

**Associated British Foods  
Pension Scheme**

**Annual Report and Accounts**

**Year ended 5 April 2023**

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## ASSOCIATED BRITISH FOODS PENSION SCHEME

Scheme Number 10150279

### MANAGEMENT OF THE SCHEME

#### Trustee Directors:

James West (*The Chair*)<sup>#</sup>  
Giles Haig  
Paul Longley\*  
Sarah Giffen\*  
Philippa Nibbs

John Bason (resigned 28 April 2023)  
James Rushton (appointed 18 May 2023)  
Trevor Smith\*  
Jonathan Willis\*  
Paul Lister

<sup>#</sup>Independent Director

\*Member Nominated Director

#### Secretary to Trustee and Group Pensions Director:

Colin Hately

#### Principal Employer:

Associated British Foods Plc  
Weston Centre  
10 Grosvenor Street  
London W1K 4QY

#### Actuary:

James Bourne  
Mercer Ltd  
1 Tower Place West  
Tower Place  
London EC3R 5BU

#### Administrator:

ABF Pensions Department  
50/51 Russell Square  
London WC1B 4JU

#### Auditor:

Ernst & Young LLP  
R +  
2 Blagrove Street  
Reading  
RG1 1AZ

#### Banker:

Bank of Scotland  
Citymark  
150 Fountainbridge  
Edinburgh EH3 9PE

#### Investment Consultant:

Mercer Ltd  
1 Tower Place West  
Tower Place  
London EC3R 5BU

#### Property Administrator:

Workman LLP  
Alliance House  
12 Caxton Street  
London SW1H 0QS

#### Property Valuer:

CB Richard Ellis  
St Martins Court  
10 Paternoster Row  
London EC4M 7HP

#### Solicitor:

Travers Smith  
10 Snow Hill  
London EC1A 2AL

## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **MANAGEMENT OF THE SCHEME (continued)**

#### **Investment Managers:**

##### **(DB Section)**

ABRDN (removed 29 September 2022)	1 George Street, Edinburgh, EH2 2LL
Alcentra Ltd	160 Queen Victoria Street, London, EC4V 4LA
Ares Management Ltd	10 New Burlington Street, 6th floor, London, W1S 3BE
Artemis Investment Management LLP	Cassini House, 57 St James Street, London, SW1A 1LD
Beach Point Capital Management LP	1620 26th Street, Suite 6000N, Santa Monica, CA 90404
Arcmont Asset Management Ltd	77 Grosvenor Street, London, W1K 3JR
BlackRock Investment Management (UK) Ltd	12 Throgmorton Street, London, EC2N 2DL
Bridgepoint Advisors Ltd	30 Broadwick Street, 3rd Floor, London, W1F 8JB
Calamos Investments LLC	2020 Calamos Court, Naperville, IL 60563
Cordet Capital Partners LLP	23 King 5street, London, SW1Y 6QY
CQSM LLP	5th Floor, 33 Grosvenor Place, London, 5W1X 7HY
Goldman Sachs Asset Management Inc	River Court, 120 Fleet Street, London, EC4A 2BE
Hay Financial Management LLP	One Eagle Place, London, SW1Y 6AF
H.I.G Capital International Advisors LLP	25 St Georges Street, London, W1S 1FS
Insight Investment Management Ltd	160 Queen Victoria Street, London, EC4V 4LA
Liontrust Asset Management Plc	2 Savoy Court, London, WC2R 0EZ
Morgan Stanley	100 Front Street, 8th Floor, West Conshohocken, PA 19428, USA
Muzinich & Co	8 Handover Street, London, W1S 1YQ
MV Credit Partners LLP	100 Pall Mall, London, SW1Y 5NQ
NeuBerger Berman	Lansdowne House, S7 Berkeley Square, London, W1J 6ER
Ninety One Global (from 28 July 2022)	55 Gresham Street, London, EC2V 7EL
Schroder Investment Management Ltd	31 Gresham Street, London, EC2V 7QA
Veritas Asset Management LLP	1st Floor, 90 Long Acre, London, WC2E 9RA

##### **Custodian:**

The Bank of New York Mellon SA/NV (removed 31 July 2023)	One Canada Square, London, E14 5AL
Northern Trust LLP (appointed 1 August 2023)	50 Bank Street, Canary Wharf, London, E14 5NT

#### **Investment Managers:**

##### **(DC Section)**

Mobius Life (an insurance company investment platform providing a range of funds which includes AVC holdings)	7th Floor, 20 Gresham Street, London EC2V 7JE
AllianceBernstein LP	50 Berkeley Street, London, W1J 8HA

#### **Additional Voluntary Contribution Managers:**

Phoenix Life	Lynch Wood Park, Lynch Wood, Peterborough, PE2 6FY
Clerical Medical Investment Group	25 Gresham Street, London, EC2V 7HN
Prudential	AVC Customer Services, Prudential, Sterling, FK9 4UE
ReAssure	Windsor House, Telford Centre, Telford, Shropshire, TF3 4NB
Standard Life Assurance Company	Standard Life House, 30 Lotham Road, Edinburgh, EH1 2DH

# ASSOCIATED BRITISH FOODS PENSION SCHEME

## TRUSTEE'S REPORT

The Directors of the Trustee present their Annual Report of the Associated British Foods Pension Scheme (the "Scheme"), together with the Financial Statements for the year ended 5 April 2023. The Investment Reports set out on pages 10 to 15 and the Compliance Statement on page 9 form part of this Trustee's Report.

### Introduction

The Scheme comprises:

- the Defined Contribution (DC) Section, which provides benefits based on the member's accumulated fund value at retirement, and
- the Defined Benefit (DB) Section, which provides benefits based on the member's final salary and length of service. In this Annual Report and in the Financial Statements the phrase "DB Section" refers to all four DB Sections (ABF Main, ABF Executive, British Sugar and British Sugar Senior) unless otherwise specified.

Members of both Sections are able to make Additional Voluntary Contributions (AVCs) to secure additional benefits. The DB Section is closed to new entrants.

### Trustee Directors

Associated British Foods Pension Trustees Limited is the sole corporate Trustee of the Scheme. The appointment of new or additional Company appointed Trustee Directors and their removal from office is the responsibility of Associated British Foods Plc (ABF Plc). The Trustee Board consists of nine directors: four Company appointed, four member nominated and one independent Director.

