buy-ins) in respect of a portion of the BAL Scheme’s pensioner liabilities and all of the TAPS Scheme’s liabilities. These bulk annuity policies will either partially (for the BAL Scheme) or wholly (for the TAPS Scheme) meet the cash flows due from these two Schemes to members.</i></p> <p><i>We consider the non-insured assets of the TUI UK Scheme and the BAL Scheme as two portfolios:</i></p> <ul style="list-style-type: none"> <i>The Growth Portfolio which has the objective of improving the funding position of each Scheme. It comprises a portfolio of credit and debt-based investments, real estate and alternative assets such as insurance-linked securities (with the latter having final redemption proceeds paid back over time).</i> <i>The Matching Portfolio which has the objective of providing investment performance which broadly matches the movements in the value of each Scheme’s non-insured liabilities. It comprises a bespoke Liability Driven Investment (“LDI”) portfolio (predominantly of fixed and index-linked gilts, gilt repurchase agreements, interest rate and inflation swaps) and “buy and maintain” credit exposure. The TUI UK Scheme invests in a segregated buy and maintain credit portfolio, and the BAL Scheme invests in pooled buy and maintain credit funds.</i> 	<p>As at 30 September 2024, the BAL Scheme’s non-insured assets and the TUI UK Scheme’s assets were invested in line with the SIP:</p> <ul style="list-style-type: none"> a Growth Portfolio, comprising units in the TUI GUPT Secure Income Common Investment Fund (“CIF”), which invests in credit and debt-based instruments; and a Matching Portfolio, comprising LDI and buy and maintain credit assets, to hedge the Schemes’ interest rate and inflation liability risks. <p>The BAL and TUI UK Schemes’ matching portfolios are estimated to have had interest rate and inflation exposure characteristics which were broadly similar in nature to the liability benchmarks of each Scheme (non-insured only for the BAL Scheme) that were in effect over the reporting period.</p> <p>As at 30 September 2024, the TAPS Scheme’s non-insured assets were held in a liquidity fund (cash equivalents) and cash, consistent with the policy in the SIP.</p>
<p><i>We will consider additional de-risking of the strategies as funding levels improves.</i></p>	
<p><i>Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Trust’s circumstances. We believe that the Schemes’ strategies meet this objective.”</i></p>	

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

3. Investment Strategy - continued

DC Sections

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“We review the Default and other investment options, including the additional default (BMAF), at least every three years and as soon as practicable after any significant change in legislation, investment policy, or the demographic profile of relevant members.</i></p> <p><i>We review the extent to which the return on investments relating to the default arrangements (after deduction of any charges and transaction costs relating to those investments) is consistent with respective aims and objectives.”</i></p>	<p>We last reviewed the Default and other investment options, including the additional default (BMAF) in December 2022. Reviews are to take place at least every three years and therefore the next review is due near the end of 2025. We consider the circumstances of the DC Sections on an ongoing basis and don’t believe there is any reason for the review to be earlier. Therefore, no review took place during the Trust year.</p> <p>In the 2022 review we did consider the extent to which the return on investment of the Default is consistent with its aims and objectives, and concluded that returns were consistent given the market background. We monitor this matter on a quarterly basis using LCP’s quarterly reports.</p>
<p><i>“We also monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.”</i></p>	<p>We also reviewed retirement data as part of the performance and strategy review of the DC default arrangements, looking at what age members accessed their retirement benefits versus when they said they would. We noted most members took their benefits earlier than their target retirement age. No changes were made to the investments, but we will review this again and consider further actions as part of the strategy review in 2025.</p>

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

4. Considerations in setting the investment arrangements

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>DB Sections: “When deciding how to invest the Trust’s assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.”</i></p> <p><i>“We take an integrated approach when assessing risk and reviewing the investment strategy. In particular we take account of the employer covenant, contributions, funding targets, liability profile (including interest rate and inflation sensitivities and the extent to which they are hedged) and the level of expected return and risk now and as the strategy evolves.”</i></p> <p><i>“The primary ways that we manage investment risk is via diversification, ensuring that we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments...”</i></p> <p><i>DC Sections: “Our policy is to have exposure to DGFs with discretion to invest in illiquid assets and not to have direct exposure to illiquid assets funds within the default arrangements. We believe that long-term net risk-adjusted investment returns of the default may be improved by investing in illiquid assets. However, we note that at this time the ability for DC pension schemes to obtain exposure to illiquid assets is limited and the relatively few suitable illiquid asset funds that are available tend to have higher charges”</i></p>	<p>DB Sections: When we reviewed BAL and TUI UK’s investment strategies during the Trust Year, we considered the investment risks set out in the SIP. We also considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.</p> <p>DC Sections: Return and risk of the default arrangements and performance of the self-select funds were reviewed during the Trust Year as part of quarterly investment reports produced by LCP. When we undertook a performance and strategy review of the DC default arrangement in 2022, we considered the investment risks set out in the SIP. We also considered a range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.</p> <p>The Default includes an allocation to a diversified growth fund (“DGF”), that may invest in illiquid assets. We intend to consider the illiquid assets exposure further with the support of LCP when we next review the DC default strategy.</p>

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5. Implementation of the investment arrangements

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.”</i></p>	<p>DB Sections: During the Trust Year, we appointed Aegon as a new Short Duration Credit manager for TUI UK, having received proper written investment advice from LCP, our investment adviser, confirming the suitability of the mandate. We invested in the Aegon Short Duration Credit mandate shortly after the Trust Year end.</p>
<p><i>“It is our responsibility to ensure that the managers’ investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies.</i></p>	<p>DC Sections: We did not make any changes to the DC Section investments over the Trust Year.</p>
<p><i>We expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.”</i></p>	<p>LCP monitors the investment managers on an ongoing basis, which includes regular research meetings with the managers. LCP monitors any developments at managers and informs us promptly about any significant updates or events they become aware of with regard to the Trust’s investment managers that may affect the managers’ ability to achieve their investment objectives. This includes any significant change to the investment process, approach to responsible investment and stewardship, or key staff changes for any of the funds the Schemes invest in, or any material change in the level of diversification in the fund.</p>
	<p>Where appropriate we invite the Trust’s investment managers to present at Trustee meetings. Over the period, we met with Insight, who provided an update on the investments they manage on behalf of the Trust. We queried Insight on its integration of ESG, and in particular its stewardship priority (climate change), within the management of the Trust’s investments with Insight.</p>
	<p>We were comfortable with all of our investment manager arrangements over the Trust Year.</p>

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

5. Implementation of the investment arrangements – continued

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.”</i></p>	<p>DB Sections: We monitor the performance of the Trust’s investment managers on a quarterly basis, using performance monitoring reports provided by LCP. The report shows the performance of each manager over various periods. Performance is considered in the context of the manager’s benchmark and objectives.</p> <p>DC Sections: The quarterly DC investment reports that we received during the Trust Year show that all the Trust’s managers have produced performance broadly in line with expectations over the long-term given recent market conditions, with the exception of the BMAF. The BMAF was formally reviewed as part of the last triennial strategy review. However, we note that performance has improved over the short term, with the Fund outperforming its target over the 1-year period.</p> <p>For the DC and AVC Sections our advisers carried out a value for members assessment, which confirmed to us that overall members were receiving good value for money. The review covered a range of factors, including the fees payable to managers; the fees were found to be reasonable when compared against schemes with similar sized mandates.</p>

6. Realisation of investments

Policy stated in SIP	Comment on Trustee’s compliance
<p>DB Sections: <i>“we decide, based on the administrators’ recommendation, on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property).”</i></p> <p>DC Sections: <i>our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.”</i></p>	<p>During the Trust Year we received recommendations from Equiniti, the Trust’s administrator, on the amount of cash required for benefit payments and other outgoings. We subsequently informed the investment managers of our liquidity requirements. We hold a portfolio which allocates to both liquid and illiquid assets.</p> <p>We receive income from the underlying assets in the CIF, which is retained in a cash fund managed by the Trust’s custodian, Northern Trust and used to help meet cashflow payments. If there is excess cash we receive advice from our investment adviser on appropriate investments for the excess cash.</p> <p>All of the AVC and DC Section funds which we made available to members during the Trust Year are daily priced.</p>

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7. Financially material considerations and non-financial matters

Policy stated in SIP	Comment on Trustee’s compliance
<p>DB Sections: <i>“We influence the Trust’s approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and review how the managers are taking account of these issues in practice.</i></p> <p><i>We encourage our managers to improve their ESG practices, although acknowledge that we have limited influence over managers’ investment practices where assets are held in pooled funds and that the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors.”</i></p> <p><i>“We do not consider matters that are purely non-financial in nature (eg matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.</i></p> <p>DC Sections: <i>“we recognise that some members may wish for ethical or other non-financial matters to be considered in their investments and therefore has made available a passive ESG global equity index fund and a Shariah compliant global equity fund as investment options to members.”</i></p>	<p>DB Sections: As part of its advice on the selection and ongoing review of the investment managers, LCP incorporates its assessment of the nature and effectiveness of managers’ approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement. As part of setting up a new segregated Short Duration Credit mandate with Aegon for TUI UK, a reference to the Scheme’s climate-related targets was included within the Investment Management Agreement to ensure Aegon considers these as part of managing the portfolio.</p> <p>In September 2024, we reviewed LCP’s responsible investment (RI) scores for the Trust’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager’s approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme, and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2024. We review LCP’s RI scores approximately every two years.</p> <p>We receive ad hoc updates on ESG and Stewardship related issues from our investment adviser.</p> <p>DC Sections: Within the DC Section we recognise that some members may wish for ethical matters or other non-financial matters to be considered in their investments and therefore have made available the Vanguard ESG Developed World All Cap Equity Index Pension Fund and HSBC Islamic Global Equity Index Pension Fund as investment options for members.</p>

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

8. Voting and engagement

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of our members.</i></p> <p><i>We seek to appoint investment managers that have strong stewardship policies and processes, reflecting where relevant the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.</i></p> <p><i>We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders, and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors. We expect the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.</i></p> <p><i>We do not monitor or engage directly with issuers or other holders of debt or equity.</i></p> <p><i>We monitor managers’ activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.</i></p> <p><i>We have selected a priority ESG theme of climate change to provide a focus for our monitoring of investment managers’ voting and engagement activities. We review our ESG priorities regularly and we will update them if appropriate. We communicate our stewardship priorities to our managers each year and also confirm our more general expectations in relation to ESG factors, voting and engagement.</i></p> <p><i>If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.”</i></p>	<p>We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement.</p> <p>We take ownership of the Trust’s stewardship by monitoring and engaging with managers.</p> <p>As part of its advice on the selection and ongoing review of the investment managers, the Trust’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.</p> <p>Following the introduction of DWP’s Guidance, we agreed to set stewardship priorities to focus monitoring and engagement with our investment managers on specific ESG factors. In 2023, we discussed and agreed a stewardship priority for the Trust which was climate change.</p> <p>DB Sections: we undertake a comprehensive review of managers’ voting and engagement practices on a triannual basis. The review carried out as at November 2021 included the investment adviser’s qualitative assessment for each manager and a summary of the managers’ voting and engagement policies. The next review is due to be completed in early 2025.</p> <p>We are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expect most managers will have areas where they could improve. Therefore, we aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.</p>

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9. Investment governance, responsibilities, decision-making and fees

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“It is our policy to assess the performance of the Trust’s investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.”</i></p>	<p>As mentioned in Section 5, we assess the performance of the Schemes’ investments on an ongoing basis as part of the quarterly monitoring reports we receive.</p> <p>We consider the performance of the professional advisers on an ongoing basis. We have put in place formal objectives for our investment adviser and will review the adviser’s performance against these objectives on a regular basis.</p> <p>We carry out periodic reviews of our governance processes with regards to operational due diligence, pricing and dealing, voting and stewardship, and investment manager fees.</p>

10. Policy towards risk

Policy stated in SIP	Comment on Trustee’s compliance
<p><i>“We aim to strike the right balance between risk appetite and risk capacity” ... “There are different types of investment risk that are important to manage, and we monitor these on a regular basis.”</i></p>	<p>Risks are monitored on an ongoing basis with the help of the investment adviser.</p> <p>We maintain a risk register, and this is discussed at quarterly meetings. The risk register incorporates climate risks, as we believe that climate change is a financially material systemic issue that presents risks and opportunities for the Schemes.</p> <p>Our policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of our investment adviser or information provided to us by the Trust’s investment managers.</p>

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10. Policy towards risk – continued

Policy stated in SIP	Comment on Trustee’s compliance
<p>DB Section: <i>“a key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy and is monitored on a regular basis.”</i></p> <p>DC Sections: <i>“as members’ benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the main default strategy. To reduce the chance of a sharp deterioration in members’ benefits close to retirement, we have made the main default strategy a lifestyle strategy.”</i></p>	<p>DB Sections: We regularly review the investment strategy of both the BAL and TUI UK Schemes, considering the expected return for each. The expected return was set at an appropriate level, providing a buffer above the required returns to reach a fully funded position on the respective target liability measures in the long-term.</p> <p>We formally review the Schemes’ funding positions as part of our annual actuarial report to allow for changes in market conditions. On a triennial basis we review the funding position allowing for membership and other experience. We also informally monitor the funding position more regularly – the position is reviewed on a quarterly basis at Trustee meetings and the Trustee Directors also have the ability to monitor this daily on LCP Visualise.</p> <p>DC Sections: With regard to the risk of inadequate returns in the DC section, we make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the Default and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term. We monitor the standard deviation and returns of the default strategy on a quarterly basis.</p>

11. Description of voting behaviour during the year

All of the Trust’s holdings in listed equities are via pooled funds. Therefore, we are not able to direct how votes are exercised, and we have delegated decisions regarding the exercise of voting rights to the pooled fund investment managers. We monitor managers’ voting and engagement behaviour periodically and challenge managers where we believe appropriate.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (“PLSA”) guidance, PLSA Vote Reporting template and DWP’s Guidance, on the Trust’s funds that hold listed equities.

None of the DB Section’s investment managers had voting opportunities over the Trust Year. Therefore, we have only included funds used in the DC / AVC Sections. Taking a pragmatic approach considering materiality, we have only included the funds with equity holdings, where available, that are part of the Default, which are the:

- BlackRock Market Advantage Pension Fund
- BlackRock ACS World Multifactor Equity Tracker Pension Fund
- Standard Life World Ex UK (BlackRock) Pension Fund
- BlackRock UK Equity Tracker Pension Fund
- BlackRock Emerging Markets Equity Tracker Pension Fund

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11.1. Description of the voting process

For assets with voting rights, we rely on the voting policies which its managers have in place, a summary of which is set out in this section. We have not included the voting policies of managers for the DB sections given they held no voting opportunities over the Trust Year.

BlackRock Investment Management (UK) Limited (“BlackRock”)

The BlackRock Investment Stewardship (“BIS”) team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Voting guidelines are market-specific to ensure the team consider a company’s unique circumstances by market, where relevant. The team inform its vote decisions through research and engage as necessary. Its engagement priorities are global in nature and are informed by BlackRock’s observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. The team may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets. The BIS team welcome discussions with clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them.

BlackRock determines which companies to engage directly based on the BIS team’s assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. The voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which the BIS team assess a company’s approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. The BIS team apply its guidelines pragmatically, considering a company’s unique circumstances where relevant. The team informs its vote decisions through research and engage as necessary.

Whilst BlackRock does subscribe to research from the proxy advisory firms, ISS and Glass Lewis, this is just one among many inputs into their voting decision process. BlackRock primarily uses proxy research firms to transform corporate governance information and analysis into a concise, easily reviewable format so that BIS’s analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company’s own reporting (such as the proxy statement and the website), their engagement and voting history with the company, the views of their active investors, public information, and ESG research.

Standard Life

As the Standard Life World Ex UK (BlackRock) Pension Fund invests solely in underlying BlackRock funds for the DC Sections, BlackRock is responsible for the provision of the voting data. As such, the voting process described above for BlackRock is applicable.

11.2. Summary of voting behaviour over the year

A summary of voting behaviour over the Trust Year is provided in the table on the following page. The Trustee is invested in the BlackRock ACS World Multifactor Equity Tracker Fund and have requested the voting data for this fund, however, BlackRock have not provided this information in time to include in this Statement.

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

11.2. Summary of voting behaviour over the year – continued

DC funds	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	BlackRock	Standard Life	BlackRock	BlackRock	BlackRock
Fund name	ACS World Multifactor Equity Tracker Fund	World Ex UK Equity (BlackRock) Pension Fund*	Market Advantage Pension Fund	UK Equity Tracker Pension Fund	Emerging Markets Equity Tracker Pension Fund
Total size of fund at end of the Trust Year	£249.3m	£31.0m	£391.1m	£11,395.0m	£4,332.0m
Value of Trust assets at end of the Trust Year	£9.4m	£9.7m	£11.2m	£2.5m	£3.0m
Number of equity holdings at end of the Trust Year	480	2,273	1,715	13,434	1,886
Number of meetings eligible to vote	401	2,423	2,055	1,072	4,090
Number of resolutions eligible to vote	5,249	29,922	22,145	14,795	31,999
% of resolutions voted	99	94	98	96	98
Of the resolutions on which voted, % voted with management**	78	94	94	96	86
Of the resolutions on which voted, % voted against management**	21	6	5	3	13
Of the resolutions on which voted, % abstained from voting**	0	0	1	1	2
Of the meetings in which the manager voted, % with at least one vote against management	71	30	26	19	44
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0	0	0	0	0

*The Standard Life Fund is made up of 4 underlying BlackRock funds; iShares Pacific ex Japan Equity Index Pension Fund, iShares North American Equity Index Pension Fund, iShares Continental European Equity Index Pension Fund and iShares Japan Equity Index Pension Fund.

** Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

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11.3 Most significant votes

Commentary on the most significant votes over the Trust Year, from the Trust’s asset managers who hold listed equities, is set out on the following page.

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA’s criteria¹ for creating this shortlist.

The Trustee has interpreted most “significant votes” to mean those that align with the Trustee’s stewardship priorities. The Trustee has reported on a maximum of two of these significant votes per fund. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

11.3.1. AVC and DC Sections

BlackRock

BlackRock has deemed a vote significant where:

- The voting relates to governance, strategic and sustainability issues that it considers, based on its Global Principles and Engagement Priorities, material to a company’s sustainable long-term financial performance.
- The issues involved are high-profile and therefore of interest to its clients and other stakeholders, and potentially represent a material risk to the investment.

