

THALES PENSION TRUSTEES LIMITED

Thales UK Pension Scheme (the “Scheme”)

To: All active and pensioner Section 2 members.

1 Elections for Member-Nominated Directors

1.1 The current terms of office of the Scheme’s Section 2 Member-Nominated Directors (“MNDs”) will come to an end in October of this year. Thales Pension Trustees Limited (“Trustee”) is therefore running a selection process to select MNDs for a new term of office.

1.2 This letter contains information on the role of MND’s and further detail on how to take part in the selection process if you wish.

2 Member-Nominated Directors

2.1 Under the Pensions Act 2004, pension schemes are required to have formal arrangements in place to provide for at least one-third of the directors of their corporate trustee to be nominated and selected by the pension scheme members.

2.2 The Scheme is currently run by a corporate trustee, Thales Pension Trustees Limited (“Trustee”). The Scheme Rules provide that there need to be a minimum of twelve posts for directors of the Trustee, 50% of which need to be MNDs of the Trustee.

2.3 The Scheme is sectionalised so that the assets and liabilities of Section 1 and Section 2 are kept separate. To reflect this in the MND Procedure, three MNDs are selected and appointed from the Section 1 membership and three are selected and appointed from the Section 2 membership. Of those three for each section, there must be at least one pensioner member and one active member. In the event that insufficient nominations are received from either pensioner or active members, then three from either active or pensioner members can fill the vacancies.

2.4 This selection process is for the three Section 2 MNDs

2.5 The table below shows how the predecessor schemes are split between the two sections of the Thales UK Pension Scheme. In addition the members who transferred from the Avimo scheme are in Section 2.

Racal Group Executive Pension Plan	Section 1	Thales UK Pension Scheme
Racal Group Executive Manager & Senior Manager Pension Scheme		
Racal Group Staff Pension & Life Assurance Scheme		
Racal-Decca Staff Pension & Life Assurance Scheme		
Thales Optronics Pension Scheme		
Thomson Retirement Benefits Scheme	Section 2	Thales UK Pension Scheme
Thomson Pension Plan		
The W Vinten Limited Pension Scheme		

- 2.6 The six directors appointed by the Principal Employer are also notionally divided so that three are appointed in respect of Section 1 and three are appointed in respect of Section 2.
- 2.7 It is important to note that both the MNDs duties and those of the directors appointed by the Principal Employer are to the Scheme's membership as a whole; not solely by reference to the Section of the Scheme from which they were nominated and selected.

3 What are Member Nominated Directors?

- 3.1 The Trustee directors have overall responsibility for the administration and management of the Scheme. This includes the prudent investment of the Scheme's assets and ensuring that the Scheme is run in accordance with the Trust Deed and Rules.
- 3.2 In practice, in order to carry out their responsibilities properly, the Trustee directors employ experts and fulfill their overall responsibilities by delegating to those experts, in accordance with legislation, and by monitoring and reviewing what those experts do.

Key Responsibilities

- 3.3 All of the Trustee directors share responsibilities which include ensuring that:
- (a) The Scheme is run in accordance with the Scheme Rules that govern it, in particular that members receive the benefits to which they are entitled and that proper records are kept;
 - (b) The Scheme is appropriately funded;
 - (c) Appropriate contributions required to fund benefits are agreed with the Principal Employer having taken actuarial advice and that all contributions are received on time;
 - (d) The Scheme's assets are invested prudently;
 - (e) Valuations are prepared at least every 3 years;
 - (f) Annual accounts are prepared and properly audited;
 - (g) Any other statutory requirements are met; and

(h) Experts are appointed to help with these tasks.

- 3.4 These are just a few of the responsibilities which demonstrate that the role can be a difficult one and should not be undertaken lightly.

Pensions Regulator's expectations

- 3.5 The Pensions Regulator expects new trustees to become conversant with certain matters and allows a period of 6 months from the date of appointment for this. Further information about the role of a pension scheme trustee and what the Pensions Regulator expects of a pension scheme trustee is contained on the Pensions Regulator's website which you may wish to visit at www.thepensionsregulator.gov.uk.
- 3.6 Due to the high expectations placed on Trustees, and in order to identify those who have a sustained interest and ability to deal with pensions issues, the Scheme requires any person who wishes to be nominated for the position of MND to complete the Pensions Regulator's "Trustee Toolkit" (the Pensions Regulator's e-learning programme for pension scheme trustees) before their name will be added to the ballot. The Trustee Toolkit can be found at trusteetoolkit.thepensionsregulator.gov.uk.

Liability as a Trustee director

- 3.7 Trustee directors are indemnified out of the Scheme's assets, and have the benefit of indemnity insurance to ensure that they are protected from claims whilst acting in their capacity as trustees, provided that an individual director is not guilty of any personal wrong doing. However, there are some restrictions on the applicability of Trustee protection, for example, in respect of investment decisions.

Trustee meetings

- 3.8 Trustee meetings usually take place 4 times a year and are held in normal working hours. There will be some background reading to do in advance of each Trustee meeting which may take up a certain amount of the Trustee director's own time. In addition to Trustee meetings, Trustee directors are expected to serve on a subcommittee which will require attendance at a minimum of four further meetings and related background reading.
- 3.9 MNDs may be required to travel both for Trustee meetings and for Trustee training and to spend time understanding pension issues. The position will not be remunerated but all expenses will be reimbursed. If the nominee is an employee, he or she will be allowed adequate time off work, in addition to their contractual holiday entitlement, to carry out his or her additional duties.