The full Board of the Trustee met four times during the Scheme year. The Board has three subcommittees that deal with specific aspects of Trustee responsibility in greater detail, and which report to the full Board. The number of subcommittee meetings held during the Scheme year (shown in brackets) and the Trustee Directors who were members of these subcommittees during all or part of the Scheme year are:

Audit subcommittee (2):	John Bason ( <i>chair - resigned</i> ) Sarah Giffen Philippa Nibbs Jonathan Willis	James Rushton ( <i>chair - appointed</i> ) Giles Haig Trevor Smith
Investment subcommittee (4):	James West ( <i>chair</i> ) Paul Longley Giles Haig Jonathan Willis	John Bason ( <i>resigned</i> ) Sarah Giffen Sir Guy Weston James Rushton ( <i>appointed</i> )
Property subcommittee (2):	James West ( <i>chair</i> ) Paul Lister Trevor Smith	John Bason ( <i>resigned</i> ) Sir Guy Weston James Rushton ( <i>appointed</i> )

John Bason resigned as a Trustee Director on 28 April 2023 and James Rushton was appointed as a Trustee Director on 18 May 2023.

Sir Guy Weston is a member of the Investment and Property subcommittees. Sir Guy Weston is not a Trustee Director but provides expertise to the subcommittees.

### Administration

The Scheme is administered on behalf of the Trustee by the ABF Group Pensions Department, 50/51 Russell Square, London, WC1B 4JU. Any general enquiries about the Scheme or requests for information from members should be sent to this address, or to [pensions.admin@abfoods.com](mailto:pensions.admin@abfoods.com).

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### TRUSTEE'S REPORT (continued)

#### Principal and Participating Employers

The Principal Employer (the "Company") is Associated British Foods Plc, Weston Centre, 10 Grosvenor Street, London, W1K 4QY on behalf of the participating group companies. Additional participating employers are Fortnum and Mason Plc and Wittington Investments Ltd.

#### Membership changes

The membership of the Scheme at the beginning and end of the Scheme year and changes during the year are set out below.

	<u>DB Section</u>	<u>DC Section</u>
<b>Active Members</b>		
<b>Active membership at 5 April 2022</b>	1,252	20,728
Prior year adjustment	24	(4)
Add: New entrants during year	-	9,699
Less: Retirements	(105)	(232)
Leavers with deferred pension	(81)	(6,392)
Leavers awaiting option	(46)	(275)
Leavers with refunds of contributions	-	(1,177)
Transfers out to other Schemes	-	(26)
Deaths in service	(1)	(24)
No liability	-	(87)
<b>Active membership at 5 April 2023</b>	<b>1,043</b>	<b>22,210</b>
<b>Pensioners</b>		
<b>Pensioners at 5 April 2022</b>	14,435	-
Prior year adjustment	1	-
Add: New pensioners	341	-
Dependants' pensions	224	-
Less: Pensions ceasing	(677)	-
<b>Pensioners at 5 April 2023</b>	<b>14,324</b>	<b>-</b>
<b>Deferred Pensioners</b>		
<b>Deferred Pensioners at 5 April 2022</b>	6,277	28,985
Prior year adjustment	1	(1)
Add: New entrants during year	81	6,392
New entrants (pending status)	46	275
Less: Refunds	-	(70)
Transfers out to other Schemes	(29)	(155)
Retirement	(236)	(244)
Deaths	(13)	(17)
No liability	-	(3)
Forfeiture of benefits	(1)	-
<b>Deferred Pensioners at 5 April 2023</b>	<b>6,126</b>	<b>35,162</b>

The opt outs are accounted for on a gross basis as recommended by the SORP.

Prior year adjustments relate to timing differences when reconciling the membership.

The no liability active members relate to auto-enrolment members who have opted out before any contributions have been deducted.

## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **TRUSTEE'S REPORT (continued)**

#### **Pension increases**

In April 2022 pensions in excess of the Guaranteed Minimum Pension (GMP) accrued prior to January 2008 were increased by 5.0% for all pensioners who had been retired for one year or more. Pensions in excess of the GMP accrued after January 2008 were also increased by 2.5%. Pensioners who had been retired for less than one year on the increase date received a proportion of the full increase. Post 88 GMP was increased by 3.0%. In April 2023 pensions were increased as described above with an increase rate of 5.0% on the pre January 2008 excess and 2.5% on the post 2008 element of pension. Post 88 GMP was increased by 3.0%. Deferred pensioners are protected against inflation by the application of government prescribed statutory revaluation orders measured over the period of deferment to retirement date. In accordance with the Rules of the Scheme the annual increase is applied for British Sugar Section pensioner members with effect from 1 April and for other pensioner members with effect from 6 April.

Deferred pensions have been increased in line with statutory requirements.

All increases were in accordance with the Trust Deed and Rules of the Scheme or legislative requirements. There were no discretionary increases awarded in the year.

#### **Pension Protection Fund (PPF)**

The PPF and Pensions Regulator levies paid by the Scheme for 2022/23 totalled £306,049 (2021/22: £585,329). The employer makes additional contributions to cover both the PPF Levy and PPF Admin Levy.

#### **DC Administration and Investment platform**

The administration of the Scheme is undertaken by the ABF Group Pensions Department.

Mobius Life are the DC investment platform provider.

#### **Rule changes**

The Scheme is governed by the Trust Deed and Rules updated on 5 April 2016, and effective from 6 April 2016 with subsequent amendments. Copies of the Trust Deed and Rules may be obtained by writing to the Secretary to the Trustee, 50/51 Russell Square, London, WC1B 4JU.

There have been no changes to the Trust Deed and Rules during the year.

#### **GMP equalisation**

The Trustee is already taking steps to equalise the benefits of male and female members currently in the Scheme following the High Court ruling in the first judgement of October 2018. This work is being preceded by undertaking a full reconciliation of data held by the Trustee with that held by the DWP. These GMP equalisation projects will now be extended to include historic cash equivalent transfer payments paid out of the Scheme following the second judgement made on 20 November 2020. The Trustee will be undertaking projects to revisit cash equivalent transfer values paid to former members with a view to make top up payments where members have not been paid their full entitlement (equalised benefits). Furthermore, the Trustee with the help of the Scheme Actuary and the Legal Advisors are also considering the implications of the judgement on past transfers made by way of bulk transfer from the Scheme and individual transfers made under the rules of the Scheme as opposed to CETV. The Trustee is also reviewing the need to take action to equalise the benefits payable to members in respect of historic transfer payments received by the Scheme where those benefits are inadequate due to the effect of GMPs accrued under the transferring schemes. The amount is in the process of being finalised but is not expected to be material to the accounts. The Trustee has therefore not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

#### **Actuarial valuation**

The financial statements on pages 20 to 41 do not take into account obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is considered by the Scheme Actuary who regularly reviews the obligations and reports to the Trustee. In addition to the regular reviews a full actuarial valuation is carried out every three years, and the latest valuation, at 5 April 2023 is in progress.

## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **TRUSTEE'S REPORT (continued)**

The most recent formal actuarial valuation carried out as at 5 April 2020 showed a funding level on an ongoing cautious basis of 92% (at 5 April 2017: 105%), with a past service shortfall of £302m (at 5 April 2017 a surplus of £176m). Since the formal actuarial valuation, the funding position has improved significantly both as at 5 April 2021 and furthermore as at 5 April 2022 with the position confirmed to members in the Annual Funding Statement.

A new Schedule of Contributions was signed on 9 December 2020. The Employer agreed to pay normal contributions in respect of future accrual of benefits of 39.3% of Contributory Salaries for British Sugar DB Section members and 32.6% of Pensionable Earnings in respect of ABF DB Section members from 1 January 2021. In addition, the Employer agreed to contribute:

- Shortfall contributions of £29.8m per year from 30 June 2021 to 30 June 2025 inclusive plus a shortfall contribution of £29.8m by 5 April 2026. These shortfall contributions are contingent on there being a shortfall at the assessment dates i.e. 5 April each year before the contribution is due (or 31 December 2025 for the final contribution). To date no contributions have been due.
- an amount equal to the levies paid by the Scheme to the Pension Protection Fund.
- 1.9% of the Contribution Earnings of DC members in respect of the death in service and ill health cover and to cover fees and expenses provided through the DB Section.

The Employer also pays contributions in respect of the DC Section of the Scheme.

If the Scheme had been discontinued at the valuation date there would have been insufficient Scheme assets to buy out all the benefits with an insurance policy. The estimated wind-up funding level at the valuation date was 73% (at 5 April 2017: 76%). Again this has improved significantly since the valuation date.

As an alternative to buying out all the liabilities, assuming it was comfortable with all the associated risks, the Trustee could operate the Scheme on a long term "self-sufficiency" basis (whereby the Scheme's assets are invested like an insurer would invest them and risks are hedged where possible to minimise the reliance on the Employer). The Scheme's funding level at the valuation date under this approach was 81% (at 5 April 2017: 94%).

The Scheme's next formal actuarial valuation will be carried out as at 5 April 2023 and is currently underway.

### **Report on Actuarial Liabilities**

FRS102 requires a Report on Actuarial Liabilities to be provided alongside the financial statements. This has been included on page 45.

### **Actuarial certificate**

The latest Certification of the Schedule of Contributions from the Actuary is on page 44.

### **Financial Statements**

The financial statements for the year as set out on pages 20 to 41 have been prepared and audited in accordance with Section 41(1) and (6) of the Pensions Act 1995.

### **Conflict between Russia and the Ukraine**

The Trustee continues to monitor both the investment exposure and the impact on the employer covenant in respect of the ongoing conflict in Ukraine.

The Scheme had no material exposure to Ukrainian or Russian investments and the Scheme has not been impacted materially by the conflict.

### **Taskforce on Climate-Related Financial Disclosure (TCFD)**

As the Pension Scheme has net assets of greater than £1bn, the Trustee is required to produce and publish a TCFD report for the year ended 5 April 2023. This can be found at [www.abfpensions.com/tcfd](http://www.abfpensions.com/tcfd).



## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **TRUSTEE'S REPORT (continued)**

#### **Short Term Liquidity Facility**

On 23 September 2022 the Chancellor of the Exchequer delivered a mini-budget which had an adverse effect on the UK's financial markets. As a consequence gilt yields increased at an unprecedented rate, impacting the Scheme's ability to provide collateral for the derivative portfolio. An additional £400m was required to meet the contractual obligations and protect the Scheme's hedging instruments.

As had been long planned in such an event, the Trustee liquidated assets from the Abrdn and GSAM credit portfolios, together with additional funds raised from the equity managers to provide collateral. However, as a result of the sheer pace of yields rising, to ensure all hedges remained in place, the Trustee agreed a short-term credit facility from ABF Plc to provide £100m of cash. This was repaid within 24 hours following receipt of the proceeds of the asset sales described above. Interest on the loan amounting to £8,052 was paid to ABF Plc.

The Scheme had long been expecting a rise in interest rates and had positioned the assets to benefit from this. The Scheme's solvency ratio improved materially as a result of these moves.

The Trustee has also reviewed its liquidity requirements and has increased its level of available collateral at its LDI manager to facilitate a future 3% rise in gilt yields as opposed to 1.5% it previous allowed for.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### COMPLIANCE STATEMENT

#### HMRC APPROVAL

The Scheme is governed by a Trust Deed and Rules, a copy of which can be obtained from the ABF Group Pensions Department. The Scheme was approved by the HMRC under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 up to 5 April 2006. From 6 April 2006 the Scheme automatically became a "registered pension Scheme" for tax purposes.

#### TRANSFER VALUES (DB Section)

All cash equivalent transfer values paid out of the Scheme are calculated and verified in accordance with the requirements of Section 97 of the Pension Schemes Act 1993.

The calculation of transfer values makes no allowance for discretionary increases to pensions once in payment, but takes account of the early retirement terms available for members by assuming that they retire, on average, at age 62½ (or, for those members who can retire with an unreduced pension from age 60, at age 57½).

#### SECURITY AND CONTROL

The security of the Scheme's investments is of the utmost importance to the Trustee, which has ensured that comprehensive controls are in place to protect the assets of the Scheme. The main features of the controls are:

- i) **Detailed Scrutiny** Representatives from all investment and property managers meet the Group Pensions Director/Secretary or Investment and Property subcommittees (as appropriate) at least once each year. In addition, the Secretary meets all managers quarterly to review the portfolio and identify any issues that need referring to the Trustee.
- ii) **External Custody** During the year, the Bank of New York Mellon was the global custodian of the DB Section's securities and cash. The role of a custodian is to settle the day-to-day investment transactions made by the investment managers, collect investment income due to the Scheme and ensure the safe custody of the securities and cash. The internal control reports produced by the custodian are reviewed regularly. The records of the Scheme's securities and cash are regularly reconciled to the investment managers' statements. Since the year end, the Trustee has removed the Bank of New York Mellon and appointed Northern Trust as global custodian of the Scheme.