As the Standard Life Fund invests in four underlying BlackRock funds, the most significant votes are provided by BlackRock and therefore will follow the same criteria.

Fund Name	BlackRock ACS World Multifactor Equity Tracker Fund	
Company name	Westlake Corporation	Amazon.com, Inc.
Date of vote	09 May 2024	22 May 2024
Size of holding as at the date of vote	0.1%	0.6%
Summary of the resolutions	Report on Reducing Plastic Pollution of the Oceans	Report on Efforts to Reduce Plastic Use
Company management recommendation	Against	Against
Fund manager vote	For	For
Rationale for the voting decision	BIS believes that additional disclosure on the company's efforts to manage a possible reduction in the demand for virgin plastics and the associated financial repercussions would allow shareholders to better assess the company's related risk management and strategic planning.	BIS supported this proposal because it believes that shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste.
Was the vote communicated to the company ahead of the vote (if against management)	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/voting-reporting-template-for-pension-scheme-implementation-statement-guidance-for-trustees). Trustees are expected to select “most significant votes” from the long-list of significant votes provided by their investment managers.

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11.3.1. AVC and DC Sections – continued

Criteria for selecting this vote as “most significant”	Climate change is one of the Trustee’s stewardship priorities.	Climate change is one of the Trustee’s stewardship priorities.
Outcome of the vote	Fail	Fail
Implications of the outcome - were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock’s approach to corporate governance and stewardship is explained in its Global Principles. BlackRock’s Global Principles describe its philosophy on stewardship, including how it monitors and engages with companies. These high-level principles are the framework for its more detailed, market-specific voting guidelines. BlackRock does not see engagement as one conversation. It has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitors developments and assess whether the company has addressed its concerns.	

Fund Name	Standard Life World Ex UK Equity (BlackRock) Pension Fund	
Underlying Fund	iShares Pacific ex Japan Equity Index Fund	iShares North American Equity Index Fund
Company name	Qantas Airways Limited	PACCAR Inc
Date of vote	3 November 2023	30 April 2024
Size of holding as at the date of vote	0.1%	0.1%
Summary of the resolutions	Approve Remuneration Report	Report on Climate Lobbying
Company management recommendation	For	Against
Fund manager vote	Against	Against
Rationale for the voting decision	BIS did not support the approval of the remuneration report as it believed the company’s remuneration arrangements are poorly structured and that the company’s remuneration committee discretion has been used poorly.	BIS did not support this shareholder proposal because the company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.
Was the vote communicated to the company ahead of the vote (if against management)	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.	N/A
Criteria for selecting this vote as “most significant”	There were no significant votes that related to the Trustee’s stewardship priority. We have, therefore, chosen votes where the fund manager voted against the company management recommendation.	Climate change is one of the Trustee’s stewardship priorities.
Outcome of the vote	Fail	Fail
Implications of the outcome - were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock’s approach to corporate governance and stewardship is explained in its Global Principles. BlackRock’s Global Principles describe its philosophy on stewardship, including how it monitors and engages with companies. These high-level principles are the framework for its more detailed, market-specific voting guidelines. BlackRock does not see engagement as one conversation. It has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitors developments and assess whether the company has addressed its concerns.	

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11.3.1. AVC and DC Sections – continued

Fund Name	Standard Life World Ex UK Equity (BlackRock) Pension Fund	
Underlying Fund	iShares Continental European Equity Index Fund	iShares Japan Equity Index Fund
Company name	Temenos AG	Toyota Motor Corp.*
Date of vote	7 May 2024	18 June 2024
Size of holding as at the date of vote	0.04%	5.5%
Summary of the resolutions	Approve Remuneration Report	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement
Company management recommendation	For	Against
Fund manager vote	Against	Against
Rationale for the voting decision	BIS did not support the approval of the remuneration report as it believed the company’s remuneration arrangements are poorly structured and that the company’s remuneration committee discretion has been used poorly.	BIS voted against the proposal as it felt that the proposal will not serve shareholder's interest.
Was the vote communicated to the company ahead of the vote (if against management)	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.	N/A
Criteria for selecting this vote as “most significant”	There were no significant votes that related to the Trustee’s stewardship priority. We have, therefore, chosen votes where the fund manager voted against the company management recommendation.	Climate change is one of the Trustee’s stewardship priorities.
Outcome of the vote	Fail	Fail
Implications of the outcome - were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock’s approach to corporate governance and stewardship is explained in its Global Principles. BlackRock’s Global Principles describe its philosophy on stewardship, including how it monitors and engages with companies. These high-level principles are the framework for its more detailed, market-specific voting guidelines. BlackRock does not see engagement as one conversation. It has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitors developments and assess whether the company has addressed its concerns.	

*This vote also applies to the BlackRock Market Advantage Fund.

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

11.3.1. AVC and DC Sections – continued

Fund Name	BlackRock Market Advantage Pension Fund	BlackRock UK Equity Tracker Pension Fund
Company name	Amazon.com, Inc.	Shell Plc
Date of vote	22 May 2024	21 May 2024
Size of holding as at the date of vote	0.4%	7.5%
Summary of the resolutions	Report on Efforts to Reduce Plastic Use	Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement
Company management recommendation	Against	Against
Fund manager vote	Against	Against
Rationale for the voting decision	BIS did not support the proposal as it believes the company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	BIS did not support this proposal as it felt that the request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.
Was the vote communicated to the company ahead of the vote (if against management)	N/A	N/A
Criteria for selecting this vote as “most significant”	Climate change is one of the Trustee’s stewardship priorities.	Climate change is one of the Trustee’s stewardship priorities.
Outcome of the vote	Fail	Fail
Implications of the outcome - were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock’s approach to corporate governance and stewardship is explained in its Global Principles. BlackRock’s Global Principles describe its philosophy on stewardship, including how it monitors and engages with companies. These high-level principles are the framework for its more detailed, market-specific voting guidelines. BlackRock does not see engagement as one conversation. It has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitors developments and assess whether the company has addressed its concerns.	

IMPLEMENTATION STATEMENT, COVERING THE PERIOD FROM 1 OCTOBER 2023 TO 30 SEPTEMBER 2024 (THE “TRUST YEAR”)

11.3.1. AVC and DC Sections – continued

Fund Name	BlackRock Emerging Markets Equity Tracker Pension Fund
Company name	CSPC Pharmaceutical Group Limited
Date of vote	28 May 2024
Size of holding as at the date of vote	0.1%
Summary of the resolutions	Approve Grant of Options Under the Share Option Scheme
Company management recommendation	For
Fund manager vote	Against
Rationale for the voting decision	BIS voted against the proposal as it believes the incentive arrangements do not support the long-term economic interests of shareholders.
Was the vote communicated to the company ahead of the vote (if against management)	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.
Criteria for selecting this vote as “most significant”	There were no significant votes that related to the Trustee’s stewardship priority. We have, therefore, chosen votes where the fund manager voted against the company management recommendation.
Outcome of the vote	Pass
Implications of the outcome - were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock’s approach to corporate governance and stewardship is explained in its Global Principles. BlackRock’s Global Principles describe its philosophy on stewardship, including how it monitors and engages with companies. These high-level principles are the framework for its more detailed, market-specific voting guidelines. BlackRock does not see engagement as one conversation. It has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitors developments and assess whether the company has addressed its concerns.

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Trust during the Trust year and of the amount and disposition at the end of the Trust year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Trust year, and
- contain the information specified in Regulation 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Trust will not be wound up.

The Trustee is also responsible for making available certain other information about the Trust in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising Schedules of Contributions showing the rates of contributions payable towards the Trust by or on behalf of the employer and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received and for adopting risk-based processes to monitor whether contributions are made to the Trust by the employer in accordance with the Schedules of Contributions. Where breaches of the schedules occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the TUI GROUP UK Pension Trust website.



Trustee Director

TUI GROUP UK Pension Trust



Trustee Director

TUI GROUP UK Pension Trust

Date: 08/04/25

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE TUI GROUP UK PENSION TRUST

Opinion

We have audited the financial statements of the TUI Group UK Pension Trust for the year ended 30 September 2024 which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Trust during the year ended 30 September 2024, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE TUI GROUP UK PENSION TRUST - CONTINUED

Other information - continued

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 42, the trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE TUI GROUP UK PENSION TRUST - CONTINUED

The extent to which the audit was considered capable of detecting irregularities, including fraud - continued

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Trust operates in and how the Trust is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trust's trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trust's trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date 08/04/25

TUI GROUP UK PENSION TRUST - FUND ACCOUNT

For the year ended 30 September 2024

	Note	Defined Benefit Section Year to 30 September 2024 £'000	Defined Contribution Section Year to 30 September 2024 £'000	Total Year to 30 September 2024 £'000	Total Year to 30 September 2023 £'000
Contributions and benefits					
Employer contributions	5	81,582	-	81,582	74,887
		<u>81,582</u>	<u>-</u>	<u>81,582</u>	<u>74,887</u>
Benefits paid or payable	6	(74,384)	(16)	(74,400)	(72,923)
Payments to and on account of leavers	7	(3,004)	(1,264)	(4,268)	(4,949)
Administrative expenses	8	1	-	1	(416)
		<u>(77,387)</u>	<u>(1,280)</u>	<u>(78,667)</u>	<u>(78,288)</u>
Net additions/(withdrawals) from dealings with members		<u>4,195</u>	<u>(1,280)</u>	<u>2,915</u>	<u>(3,401)</u>
Returns on investments					
Investment income	9	34,518	-	34,518	30,664
Change in market value of investments	10	90,015	4,447	94,462	(291,095)
Investment management expenses		(379)	-	(379)	(231)
		<u>124,154</u>	<u>4,447</u>	<u>128,601</u>	<u>(260,662)</u>
Net returns on investments		<u>124,154</u>	<u>4,447</u>	<u>128,601</u>	<u>(260,662)</u>
Net increase/(decrease) in the fund during the year		<u>128,349</u>	<u>3,167</u>	<u>131,516</u>	<u>(264,063)</u>
Net assets of the Trust at 1 October		<u>1,527,872</u>	<u>29,077</u>	<u>1,556,949</u>	<u>1,821,012</u>
Net assets of the Trust at 30 September		<u>1,656,221</u>	<u>32,244</u>	<u>1,688,465</u>	<u>1,556,949</u>

The notes on pages 48 to 79 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

As at 30 September 2024

	Note	Defined Benefit Section As At 30 September 2024 £'000	Defined Contribution Section As At 30 September 2024 £'000	Total As At 30 September 2024 £'000	Total As At 30 September 2023 £'000
Investment assets:	10				
Pooled investment vehicles		1,028,215	32,095	1,060,310	1,023,892
Derivatives		-	-	-	2,856
Insurance policies		506,400	-	506,400	496,400
AVC investments		10,174	-	10,174	9,745
Cash deposits		87,946	-	87,946	281
Other investment balances		229	-	229	1,733
Cash in transit		5	-	5	-
		<u>1,632,969</u>	<u>32,095</u>	<u>1,665,064</u>	<u>1,534,907</u>
Investment liabilities:	10				
Derivatives		-	-	-	(2,872)
Other investment balances		(16)	-	(16)	-
		<u>(16)</u>	<u>-</u>	<u>(16)</u>	<u>(2,872)</u>
Total net investments		<u>1,632,953</u>	<u>32,095</u>	<u>1,665,048</u>	<u>1,532,035</u>
Current assets	12	25,914	149	26,063	27,762
Current liabilities	13	(2,646)	-	(2,646)	(2,848)
Net current assets		<u>23,268</u>	<u>149</u>	<u>23,417</u>	<u>24,914</u>
Net assets of the Trust at 30 September		<u><u>1,656,221</u></u>	<u><u>32,244</u></u>	<u><u>1,688,465</u></u>	<u><u>1,556,949</u></u>

The notes on pages 48 to 79 form part of these financial statements.

The financial statements summarise the transactions of the Trust and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Trust year. The actuarial position of the Trust, which takes into account such obligations for the Defined Benefit Section, is dealt with in the Report on Actuarial Liabilities on pages 11 to 13 of the Annual Report and these financial statements should be read in conjunction with this report.

The financial statements were approved by the Trustee on:



 Director..... Director.....

08/04/25
Date.....

08/04/25
Date.....

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2024

1. General information

The TUI GROUP UK Pension Trust (the “Trust”) is an occupational pension scheme established under trust, and comprises three segregated Schemes known as BAL, TUI UK and TAPS.

2. Basis of preparation and going concern

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2018) (SORP).

In considering the going concern status of the Trust, the Trustee recognises that it holds a guarantee from TUI AG, and so bases its evaluation on the financial circumstances of TUI Group. The Trustee has considered the financial circumstances of the group in the light of the current macroeconomic environment and its impact on the performance of the TUI group. In addition, following the signing of the 2022 valuation which included new escrow security arrangements and the completion of the BAL buy-in, the Trustee has included these additional factors into its ongoing covenant assessment.

Detailed consideration of this is included in the Trustee’s Report on pages 8 and 9.

In light of this information and review on pages 8 and 9, at the time of signing these financial statements the Trustee does not believe that there will be a material impact on the ability of the Trust to continue as a going concern for a period of at least 12 months from the date of signing.

Separate non-statutory accounts are prepared for each of the Schemes, and members may obtain a copy of the accounts for the Scheme of which they are a member by contacting the UK Pensions Manager at the address on page 3.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

3. Comparative disclosures for the Fund Account and Statement of Net Assets

Fund Account

	Note	Defined Benefit Section Year to 30 September 2023 £'000	Defined Contribution Section Year to 30 September 2023 £'000	Total Year to 30 September 2023 £'000
Contributions and benefits				
Employer contributions	5	74,887	-	74,887
		<u>74,887</u>	<u>-</u>	<u>74,887</u>
Benefits paid or payable	6	(72,185)	(738)	(72,923)
Payments to and on account of leavers	7	(4,134)	(815)	(4,949)
Administrative expenses	8	(416)	-	(416)
		<u>(76,735)</u>	<u>(1,553)</u>	<u>(78,288)</u>
Net withdrawals from dealings with members		<u>(1,848)</u>	<u>(1,553)</u>	<u>(3,401)</u>
Returns on investments				
Investment income	9	30,664	-	30,664
Change in market value of investments	10	(292,551)	1,456	(291,095)
Investment management expenses		(231)	-	(231)
		<u>(262,118)</u>	<u>1,456</u>	<u>(260,662)</u>
Net returns on investments		<u>(262,118)</u>	<u>1,456</u>	<u>(260,662)</u>
Net decrease in the fund during the year		<u>(263,966)</u>	<u>(97)</u>	<u>(264,063)</u>
Transfers between DB/DC structures		(76)	76	-
Net assets of the Trust at 1 October		<u>1,791,914</u>	<u>29,098</u>	<u>1,821,012</u>
Net assets of the Trust at 30 September		<u><u>1,527,872</u></u>	<u><u>29,077</u></u>	<u><u>1,556,949</u></u>

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

3. Comparative disclosures for the Fund Account and Statement of Net Assets - continued

Statement of Net Assets (available for benefits)

		Defined Benefit Section	Defined Contribution Section	Total
	Note	As At 30 September 2023 £'000	As At 30 September 2023 £'000	As At 30 September 2023 £'000
Investment assets:	10			
Pooled investment vehicles		995,126	28,766	1,023,892
Derivatives		2,856	-	2,856
Insurance policies		496,400	-	496,400
AVC investments		9,745	-	9,745
Cash deposits		281	-	281
Other investment balances		1,733	-	1,733
		1,506,141	28,766	1,534,907
Investment liabilities:	10			
Derivatives		(2,872)	-	(2,872)
Total net investments		1,503,269	28,766	1,532,035
Current assets	12	27,451	311	27,762
Current liabilities	13	(2,848)	-	(2,848)
Net current assets		24,603	311	24,914
Net assets of the Trust at 30 September		1,527,872	29,077	1,556,949

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

4. Accounting policies

The main accounting policies of the Trust are as follows:-

a) Contributions receivable

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedules of Contributions or on receipt if earlier with the agreement of the employer and the Trustee.

b) Investment Income

Income from bonds and securities is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Interest on pooled investment vehicles, securities and interest on monies deposited are accounted for as they accrue.

Income from cash and short term deposits is accounted for on an accruals basis.

Receipts from annuity policies are accounted for as investment income on an accruals basis.

Income arising from the buy-in insurance policies is included in investment income on an accruals basis.

c) Transfers

Individual transfers out of the Scheme are accounted for when the member liability is discharged which is normally with the transfer amount is paid.

No discretionary benefits were included in the calculation of the transfer values.

d) Payments to members

Pensions in payment are accounted for in the period to which they relate.

Benefits are accounted for in the period in which the member notifies the Trustees of their decisions on the type of amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that members benefit receivable from the Trust, this is shown separately within benefits.

e) Administrative expenses and investment management expenses

The employer pays the administrative expenses of the Trust, other than as reported in Note 8. These are accounted for on an accruals basis.

Investment management expenses relating to the Insight and L&G pooled investment vehicles are paid via a cancellation of units (or an addition of units where rebates apply) and these fees are reflected in the fund account. Investment management expenses relating to Bain, Invesco UK Residential, Octopus and Threadneedle pooled investment vehicles are reflected in the net asset value per share and deducted from the fund holdings. Investment management expenses relating to Invesco pooled investment vehicles are invoiced separately or paid from the custody account for the BAL Scheme and TUI UK Scheme respectively.

Investment management expenses in the fund account are disclosed net of rebates.

Where investment management fees are included within the purchase cost by the investment manager, these are not reflected separately in the accounts. Investment management fees relating to the Common Investment Fund ("CIF") are reflected in the unit price. Accordingly, where the expenses are reflected in the unit prices, these fees are reported in the change in market values within that fund.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 30 September 2024

4. Accounting policies - continued

f) Investments

- i. Quoted securities in active markets are usually valued at the current bid prices at the reporting date.
- ii. Accrued interest is excluded from the market value of bonds and is included in accrued income.
- iii. Pooled investments and AVC investments are valued at the closing bid price or as advised by the investment managers.
- iv. Exchange traded futures are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.
- v. Swaps are valued using the current value of future cash flows arising from the swap using discounted cash flow models and market data at the reporting date.
- vi. The CIF is valued at the Net Asset Value at the accounting date. The value of the CIF fund is proportionate to the percentage of units held by each participating Scheme. The ownership is calculated as a percentage of the market value based on the original participation from each Scheme, and thereafter recalculated to take into account further transactions made by any of the participating Schemes.
- vii. Foreign income is translated into sterling at the rate ruling on the date the income is received. Exchange gains and losses arising on investment assets, including cash, are included as part of the change in the market value of investments shown in Note 10.
- viii. The Legal and General buy-in policies are included in these financial statements at the same amount as the related obligation, determined using the most recent Scheme Funding valuation methodology and assumptions as adjusted on recommendation by the Scheme Actuary in light of the 2018 SORP. The buy-in valuation was provided by the Scheme Actuary.

g) Foreign Currencies

The Trust functional and presentation currency is pounds Sterling.

h) Critical Accounting Estimates and Judgements

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Trust, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of Trust investments and, in particular those classified as Level 3 of the fair value hierarchy, specifically the Insurance Policies held. Explanation of the key assumptions underpinning the valuation of investments are included in Note 10.