Period of office

- 3.10 MNDs selected from Section 2 will hold office for a period of 4 years.
- 3.11 If any MND ceases to be an active or pensioner member of the Scheme during their period of office, they will automatically cease to be an MND from that date. However, an MND that moves from active membership to pensioner membership during their period of office will continue in office as an MND until expiry of their term.

4 Who can apply?

- 4.1 Nominees do not have to be a pensions expert to be put forward as an MND, and trustee

training will be provided once they have been successfully appointed.

- 4.2 However, as outlined above, all nominees must complete the Pensions Regulator's "Trustee Toolkit" in order to show the dedication and ability required of MNDs. The Trustee Toolkit certificate of completion must be provided to the Scheme Secretary (email: philip.cameron@uk.thalesgroup.com) within six weeks of the closing date for nominations. Nominees who fail to provide the certificate within the deadline will not be placed on the ballot and will not proceed to the next stage of selection.
- 4.3 The successful nominees will be expected to:
- (a) be conversant with the Scheme documents, and to have knowledge and understanding (appropriate to their role) of trusts and pensions law and of the principles of funding and investment;
 - (b) to hold and invest the assets of the Scheme for the benefit of the members;
 - (c) carry out their duties as conscientious, honest and prudent people would in dealing with their own affairs;
 - (d) act at all times impartially;
 - (e) not delegate their duties except where permitted by law or the rules of the Scheme;
 - (f) obtain and consider expert advice in areas where they are not expert;
 - (g) ensure steps are taken to collect all money owing to the Scheme;
 - (h) to record the transactions and proceedings of the Scheme; and
 - (i) attend all Trustee meetings (unless exceptional circumstances prevent this).
- 4.4 The Trustee directors will have access to professional advice in connection with all of the Scheme's affairs and the Scheme's administrators and professional advisers will assist them with understanding and carrying out their duties.
- 4.5 To be eligible to be selected and appointed as an MND, each nominee must:
- (a) be an active member or a pensioner. Any person receiving just a dependant's pension or pension credit benefit is not classed as a pensioner eligible for this purpose;
 - (b) have completed the Trustee Toolkit and provided the Scheme Secretary with their certificate of completion within six weeks of the closing date for nominations; and
 - (c) not be legally disqualified from being a Trustee (through bankruptcy).

5 The nomination process

- 5.1 The purpose of this letter is to invite nominations for the role of MND from the Scheme's Section 2 active and pensioner membership.
- 5.2 You may nominate any active or pensioner member from your Section to be an MND, including yourself. See the table earlier in this announcement to confirm which section you belong to.

- 5.3 For the avoidance of doubt, current MNDs may be nominated and stand for a new term of office. They will need to be nominated in the same way as other nominees.
- 5.4 In order to be nominated, an individual must be proposed by at least one active or pensioner member from within their own Section, and seconded by at least two other active or pensioner members from within their own Section.
- 5.5 A nomination form is enclosed. Please note that the completed form must be returned to Thales Pensions Department by 23th July 2021. Nominations received after that date will be rejected.
- 5.6 Each nominee must provide the Scheme Secretary with their certificate of completion of the Trustee Toolkit by 3th September 2021. Failure to do so will result in the nominee not proceeding to the next stage of selection.

6 The Selection Process

- 6.1 If the number of nominations is less than or equal to the number of vacancies the nominees will be deemed to be appointed.
- 6.2 If there are more nominations than vacancies a selection process as set out below will be run.

Section 2

- At least one out of the three MND vacancies in Section 2 have to be filled by an active member.
 - At least one out of the three MND vacancies in Section 2 have to be filled by a pensioner member.
- 6.3 The selection process will be by way of a ballot of eligible members, with each member having a maximum of 3 votes.
 - 6.4 The three nominees with the largest number of votes and who fit the criteria as described above will be appointed to the board.

What happens if there are insufficient nominations to fill the vacancies?

- 6.5 If less than three nominations are received in respect of a Section then the remaining post(s) shall remain vacant until a valid nomination is received. The Trustee may (but is not required to) send out further invitations for nominations at a future date. If no nominations are received then the Scheme will operate with six directors without any MND representation.
- 6.6 If there are insufficient nominations received to meet the requirements of active/pensioner membership, the limitations referred to in paragraph 6.2 above will be removed in order to fill the vacancies.
- 6.7 In the event of the Scheme being operated without the full complement of MNDs the arrangements for the nomination and selection process will be repeated at least every year until such time as the vacancies are filled. In the event of an MND ceasing to act, the next highest scoring nominee within the relevant constituency (i.e. Section 1 or Section 2) who was not appointed from the original ballot, will be appointed for the remainder of the term of office. If this is not possible, then a new selection process will be undertaken.

- 6.8 For all other queries please contact the Scheme Secretary at philip.cameron@uk.thalesgroup.com
- 6.9 You need take no further action unless you wish to become an MND or propose someone else as one, in which case you should return the enclosed nomination form.

Philip Cameron

Secretary to The Trustee