The investment managers will not act on instructions from the Scheme unless those instructions are in writing and signed by two authorised signatories in accordance with the mandate approved by the Trustee Board. The Custodian will not act on instructions from the Scheme unless those instructions are executed via "Nexen", the Custodian's online facility and approved by two authorised signatories.

The Title Deeds of properties owned by the DB Section are held by Mayer Brown International LLP, Katten Muchin Rosenman LLP and CMS Cameron McKenna Nabarro Olswang LLP.

#### Specific Rules

The Trustee has formal written agreements with the investment and property managers which include any investment restrictions placed upon them and which set out their terms of remuneration. The DB Section investment managers are not permitted to purchase shares in Associated British Foods Plc for the Scheme, nor may the Trustee or investment managers lend funds to Associated British Foods Plc or its subsidiaries. However, the Scheme may have exposure to shareholdings in those businesses through investment in pooled vehicles.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### INVESTMENT REVIEW

#### Background

During the first half of the year, markets fell with concerns of a recession following persistent elevated inflation, increased interest rates and the continuation of the war in Ukraine.

The year ended with volatility in the banking industry including the Silicon Valley bank failure and UBS's acquisition of Credit Suisse. However despite signs of economic recovery in respect of early signs of cooling inflation and falling energy prices, interest rates continued to rise.

The DB section of the Scheme achieved a return of -13.1% over the course of the year, underperforming against the benchmark return of -5.9%. This however was considered a good result when factoring in that liabilities had fallen by 27% over the same period, and the Trustee had positioned the Scheme to benefit from rising rates.

#### Equities

The first two quarters of the year saw global equities perform poorly, especially in the US, as investors focused on inflation with the US Federal Reserve (Fed) admitting that bringing inflation under control without triggering a recession would be challenging. June 2022 saw the Fed enact a 75bps interest rate hike which was its largest since 1994. The MSCI World Index declined by 18.3% in the first half of 2022. After a turbulent year, Q4 2022 and Q1 2023 began to show signs of recovery with strong corporate earnings and China's reopening of its economy, following a sharp u-turn on its zero-Covid policy.

UK equities also started the Scheme year negatively with a decline of 5.0% and 3.5% in Q2 and Q3 2022 respectively. Inflation and soaring energy costs resulted in discretionary industries (e.g retailers, travel and leisure) being the weakest performers. A key event in September 2022 was the election of Liz Truss as the new prime minister and the subsequent "mini-budget" which was met with a turbulent market reaction and sent Sterling to an all-time low against the USD. The decision from the new chancellor Jeremy Hunt to reverse many of the controversial measures set out in the "mini-budget" stabilised the market, which together with successive interest rate hikes helped investor sentiment with the UK market enjoying positive returns at the start of 2023. The labour market and consumer confidence fared better than expected in Q1 2023 and the FTSE All Share Index increased by 3.1%.

#### Bonds

UK Government bond prices fell during the first three quarters of the Scheme year with the most significant influence being the "mini-budget" which pushed the 10-year UK gilt yield from 2.2% to 4.1%. Elsewhere European and US Bonds also performed in a similar manner with the US performing slightly better of the two.

In Q1 2023 bonds had a positive return driven by the desire for safer investments following the bank failures. A change in interest rate expectations and improvement in the economic growth outlook also helped as UK, US and European bond yields all reduced.

The Scheme has significant holdings in private debt across a number of managers and strategies. The Trustee has monitored all strategies closely throughout the year, meeting with all managers on a regular basis. All strategies have performed in line with expectations across the Scheme year.

## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **INVESTMENT REVIEW (continued)**

#### **UK Property**

Transaction levels fell significantly across the Scheme year, with the market stymied by price uncertainty, the task of absorbing debt at higher cost, tightening lending criteria and ongoing concerns over environmental, social and governance (ESG) compliance.

As such, yields rose (with prices falling) across the year, though income levels, which are the primary driver for the Trustee's investment remained strong.

Retail markets continued to struggle despite recovery from the pandemic with consumer confidence at near record lows. Rents have started to stabilise after years of falls, but only for prime shops and retail.

Office demand remained steady across the Scheme year, although take up in central London was down as a result of concerns in the banking sector.

In industrial markets, take up of large warehouses has slowed as E-Commerce operators retrench and respond to a normalising of markets following the pandemic highs with rental growth moderating.

The Trustee has commenced a review of both its total exposure to the UK property and the individual assets within the portfolio as part of its ongoing strategy review.

#### **Investment disclosures for DB and DC sections**

The Trustee's policy relating to rights attaching to the investments and the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments are disclosed in the Statement of Investment Principles (SIP) and Investment Implementation Policy Document (IIPD). The SIP is appended to this report. Further information about the Scheme's position on climate related matters is disclosed in the Task Force on Climate-related Financial Disclosures document which is available on the Scheme's website.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### INVESTMENT REPORT - DB SECTION REVIEW

#### Investment management

The Trustee delegates the management of the assets to the professional external investment managers listed on page 3. The investment managers are remunerated by fees based on a percentage of the funds or property under management; and in some cases there are additional fees based on performance. Investment mandates are in place with the managers which implement the strategy agreed upon by the Trustee Directors which includes consultation with professional advisors.

At the end of the year, the Scheme had fifteen bond managers (which includes thirteen private debt managers, a segregated bond manager and a multi-asset credit manager), a liability-driven investment (LDI) manager, five managers with global equity mandates, and a currency hedging mandate. The property portfolio is managed in-house. The Investment subcommittee believes that in the current macro-economic environment, this investment structure remains appropriate for the Scheme.

A strategic asset allocation policy is in place as shown in the table below together with the actual position at the Scheme year end. Asset allocations that fall outside the benchmark ranges at the end of a quarter are normally rebalanced during the following quarter. The Trustee has made a conscious decision during the year not to rebalance the overweight and underweight positions due to a planned investment strategy review during 2023.

Asset class	Actual %	Benchmark range at end of year %
Fixed interest and index-linked bond (including illiquid Credit)	63.3	52.5-60.5
Global equities mandates (which may include UK)	26.6	36.5-46.5
UK property	8.6	
Cash managed in-house	1.5	1.0-3.0
<b>Total</b>	<b>100.0</b>	

*Cash held by investment managers is categorised in the actual position.*

The portfolios are actively managed, which means that the manager is targeted to outperform specific Benchmarks by a specified amount. Bond managers may specifically hold cash as an asset in the portfolio and equity managers may also hold short term cash balances due to income and trading receipts. For assessing asset allocation such cash balances are included with the related asset class. Cash managed in-house, as shown in the table above, is cash held on bank deposit either awaiting investment or to cover short term funding requirements.