FRS 102 requires annuity policies to be included at fair value. The Trustee has reviewed its records and concluded that the fair value of policies held, excluding the Buy-In Policy, is not material and has therefore continued the previous policy of reporting annuity policies at nil value. To the extent that annuities are paid via the Trustee they are included within benefits payable and investment income.

The Trustee does not recognise the escrow accounts held in a Special Purpose Vehicle (see Note 5) as the Trustee can only exert control over the assets held under certain circumstances. The arrangement does not therefore represent an asset of the scheme and is considered a contingent asset in line with SORP 3.36.5.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

5. Contributions

	Defined Benefit Section Year to 30 Sep 2024 £'000	Defined Contribution Section Year to 30 Sep 2024 £'000	Total Year to 30 Sep 2024 £'000
Employer contributions			
Deficit funding*	81,582	-	81,582
	81,582	-	81,582
	81,582	-	81,582

	Defined Benefit Section Year to 30 Sep 2023 £'000	Defined Contribution Section Year to 30 Sep 2023 £'000	Total Year to 30 Sep 2023 £'000
Employer contributions			
Deficit funding*	74,887	-	74,887
	74,887	-	74,887
	74,887	-	74,887

*Deficit funding contributions were paid in accordance with the Schedules of Contributions dated 11 February 2021, 27 September 2023 (BAL and TAPS) and 24 September 2024, and are payable on a monthly basis until September 2026. Deficit contributions per Scheme were BAL £Nil (2023: £Nil); TUI £81.6m (2023: £74.9m) and TAPS £Nil (2023: £Nil). The deficit contributions paid during the year to 30 September 2023 include additional contributions received in respect of VAT refunds, not specified by the TUI Schedule of Contributions, of £337k.

Contributions payable under the Schedules of Contributions dated 11 February 2021 (TUI UK only) and 27 September 2023 (BAL and TAPS only)

Since 2016, the funding arrangements of the Schemes have been recorded in the Framework Agreement and Funding Agreements dated 30 September 2016 (as amended and restated). These agreements provided for when deficit contributions may be payable to an escrow account rather than to a Scheme (based on the funding level of the Scheme) and, included review mechanics which determined the release of the escrow funds at six-monthly intervals on 31 March and 30 September.

Over the 12 months' period ending on 30 September 2024, in accordance with the 2016 arrangements as amended by agreement between the Trustee and the Company and based on the funding reviews of the BAL and TAPS Schemes, all regular deficit contributions were paid to the respective escrow accounts for those Schemes. However, based on the funding reviews, no deficit funding contributions have been paid into the TUI UK escrow account during the year (2023: £Nil).

The deficit contributions due during the year under the Schedules of Contributions dated 11 February 2021 (TUI UK) and 27 September 2023 (BAL and TAPS) were paid as follows:

- **BAL Scheme** - a total of £11.9m (2023: £12.3m) were paid into the BAL escrow account and £Nil (2023: £Nil) deficit contributions were paid directly to the Scheme; and
- **TAPS Scheme** - a total of £0.5m (2023: £1.0m) were paid into the TAPS escrow account and £Nil (2023: £Nil) deficit contributions were paid directly to the Scheme.
- **TUI UK Scheme** - all deficit contributions due which was a total of £68.6m (2023: £68.9m), were paid directly to the Scheme.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

5. Contributions - continued

It was also agreed by the Company and the Trustee during the year that all contributions paid into the BAL and TAPS escrow accounts should be retained there and the escrow release dates of 30 September 2023 and 31 March 2024 should be suspended pending completion of the actuarial valuations of the Schemes as at 30 September 2022 (the “2022 Valuations”) to mitigate the risk of trapped surplus. The escrow account balances as at 23 September 2024, when the escrow accounts were closed (see below) were as follows:

- **BAL Scheme escrow** - £18.25m (2023: £6.35m);
- **TAPS Scheme escrow** - £1.73m (2023: £1.23m); and
- **TUI UK Scheme escrow** - £Nil (2023: £Nil).

Contributions payable under the Schedules of Contributions dated 24 September 2024

In September 2024, the 2016 agreements were replaced in connection with completion of the 2022 Valuations. A revised Framework Agreement and new Funding Agreements for each of the Schemes were entered into by the Trustee, TUI AG and the Company on 23 September 2024 (the “2024 Agreements”).

Under the 2024 Agreements, two new escrow accounts, namely the TUI UK Funding Escrow Account and the BAL and TAPS De-risking Escrow Account, were opened in the name of a newly incorporated company in TUI Group called TUI Pensions SPV Limited (the “SPV”). The SPV is a wholly owned subsidiary of the Company that will not undertake any business or activity other than those activities connected to the arrangements set out in the 2024 Agreements.

As part of the above, revised Schedules of Contributions were prepared for the three Schemes, dated 24 September 2024 and, as part of this, a special deficit contribution of £12.98m was paid to the TUI UK Scheme before 30 September 2024. No deficit contributions were due to the BAL or TAPS Schemes, under these revised schedules, in the year to 30 September 2024.

The contribution agreements for the Schemes on and from 1 October 2024 are as follows:

BAL Scheme and TAPS Scheme

- No deficit contributions are payable to the BAL Scheme or TAPS Scheme due to the funding level of the Schemes.
- The professional adviser fees and operational expenses of the BAL and TAPS Schemes will be met out of Scheme assets as they fall due, in respect of fees and expenses incurred from 1 October 2024 unless otherwise agreed with the Employers in accordance with the terms of the Framework Agreement dated 23 September 2024.
- Subject to the terms of the funding agreement, funds will be available from the BAL and TAPS De-risking Escrow Account if needed to facilitate de-risking transactions being entered into by the Trustee or to meet expenses, under set circumstances dictated by the 2024 agreements.
- The account balance for the BAL and TAPS De-risking Escrow Account on 30 September 2024 was £20m.

TUI UK Scheme

- Deficit contributions are payable to the TUI UK Scheme by reference to pre-agreed funding targets recorded in the 2024 Agreement. Scheme expenses are met directly by the Employers.
- Based on the funding review of the TUI UK Scheme as at 30 September 2024, deficit funding contributions from 1 January 2025 to 30 June 2025 will be paid directly to the Scheme. The next funding review is due as at 31 March 2025 and this will determine whether contributions due from 1 July 2025 to 31 December 2025 will need to be paid into the Scheme.
- Once the TUI UK Scheme reaches full funding against pre-agreed funding targets, the regular deficit contributions may be payable to the TUI UK Funding Escrow Account or may no longer be payable at all.
- Subject to the terms of the funding agreement, funds can be made available from the TUI UK Funding Escrow Account if needed to top-up funding levels and/or to facilitate de-risking transactions being entered into by the Trustee, under set circumstances dictated by the 2024 agreements.
- The account balance for the TUI UK Funding Escrow Account on 30 September 2024 was £45m.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

6. Benefits paid or payable

	Defined Benefit Section Year to 30 Sep 2024 £'000	Defined Contribution Section Year to 30 Sep 2024 £'000	Total Year to 30 Sep 2024 £'000
Pensions	68,558	-	68,558
Commutations and lump sum retirement benefits	5,592	16	5,608
Payments in respect of death benefits	184	-	184
Purchase of annuities	50	-	50
	<u>74,384</u>	<u>16</u>	<u>74,400</u>

	Defined Benefit Section Year to 30 Sep 2023 £'000	Defined Contribution Section Year to 30 Sep 2023 £'000	Total Year to 30 Sep 2023 £'000
Pensions	65,501	-	65,501
Commutations and lump sum retirement benefits	6,261	295	6,556
Payments in respect of death benefits	636	-	636
Taxation where lifetime or annual allowance exceeded*	(213)	443	230
	<u>72,185</u>	<u>738</u>	<u>72,923</u>

*Taxation where lifetime or annual allowance exceeded of negative £213k includes transfers between sections of £443k, relating to historical payments.

7. Payments to and on account of leavers

	Defined Benefit Section Year to 30 Sep 2024 £'000	Defined Contribution Section Year to 30 Sep 2024 £'000	Total Year to 30 Sep 2024 £'000
Individual transfers to other schemes	<u>3,004</u>	<u>1,264</u>	<u>4,268</u>

	Defined Benefit Section Year to 30 Sep 2023 £'000	Defined Contribution Section Year to 30 Sep 2023 £'000	Total Year to 30 Sep 2023 £'000
Individual transfers to other schemes	<u>4,134</u>	<u>815</u>	<u>4,949</u>

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

8. Administrative expenses

	Defined Benefit Section Year to 30 Sep 2024 £'000	Defined Contribution Section Year to 30 Sep 2024 £'000	Total Year to 30 Sep 2024 £'000
Administrative expenses	-	-	-
Professional fees*	(3)	-	(3)
Audit fees	-	-	-
Legal fees	-	-	-
Other fees	2	-	2
	<u>(1)</u>	<u>-</u>	<u>(1)</u>

*Professional fees of negative £3k relates to an over-accrual of fees.

	Defined Benefit Section Year to 30 Sep 2023 £'000	Defined Contribution Section Year to 30 Sep 2023 £'000	Total Year to 30 Sep 2023 £'000
Administrative expenses	103	-	103
Professional fees	183	-	183
Audit fees	4	-	4
Legal fees	126	-	126
	<u>416</u>	<u>-</u>	<u>416</u>

Under its Schedule of Contributions dated 14 October 2021, the TAPS Scheme paid its own administration expenses from 1 October 2021 to April 2023.

Under the new Schedule of Contributions dated 24 September 2024, the professional adviser fees and operational expenses of the BAL and TAPS Schemes will be met out of Scheme assets as they fall due, in respect of fees and expenses incurred from 1 October 2024 unless otherwise agreed with the Employers in accordance with the terms of the Framework Agreement dated 23 September 2024.

All costs of the Trust, other than those reflected in the cost of the investments, are borne by TUI UK Limited, except those reported above. These are accounted for on an accruals basis. The investment managers' fees are based primarily on a percentage of the value of the portfolio.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

9. Investment income

	Defined Benefit Section Year to 30 Sep 2024 £'000	Defined Contribution Section Year to 30 Sep 2024 £'000	Total Year to 30 Sep 2024 £'000
Income from insurance policies*	30,352	-	30,352
Income from pooled investment vehicles**	4,166	-	4,166
	34,518	-	34,518

	Defined Benefit Section Year to 30 Sep 2023 £'000	Defined Contribution Section Year to 30 Sep 2023 £'000	Total Year to 30 Sep 2023 £'000
Income from insurance policies*	29,144	-	29,144
Income from pooled investment vehicles**	1,285	-	1,285
Income from bonds	235	-	235
	30,664	-	30,664

*Income from insurance policies relates to income distributed from the Schemes' L&G insurance buy-in policies.

**Income from pooled investment vehicles is in relation to the Insight, Invesco, Octopus, Bain and Threadneedle investments.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments

DEFINED BENEFIT SECTION	Values as at 1 October 2023 £'000	Purchases at cost & derivative payments £'000	Sales proceeds & derivative receipts £'000	Change in market value £'000	Values as at 30 September 2024 £'000
Pooled investment vehicles	995,126	134,718	(180,537)	78,908	1,028,215
Derivatives	(16)	16	-	-	-
Insurance policies	496,400	-	-	10,000	506,400
AVC Investments	9,745	-	(885)	1,314	10,174
	<u>1,501,255</u>	<u>134,734</u>	<u>(181,422)</u>	90,222	1,544,789
Cash	281			(207)	87,946
Cash in transit	-				5
Accrued income	1				229
Pending trades	1,732				-
Other investment balances	-				(16)
	<u>1,503,269</u>			<u>90,015</u>	<u>1,632,953</u>
DEFINED CONTRIBUTION SECTION	Values as at 1 October 2023 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Values as at 30 September 2024 £'000
Pooled investment vehicles (including AVCs)	28,766	-	(1,118)	4,447	32,095

Transaction costs are included in the cost of purchases and sales proceeds. Direct transaction costs include costs charged directly to the Trust such as fees, commissions, transaction costs and other fees. There were no direct transaction costs incurred during the year (2023: £Nil). In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

A breakdown of the CIF can be found in the CIF Annual Report & Accounts, which are appended to this Report and Accounts.

Defined Contribution section money purchase assets are allocated to provide benefits to the individuals on whose behalf the contributions were paid. Accordingly, the assets identified as Defined Contribution assets do not form a common pool of assets available for members generally. Members of the Defined Contribution sections will receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

As disclosed in Note 12, included in the DC cash at Bank balances at 30 September 2024 is £101k (2023: £101k) of current assets which are not allocated to members.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments – continued

Pooled investment vehicles

The holdings of pooled investment vehicles are analysed below:

DEFINED BENEFIT SECTION	Value As At 30 September 2024	Value As At 30 September 2023
	£'000	£'000
LDI funds	432,156	412,205
CIF investment	178,720	279,089
Bonds	242,922	216,856
Property	74,557	77,196
Asset-backed securities	75,082	-
Cash	24,778	9,780
	<u>1,028,215</u>	<u>995,126</u>

DEFINED CONTRIBUTION SECTION	Value As At 30 September 2024	Value As At 30 September 2023
	£'000	£'000
Equities	22,505	20,624
Bonds	1,036	862
Cash	356	339
Absolute return	8,020	6,769
Property	10	55
Annuities	168	117
	<u>32,095</u>	<u>28,766</u>

Sole Investor Disclosure

The BAL and TUI UK Schemes invest in the Insight LDI Active 53 Fund and the Insight LDI Active 76 Fund respectively, of which each Scheme is the sole investor in the corresponding fund. This is shown within the LDI Funds pooled investment vehicle balance in the Defined Benefit Section table above.

A breakdown of the underlying investment classes held within these funds are shown below:

Defined Benefit Section	Value As At 30 September 2024	Value As At 30 September 2023
	£'000	£'000
Bonds	931,090	923,299
Repurchase agreements – net	(502,094)	(506,511)
Derivatives – net	263	(8,436)
Cash	2,897	3,853
Total	<u>432,156</u>	<u>412,205</u>

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

The BAL and TUI UK Schemes are participating Schemes of the CIF. Directly held securities are held on the CIF's behalf by The Northern Trust Company, the global custodian of the CIF.

Overall CIF Investment Assets	Value As At 30 September 2024 £'000	Value As At 30 September 2023 £'000
Bonds – Quoted UK	-	3,982
Bonds – Quoted Overseas	-	1,294
	-	5,276
Pooled Investment Vehicles		
Property – UK	28,621	72,611
Equity – Overseas	-	2,506
Bonds – UK	19,375	26,478
Bonds – Overseas	54,723	64,916
Hedge Funds – Overseas	-	203
Venture Capital – UK	59,526	71,649
	162,245	238,363
Accrued Income	118	199
Cash & Cash Equivalents – UK	10,365	14,884
Cash & Cash Equivalents – Overseas	5,992	20,367
TOTAL CIF INVESTMENT	178,720	279,089

Ownership of the CIF split by Scheme is identified below:

TUI GROUP UK Pension Trust – Scheme	Secure Income Sub Fund Share %
BAL	48.25
TUI	51.75
Total	100.00

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Trust. In many global bond markets, the use of derivatives enables an efficient and low cost approach to manage risk exposures (hedging) and to generate returns. Summarised details of the derivatives held at the year-end are set out below:

	Value As At		Value As At	
	30 September 2024		30 September 2023	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Swaps	-	-	2,856	(2,872)
	-	-	2,856	(2,872)

Swaps – over the counter (OTC)

	Notional amounts	Expires	Asset	Liability
	£'000		£'000	£'000
Value as at 30 September 2024			-	-
Value as at 30 September 2023			2,856	(2,872)

At the end of the year the Scheme held collateral of £Nil (2023: £271k) and pledged collateral of £Nil (2023: £230k) in respect of swaps.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments – continued

Insurance policies

The Scheme held insurance policies at the year-end as follows:

	Value As At 30 September 2024 £'000	Value As At 30 September 2023 £'000
Legal & General buy-in policies	506,400	496,400

BAL

The Scheme holds a buy-in policy with L&G which was entered into on 28 April 2021. This policy is an asset of the Trustee. The valuation of this policy as at 30 September 2024 was £399.9m (2023: £395.8m) and was carried out by the Scheme Actuary based on the verified membership data as at 30 September 2022 (being the effective date of the last triennial actuarial valuation), rolled forward in an approximate manner to 30 September 2024 allowing for changes in financial assumptions, interest on the liabilities, net payments out of the Scheme and increases to pensions in payment and revaluation of deferred benefits since 30 September 2022.

Principal Actuarial Assumption As At 30 September 2024*

Return from fixed interest gilts	4.4% pa
Discount Rate	Gilts + 0.25% pa
Inflation (RPI)	3.4% pa
Inflation (CPI)	RPI less 0.9% pa (pre-2030) / RPI less 0.10% pa (post-2030)
Pension increase	In line with RPI/CPI adjusted to allow for the maximum / minimum increases applicable
Mortality base table	79% of S3NA
Mortality improvements	CMI 2021 projections, projected from 2013 with a long-term annual rate of improvement of 1.5% pa for males and females; smoothing parameter of 7; initial adjustment parameter (A) of 0.5; and weightings of 10% for both 2020 and 2021 mortality data
Proportion married	A data-driven approach where marital data is available (using marital data collected in 2020, treating financial dependants as married), otherwise 90% at retirement
Age difference of dependants	A data-driven approach where marital data is available (using marital data collected in 2020, treating financial dependants as married), allowing for a young spouse reduction factor where required under the Rules.
Allowance for commutation	Otherwise: for current pensioners wives are assumed to be six years younger; for others, wives are assumed to be three years younger
	Not applicable

**Yields shown here are weighted averages. In practice, the assumptions take account of full yield curves as appropriate to the incidence of the Scheme cashflows.*

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments – continued

Insurance policies – continued

TAPS

The Scheme holds a Buy-In policy with L&G which was entered into on 28 April 2021. This policy is an asset of the Trustee. The valuation of this policy as at 30 September 2024 was £106.5m (2023: £100.6m) and was carried out by the Scheme Actuary using data underlying the buy-in policy, adjusted to 28 April 2021 (being the risk transfer date of the buy-in policy). The underlying data has an effective date of 11 September 2020 and has been adjusted to allow for experience data up to 28 April 2021. The valuation is based on a full valuation at 28 April 2021, rolled forward in an approximate manner to 30 September 2024 allowing for changes in financial assumptions, interest on the liabilities, net payments out of the Scheme and increases to pensions in payment and revaluation of deferred benefits since 28 April 2021.