In accordance with section 35 of the Pension Act 1995, a SIP has been prepared by the Trustee which incorporates the investment strategy. A copy of the SIP is attached as an Appendix to this Report on page 47.

In accordance with the Rules of the Scheme and the agreements with each investment manager there has been no direct investment in the stocks of Associated British Foods Plc. Indirect investment in Associated British Foods Plc can arise through the Schroder QEP Global Active Value Fund: there was no such holding at 5 April 2023 (2022: nil).

Further details of the Scheme's investments are given in Note 11 to the Financial Statements.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### INVESTMENT REPORT – DB SECTION REVIEW (continued)

#### Investment performance

The average yearly investment returns for the Scheme over one year, three and five years is shown in the table below with the relevant Scheme-specific benchmark for comparison. Performance is measured to 31 March 2023.

	Actual annual return	Benchmark annual return
Average annual overall investment return	%	%
Over the last Scheme year the investment return was:	(13.1)	(5.9)
Over 3 years the average return each year was:	5.5	5.0
Over 5 years the average return each year was:	3.0	3.4

Source: BNYM

Whilst the managers in aggregate underperformed their respective market index benchmarks, the Scheme had long been positioned to benefit on a solvency basis from rising interest rates. As such, whilst the assets fell c13% over the year in question, the liabilities fell by c27% over the same period.

#### Background to investment strategy

Scheme liabilities are sensitive to changes in both inflation and interest rates, which are not correlated with the underlying assets held in the Scheme. In 2007/08 the Trustee commenced a programme of entering into a series of swap (derivative) contracts with leading banks designed to hedge these liabilities, that is, to move the assets in line with the liabilities. The swap contracts are held with an LDI manager. In particular, the Trustee had been mindful of the historic low interest rates, and subsequent Gilt yields, that have been prevalent in recent years. As such the Trustee had for some time been positioning the fixed income assets to benefit solvency from future rises in rates. Having now see rates rise significantly, the Trustee has been increasing it's exposure to hedging instruments, as described above to secure recent solvency gains.

The Trustee has continued to monitor the underlying performance of the individual managers, being mindful of their investment styles and the wider macro environment.

There have been no changes to the Scheme's strategic asset allocation during the year.

#### Investment - AVCs

The Trustee holds members' AVC investments that are invested separately from the main investments. Members' AVCs are invested in money purchase-type arrangements with several companies. Members participating in AVC arrangements receive a statement confirming the amounts held in their account(s) made up to 5 April each year. Details of the AVC providers are given in Note 17 to the Financial Statements.

# **ASSOCIATED BRITISH FOODS PENSION SCHEME**

## **INVESTMENT REPORT - DC SECTION REVIEW**

### **Investment Strategy**

The Trustee has chosen to entrust the investment administration of the DC Section to Mobius Life. All investments for the DC Section are held in insurance policies held by Mobius Life.

The Trustee believes that the risks identified are best managed by, and best met by, a default arrangement of Target Date Funds which are linked to a target retirement age of 65 for each particular member and by offering members a range of investment vehicles from which to choose. The current range has been grouped into four 'tiers' (1 to 4) with increasing levels of member involvement required. The range offered in each tier will be reviewed periodically and changed in response to market developments or member demand.

The composition of each of the four tiers are summarised as follows:

- Target Date Funds
- Diversified growth / multi asset investment funds
- Single Asset Funds (equity funds, bond funds and diversifiers/alternatives)
- Any other fund from the 'Corporate Investment Services' range on the fund administrator's platform

In addition to ensuring ESG (Environmental, Social and Governance) issues are fundamental into all investment decisions with individual funds, there are a number of ESG specific options available to members.

### **Investment Management Structure**

The Trustee has appointed AllianceBernstein as investment manager of the Target Date Funds.

All funds (in all four tiers) are administered on the Mobius Life platform.

### **Monitoring the investment manager and platform provider**

The Trustee monitors the performance of the tier 1, tier 2 and tier 3 investment options and the tier 4 investment options selected by members on a regular basis. The Trustee also monitors the effectiveness of the platform provider. To assist the Trustee, the platform provider regularly supplies the Trustee with unit reconciliations and fund factsheets.

### **Investment Objective**

Each Target Date Fund is designed and managed for an investor saving to retire in or around the years stated in the fund's name (the Target Date). AllianceBernstein's aim is to maximise, for a typical investor, their eventual retirement income whilst taking account of their decreasing capacity to afford losses as they approach and, possibly, go past the Target Date of Retirement. On retirement, the investor is assumed to use their built-up income from the options available when they retire. As such, it will progressively move from riskier, capital-growth orientated assets, such as equities and property, into lower risk, retirement income protection orientated assets, such as bonds, as it approaches and passes its Target Date. The manager seeks to ensure that the mix of assets continues to remain appropriate given the Target Date Fund's aim, and will also employ a dynamic asset allocation strategy which seeks to mitigate the effects of large market movements without detracting from long-term returns.

The manager will manage the Target Date Funds such that for an individual investing over the whole term of each Target Date Fund, a return of CPI plus 4% per annum is targeted.



## ASSOCIATED BRITISH FOODS PENSION SCHEME

### INVESTMENT REPORT - DC SECTION REVIEW (continued)

The returns of the Target Dated Funds which represent the majority of the DC assets as at 31 March 2023 were:

Mobius Life Fund Name	£	Inception Date	3 Months		12 Months		Since Inception (annualised)	
			Net	Benchmark	Net	Benchmark	Net	Benchmark
AB Retirement Fund 2011-2013 (ABF)	156,965.70	30/09/2012	2.31%	1.59%	-3.15%	11.17%	3.41%	3.82%
AB Retirement Fund 2014-2016 (ABF)	1,465,221.27	30/09/2012	2.43%	1.59%	-3.82%	11.17%	3.88%	3.82%
AB Retirement Fund 2017-2019 (ABF)	4,611,064.28	30/09/2012	2.58%	1.71%	-4.21%	11.71%	4.73%	4.33%
AB Retirement Fund 2020-2022 (ABF)	12,788,896.08	30/09/2012	2.57%	1.78%	-4.55%	11.99%	5.45%	4.59%
AB Retirement Fund 2023-2025 (ABF)	30,858,564.07	30/09/2012	2.66%	1.84%	-5.24%	12.26%	6.10%	4.85%
AB Retirement Fund 2026-2028 (ABF)	50,949,791.10	30/09/2012	2.91%	1.96%	-6.16%	12.81%	6.80%	5.36%
AB Retirement Fund 2029-2031 (ABF)	58,851,711.75	30/09/2012	2.99%	2.08%	-7.52%	13.35%	8.23%	5.87%
AB Retirement Fund 2032-2034 (ABF)	75,092,176.93	30/09/2012	3.09%	2.21%	-7.44%	13.90%	7.71%	6.39%
AB Retirement Fund 2035-2037 (ABF)	88,404,730.75	30/09/2012	3.19%	2.33%	-6.84%	14.44%	8.20%	6.90%
AB Retirement Fund 2038-2040 (ABF)	84,278,946.66	30/09/2012	3.51%	2.33%	-5.91%	14.44%	8.67%	6.90%
AB Retirement Fund 2041-2043 (ABF)	81,597,508.05	30/09/2012	3.95%	2.33%	-5.09%	14.44%	9.13%	6.90%
AB Retirement Fund 2044-2046 (ABF)	75,194,304.15	30/09/2012	4.33%	2.33%	-4.87%	14.44%	9.22%	6.90%
AB Retirement Fund 2047-2049 (ABF)	72,432,615.24	30/09/2012	4.33%	2.33%	-4.87%	14.44%	9.21%	6.90%
AB Retirement Fund 2050-2052 (ABF)	64,805,650.70	30/09/2012	4.33%	2.33%	-4.87%	14.44%	9.21%	6.90%
AB Retirement Fund 2053-2055 (ABF)	56,453,557.88	30/09/2012	4.33%	2.33%	-4.86%	14.44%	9.21%	6.90%
AB Retirement Fund 2056-2058 (ABF)	39,276,255.83	30/09/2012	4.33%	2.33%	-4.86%	14.44%	9.21%	6.90%
AB Retirement Fund 2059-2061 (ABF)	20,200,642.89	30/09/2012	4.33%	2.33%	-4.86%	14.44%	9.21%	6.90%
AB Retirement Fund 2062-2064 (ABF)	7,728,071.44	31/10/2012	4.33%	2.33%	-4.85%	14.44%	9.28%	6.87%
AB Retirement Fund 2065-2067 (ABF)	1,060,622.56	01/03/2013	4.33%	2.33%	-4.83%	14.44%	8.22%	6.88%
AB Retirement Fund 2068-2070 (ABF)	78,851.93	01/03/2013	4.33%	2.33%	-4.72%	14.44%	8.22%	6.88%
AB Retirement Fund 2071-2073 (ABF)	2,589.08	01/03/2013	4.34%	2.33%	-3.92%	14.44%	8.34%	6.88%

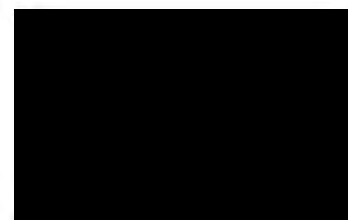
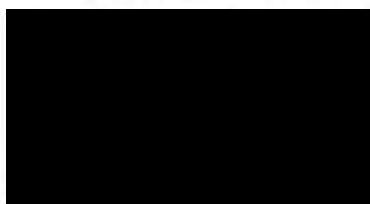
Returns are as at 31 March 2023 as this is the closest available date to 5 April 2023.

All Target Date Fund performance is net of fees at 0.18% per annum annual management charge plus additional fund expenses.

The benchmark is CPI plus the outperformance expectation set at the point of inception of the TDF funds.

As funds approach their target date their performance will more closely match the performance of annuities + cash, reflecting the fund manager's investment objectives. For this reason, the performance of annuities and cash is a more appropriate benchmark for funds within 10 years of their target date.

Signed for and on behalf of Associated British Foods Pension Trustees Limited





## ASSOCIATED BRITISH FOODS PENSION SCHEME

### STATEMENT OF TRUSTEE RESPONSIBILITIES

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 Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme 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 making 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 Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme 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 it to safeguard the assets of the Scheme 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 a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme 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 in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE ASSOCIATED BRITISH FOODS PENSION SCHEME

### Opinion

We have audited the financial statements of the Associated British Foods Pension Scheme for the year ended 5 April 2023 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 28, including a summary of 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:

- give a true and fair view of the financial transactions of the Scheme during the year ended 5 April 2023, and of the amount and disposition at that date of its assets and liabilities, other than 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 Scheme 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 Scheme's ability to continue as a going concern for a period of 12 months from when the Scheme's 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

### Other information

The other information comprises the information included in the annual report, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. 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, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE ASSOCIATED BRITISH FOODS PENSION SCHEME (continued)**

### **Responsibilities of the Trustee**

As explained more fully in the Trustee's responsibilities statement set out on page 16, the Trustee is responsible for the preparation of the 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 Scheme'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 wind up the Scheme or to cease operations, or has 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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the Trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. In our assessment, we considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for its awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustee's minutes.
- The Scheme is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team, including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE ASSOCIATED BRITISH FOODS PENSION SCHEME (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 Scheme's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it 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 Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP

Statutory Auditor

Reading

Date: 15<sup>th</sup> SEPTEMBER 2023

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### FUND ACCOUNT

For the year ended 5 April 2023

	Notes	DB 2023 £000s	DC 2023 £000s	Total 2023 £000s	DB 2022 £000s	DC 2022 £000s	Total 2022 £000s
<b>Contributions and Benefits</b>							
Employer contributions		28,255	35,527	63,782	29,443	32,986	62,429
Employee contributions		4,838	33,832	38,670	5,348	31,200	36,548
Total contributions	3	33,093	69,359	102,452	34,791	64,186	98,977
Transfers in	4	-	1,093	1,093	-	1,580	1,580
		33,093	70,452	103,545	34,791	65,766	100,557
Benefits paid and payable	5	(117,772)	(12,991)	(130,763)	(116,153)	(12,104)	(128,257)
Payments to and on account of leavers	6	(10,883)	(12,181)	(23,064)	(24,192)	(23,835)	(48,027)
Administrative expenses	7	(6,762)	-	(6,762)	(5,743)	-	(5,743)
		(135,417)	(25,172)	(160,589)	(146,088)	(35,939)	(182,027)
<b>Net (withdrawals) / additions from dealing with members</b>		(102,324)	45,280	(57,044)	(111,297)	29,827	(81,470)
<b>Returns on investments</b>							
Investment income	8	100,018	-	100,018	133,255	-	133,255
Taxation	9	(1,675)	-	(1,675)	(1,353)	-	(1,353)
Investment management expenses	10	(13,334)	-	(13,334)	(30,661)	-	(30,661)
Change in market value of investments	11	(617,484)	(65,348)	(682,832)	239,671	81,121	320,792
<b>Net returns on investments</b>		(532,475)	(65,348)	(597,823)	340,912	81,121	422,033
<b>Net (decrease) / increase during the year</b>		(634,799)	(20,068)	(654,867)	229,615	110,948	340,563
<b>Net assets of the Scheme at the beginning of the year</b>		4,296,564	880,423	5,176,987	4,070,019	766,405	4,836,424
<b>Transfers between sections</b>		(3,226)	3,226	-	(3,070)	3,070	-
<b>Net assets of the Scheme at the end of the year</b>		<u>3,658,539</u>	<u>863,581</u>	<u>4,522,120</u>	<u>4,296,564</u>	<u>880,423</u>	<u>5,176,987</u>

Transfers between sections occur as a result of the net movement of DC deaths insured by DB, incapacity enhancements and surplus of Trustee funds from member refund of contributions.

The notes on pages 22 to 41 form part of these financial statements.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

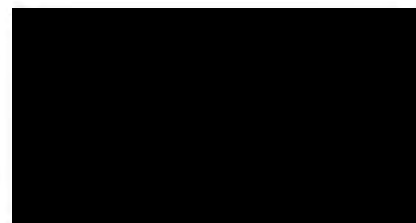
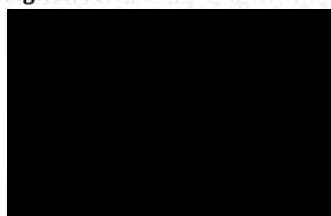
At 5 April 2023

	Note	DB 2023 £000s	DC 2023 £000s	Total 2023 £000s	DB 2022 £000s	DC 2022 £000s	Total 2022 £000s
<b>Investment assets:</b>							
Equities	11	744,069	-	744,069	1,093,018	-	1,093,018
Bonds	11	1,519,760	-	1,519,760	1,613,007	-	1,613,007
Pooled investment vehicles	12	1,345,802	861,985	2,207,787	1,657,569	878,109	2,535,678
Derivatives	15	528,574	-	528,574	757,911	-	757,911
Properties	19	312,535	-	312,535	408,020	-	408,020
AVC investments	17	10,593	-	10,593	11,422	-	11,422
Cash		79,742	-	79,742	211,948	-	211,948
Other investment balances	13	53,916	-	53,916	26,427	-	26,427
Amounts receivable under reverse repurchase agreements		18,700	-	18,700	94,982	-	94,982
		<u>4,613,691</u>	<u>861,985</u>	<u>5,475,676</u>	<u>5,874,304</u>	<u>878,109</u>	<u>6,752,413</u>
<b>Investment liabilities:</b>							
Derivatives	15	(381,826)	-	(381,826)	(509,582)	-	(509,582)
Other investment balances	14	(28,178)	-	(28,178)	(17,376)	-	(17,376)
Amounts due under repurchase agreements		(538,424)	-	(538,424)	(1,030,311)	-	(1,030,311)
		<u>(948,428)</u>	<u>-</u>	<u>(948,428)</u>	<u>(1,557,269)</u>	<u>-</u>	<u>(1,557,269)</u>
Total net investments	11	<u>3,665,263</u>	<u>861,985</u>	<u>4,527,248</u>	<u>4,317,035</u>	<u>878,109</u>	<u>5,195,144</u>
Current assets	21	18,417	4,585	23,002	14,123	3,040	17,163
Current liabilities	22	(25,141)	(2,989)	(28,130)	(34,594)	(726)	(35,320)
<b>Net assets of the Scheme at the end of the year</b>		<u><u>3,658,539</u></u>	<u><u>863,581</u></u>	<u><u>4,522,120</u></u>	<u><u>4,296,564</u></u>	<u><u>880,423</u></u>	<u><u>5,176,987</u></u>

The notes on pages 22 to 41 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on page 45 of the annual report and these financial statements should be read in conjunction with this Report.

Signed for and on behalf of the Associated British Foods Pension Trustees Limited



# **ASSOCIATED BRITISH FOODS PENSION SCHEME**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Basis of preparation**

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, and the guidance set out in the Statement of Recommended Practice (Financial Reports of Pension Schemes) (SORP) (Revised 2018).

The Scheme has been established as a Trust under English Law.

The Scheme's functional and presentation currency is pounds Sterling.

### **2. Accounting policies**

#### **Valuation of investments**

- i) Investments are included at fair value.
- ii) UK and foreign securities quoted on a recognised exchange are included in the Statement of Net Assets at their bid price or official closing prices at the Scheme year end.
- iii) Accrued interest is excluded from the market values of fixed interest and index-linked securities (which are thereby stated at "clean bid" prices).
- iv) Unquoted securities are included at fair value estimated by the Trustee based on professional advice.
- v) Pooled investment vehicles are stated at bid price for funds with bid/offer spreads. The Scheme's pooled investment vehicles are not traded on an active market. Where there are no bid/offer spreads offered by the fund manager the single price or Net Asset Value of the investment is quoted by the fund manager.
- vi) Private debt funds are stated at the latest available cashflow adjusted valuations prepared in accordance with International Private Equity and Venture Capital ("IPEV") Guidelines, including the IPEV guidance which addressed how to reflect the impact of coronavirus.
- vii) Properties are included at open market value at the Scheme year end. The properties are revalued annually at 31 March in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein by CB Richard Ellis Limited, an independent qualified firm of chartered surveyors. The Trustee considers that the valuation at 31 March is an acceptable estimate of the open market value at the Scheme year end.
- viii) Derivatives are stated at fair value. Exchange traded derivatives are stated at fair values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices. Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data at 5 April. Forward foreign exchange contracts are valued at the difference between the contract price and the price that would be required to close the contract at 5 April. All gains and losses arising on derivative contracts are reported within "change in market value".
- ix) Where a fund manager enters into a repurchase "repo" contract i.e. they have agreed to sell a security and agreed to repurchase at an agreed price/date sometime in the future, the obligation to repurchase the security is recognised in the financial statements by recognising the security within investments and the obligation to repurchase the security within investment liabilities. Where synthetic repurchase agreements are used the cash received is recognised and the obligation to settle is recognised in investment liabilities.  
  