A data verification exercise is currently on-going in connection with the Insurance Policy with L&G which may result in additional premium or refund due to/from L&G. The value cannot be reliably measured at the date of this Report and is therefore not included at the balance sheet date.

Principal Actuarial Assumption As At 30 September 2024*

Return from fixed interest gilts	n/a
Discount Rate	4.7% pa
Inflation (RPI)	3.3% pa
Inflation (CPI)	RPI less 0.8% pa (pre-2030) / RPI less 0.10% pa (post-2030)
Pension increase	In line with RPI/CPI adjusted to allow for the maximum / minimum increases applicable
Mortality base table	Pilots and flight deck: 79% of S3NA All other members: 101% (males) / 105% (females) of S3NA
Mortality improvements	CMI 2021 projections, projected from 2013 with a long-term annual rate of improvement of 1.5% pa for males and females; smoothing parameter of 7; initial adjustment parameter (A) of 0.5; and weightings of 10% for both 2020 and 2021 mortality data
Proportion married	A data-driven approach where marital data is available (using marital data collected in 2020, treating financial dependants as married), otherwise 85% at retirement (or earlier death for non-pensioners)
Age difference of dependants	A data-driven approach where marital data is available (using marital data collected in 2020, treating financial dependants as married), allowing for a young spouse reduction factor where required under the Rules.
Allowance for commutation	Otherwise: for current pensioners wives are assumed to be six years younger; for others, wives are assumed to be three years younger. None

**Yields shown here are weighted averages. In practice, the assumptions take account of full yield curves as appropriate to the incidence of the Scheme cashflows.*

AVC investments

AVC assets within the defined benefit section are held separately from the main fund in the form of managed and With Profits funds with a number of providers securing additional benefits on a money purchase basis for those members with AVC contributions and additional company contributions (Bonus waivers). For BAL and TUI, AVC and additional employer contributions (bonus waiver) in respect of individual members are invested with Prudential, Standard Life and Wesleyan. In TAPS, AVCs are invested with Prudential and Standard Life.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

AVC investments – continued

Of the AVC providers included in the valuation above, one (Prudential) is not coterminous with the period end and is valued at £23k (2023: £22k). The aggregate amounts of AVC investments are as follows:

	Value As At 30 September 2024	Value As At 30 September 2023
	£'000	£'000
Standard Life Defined Contribution Top Up (DCTU) fund*	1,552	1,395
Standard Life unit linked fund	8,044	7,715
Standard Life with profits fund	237	275
Wesleyan with profits fund	235	263
Prudential unit linked fund	71	63
Prudential with profits fund	35	34
Total AVC Funds	10,174	9,745

*DC Top up assets are shown as part of the Defined Benefit pooled AVC investment vehicles, in a separate fund. This is only relevant to the TUI UK Scheme.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Defined Benefit

Types of risk relating to investments

FRS 102 recommends that pension schemes disclose, for significant risk exposures, the value of investment assets and liabilities subject to the following risks:

- Credit Risk, and
- Market risk, split as follows:
 - Interest rate and inflation risk
 - Currency risk
 - Other price risk

Further detail on each risk area has been provided below:

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate and inflation risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates or expected inflation rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

These investment risks, including credit risk and market risk are managed within agreed risk limits which are set considering the Trust's strategic investment objectives. These investment objectives and risk limits are implemented through investment management agreements in place with the Trust's investment managers and, for BAL and TAPS Schemes, through an insurance contract in relation to the bulk annuity contract with Legal and General. The Trustee monitors the investment portfolio at regular intervals.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Trust has exposure to these risks through its investments described in the investment strategy set out below.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Defined Benefit - continued

Investment strategy

The Trustee's objective is to invest the assets of the Trust prudently to ensure that the benefits promised to members are provided. The overall aim is to reach and maintain a position where sufficient assets are held to cover all liabilities plus an additional reserve for unforeseen events such as improvements in mortality, and to have a contribution rate which the Sponsoring Company can sustain.

The Trustee may review and adjust the long-term investment strategy from time to time, after consultation with the Sponsor. Factors that the Trustee will consider include: the funding level of the Trust, the Trustee's tolerance to risk, and the Trustee's assessment of the Sponsor's covenant to the Trust.

In April 2021, the Trustee entered into two bulk annuity policies (also known as buy-ins) in respect of a portion of the BAL Scheme's pensioner liabilities and all of the TAPS Scheme's liabilities. The investment strategy as at 30 September 2024 was that these bulk annuity policies will either partially (for the BAL Scheme) or wholly (for the TAPS Scheme) meet the cash flows due from these two Schemes to members. As at 30 September 2024, the Trustee considered the non-insured assets of the BAL Scheme and the TUI UK Scheme as two portfolios:

The **Growth Portfolio** which has the objective of improving the funding position of each Scheme. It comprises primarily of a portfolio of credit, debt-based investments and real estate. The Trustee has made the decision, for BAL and TUI UK, to invest in the Secure Income Sub-fund of the CIF as part of their "Growth" portfolio. The CIF Secure Income Sub-fund consists of a range of investment managers with the aim that the various underlying funds will be actively managed and suitably diversified by manager, region, and style.

As the closed-ended (illiquid credit) funds that the CIF invests in continue to pay out distributions and return investor capital over time, the market value of assets within the CIF is expected to naturally decrease and resulting composition of the CIF is expected to change, as each of the Participating Schemes invest cashflows received outside of the CIF.

The **Matching Portfolio** which has the objective of providing investment performance which broadly follows the movements in the value of each Scheme's non-insured liabilities. It comprises a bespoke Liability Driven Investment ("LDI") portfolio (predominantly of fixed and index-linked gilts, gilt repurchase agreements, interest rate and inflation swaps) and buy and maintain credit exposure (for the BAL Scheme only as at the Scheme Year end) which when combined have interest rate and inflation exposure characteristics which are broadly similar in nature to the liabilities of each Scheme over the long term.

The Trustee considers additional de-risking of the strategies as the funding levels improve.

As at 30 September 2024, there were six investment managers for the DB Schemes of the Trust, in addition to investments in the CIF, which the BAL and TUI UK Schemes invest in. The investment managers are Insight Investment Management Limited ("Insight"), Invesco Asset Management Limited ("Invesco"), Invesco Real Estate Management ("Invesco Real Estate"), Legal & General Investment Management ("LGIM"), Bain Capital ("Bain"), Columbia Threadneedle Investments ("CTI"), Octopus Real Estate ("Octopus").

The strategy in place as at 30 September 2024 for the TAPS Scheme was to hold a bulk annuity policy with Legal & General Assurance Society Limited in respect of all the TAPS Scheme's deferred and pensioner liabilities and to hold residual cash for day-to-day Scheme cashflow requirements in Insight's Sterling Liquidity Plus Fund.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Investment strategy – continued

As at 30 September 2024, for the BAL and TUI UK Schemes' non-insured assets, there was no formal rebalancing policy between the growth and matching portfolios. The Trustee monitors the Schemes' asset allocations and considers with their advisers whether it is appropriate to rebalance the Schemes' assets.

Following the reporting period, in October 2024, the TUI UK Scheme invested consolidated cash in a new allocation to short dated credit, managed by Aegon within a segregated portfolio. The allocation was agreed during the reporting period but was not implemented until October 2024, which meant a material cash and cash equivalents allocation was held as at 30 September 2024.

In November 2024, as part of consolidating the BAL Scheme's liquid assets ahead of the buy-in transaction (see below), its proportional holding of the Insight High Grade ABS Fund held within the CIF was sold. The TUI UK Scheme's proportional holding of this fund was transferred to be held directly by the TUI UK Scheme.

In December 2024, the BAL Scheme entered into a buy-in policy with respect of the Scheme's remaining uninsured defined benefit liabilities, following a partial buy-in policy entered into in April 2021; both of which were completed with Legal & General Assurance Society Limited. As a part of the December 2024 transaction, the BAL Scheme also entered into a deferred premium policy – with an agreement to pay back £29m over a period of up to 2 years. Collectively, these policies will wholly meet the Scheme's benefit payments to its members as they fall due.

To secure the December 2024 buy-in, the BAL Scheme transferred the majority of its invested assets to Legal & General Assurance Society Limited, which had been consolidated with Insight as a portfolio of gilts and cash prior to the transaction. The BAL Scheme's remaining invested assets are held in cash and cash equivalents, UK residential property and CIF holdings. The CIF holdings are expected to run-off over the next few years as underlying managers release cash from illiquid assets and will be used to pay down the deferred premium.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Defined Benefit - continued

Investment risks

	Credit risk	Market risk		
		Currency	Interest rate	Other price
TUI Travel Common Investment Fund – Secure Income	✓	✓	✓	✓
Bain Capital High Income Fund	✓	✓	✓	✓
Invesco Real Estate UK Residential Fund	✓	-	✓	✓
Octopus Healthcare Fund	✓	-	✓	✓
Threadneedle Property Unit Trust	✓	-	✓	✓
LGIM LPI Income Property Fund	✓	-	✓	✓
Insight Bespoke LDI Funds	✓	-	✓	✓
Invesco Global Buy and Maintain Credit Funds 2020-2035 and 2030-50	✓	✓	✓	✓
Invesco Segregated Buy and Maintain Bond Mandate*	-	-	-	-
Insight Liquidity Plus Fund	✓	✓	✓	✓
Insight High Grade ABS Fund	✓	✓	✓	✓
Cash	-	-	-	-
Legal and General Bulk Annuity Policy	✓	-	-	-

*The underlying holdings in the mandate were entirely invested in cash and cash equivalents over the reporting period.

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

Credit risk

The Trust invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. This risk is mitigated by investing in a diverse portfolio of underlying managers. The risk is further mitigated by each manager investing in a diverse portfolio of property or bonds, including assets such as UK government bonds, investment grade corporate bonds, senior secured debt, and global high yield credit.

The managers of the pooled funds that invest in fixed income manage credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

The objective of taking on credit exposure within the Trust's investment strategy is to obtain a higher expected return than would be obtained from investing solely in government bonds or secured overnight borrowing.

As at 30 September 2024, around 92% (2023: 98%) of the Trust's assets (including BAL and TAPS buy-in assets) were invested in funds or securities that are exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments – continued

Defined Benefit - continued

Credit Risk - continued

The Trust is directly exposed to credit risk in relation to the solvency of the custodians of pooled funds. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The Trustee carries out due diligence checks on the appointment of new pooled Investment Managers and on an ongoing basis monitors any changes to the operating environment of the pooled managers.

The Trust is also exposed to direct credit risk from its buy-in policies as the provider Legal and General may become insolvent. This risk is mitigated by the regulatory framework in which Legal and General operates and the diversification of the policy's underlying assets.

A summary of pooled investment vehicles by type of arrangement is as follows:

Legal structure	As At 30 September	As At 30 September
	2024	2023
	£'000	£'000
ICAV	432,156	412,205
ICVC	5,336	5,059
OEIC	143,621	48,394
UK Common Investment Fund*	178,720	279,089
FCP	180,226	122,775
Unit linked insurance contract	49,853	89,108
Authorised Unit Trust	38,303	38,496
Total	1,028,215	995,126

Key: ICAV – Irish Collective Asset-management Vehicle; ICVC – Investment Company with Variable Capital; OEIC – Open-ended investment company; FCP – Luxembourg Fonds commun de placement.

* The UK Common Investment Fund relates to the Secure Income Sub-Fund. The valuations in the table above include the custody account balances. Assets in the CIF are invested through underlying pooled and segregated funds, which have different legal structures. Further details of the legal structures of the underlying assets can be found in the CIF Report and Accounts.

Currency risk

As the Trust's liabilities are denominated in Sterling, any non-Sterling currency exposure within the Trust's assets presents additional currency risk.

During the Trust year, the Trust was subject to indirect currency risk because some of the underlying holdings within the Trust's investments in pooled investment vehicles are held in overseas markets and therefore denominated in a foreign currency (i.e. a currency other than GBP Sterling). However, for funds where currency risk is indicated, with the exception of some of the underlying CIF managers, the Trust was invested in GBP hedged share classes to mitigate the impact of currency movements.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Defined Benefit – continued

Currency risk - continued

More details about currency risk of the CIF can be found in the investment risk section of the CIF accounts. Note that the Trust is not exposed to currency risk via the BAL and TAPS buy-in policies.

As at 30 September 2024 around 25% (2023: 20%) of the Trust's assets were invested in funds or securities that are exposed to currency risk. The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

Interest rate risk

Interest rate risk and inflation risk are material risks for the Trust given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. During the Trust year, some of the Trust's assets were subject to interest rate risk (both nominal and real i.e. including the impact of expected inflation rates).

Changes in market interest rates will affect the value of all of the Trust's holdings to varying degrees. This included, in particular, instruments in the pooled buy and maintain bond and LDI mandates (predominantly fixed and index-linked gilts, gilt repurchase agreements, interest rate and inflation swaps) which are used to help match the liability cashflows of the Trust. However, the overall interest rate exposure of the Trust's assets hedges part of the corresponding risks associated with the Trust's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

The Trustee has set a target for the total investment in LDI assets within the total investment portfolio. This target will change as the Schemes mature. Under this strategy, if interest rates fall, the value of the LDI assets will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the matching investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The Trustee regularly considers the level of real interest rate exposure in the assets of the Trust.

As at 30 September 2024 around 61% (2023: 64%) of the Trust's assets were invested in funds or securities that are exposed to interest rate and/or inflation risk. Note that the Trust is not exposed to interest rate risk via the BAL and TAPS buy-in policies.

Other price risk

During the Trust year, with the exception of cash, all categories of investments were subject to idiosyncratic price risks that arise from factors other than credit risk, currency risk and interest rate risk, such as property funds which are subject to changes in value of the underlying properties.

Before investing in any asset class, or entrusting the Trust's assets to a particular manager, the Trustee takes advice on the risks involved both on a quantitative and qualitative basis from its investment consultant. The decision as to whether to invest in a particular security is delegated to the manager within specified investment restrictions. The purpose of accepting these risks is to ensure that, when considered as a whole, the assets of the Trust comprise a suitably diversified portfolio in terms of the type of risk taken and the sources of expected future returns.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Defined Benefit – continued

Other price risk - continued

These risks are managed by ensuring that the portfolio is well diversified both across asset classes and within each individual asset class. In addition, the Trustee takes advice from its investment consultant as to the continuing suitability of the asset classes and managers in which it invests.

The Trustee receives regular reports from its investment managers and investment consultant setting out the nature and extent of the risks in the Trust's assets.

As at 30 September 2024 around 61% (2023: 64%) of the Trust's assets were invested in funds or securities that are exposed to other price risk. Note that the Trust is not exposed to other price risk via the BAL and TAPS buy-in policies.

Defined Contribution

Member level risk exposures will be dependent on the funds invested in by members.

Credit Risk

The Schemes are subject to direct credit risk in relation to their main DC/AVC platform provider, Standard Life, and AVC providers, Prudential, and Wesleyan Assurance Society, and in relation to the solvency of the custodians of the underlying pooled investment funds. This section describes our understanding of the protections that generally apply to members' assets, should any of the providers experience financial difficulties. However, this a complex area which is untested in practice and a future situation may lead to an unexpected outcome.

There are several safeguards designed to prevent default by a DC platform provider, or a fund manager used on it, and potential protections that apply should this happen:

- Internal oversight carried out by the providers and fund managers. This comprises several elements such as independent internal audits, as well as the work conducted by compliance and risk functions.
- External oversight, carried out by the relevant regulatory bodies, whose role it is to ensure that the provider and fund managers discharge their financial liabilities in a responsible manner.
- A custodian is appointed to each of the pooled investment funds. The custodian's primary function is the safekeeping of assets. This means keeping investors' funds legally separate from the provider's / fund manager's own monies, so they may not be used for meeting creditors' demands not relating to the investment funds.

Thus, the only circumstances in which a default would occur appear to be in the event of dishonesty, fraud, or negligence. If a valid claim arose, in the first instance, we would expect the manager and/or provider to make good any shortfall. The Financial Services Compensation Scheme may be able to pay compensation if a firm is unable to pay claims against it. Our understanding is that this would cover 100% of the claim in the event of the provider defaulting, but would not apply in relation to externally managed investment funds.

The Trustee carries out due diligence checks on the appointment of new investment managers and monitors the managers on an ongoing basis.

The Schemes are also subject to indirect credit and market risk arising from the underlying investments held in the bond funds. The managers of the pooled funds that invest in bonds manage credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Defined Contribution – continued

Credit Risk – continued

The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities. The bond funds are passively managed and so the overall indirect credit risk of the bond funds is the same as the underlying bond indices being tracked by the manager. The potential default of tenants in respect of rent payments gives rise to credit risk in property funds.

Investments exposed to direct credit risk	Total DC Investments	Total AVC Investments
	As At 2024 £'000	As At 2024 £'000
Unit linked insurance contracts	8,339	3,464
Authorised unit trusts	21,956	6,197
Open ended investment companies	900	377
Irish CCF	900	101
Other*	-	35
Total	32,095	10,174

*AVC provider Prudential has responded to state the underlying legal structure of the investments does not fall into any of the categories shown, and hence we have classified this as "Other".

Market risk

The Schemes are subject to currency, interest rate and other price risks arising from the underlying financial instruments held. A description of how these risks may occur is provided below:

Currency risk

The Schemes are subject to currency risk, otherwise known as foreign exchange risk, because some of the underlying investments in pooled investment vehicles are held in overseas markets and are denominated in or earn income in currencies other than Sterling. As the DC assets are invested for the long term, returns are expected to largely derive from the exposure to asset classes and not from the exposure to currencies. Currency exposure that does exist provides some diversification and is therefore not felt to be so significant that it should be managed further.

Interest rate risk

Interest rate risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rates also relate to bonds, since bonds are effectively loans to the issuer of those bonds, and the yield is the interest rate on the loan. This is true of corporate bonds and government bonds (gilts), and hence these types of DC fund are deemed to have interest rate risk. The Annuity Tracking fund also has interest rate risk since it invests in bonds.

The Trustees believe that including exposure to bond funds within a lifestyle strategy targeting annuity purchase at retirement is appropriate since this reduces the volatility of the members' assets relative to annuity prices to give them more certainty. Bond funds are also offered as self-select options to members and may be used by members to diversify against other types of risk.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

10. Investments - continued

Defined Contribution – continued

Other price risk

Investments may be subject to idiosyncratic price risks that arise from factors particular to that asset class or individual investment. This type of risk also includes that relating to movements in equity prices. All DC Section equity funds are deemed to have “other price risk” due to their exposure to equity markets. Property market price movements also fall under “other price risk”.

Because the Diversified Growth Fund invests in equities, corporate bonds, government bonds and other types of asset, denominated in Sterling and foreign currencies, it is deemed to have exposure to credit risk, currency risk, interest rate risk and other price risk.

The cash fund does not have material exposure to any of the risks mentioned above.

BAL Scheme and TUI UK Scheme

The following table summarises the Trustee’s understanding of the material risk exposures by type of fund that is used in the DC Section. These risks have been identified based on assumptions of the underlying holdings in each fund. Therefore, the risks within the funds include but are not limited to, the risks identified in the table. The DC funds and risk exposures for the BAL Scheme and TUI UK Scheme are the same and therefore one table covering both Schemes is shown below.

	Credit risk	Currency risk	Interest rate risk	Other price risk
Passive Global and Overseas Equity Funds	-	✓	-	✓
Passive UK Equity Fund	-	-	-	✓
Diversified Growth Fund	✓	✓	✓	✓
Property Fund	✓	-	✓	✓
Annuity Tracking Fund	✓	-	✓	-
Corporate Bonds Fund	✓	-	✓	-
Inflation-linked Gilts Fund	-	-	✓	-
Cash Fund	-	-	-	-

The analysis of these risks set out above is at fund level. The magnitude of each risk on the Schemes will differ from fund to fund. Member level risk exposures will depend on the funds invested in by members.

The following table summarises the credit risk quality of each bond fund that is subject to material credit risk.

	Investment grade	Non-investment grade	Unrated financial assets
Diversified Growth Fund	✓	✓	✓
Annuity Tracking Fund	✓	-	-
Corporate Bond Fund	✓	-	-

The credit risk that the Property Fund is subject to relates to the underlying agreements with tenants, but as tenants do not receive credit ratings the Property Fund is not shown in the table above.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

11. Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy pursuant to FRS 102 as amended by FRED 62:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A breakdown of the Trust's investment assets classified under the above fair value determination is shown below.

	Level 1	Level 2	Level 3	Total
At 30 September 2024	£'000	£'000	£'000	£'000
L&G Insurance policy	-	-	506,400	506,400
TUI CIF Secure Income Sub-Fund	-	-	178,720	178,720
Insight – Bespoke LDI Fund	-	432,156	-	432,156
Insight High Grade ABS Fund	-	75,082	-	75,082
Insight Liquidity Fund	-	19,442	-	19,442
Invesco Buy and Maintain	-	143,972	-	143,972
Invesco Segregated Buy & Maintain Bond Mandate	-	5,336	-	5,336
Bain Capital High Income Fund	-	-	49,097	49,097
Threadneedle Property Unit Trust	-	-	19,499	19,499
L&G LPI Income Property Fund	-	-	49,853	49,853
Invesco UK Residential Fund	-	-	36,254	36,254
Octopus Healthcare Fund	-	-	18,804	18,804
DB Cash	87,946	-	-	87,946
Cash in Transit	5	-	-	5
Other Investment Balances	213	-	-	213
AVC Investments	-	9,667	507	10,174
DC Investments	-	32,095	-	32,095
	<u>88,164</u>	<u>717,750</u>	<u>859,134</u>	<u>1,665,048</u>

Following a material change in the composition of the CIF assets, the CIF assets have been classified as Level 3 in the Trust accounts as they refer to illiquid assets held through pooled investment vehicles. Further details of the fair value determination of the underlying CIF assets can be found in the CIF accounts.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

11. Investment Fair Hierarchy - continued

	Level 1	Level 2	Level 3	Total
At 30 September 2023	£'000	£'000	£'000	£'000
L&G Insurance policy	-	-	496,400	496,400
TUI CIF Secure Income Sub-Fund	-	279,089	-	279,089
Insight – Bespoke LDI Fund	-	412,205	-	412,205
Insight Liquidity Fund	-	4,721	-	4,721
Invesco Buy and Maintain	-	84,076	-	84,076
Invesco Segregated Buy & Maintain Bond Mandate	93	4,951	-	5,044
Bain Capital High Income Fund	-	-	43,673	43,673
Threadneedle Property Unit Trust	-	-	20,032	20,032
L&G LPI Income Property Fund	-	-	89,107	89,107
Invesco UK Residential Fund	-	-	38,699	38,699
Octopus Healthcare Fund	-	-	18,464	18,464
DB Cash	281	-	-	281
Other Investment Balances	1,733	-	-	1,733
AVC Investments	-	9,173	572	9,745
DC Investments	-	28,766	-	28,766
	<u>2,107</u>	<u>822,981</u>	<u>706,947</u>	<u>1,532,035</u>

The CIF assets have been classified as Level 2 in the Trust accounts as they refer to assets held through pooled investment vehicles. Further details of the fair value determination of the underlying CIF assets can be found in the CIF accounts.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

12. Current assets

	Defined Benefit Section As At 30 Sep 2024 £'000	Defined Contribution Section As At 30 Sep 2024 £'000	Total As At 30 Sep 2024 £'000
Cash at bank*	23,593	149	23,742
Pension prepayment	2,321	-	2,321
	25,914	149	26,063

	Defined Benefit Section As At 30 Sep 2023 £'000	Defined Contribution Section As At 30 Sep 2023 £'000	Total As At 30 Sep 2023 £'000
Cash at bank*	23,480	101	23,581
HMRC receivable	14	-	14
Pension prepayment	3,956	-	3,956
Due from DB Section	-	210	210
Accrued income	1	-	1
	27,451	311	27,762

*Included in Defined Contribution Section bank balances is £101k (2023: £101k) which is not allocated to members. All other Defined Contribution Section current assets are allocated to members.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

13. Current liabilities

	Defined Benefit Section As At 30 Sep 2024 £'000	Defined Contribution Section As At 30 Sep 2024 £'000	Total As At 30 Sep 2024 £'000
Death benefits payable	92	-	92
HMRC payable	9	-	9
Deferred annuity income	2,545	-	2,545
	2,646	-	2,646

	Defined Benefit Section As At 30 Sep 2023 £'000	Defined Contribution Section As At 30 Sep 2023 £'000	Total As At 30 Sep 2023 £'000
Death benefits payable	102	-	102
Accrued expenses	2	-	2
HMRC payable	65	-	65
Due to DC Section	210	-	210
Deferred annuity income	2,469	-	2,469
	2,848	-	2,848

14. Related Party Transactions

Seven of the Trustee Directors listed on page 3 were deferred members of the Schemes and one Director was a pensioner in the TUI Group UK Pension Trust at the year end. All the Directors of the TUI Travel Common Investment Fund, which manages certain investments of the Trust, are also Directors of the Trust.

From April 2018 the TAPS regular deficit contributions were paid into a separate escrow account in the name of the Company, rather than the Scheme itself. This is in line with the Funding Agreement dated 30 September 2016 (as amended) and based on the annual funding level reviews of TAPS since 30 September 2017. From October 2021 the BAL regular deficit contributions also started to be paid into a separate escrow Account in the name of the Company, rather than the Scheme itself, in line with the BAL Funding Agreement dated 30 September 2016 (as amended). The TAPS and BAL contributions due from 1 October 2023 continued to be paid in the respective TAPS and BAL escrow accounts. Further details about the contributions paid into the BAL and TAPS escrow accounts and their subsequent release to the Schemes is detailed on pages 53 and 54.

The existing escrow accounts for the Schemes in the name of the Company noted above were closed on 23 September 2024. By 23 September 2024 two new escrow accounts, namely the TUI UK Funding Escrow Account and the BAL and TAPS De-risking Escrow Account, were opened in the name of a newly incorporated company in TUI Group called TUI Pensions SPV Limited (the "SPV"). The SPV is a wholly owned subsidiary of the Company that will not undertake any business or activity other than those activities connected to the arrangements set out in the 2024 Agreements. The SPV has granted a charge over each of the new escrow accounts in favour of the Trustee.

TUI Travel Limited and TUI AG each provide a guarantee to the Trustee. This guarantees the obligations to fund the liabilities of the Trust on both the 'ongoing' funding basis and in the event that the Trust is wound up at some point in the future. It also provides pre-sale protection in the event that the Participating Employers are to be sold from the TUI group.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

14. Related Party Transactions - continued

The employer pays the administrative expenses of the Trust, other than as reported in Note 8. These are accounted for on an accruals basis.

There were no other related party transactions during the period ended 30 September 2024 other than as disclosed elsewhere in the financial statements.

15. Concentration of Investments

The following investments comprise more than 5% of the net assets of the Trust at year end (note this analysis does not include assets held via the CIF):

	As At 30 Sep 2024 £'000	As At 30 Sep 2024 %	As At 30 Sep 2024 £'000	As At 30 Sep 2024 %
L&G Buy-In Policies	506,400	30.0	496,400	31.9
Insight LDI Solutions Active 76	269,539	16.0	266,412	17.1
Insight LDI Solutions Plus Active 53	162,618	9.6	145,793	9.4
Invesco Buy and Maintain	143,972	8.5	84,076	5.4
L&G LPI Income Property Fund	49,853	3.0	89,107	5.7

16. Taxation

The Trust is a registered pension Trust under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

17. Net Assets

The Net assets of the Trust at 30 September 2024 can be broken down per Scheme as follows:

	Defined Benefit £'000	Defined Contribution £'000	AVC* £'000	Total £'000
BAL	831,412	24,346	2,168	857,926
TUI	702,795	7,898	7,906	718,599
TAPS	111,840	-	100	111,940
	1,646,047	32,244	10,174	1,688,465

*The AVC assets shown above relate to members of the Defined Benefit section.

18. Post Balance Sheet Events

MEMBER NOMINATED TRUSTEE DIRECTORS (MND's)

TAPS MND

Due to the ongoing work in relation to the TAPS Scheme Buy in the member nominated Trustee Director of the TAPS scheme has had their appointment extended to December 2025, when it is expected that the Buy in data verification work will be completed.

TUI UK MND

The three year term for one of the TUI UK Scheme MND's was due to end after the year end. A request for nominations for eligible candidates was issued to TUI UK Scheme members in January 2025. The nomination period closed on 28 February 2025. Interviews of the candidates was carried out in March. Following this the Trustee agreed the re-appointment of Gary Bird for a further four year term.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 30 September 2024

18. Post Balance Sheet Events - continued

BAL SCHEME BUY IN

In consultation with TUI Group, the Trustee decided in December 2024, to purchase a second bulk annuity policy from L&G, which covers the income payments for all of the remaining BAL liabilities. Further information is available on page 67.

ALLIANZ GLOBAL INVESTORS

Post year end, a new mandate was agreed with Allianz Global Investors, with initial funds invested in March 2025.

19. GMP Equalisation

On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that inequalities in scheme benefits arising from Guaranteed Minimum Pensions (GMP) should be removed. On 20 November 2020, the High Court further ruled that transfer payments which failed to take into account the obligation to equalise for GMPs may also require top-up payments to be made. The Trustee is working with the Employer and their respective advisors to assess the adjustments to benefits in the TAPS Scheme (if any) required. At this stage the Trustee and Employer have agreed the equalisation methodology to be used and the Trustee is working with its advisers to obtain a reliable estimate of any backdated benefits and related interest that might be payable. Therefore, the cost of any such payments has not been recognised in these financial statements. The cost of any such payments will be recognised once the Trustee is able to obtain a reliable estimate, if material.

20. Contracted-out Benefit Uncertainty

In July 2024, the Court of Appeal upheld a June 2023 High Court ruling in the case of Virgin Media Limited vs NTL Pension Trustees II. This ruling potentially impacts the validity of changes to scheme benefits accrued from 1997 to 2016 if the scheme was contracted-out of the state pension scheme. Within the Trust, the TAPS scheme was contracted-out in the relevant period.

The ruling states that any amendments to scheme benefits made during that period will be void unless the scheme actuary had confirmed, when the amendment was made, that the pension scheme would continue to satisfy the minimum level of benefit, known as the Reference Scheme Test.

There is ongoing uncertainty as to the interpretation of the ruling and this is subject to further court cases and there is industry pressure for a legislative override to be implemented.

The Trustee has taken preliminary legal advice and is working collaboratively with the Company to identify scheme amendments that may fall in scope for review. However, at this stage as a result of the ongoing legal uncertainty, the Trustee has decided that no estimate of any potential additional liabilities or costs can be reasonably assessed and nothing should be recognised in these financial statements. Any such payments associated with the issues considered in the Virgin Media ruling will be recognised once the Trustee is able to obtain a reliable estimate, if material.

SUMMARY OF CONTRIBUTIONS

Payable during the year ended 30 September 2024

During the year, the contributions payable to the Trust were as follows:

	BAL Scheme 2024 £'000	TUI UK Scheme 2024 £'000	TAPS Scheme 2024 £'000	Defined Benefit Section Total 2024 £'000
Employer deficit contributions	-	81,582	-	81,582
Total contributions under the Schedules of Contributions	-	81,582	-	81,582

No contributions have been paid in relation to the Defined Contribution Section during the year.

Compliance with Schedules of Contributions

As required by the Pensions Act 1995 the Trustee has agreed Schedules of Contributions with the Principal Employer for each Scheme that relates to the year ended 30 September 2024. The Schedules of Contributions set out the rates of employer and member contributions and also the dates by which the contributions will be paid to each Scheme. During the year ended 30 September 2024, Schedules of Contributions were in place for each Scheme, as certified on 11 February 2021 and 24 September 2024 for the TUI UK Scheme, and 27 September 2023 and 24 September 2024 for the BAL and TAPS Schemes.

Contributions payable under the Schedules of Contributions dated 11 February 2021 (TUI UK only) and 27 September 2023 (BAL and TAPS only)

Since 2016, the funding arrangements of the Schemes have been recorded in the Framework Agreement and Funding Agreements dated 30 September 2016 (as amended and restated). These agreements provided for when deficit contributions may be payable to an escrow account rather than to a Scheme (based on the funding level of the Scheme) and, included review mechanics which determined the release of the escrow funds at six-monthly intervals on 31 March and 30 September.

Over the 12 months' period ending on 30 September 2024, in accordance with the 2016 arrangements as amended by agreement between the Trustee and the Company and based on the funding reviews of the BAL and TAPS Schemes, all regular deficit contributions were paid to the respective escrow accounts for those Schemes. However, based on the funding reviews, no deficit funding contributions have been paid into the TUI UK escrow account during the year (2023: £Nil).

The deficit contributions due during the year under the Schedules of Contributions dated 11 February 2021 (TUI UK) and 27 September 2023 (BAL and TAPS) were paid as follows:

- **BAL Scheme** - a total of £11.9m (2023: £12.3m) were paid into the BAL escrow account and £Nil (2023: £Nil) deficit contributions were paid directly to the Scheme; and
- **TAPS Scheme** - a total of £0.5m (2023: £1.0m) were paid into the TAPS escrow account and £Nil (2023: £Nil) deficit contributions were paid directly to the Scheme.
- **TUI UK Scheme** - all deficit contributions due which was a total of £68.6m (2023: £68.9m), were paid directly to the Scheme.

It was also agreed by the Company and the Trustee during the year that all contributions paid into the BAL and TAPS escrow accounts should be retained there and the escrow release dates of 30 September 2023 and 31 March 2024 should be suspended pending completion of the actuarial valuations of the Schemes as at 30 September 2022 (the "2022 Valuations") to mitigate the risk of trapped surplus. The escrow account balances as at 23 September 2024, when the escrow accounts were closed (see below) were as follows:

- **BAL Scheme escrow** - £18.25m (2023: £6.35m);
- **TAPS Scheme escrow** - £1.73m (2023: £1.23m); and
- **TUI UK Scheme escrow** - £Nil (2023: £Nil).

SUMMARY OF CONTRIBUTIONS - CONTINUED

Payable during the year ended 30 September 2024 - continued

Compliance with Schedules of Contributions – continued

Contributions payable under the Schedules of Contributions dated 24 September 2024

In September 2024, the 2016 agreements were replaced in connection with completion of the 2022 Valuations. A revised Framework Agreement and new Funding Agreements for each of the Schemes were entered into by the Trustee, TUI AG and the Company on 23 September 2024 (the “2024 Agreements”).

Under the 2024 Agreements, two new escrow accounts, namely the TUI UK Funding Escrow Account and the BAL and TAPS De-risking Escrow Account, were opened in the name of a newly incorporated company in TUI Group called TUI Pensions SPV Limited (the “SPV”). The SPV is a wholly owned subsidiary of the Company that will not undertake any business or activity other than those activities connected to the arrangements set out in the 2024 Agreements.

As part of the above revised schedules of contributions were prepared for the three Schemes, dated 24 September 2024 and, as part of this, a special deficit contribution of £12.98m was paid to the TUI UK Scheme before 30 September 2024. No deficit contributions were due to the BAL or TAPS Schemes, under these revised schedules, in the year to 30 September 2024.

The contribution agreements for the Schemes on and from 1 October 2024 are as follows:

BAL Scheme and TAPS Scheme

- No deficit contributions are payable to the BAL Scheme or TAPS Scheme due to the funding level of the Schemes.
- The professional adviser fees and operational expenses of the BAL and TAPS Schemes will be met out of Scheme assets as they fall due, in respect of fees and expenses incurred from 1 October 2024 unless otherwise agreed with the Employers in accordance with the terms of the Framework Agreement dated 23 September 2024.
- Subject to the terms of the funding agreement, funds will be available from the BAL and TAPS De-risking Escrow Account if needed to facilitate de-risking transactions being entered into by the Trustee or to meet expenses, under set circumstances dictated by the 2024 agreements.
- The account balance for the BAL and TAPS De-risking Escrow Account on 30 September 2024 was £20m.

TUI UK Scheme

- Deficit contributions are payable to the TUI UK Scheme by reference to pre-agreed funding targets recorded in the 2024 Agreement. Scheme expenses are met directly by the Employers.
- Based on the funding review of the TUI UK Scheme as at 30 September 2024, deficit funding contributions from 1 January 2025 to 30 June 2025 will be paid directly to the Scheme. The next funding review is due as at 31 March 2025 and this will determine whether contributions due from 1 July 2025 to 31 December 2025 will need to be paid into the Scheme.
- Once the TUI UK Scheme reaches full funding against pre-agreed funding targets, the regular deficit contributions may be payable to the TUI UK Funding Escrow Account or may no longer be payable at all.
- Subject to the terms of the funding agreement, funds can be made available from the TUI UK Funding Escrow Account if needed to top-up funding levels and/or to facilitate de-risking transactions being entered into by the Trustee, under set circumstances dictated by the 2024 agreements.
- The account balance for the TUI UK Funding Escrow Account on 30 September 2024 was £45m.

The Independent Auditor has stated that contributions for the Trust year, ended 30 September 2024, as reported above, have, in all material respects, been paid at least in accordance with the Schedules of Contributions certified by the actuary on 11 February 2021, 27 September 2023 and 24 September 2024 as applicable, other than as noted above in respect of the suspension of the 30 September 2023 and 31 March 2024 escrow releases. The Schedules at 24 September 2024 as applicable, for each Scheme, can be found on pages 82 to 88 of this report.

Signed on behalf of the Trustee:



Date: 08/04/25

SCHEDULES OF CONTRIBUTIONS

TUI GROUP UK Pension Trust

Page 1 of 2

BAL Scheme

Schedule of Contributions

This Schedule of Contributions has been prepared by the Trustee of the TUI GROUP UK Pension Trust ("the Trust") in relation to the legally segregated section known as the BAL Scheme ("the Scheme") on 24 September 2024 in order to comply with Section 227 of the Pensions Act 2004, having obtained the advice of Aaron Punwani, the Scheme Actuary.

TUI UK Limited ("the Principal Employer"), the principal employer of the Scheme, confirms its agreement to this Schedule of Contributions on behalf of TUI Airways Limited, the participating employer in the Scheme. TUI UK Limited and TUI Airways Limited are collectively referred to as "the Employers" for the purpose of this Schedule of Contributions.

This Schedule of Contributions refers to the Framework Agreement, the Funding Agreement in respect of the BAL Scheme and the TAPS Scheme, the BAL and TAPS Account Operating Agreement and the 2024 Security Documents entered into by the Trustee and the Employers on 23 & 19 September 2024 (together, "the Agreements"). The Trustee and the Employers have agreed that it is not practicable to replicate all the relevant detail included in the Agreements in this Schedule of Contributions and instead to include appropriate cross-references.

This Schedule of Contributions covers the period of five years from the date that the Actuary certifies the Schedule, and is subject to review at future actuarial valuations.

This Schedule of Contributions replaces the previous version dated 27 September 2023.

Defined benefit sections

The following contributions are payable to the Scheme by the Employers:

1. In respect of expenses

The Employers meet the cost of PPF levies.

Investment management expenses are met out of general Scheme funds.

The Scheme's professional adviser fees and operational expenses are to be met out of general Scheme funds as they fall due, in respect of fees and expenses incurred from 1 October 2024 unless agreed otherwise with the Employers in accordance with the terms of the Agreements.

The Trustee may require the Employers to pay expenses relating to exceptional activity initiated by the Principal Employer, in accordance with the terms of the Agreements.

The Trustee and the Employers will seek to agree budgets for each Scheme Year for these costs. If in a given year the Trustee expects to exceed the budgeted costs it will inform the Employers as soon as is reasonably practicable.

2. Deficit contributions

The actuarial valuation revealed that the value of the Scheme’s assets was more than the technical provisions as at 30 September 2022. This means that no recovery plan is required as part of this valuation.

However, under the terms of the Agreements, certain contingent contributions may be paid to the Scheme from the Account (as defined in the BAL and TAPS Account Operating Agreement) by the Employers.

Certain contributions are subject to security arrangements as described in the Agreements.

Defined contribution sections

The premiums in respect of the expenses incurred in respect of the administration and other operational costs for the defined contribution sections of the Scheme are met by the Employers directly.

Declaration

This Schedule of Contributions was agreed on 24 September 2024 by the Trustee and the Employers.

Signed by: [Signature]
.....28E07EC22A16470.....

Signed on behalf of TUI GROUP UK Trustee Limited

Chair of Trustee for PAN Trustees UK LLP

Position

Signed by: [Signature: Jody Rolfe]
.....B49AEDF4DD7D48E.....

Signed on behalf of TUI UK Limited

Director

Position

Date: 24 September 2024

TUI GROUP UK Pension Trust

TAPS Scheme

Schedule of Contributions

This Schedule of Contributions has been prepared by the Trustee of the TUI GROUP UK Pension Trust ("the Trust") in relation to the legally segregated section known as the TAPS Scheme ("the Scheme") on 24 September 2024 in order to comply with Section 227 of the Pensions Act 2004, having obtained the advice of Aaron Punwani, the Scheme Actuary.

TUI UK Limited ("the Principal Employer"), the principal employer of the Scheme, confirms its agreement to this Schedule of Contributions on behalf of TUI Airways Limited, the participating employer in the Scheme. TUI UK Limited and TUI Airways Limited are collectively referred to as "the Employers" for the purpose of this Schedule of Contributions.

This Schedule of Contributions refers to the Framework Agreement, the Funding Agreement in respect of the BAL Scheme and the TAPS Scheme, the BAL and TAPS Account Operating Agreement and the 2024 Security Documents entered into by the Trustee and the Employers on 23 & 19 September 2024 (together, "the Agreements"). The Trustee and the Employers have agreed that it is not practicable to replicate all the relevant detail included in the Agreements in this Schedule of Contributions and instead to include appropriate cross-references.

This Schedule of Contributions covers the period of five years from the date that the Actuary certifies the Schedule, and is subject to review at future actuarial valuations.

This Schedule of Contributions replaces the previous version dated 27 September 2023.

Defined benefit sections

The following contributions are payable to the Scheme by the employers:

1. In respect of expenses

The Employers meet the cost of PPF levies.

Investment management expenses are met out of general Scheme funds.

The Scheme's professional adviser fees and operational expenses are to be met out of general Scheme funds as they fall due, in respect of fees and expenses incurred from 1 October 2024 unless agreed otherwise with the Employers in accordance with the terms of the Agreements.

The Trustee may require the Employers to pay expenses relating to exceptional activity initiated by the Principal Employer, in accordance with the terms of the Agreements.

The Trustee and the Employers will seek to agree budgets for each Scheme Year for these costs. If in a given year the Trustee expects to exceed the budgeted costs it will inform the Employers as soon as is reasonably practicable.

2. Deficit contributions

The actuarial valuation revealed that the value of the Scheme's assets was more than the technical provisions as at 30 September 2022. This means that no recovery plan is required as part of this valuation.

However, under the terms of the Agreements, certain contingent contributions may be paid to the Scheme from the Account (as defined in the BAL and TAPS Account Operating Agreement) by the Employers.

Certain contributions are subject to security arrangements as described in the Agreements.

Declaration

This Schedule of Contributions was agreed on 24 September 2024 by the Trustee and the Employers.

Signed by: [Signature]
.....20E07FC22518A70.....

Signed on behalf of TUI GROUP UK Trustee Limited

Chair of Trustee for PAN Trustees UK

Position

Signed by: [Signature]
.....B43AEDF4BD7B4B6.....

Signed on behalf of TUI UK Limited

Director

Position

Date: 24 September 2024

Schedule of Contributions

This Schedule of Contributions has been prepared by the Trustee of the TUI GROUP UK Pension Trust ("the Trust") in relation to the legally segregated section known as the TUI UK Scheme ("the Scheme") on 24 September 2024 in order to comply with Section 227 of the Pensions Act 2004, having obtained the advice of Aaron Punwani, the Scheme Actuary.

TUI UK Limited ("the Principal Employer"), the principal employer of the Scheme, confirms its agreement to this Schedule of Contributions on behalf of itself, TUI UK Retail Limited, TUI Travel Group Solutions Limited and TUI Airways Limited, the four participating employers in the Scheme. TUI UK Limited, TUI UK Retail Limited, TUI Travel Group Solutions Limited and TUI Airways Limited are collectively referred to as "the Employers" for the purpose of this Schedule of Contributions.

This Schedule of Contributions refers to the Framework Agreement, the Funding Agreement in respect of the TUI UK Scheme, the TUI UK Account Operating Agreement and the 2024 Security Documents entered into by the Trustee and the Employers on 23 & 19 September 2024 (together, "the Agreements"). The Trustee and the Employers have agreed that it is not practicable to replicate all the relevant detail included in the Agreements in this Schedule of Contributions and instead to include appropriate cross-references.

This Schedule of Contributions covers the period from 1 October 2022 to the date that is five years from the date that the Actuary certifies the Schedule, and is subject to review at future actuarial valuations.

This Schedule of Contributions replaces the previous version dated 11 February 2021.

Final Salary Section

1. In respect of expenses

The Employers meet the cost of PPF levies.

Investment management expenses are met out of general Scheme funds.

The Employers meet the costs of the Scheme's professional adviser fees and operational expenses as they fall due, unless agreed otherwise with the Trustee in accordance with the terms of the Agreements.

The Trustee and the Employers will seek to agree budgets for each Scheme Year for these costs. If in a given year the Trustee expects to exceed the budgeted costs it will inform the Employers as soon as is reasonably practicable.

2. Deficit contributions

The Recovery Plan dated 24 September 2024 sets out how the funding deficit of £122m, measured as at 30 September 2022, is to be eliminated.

2.1. Contributions paid from 1 October 2022 to 30 September 2024 under the Schedule of Contributions dated 11 February 2021

Contributions were paid to the Scheme by the Employers as set out in the table below, in advance in equal monthly instalments save where otherwise specified for any particular monthly amounts, as agreed by the Trustee.

Dates	Amount (£m)
1 October 2022 to 31 March 2023	34.3
31 March 2023	5.95
1 April 2023 to 30 September 2023	34.3
1 October 2023 to 31 March 2024	34.3
1 April 2024 to 30 September 2024	34.3

2.2. Contributions payable under the Agreements

The Trustee and the Employers have agreed that the Employers will pay contributions to the Scheme as defined and set out in the Agreements. These contributions are:

- The 2024 Special Contribution, as described in section 2.2.1 below.
- Regular Deficit Contributions, as described in section 2.2.2 below.
- Other contingent contributions paid from the Account (as defined in the TUI UK Account Operating Agreement), as described in the Agreements.

Certain contributions are subject to security arrangements as described in the Agreements.

2.2.1. 2024 Special Contribution

The 2024 Special Contribution will be paid to the Scheme by the Employers as shown in the table below.

Due no later than	Amount (£m)
30 September 2024	12.98

2.2.2. Regular Deficit Contributions

Regular Deficit Contributions will be paid to the Scheme by the Employers as set out in the table below, payable in advance in equal monthly instalments.

Dates	Amount (£m)
1 October 2024 to 30 September 2025	81.0
1 October 2025 to 30 September 2026	61.0

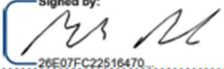
These Regular Deficit Contributions will be payable to the Scheme unless agreed otherwise by the Trustee and the Employers. The Agreements set out the circumstances agreed between the Trustee and the Employers in which all or some of the Regular Deficit Contributions may either be payable to the Account or not be payable to either the Scheme or the Account.

Retirement Savings Plan contributions

The premiums in respect of the expenses incurred in respect of the administration and other operational costs for the Retirement Savings Plan section of the Scheme are met by the Employers directly.

Declaration

This Schedule of Contributions was agreed on 24 September 2024 by the Trustee and the Employers.

Signed by:

26E07FC22516470.....

Chair if Trustee for PAN Trustees UK LLP

Signed on behalf of TUI GROUP UK Trustee Limited

Position

Signed by:

B48AEDFADD7D486.....

Director

Signed on behalf of TUI UK Limited

Position

Date: 24 September 2024



Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme TUI GROUP UK Pension Trust (TUI UK Scheme)

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 September 2022 to be met by the end of the period specified in the recovery plan dated 24 September 2024.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 24 September 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:  Date: 24 September 2024

Name: Aaron Punwani

Qualification: FIA

Address: 95 Wigmore Street
London, W1U 1DQ

Name of employer: Lane Clark & Peacock LLP

Notes not forming part of the certification

Page 2 of 2

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the Trustee's funding assumptions as set out in its statement of funding principles dated 24 September 2024 and its recovery plan dated 24 September 2024, and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

About Lane Clark & Peacock LLP

We are a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK and in the EU. All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office.

Lane Clark & Peacock LLP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme TUI GROUP UK Pension Trust (TAPS Scheme)

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 September 2022 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 24 September 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:  Date: 24 September 2024

Name: Aaron Punwani

Qualification: FIA

Address: 95 Wigmore Street
London, W1U 1DQ

Name of employer: Lane Clark & Peacock LLP

Notes not forming part of the certification

Page 2 of 2

In giving the above opinion I have interpreted the phrase "could have been expected to continue to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the Trustee's funding assumptions as set out in its statement of funding principles dated 24 September 2024, and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme TUI GROUP UK Pension Trust (BAL Scheme)

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 September 2022 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 24 September 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:  Date: 24 September 2024

Name: Aaron Punwani

Qualification: FIA

Address: 95 Wigmore Street
London, W1U 1DQ

Name of employer: Lane Clark & Peacock LLP

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to continue to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the Trustee's funding assumptions as set out in its statement of funding principles dated 24 September 2024, and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

About Lane Clark & Peacock LLP

We are a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK and in the EU. All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office.

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INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the TUI GROUP UK Pension Trust.

Qualified statement about contributions payable under Schedules of Contributions

We have examined the summary of contributions payable to the TUI GROUP UK Pension Trust on pages 80 and 81, in respect of the Trust year ended 30 September 2024.

In our opinion, except for the effects of the departure from the schedule of contributions noted in the Basis for qualified statement about contributions below, the contributions for the Trust year ended 30 September 2024, as reported in the attached summary of contributions on pages 80 and 81 and payable under the Schedules of Contributions, have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the actuary on 11 February 2021; 27 September 2023 and 24 September 2024, as applicable.

Basis for qualified statement about contributions

As explained fully on pages 80 and 81, during the year the Trustee and the employers agreed to suspend escrow releases to the Trust (as specified in the Funding Agreement dated 30 September 2016 (as amended and restated)) on 30 September 2023 and 31 March 2024 pending the completion of the actuarial valuations of the Schemes as at 30 September 2022. The amendment letters agreed between the trustee and the employer in relation to this are not referred to in the relevant schedules of contributions to the Trust effective at the time of the suspension.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on pages 80 and 81 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Trust and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustees and auditor

As explained more fully on page 42 in the Statement of Trustee's Responsibilities, the Trust's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedules of Contributions showing the rates and due dates of certain contributions payable towards the Trust by or on behalf of the employer and the active members of the Trust. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Trust and for monitoring whether contributions are made to the Trust by the employer in accordance with the Schedules of Contributions. It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Trust's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trust's Trustee's those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 08/04/25

Chair’s DC Governance Statement, covering the period from 1 October 2023 to 30 September 2024 (the “Trust Year”)

1. Introduction and members’ summary

The **TUI GROUP UK Pension Trust** (the “Trust”) includes three segregated schemes, the BAL Scheme, the TUI UK Scheme and the TAPS Scheme (the “Schemes”). Each of the Schemes is an occupational pension scheme. The BAL Scheme and the TUI UK Scheme have sections that provide defined contribution (“DC”) benefits (a DC pension scheme is where employee and employer contributions are paid into it; members choose their investments (or is invested in the default option) and bear the investment risk). All of the three Schemes have members who have paid Additional Voluntary Contributions (“AVCs”) into the Scheme.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee Directors of the Trust, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the design and oversight of the default investment option (ie where contributions were historically invested for members that did not wish to choose their own investments. The Schemes are closed to contributions);
- processing of core financial transactions (ie administration of the Trust, such as processing of transfers);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as “legacy” funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Schemes is assessed; and
- Trustee knowledge and understanding.

The following table summarises the type of benefits held in the Schemes:

	DC Section	AVCs
BAL Scheme	Yes	Yes
TUI UK Scheme	Yes	Yes
TAPS Scheme	No	Yes

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the default and other investment options remain suitable for the membership.
- The administrator, Equiniti, has processed core financial transactions promptly and accurately to an acceptable level during the Trust Year, and we remain comfortable with the administrator’s performance. Standard Life is the platform provider for the DC Sections and the majority of the AVC assets. Standard Life have undertaken recruiting and upskilling over the course of 2024 which has improved administration performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this statement, and we remain comfortable that these fees are reasonable given the circumstances of the Schemes and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Schemes are closed and are not used as a Qualifying Scheme for automatic enrolment purposes.

We have made available a range of investment options for members. Members who do not choose an investment option are placed into the Flexible Income Lifestyle Strategy (the “Default”). We recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, we decided to make the Default a lifestyle strategy, which means that members’ assets are automatically moved between different investment funds as they approach their target retirement date.

The SL BlackRock Market Advantage Fund (“BMAF”) is also considered to be an additional default arrangement for governance purposes. This is as a result of a bulk transfer of assets without member consent in June 2019.

We are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the default arrangements are set out in a document called the ‘Statement of Investment Principles’ (“SIP”). The Trust’s SIP, covering the default arrangements, is attached to this statement. The Trustee’s investment beliefs are defined in the SIP. The SIP was updated during the Trust Year to reflect:

- DWP’s new guidance on Reporting on Stewardship and Other Topics through the SIP and Implementation Statement which expects trustees to take a more active role in relation to monitoring and engaging with investment managers on stewardship; and
- The Trustee’s policy regarding investments in illiquid assets.

The aims and objectives of the default arrangements, as stated in the SIP, are as follows:

- aim for significant long-term real growth while members are further away from retirement;
- manage down volatility in fund values as members near retirement; and
- target an end point portfolio that is appropriate and consistent with members using their accumulated pot to fund their retirement via flexi-access drawdown.

The Default and BMAF are reviewed at least every three years and were last reviewed on 7 December 2022. The review considered the current demographics of the membership and when members are retiring relative to their target retirement age. The performance and strategy of the Default and BMAF were reviewed to check whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the default arrangements as stated in the SIP, and to check that it continues to be suitable and appropriate given the Trust’s risk profiles and membership.

In addition to triennial strategy reviews, we also review the performance of the default arrangements against their objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Trust year concluded that the default arrangements were performing broadly as expected given the market environment.

Asset allocation breakdown

We are required to show the asset allocation of the default arrangements. In line with DWP’s guidance we have also shown this asset allocation for different ages as at the Trust year end for the Flexible Income Lifestyle Strategy; the BMAF asset allocation does not vary by member ages so only the allocation as at 30 September 2024 is shown.

Flexible Income Lifestyle Strategy

Asset class	Allocation 25 y/o %	Allocation 45 y/o %	Allocation 55 y/o %	Allocation at retirement %
Cash	0.0	0.0	0.0	0.0
Corporate bonds (UK and overseas)	0.0	0.0	15.5	38.6
Government bonds	0.0	0.0	22.0	46.4
Listed equities	100.0	100.0	58.1	9.7
Other	0.0	0.0	4.4	5.3

BMAF

Asset class	Allocation
Cash	0.0
Corporate bonds	31.0
Government bonds	44.0
Listed equities	16.1
Other	8.9

3. Processing of core financial transactions

The processing of core financial transactions is carried out by the administrator of the Trust, Equiniti, the platform provider, Standard Life, and by the AVC providers, Prudential and Wesleyan.

Core financial transactions include (but are not limited to): processing of transfers in and out of a Scheme, transfers of assets between different investments within a Scheme, and payments to members/beneficiaries.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in pension saving, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from Equiniti and Standard Life that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

The Trustee has an agreement in place with the administrator which covers, among other things, agreed service levels around the accuracy and timeliness of all core financial transactions. Further details of the controls and assurances in place for each provider are detailed below.

Equiniti

Equiniti has various administration responsibilities, which are outlined in the services agreement with the Trustee. It deals with all member enquiries, including member disinvestments. Core financial transactions include (but are not limited to): processing of transfers in and out of the Schemes and payments to members/beneficiaries. With regards to retirement processing; Equiniti is responsible for producing quotations, issuing retirement options to members, dealing with any queries relating to retirement benefits and arranging settlement/commencement of benefits for members.

We are able to monitor service levels with Equiniti via monthly and quarterly Administration Reports and a monthly TUI Member Web Statistics Report. Monthly Supplier Performance Meetings between Equiniti and the TUI UK Pension Manager include a review of Equiniti's performance during the previous month (including, but not limited to, service levels). Any issues identified as part of our review process would be raised with the administrators immediately, and steps would be taken to resolve the issues.

There is an agreed service level in place with Equiniti that covers timescales for addressing key administrative tasks. The agreed timescales range from 2 to 10 days. Equiniti's performance against agreed service levels over the 12 months to 30 September 2024 was around 81% (80% for TUI UK, 81% for TAPS and 82% for BAL); this is lower than the 12 months to 30 September 2023 where the figure was 99.5%. Equiniti have confirmed that this decline was caused by a vacancy on their administration team in early 2024. By the time a replacement had been found and trained, a backlog of work caused a knock-on effect on Equiniti's SLA performance.

Equiniti has not reported any material administration issues in relation to core financial transaction processing over the 12 months to 30 September 2024. Any errors or breaches are discussed at the monthly meetings between Equiniti and the TUI UK Pension manager.

Standard Life

Standard Life acts as a platform provider for the DC and AVC Sections in each of the BAL Scheme and the TUI UK Scheme, and the AVC Section of the TAPS Scheme. It also provides an online portal where members are able to instruct investment switches.

The key processes adopted by Standard Life to help it meet its agreed service levels are set out in its Pensions Internal Control Statement, which the Trustee has reviewed. We believe that the controls in place are sufficient. The document gives descriptions of the key controls to meet the following control objectives:

- Authorised switches between investment options and changes to investment instructions are processed accurately and in a timely manner (including Lifestyle profiles).
- Transfer values are calculated in accordance with policy provisions and are paid on a timely basis.
- Benefits are provided in accordance with scheme rules, policy provisions, relevant legislation, and individual elections.
- Benefits are calculated on the basis of accurate fund values and are set up and paid on a timely basis.

We receive quarterly reports about Standard Life's performance against and compliance with the agreed service levels. Standard Life's performance against agreed service levels has improved over the Trust Year, averaging c90% over the year (77% in Q4 2023, 87% in Q1 2024, 96% in Q2 2024 and 100% in Q3 2024).

Prudential and Wesleyan

Prudential and Wesleyan are responsible for processing the core financial transactions for the AVC assets they hold, and ensuring there are adequate internal controls in place so that core financial transactions relating to the Schemes are processed promptly and accurately.

Prudential has adopted the following processes to help meet its service level targets:

- employing a central financial control team separate from the main administration team;
- peer checking and authorisation of payments;
- daily monitoring of bank accounts;
- daily checking and reconciliation of member unit holdings;
- employing a dedicated contribution processing team; and
- reporting of late contributions.

Wesleyan has a service level standard of 7 working days to respond to requests, unless the request is more complex, in which case this may be slightly longer. If the request is a generic enquiry which requires no calculation, then Wesleyan aims for a turnaround of 3 working days. Wesleyan does not record its performance against its service level targets. Wesleyan has adopted the following processes to help meet its service level targets:

- quality checking on a competency-basis for all information, alteration & claim requests;
- regular monitoring of suspense accounts to ensure that any payments received can either be allocated to a particular plan or traced back to the payer if sufficient details haven't been provided; and
- for annual statements for members, they have dedicated teams to ensure that the data being reflected within the statements is correct, compliant, and up to date.

Given that Prudential and Wesleyan are legacy AVC arrangements with a small number of members and assets relative to the overall DC arrangements, we monitor their administrative performance less frequently than we do Equiniti's and Standard Life's performance. However, Prudential and Wesleyan are aware that we expect reporting of any material administration errors in relation to processing core financial transactions. Having received no reports of such errors or any related member complaints, we believe that

Prudential and Wesleyan processed Scheme core financial transactions promptly and accurately during the Scheme year.

Overall assessment

Based on our review processes, we are satisfied that during the Trust Year:

- the administrator and each provider above were operating appropriate procedures, checks and controls. Although the administration performance for Equiniti has deteriorated recently our advisers are following up on our behalf about what changes are being made to improve performance;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Trust year.

4. Member-borne charges and transaction costs

We are required to set out the ongoing charges incurred by members over the period covered by this Statement, which are annual fund management charges plus 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 stated charges are shown as a per annum (“pa”) figure and also include a portion of the administration costs. However, in order to maintain lower fees for members, TUI UK Limited pays a per-member, per-annum amount for BAL Scheme members and for TUI UK Scheme members.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when a Scheme’s fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. Transaction costs are borne by members.

The figures under the “Main Schemes” columns apply to the TUI UK and BAL DC Sections, as well as the TUI UK AVCs. The BAL AVCs have different TERs and so are shown in a separate column. There are also TUI UK AVCs and BAL AVCs invested in some of the funds shown in the “AVC funds” section of this statement. The TAPS Scheme only has AVCs (no DC Section) and figures for the TAPS AVCs can also be found under the “AVC funds” section.

The majority of charges and transaction costs have been supplied by Standard Life who are the investment platform provider for the Schemes. When preparing this section of the statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

Default arrangements

The Default has been set up as a lifestyle approach, which means that members’ assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested. Annualised charges and transaction costs during the Trust Year are set out in the following table. The BMAF is covered in the self-select fund section.

Default option (Flexible Income Lifestyle Strategy)

Years to target retirement date	Main Schemes TER (%)	BALAVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.23	0.80	0.04
10 years to retirement	0.36	0.93	0.12
5 years to retirement	0.49	1.06	0.20
At retirement	0.35	0.92	0.15

Alternative lifestyle strategies – charges and transaction costs

In addition to the default arrangements and a range of self-select funds, members also have the option to invest in two other lifestyles, targeting cash withdrawal (the “Lump Sum Lifestyle Strategy”) and annuity purchase (the “Annuity Lifestyle Strategy”). The annual charges for these lifestyles during the period covered by this Statement are set out in the tables below. The Default and alternative lifestyle strategies have the same asset allocation up until 5 years to retirement, therefore the fees are the same.

Lump Sum Lifestyle Strategy

Years to target retirement date	Main Schemes TER (%)	BAL AVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.23	0.80	0.04
10 years to retirement	0.36	0.93	0.12
5 years to retirement	0.49	1.06	0.20
At retirement	0.17	0.74	0.08

Annuity Lifestyle Strategy

Years to target retirement date	Main Schemes TER (%)	BAL AVCs TER (%)	Transaction costs (%)
15 or more years to retirement	0.23	0.80	0.04
10 years to retirement	0.36	0.93	0.12
5 years to retirement	0.49	1.06	0.20
At retirement	0.21	0.78	0.10

Self-select fund range – charges and transaction costs

The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the Trust Year are set out in the following table. The underlying funds used within the Default are shown in **bold**.

Fund	Main Schemes TER (%)	BAL AVCs TER (%)	Transaction costs (%)
Passively managed funds			
SL BlackRock ACS World Multifactor Equity Tracker Pension Fund	0.27	0.84	0.02
Standard Life World Ex UK Equity Pension Fund	0.15	0.72	0.04
SL iShares UK Equity Index Pension Fund	0.14	0.71	0.03

SL iShares Emerging Markets Equity Index Pension Fund	0.35	0.92	0.10
SL iShares Corporate Bond Index Pension Fund	0.14	0.71	0.00
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	0.15	0.72	0.13
SL iShares North American Equity Index Pension Fund	0.14	0.71	0.04
SL iShares Continental European Equity Index Pension Fund	0.15	0.72	0.03
SL iShares Japan Equity Index Pension Fund	0.14	0.71	0.03
SL iShares Pacific ex Japan Equity Index Pension Fund	0.16	0.73	0.05
SL Vanguard ESG Developed World All Cap Equity Index Pension Fund	0.15	0.72	0.03
SL HSBC Islamic Global Equity Index Pension Fund	0.43	1.00	0.00
Standard Life Annuity Targeting Pension Fund	0.22	0.79	0.10
Actively managed funds			
SL BlackRock Market Advantage Pension Fund	0.49	1.06	0.21
Standard Life Deposit and Treasury Pension Fund	0.19	0.76	0.09
Standard Life Property Pension Fund	0.31	0.88	0.13

AVC funds – charges and transaction costs

The transaction cost figures for Prudential and Wesleyan for the Trust Year were not available at the time of finalising this statement, but all efforts are being made to obtain the figures for next year's statement, with our advisers repeatedly chasing for this information. Since Prudential and Wesleyan have not been able to provide figures for the Trust Year, we have shown the latest figures we were able to obtain, for the 12 months to 30 June 2024 and 31 December 2022 respectively.

AVC fund charges and transaction costs (where available) are shown in the following table.

Fund	TER (%)	Transaction costs (%)
Standard Life		
Standard Life At Retirement (Multi Asset Universal) Pension Fund	0.66	0.17
Standard Life Pension Millennium With Profits Fund	n/a	0.03
Standard Life Pension Millennium With Profits 2006 Fund	n/a	0.03
Standard Life Managed Pension Fund	0.65	0.10
SL Abrdn UK Smaller Companies Pension Fund	1.10	0.24
Standard Life Asia Pacific ex Japan Equity Pension	0.73	0.04
Standard Life Stock Exchange Pension Fund	0.65	0.06
Standard Life Pension With Profits One Fund	n/a	0.03
Standard Life North American Equity Pension Fund	0.63	0.19

Standard Life European Equity Pension Fund	0.64	0.00
Standard Life FTSE Tracker Pension Fund	0.62	0.05
Standard Life UK Equity Pension Fund	0.64	0.00
Wesleyan		
Wesleyan Deposit Fund ¹	0.75	0.00
Wesleyan Managed Fund ¹	1.00	0.00
Wesleyan With-Profits Fund ¹	0.90-1.00	0.04
Prudential		
Prudential With-Profits Cash Fund	n/a	0.13 ²
Prudential With-Profits Fund	n/a	0.13 ²
M&G Cash Fund	0.11	n/a
M&G UK Equity Fund	0.42	n/a

¹ As at 31 December 2022

² As at 30 June 2024

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before-costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after-costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past five years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past five years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Trust Year.
- The illustration is shown for the Default, as well as the other legacy legislative default arrangement (BMAF) and two funds from the self-select fund range. The two self-select funds shown in the illustration are:
 - the fund with highest annual member borne costs (TER plus Trust Year transaction costs) – this is the SL BlackRock Market Advantage Pension Fund (this is also an additional default arrangement)
 - the fund with lowest annual member borne costs – this is the SL iShares Corporate Bond Index Pension Fund

Years invested	Default option		SL BlackRock Market Advantage Pension Fund		SL iShares Corporate Bond Index Pension Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£22,500	£22,400	£21,900	£21,700	£21,900	£21,900
3	£24,300	£24,000	£22,600	£22,000	£22,600	£22,400
5	£26,200	£25,800	£23,300	£22,200	£23,300	£23,000
10	£31,900	£30,900	£25,100	£22,800	£25,100	£24,500

15	£38,700	£36,900	£27,000	£23,400	£27,000	£26,100
20	£45,400	£42,200	£29,100	£24,100	£29,100	£27,800
25	£50,100	£44,700	£31,300	£24,700	£31,300	£29,700
30	£54,900	£47,200	£33,800	£25,400	£33,800	£31,600

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The long term annual inflation assumption used is 2.5%.
- The starting pot size used is £21,600. This is the approximate average (median) pot size for members aged 40 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 30-year projection).
- The projection is for 30 years, being the approximate duration that the youngest scheme member has until they reach the Schemes' Normal Pension Age.
- As the Schemes are closed and all members are deferred, there are no contributions.
- The projected before-costs annual returns used are as follows:
 - Default option: 4.0% above inflation for the initial years, falling to a return of 1.5% above inflation at 5 years to retirement before rising to a return of 2.1% above inflation at the ending point of the lifestyle.
 - SL BlackRock Market Advantage Pension Fund: 1.5% above inflation
 - SL iShares Corporate Bond Index Pension Fund: 1.5% above inflation

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the scheme year. We have had regard to the statutory guidance in preparing this section.

The With-Profits fund returns stated are that of the underlying investments, which are the only figures that can be quoted. With-Profits Funds are designed to smooth the returns members receive over their investment term and underlying investment returns are not the only factor determining the return members receive.

For arrangements where returns vary with age, such as for the Default, returns are shown over the scheme for various periods for a member aged 45 and 55 at the start of the period the returns are shown over. Statutory guidance requires returns for a 25-year-old member to be shown however, there are no members in the Schemes that are as young as 25 (the youngest member is 32 at the time of writing) so these returns have not been shown. We considered showing the figures for a 35-year-old member as well, but since the lifestyle de-risking starts at 15 years before retirement the 35- and 45-year-old lifestyle invested members would have experienced the same returns.

Default option (Flexible Income Lifestyle Strategy) net returns over periods to scheme year end

Age of member at the start of the period	Main Schemes		BAL AVCs	
	1 year (%)	3 years (% pa)	1 year (%)	3 years (% pa)
45	16.8	6.5	16.1	5.9
55	14.8	2.2	14.1	1.7

Lump Sum Lifestyle Strategy net returns over one year to scheme year end

Age of member at the start of the period	Main Schemes		BAL AVCs	
	1 year (%)	3 years (% pa)	1 year (%)	3 years (% pa)
45	16.8	6.5	16.1	5.9
55	14.8	2.2	14.1	1.7

Annuity Lifestyle Strategy net returns over one year to scheme year end

Age of member at the start of the period	Main Schemes		BAL AVCs	
	1 year (%)	3 years (% pa)	1 year (%)	3 years (% pa)
45	16.8	6.5	16.1	5.9
55	14.8	2.2	14.1	1.7

Self-select fund net returns over periods to scheme year end

Fund name	Main Schemes		BAL AVCs	
	1 year (%)	3 years (% pa)	1 year (%)	3 years (% pa)
SL BlackRock ACS World Multifactor Equity Tracker Pension Fund	16.9	7.7	16.2	7.1
Standard Life World Ex UK Equity Pension Fund	17.6	6.8	17.0	6.2
SL iShares UK Equity Index Pension Fund	12.7	7.3	12.1	6.6
SL iShares Emerging Markets Equity Index Pension Fund	15.7	1.6	15.0	1.0
SL iShares Corporate Bond Index Pension Fund	10.1	-3.0	9.4	-3.6
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	6.2	-12.6	5.6	-13.1
SL BlackRock Market Advantage Pension Fund	12.8	0.0	12.1	-0.6
SL iShares North American Equity Index Pension Fund	23.0	10.1	22.3	9.5
SL iShares Continental European Equity Index Pension Fund	14.8	6.1	14.1	5.5
SL iShares Japan Equity Index Pension Fund	11.9	3.2	11.2	2.6
SL iShares Pacific ex Japan Equity Index Pension Fund	17.7	4.0	17.1	3.4

Fund name	Main Schemes		BAL AVCs	
	1 year (%)	3 years (% pa)	1 year (%)	3 years (% pa)
SL Vanguard ESG Developed World All Cap Equity Index Pension Fund	21.2	7.1	20.5	6.5
SL HSBC Islamic Global Equity Index Pension Fund	26.6	11.9	25.8	11.3
Standard Life Annuity Targeting Pension Fund	9.3	-7.8	8.7	-8.3
Standard Life Deposit and Treasury Pension Fund	5.2	3.2	4.6	2.6
Standard Life Property Pension Fund	3.4	0.1	2.8	-0.5

AVC funds – investment returns

Fund	1 year (%)	3 years (% pa)
Standard Life		
Standard Life At Retirement (Multi Asset Universal) Pension Fund	11.8	1.6
Standard Life Pension Millennium With Profits Fund ¹	n/a	n/a
Standard Life Pension Millennium With Profits 2006 Fund ¹	n/a	n/a
Standard Life Managed Pension Fund	14.4	2.9
SL Abrdn UK Smaller Companies Pension Fund	16.7	-10.5
Standard Life Asia Pacific ex Japan Equity Pension	14.2	0.0
Standard Life Stock Exchange Pension Fund	16.0	5.5
Standard Life Pension With Profits One Fund ¹	n/a	n/a
Standard Life North American Equity Pension Fund	23.0	8.6
Standard Life European Equity Pension Fund	15.4	5.0
Standard Life FTSE Tracker Pension Fund	13.2	6.8
Standard Life UK Equity Pension Fund	12.5	5.8
Wesleyan		
Wesleyan Deposit Fund	4.7	2.8
Wesleyan Managed Fund	13.2	6.0
Wesleyan With-Profits Fund	7.9	4.6
Prudential		
Prudential With-Profits Cash Fund	7.8	3.7
Prudential With-Profits Fund	7.8	3.7
M&G Cash Fund	5.2	3.2
M&G UK Equity Fund	12.7	3.9

¹ Standard Life have confirmed fund performance is not applicable to the With Profits funds used in the Trust.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Schemes. The date of the last review was 28 January 2025. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Where transaction costs are unavailable for some AVC funds, the Trustee has taken a proportionate approach in its consideration of value for members, with a focus on where the majority of Scheme assets are invested.

Our investment advisers have confirmed that, overall, the member borne fees appear reasonable when compared to other schemes of a similar size.

Our assessment included a review of the performance of the Schemes' investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the majority of investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives. The BMAF delivered muted returns and has underperformed against its "cash plus" benchmark over 5 years. The allocation to fixed income assets was the key reason for the underperformance given poor performance of the asset class over the period. Most of the passive funds have tracked their respective benchmarks within acceptable limits. We are comfortable with the performance of the fund range.

In carrying out the assessment, we also consider the other benefits members receive from the Schemes, which include:

- our oversight and governance, including ensuring the Schemes are compliant with relevant legislation, and holding regular meetings to monitor the Schemes and address any material issues that may impact members;
- the design of the default arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Trust website where members can access fund and Trust information online, accessible here <https://mytuirpension.equiniti.com/>; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes. Standard Life's performance against its agreed service levels has improved over 2024. Equiniti's performance is lower this year than last year, but as previously noted reasons have been given for this and we hope to see an improvement by next year.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Schemes are receiving good value for money for the charges and costs that they incur, for the reasons set out in this section.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Schemes effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension, and trust law. Details of

how the knowledge and understanding requirements have been met during the Trust Year are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material.

Additionally, we receive quarterly updates on topical pension issues from our investment and legal advisers.

We are required to have knowledge and understanding of the law relating to pensions and trusts, and of principles relating to funding and investment matters in connection with the Schemes, within six months of our appointment as trustees. Generally, we aim to complete the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law) within six months of joining the Board in order to demonstrate this. We are also required to attain the PMI Award in Pension Trusteeship. All new joiners have a training session with the Pensions Manager, legal adviser, investment adviser and Trust actuary on joining. All new joiners undertake the online Basic PLSA training and the toolkit. They then progress to the PLSA Trusteeship courses (Parts 1 & 2) and finally undertake the PMI certificate in Trusteeship DB & DC. Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Trust Year. The Chair of the Trustee Board is an Accredited Member of the Association of Professional Pension Trustees (AMAPPT) and has complied with the Continuous Professional Development (CPD) requirements associated with this during the Trust Year.

We are familiar with and have access to copies of the Schemes' governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Schemes, and the SIP is formally reviewed annually and as part of making any change to the Schemes' investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts, and of the relevant principles relating to the funding and investment of occupational pension schemes, to fulfil our duties.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

A questionnaire is used to conduct an annual evaluation of our knowledge and to help to identify training needs. We also carry out an evaluation of the performance and effectiveness of the Trustee Board as a whole as measured against the objectives of the Schemes' business plan. This questionnaire was last carried out in Q4 2024. Following the results of the review, training is being scheduled for the Scheme year to 30 September 2025.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as directors of the Trustee of the Trust properly and effectively.


Michael Roberts (Mar 3, 2025 09:04 GMT)

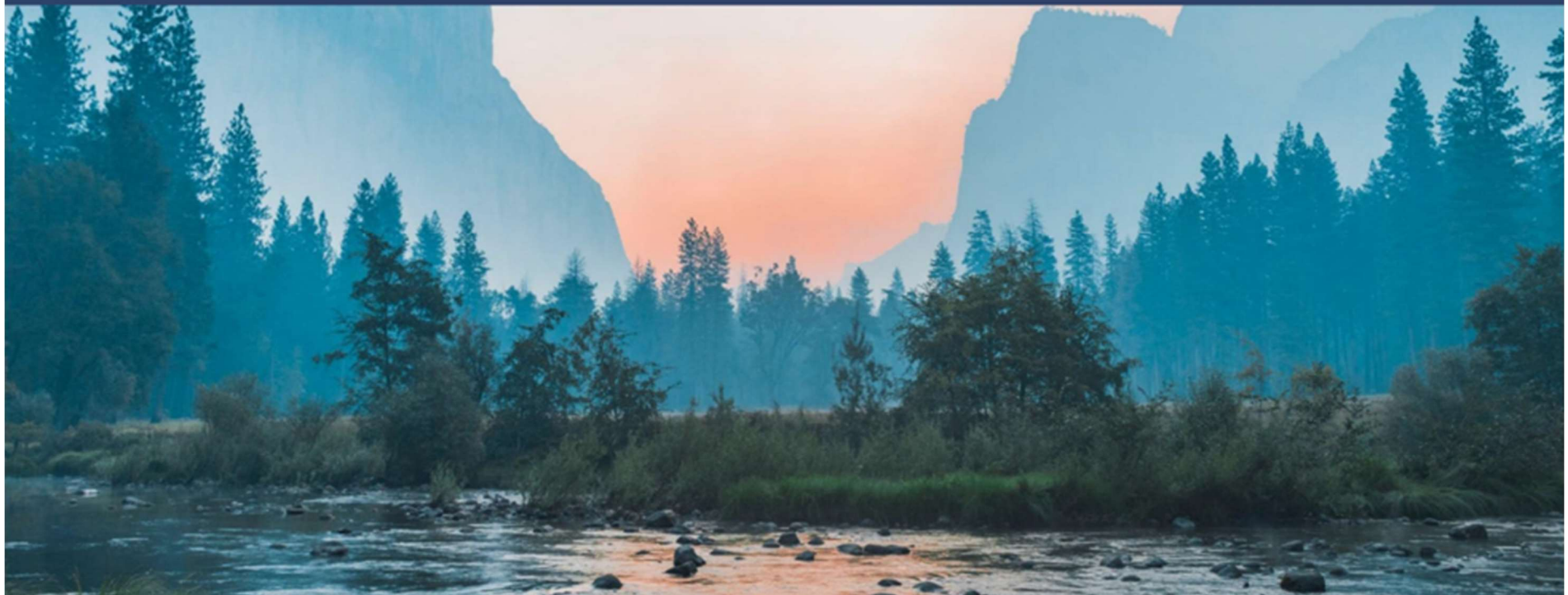
Date: 03/03/2025

Signed by the Chair of Trustees of the TUI GROUP UK Pension Trust

Statement of Investment Principles

For the TUI Group UK Pension Trust

Effective from: 6 December 2023



1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustee of the TUI Group UK Pension Trust.

It sets out our policies on various matters governing investment decisions for the TUI Group UK Pension Trust ("the Trust"), which is a sectionalised scheme with three Defined Benefit ("DB") Sections called the:

- BAL Scheme;
- TUI UK Scheme; and
- TAPS Scheme.

Given this segregated structure, in this document the three sections are referred to as three separate schemes (the "Schemes") to best reflect how the structure operates as a matter of law.

The Trust also has Defined Contribution ("DC") Sections, and Additional Voluntary Contribution arrangements ("AVCs"); the DC and AVC arrangements are also considered in this SIP.

This SIP replaces the previous SIP dated 7 September 2022.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Trust and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy, or in the demographic profile of the members invested in the DC default investment option, and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator's guidance on investments.

2. Investment objectives

DB Sections

Our primary objective is to invest the assets of the DB Sections of the Trust prudently to ensure that the benefits promised to members are provided. The overall aim is to reach and maintain a position where sufficient assets are held to cover all liabilities plus an additional reserve for unforeseen events such as improvements in mortality, and to have a contribution rate which the Principal Employer, TUI UK Limited, can sustain.

DC and AVC Sections

Our objective for the DC Sections is to provide members with access to:

- an appropriate range of investment options, reflecting the relevant membership profile and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that we believe to be reasonable for those members that do not wish to make their own investment decisions.

For the BAL and TUI UK Schemes, which are both closed to DC contributions, the main default investment option is the Flexible Income Lifestyle Strategy (the "Default"). Our objectives for the Default are as follows:

- Aim for significant long-term real investment growth whilst members are far away from retirement.
- Manage down volatility in fund values as members near retirement.
- Target an end point portfolio that is appropriate and consistent with members using their accumulated pot to fund their retirement via flexi-access drawdown.

The BlackRock Market Advantage Fund ("BMAF") is a diversified growth fund which invests in a broad range of assets and is considered to be an additional default arrangement for governance purposes. This is as a result of a bulk transfer of assets without member consent in June 2019.

The objective of this Fund is to provide a return which exceeds 3-month SONIA by 3.5% pa (gross of fees) over the medium to long term (three to five consecutive years).

All policies relating to the defaults are covered in this SIP, rather than in a separate SIP, so all of our investment policies are in one document.

Our objective for the AVC investment arrangements is to make available a suitable range of options to reasonably meet members' risk / return objectives.

3. Investment strategy

For the **DB Section**: in April 2021, we entered into two bulk annuity policies (also known as **buy-ins**) in respect of a portion of the BAL Scheme's pensioner liabilities and all of the TAPS Scheme's liabilities. These bulk annuity policies will either partially (for the BAL Scheme) or wholly (for the TAPS Scheme) meet the cash flows due from these two Schemes to members.

We consider the non-insured assets of the TUI UK Scheme and the BAL Scheme as two portfolios:

- The **Growth Portfolio** which has the objective of improving the funding position of each Scheme. It comprises a portfolio of credit and debt-based investments, real estate, and alternative assets such as insurance-linked securities (with the latter having final redemption proceeds paid back over time).
- The **Matching Portfolio** which has the objective of providing investment performance that broadly matches the movements in the value of each Scheme's non-insured liabilities. It comprises a bespoke Liability Driven Investment ("LDI") portfolio (predominantly of fixed and index-linked gilts, gilt repurchase agreements, interest rate and inflation swaps) and "buy and maintain" credit exposure. The TUI UK Scheme invests in a segregated buy and maintain credit portfolio, and the BAL Scheme invests in pooled buy and maintain credit funds.

The allocation to the LDI Portfolio will be determined by the collateral required to support the target level of interest rate and inflation hedging. We have a leverage management process in place, monitor assets available to support the LDI portfolios and monitor the collateral sufficiency in the LDI portfolios using information received on a regular basis from the LDI manager.

We will consider additional de-risking of the strategies as funding levels improve.

The non-insured assets for the TAPS Scheme are held in cash as future payments from this Scheme are expected to take place in the near term.

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Trust's circumstances. We believe that the Schemes' strategies meet this objective.

There is no formal rebalancing policy. We monitor the asset allocation from time to time and we will consider with our advisers whether it is appropriate to rebalance the assets.

For the **DC and AVC Sections**, we have made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their assets, having regard to their attitude to the risk. If a member does not choose an investment option, then their assets will be invested into the Default, which is managed as a "lifestyle" strategy (i.e. it automatically combines investment funds in proportions that vary according to the time to retirement age). The Default is the Flexible Income Lifestyle Strategy.

Our investment consultants last carried out a review of the DC investment arrangements in November 2022, covering the Default and self-select investment range, including BMAF the additional default. We discussed the DC investment review in our meeting of 7 December 2022, considering the objectives described in Section 2. At the time of writing we are still considering the DC investments, following the November 2022 review, and have not decided to make any changes yet.

The Default was designed to be in the best interests of the majority of the members based on the relevant member demographics. The Default targets income drawdown at retirement, since we believe that most DC members will wish to take their benefits in this form. Therefore, the Default is initially invested in assets that have a relatively high expected return aiming for growth, and then as the member approaches retirement, gradually switches into less risky assets, with the asset allocation at retirement being designed to be appropriate for members opting for income drawdown in retirement.

We review the Default and other investment options, including the additional default (BMAF), at least every three years and as soon as practicable after any significant change in legislation, investment policy, or the demographic profile of relevant members. We review the extent to which the return on investments relating to the default arrangements (after deduction of any charges and transaction costs relating to those investments) is consistent with respective aims and objectives. We also monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

4. Considerations in setting the investment arrangements

When deciding how to invest the Trust's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

We take an integrated approach when assessing risk and reviewing the investment strategy. In particular, we take account of the employer covenant, contributions, funding targets, liability profile (including interest rate and inflation sensitivities and the extent to which they are hedged) and the level of expected return and risk now and as the strategy evolves.

The primary ways that we manage investment risk is via diversification, ensuring that we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. For the DB Section investment risk is measured using "Value at Risk". For the DC Section investment risk is measured as standard deviation.

The key financial assumption made in determining the DB investment arrangements is that there are certain investments that will outperform gilts over the long term.

In setting the strategy for the DB Section it is our policy to consider:

- our investment objectives for the Schemes, including the target return required to meet the investment objectives;
- each Scheme's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of all members and beneficiaries
- the circumstances of the Schemes, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to manage investment risk and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate;

- any other considerations which we consider financially material over the time horizon that we consider is needed for the funding of future benefits by the investments of the Schemes; and
- our investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

In determining the investment arrangements for the DC and AVC Sections, including default arrangements, it is our policy to consider:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards, and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the Default and other lifestyle options to ensure that, for each such lifestyle, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- any other considerations which we consider financially material over the periods until members' retirement, or any other timeframe which we believe to be appropriate; and
- our investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

Regarding the default arrangements, our policy regarding investments in illiquid assets is set out below. Illiquid assets means assets that can't be easily or quickly sold or exchanged for cash, and where assets are invested in a collective investment scheme this includes any such assets held by the collective investment scheme.

The default arrangements include an allocation to a diversified growth fund ("DGF") via a pooled fund (a type of collective investment scheme), that may, at any given time, include an allocation to illiquid assets if the DGF manager chooses to do so. As at 30 June 2023 there was no exposure to illiquid assets. Members invested in the default and aged between 51 and 65, assuming a target retirement age of 65, have exposure to the DGF which may in future include an allocation to illiquid

assets, at the manager's discretion. The standalone DGF is also an additional default itself

Our policy is to have exposure to DGFs with discretion to invest in illiquid assets and not to have direct exposure to illiquid assets funds within the default arrangements. We believe that long-term net risk-adjusted investment returns of the default may be improved by investing in illiquid assets. However, we note that at this time the ability for DC pension schemes to obtain exposure to illiquid assets is limited and the relatively few suitable illiquid asset funds that are available tend to have higher charges.

We intend to consider the illiquid assets exposure further with the support of our investment advisers when we next review the default strategy. Given the market for illiquid investments is developing over time we are comfortable to wait until the next triennial default strategy review before considering investment in illiquid assets further.

We also consider other factors that we believe to be financially material over time horizons relevant to the funding of the DB, DC and AVC benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our key investment beliefs, which influence the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is usually better value;
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified;
- ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- long-term environmental, social, and economic sustainability is one factor

that should be considered when making investment decisions:

- climate change is a financially material systemic issue that presents risks and opportunities for the Schemes over the short, medium, and long term; and
- voting and engagement are important and can create long term value which is in the best interest of Schemes' members and therefore we encourage managers to improve their voting and engagement practices.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

For the TAPS Scheme and the part of the BAL Scheme that is covered by the bulk annuity policies, we do not believe that the matters set out in Regulation 2(3)(d) of the Occupational Pension Schemes (Investment) Regulations 2005 relating to incentivising investment managers and monitoring turnover costs are relevant to the bulk annuity policies, as we do not have direct influence on how the assets received by the insurance provider in payment for the policies are invested.

For the TUI UK Scheme, TAPS' cash holdings and the part of the BAL Scheme that is not covered by the bulk annuity policies, we have signed agreements with the investment managers setting out the terms on which the portfolios are to be managed.

In respect of the DC and AVC Sections, we have signed agreements with a platform provider (as well as some "legacy" arrangements with other providers), who makes available a range of investment options to members. These agreements set out in detail the terms on which the investments are managed. The investment managers' primary role is the day-to-day investment management of the Trust's investments. There is no direct relationship between the Trust and the underlying investment managers for the DC and AVC Sections.

We, as well as investment managers to whom discretion has been delegated, exercise powers to give effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

We have limited influence over managers' investment practices for the Trust's assets held in pooled funds, but we encourage our managers to improve their practices where appropriate in these cases.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies.

We expect investment managers, where appropriate, to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over multiple time periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover.

We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Trust's investment mandates.

Further information on the Schemes' strategies is available upon request.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Trust within the portfolios that they manage, and in considerations relating to the liquidity of investments.

For the DB Sections, we decide, based on the administrators' recommendation, on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. Our preference is for investments that are readily realisable, but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg, property).

For the DC and AVC Sections, our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations and non-financial matters

We consider how ESG considerations (including but not limited to climate change) should be taken into account in the selection, retention, and realisation of investments, given the time horizon of the Trust and its members.

We influence the Trust's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and review how the managers are taking account of these issues in practice.

We encourage our managers to improve their ESG practices, although acknowledge that we have limited influence over managers' investment practices where assets are held in pooled funds and that the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors.

We do not consider matters that are purely non-financial in nature (eg, matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

Within the DC and AVC Sections we recognise that some members may wish for ethical or other non-financial matters to be considered in their investments and therefore has made available a passive ESG global equity index fund and a Shariah compliant global equity fund as investment options to members.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of our members.

We seek to appoint investment managers that have strong stewardship policies and processes, reflecting where relevant the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders, and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors. We expect the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

We do not monitor or engage directly with issuers or other holders of debt or equity.

We monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

We have selected a priority ESG theme of climate change to provide a focus for our monitoring of investment managers' voting and engagement activities. We review our ESG priorities regularly and we will update them if appropriate. We communicate our stewardship priorities to our managers each year and also confirm our more general expectations in relation to ESG factors, voting and engagement.

If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.