With reverse repurchase agreements, securities received as collateral are not recognised in the financial statements, cash delivered to the counterparty is recognised as a receivable in the financial statements.
- x) Swap collateral is pledged to and received from counterparty banks. Collateral pledged is accounted for within the net assets of the Scheme, whereas collateral received does not form part of the Scheme net assets, as referred to in note 16 on page 30.

## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **2. Accounting policies (continued)**

- xi) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

#### **Investment income**

- i) Dividends from quoted securities are accounted for when the security is declared ex-dividend.
- ii) Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds.
- iii) Receipts or payments under swap contracts which represent the difference between swapped cash flows, are included in investment income.
- iv) Rents are earned in accordance with the terms of the lease.
- v) Interest is accrued on a daily basis up to the Scheme year end or the 31 March.
- vi) Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- vii) In general, investment income is accounted for on an accruals basis for the Pooled Investment Vehicles. It is not distributed but reinvested within the Pooled Investment Vehicles and so reflected in the unit price and accordingly within the change in market value of the investments. The exceptions are:
  - i. the Scheme's investments in Mercury Unquoted Security Trust where distributions of income are made from time to time. Such distributions are treated as dividends and are accounted for on an accruals basis when the distribution is declared.
  - ii. the Scheme invests in a property unit trust which distributes rental income and management fee rebates from time to time, which is accounted for on an accruals basis at the point when the rebate is notified.
  - iii. the Scheme holds various private debt funds which distribute income. This is accounted for on an accruals basis when the distribution is declared.

#### **Foreign currencies**

Items denominated in foreign currencies are translated at the rate ruling at the Scheme year end. Transactions executed in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

#### **Contributions**

- i) Employer normal contributions are accounted for as at the pay period to which they relate.
- ii) Employer other and augmentation contributions are accounted for in accordance with the agreement under which they are paid.
- iii) In respect of DB normal contributions, the employer makes a payment each month in excess of the total contributions to be deducted from members' pay, and this payment is accounted for on receipt. A running record is kept of the contributions surplus and this is accounted for as prepaid contributions and disclosed in note 22 on page 39.
- iv) In respect of DB member contributions including AVCs, members' actual contributions are recorded as at the date of deduction from pay. For DC member contributions including AVCs, they are accounted for as at the pay period to which they relate.

#### **Expenses**

- i) Expenses are accounted for on an accruals basis.



## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2. Accounting policies (continued)

##### Payments to or on behalf of members

- i) Benefits, and any associated tax liabilities, are accounted for in the period in which they fall due. Where the member has a choice, benefits are accounted for at the date at which the member notifies the Trustee of his/her decision on the type or amount of benefits to be taken, or if there is no member choice, on the date of retirement or leaving.
- ii) Opt outs are accounted for when the Scheme is notified of the opt out.
- iii) Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged, which is normally when the transfer amount is received or paid.

	DB 2023 £000s	DC 2023 £000s	Total 2023 £000s	DB 2022 £000s	DC 2022 £000s	Total 2022 £000s
<b>3. Contributions receivable</b>						
Employer contributions						
Employer - normal	16,585	35,527	52,112	17,956	32,986	50,942
Employer - augmentation	-	-	-	433	-	433
Employer - other	11,670	-	11,670	11,054	-	11,054
	<b>28,255</b>	<b>35,527</b>	<b>63,782</b>	<b>29,443</b>	<b>32,986</b>	<b>62,429</b>
Employee contributions						
Member - normal	4,328	31,148	35,476	4,660	28,314	32,974
Member - AVCs	510	2,684	3,194	688	2,886	3,574
	<b>4,838</b>	<b>33,832</b>	<b>38,670</b>	<b>5,348</b>	<b>31,200</b>	<b>36,548</b>
	<b>33,093</b>	<b>69,359</b>	<b>102,452</b>	<b>34,791</b>	<b>64,186</b>	<b>98,977</b>

The augmentation payment in the Scheme year ended 5 April 2022 is the employer's cost of providing unreduced early retirement pensions for members who have retired following redundancy.

The employer pays other DB contributions to cover the Scheme's payments in respect of DC Section administrative expenses, the Pension Protection Fund levy and to fund life cover for members of the DC Section.

#### 4. Transfers in

Individual transfers in	-	1,093	1,093	-	1,580	1,580
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#### 5. Benefits paid and payable

Pensions	104,017	-	104,017	100,675	-	100,675
Commutation of pensions and lump sum retirement benefits	12,867	6,420	19,287	14,652	6,452	21,104
Purchase of annuities	-	1,408	1,408	-	2,096	2,096
Lump sum death benefits	540	5,039	5,579	330	3,385	3,715
Taxation where lifetime or annual allowance exceeded	348	124	472	496	171	667
	<b>117,772</b>	<b>12,991</b>	<b>130,763</b>	<b>116,153</b>	<b>12,104</b>	<b>128,257</b>

#### 6. Payments to and on account of leavers

Refunds to members leaving service	-	14	14	-	8	8
Opt outs	-	103	103	-	43	43
Individual transfers to other schemes	10,406	12,041	22,447	23,639	23,472	47,111
Transfers of pension credit on divorce	477	23	500	553	312	865
	<b>10,883</b>	<b>12,181</b>	<b>23,064</b>	<b>24,192</b>	<b>23,835</b>	<b>48,027</b>

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

	DB	DC	Total	DB	DC	Total
	2023	2023	2023	2022	2022	2022
	£000s	£000s	£000s	£000s	£000s	£000s
<b>7. <u>Administrative expenses</u></b>						
Administration and processing	4,427	-	4,427	3,812	-	3,812
Actuarial fees	390	-	390	432	-	432
Audit fees	138	-	138	122	-	122
Legal and other professional fees	1,555	-	1,555	848	-	848
Pension Protection Fund Levies	306	-	306	585	-	585
Recovery of expenses	(54)	-	(54)	(56)	-	(56)
	<b>6,762</b>	<b>-</b>	<b>6,762</b>	<b>5,743</b>	<b>-</b>	<b>5,743</b>

All administrative expenses for the DC Section are borne by the DB Section. These expenses and the Pension Protection Fund Levy paid by the DB Section are reimbursed by additional contributions from the employer and are included in note 3 "Employer – other".

Recovery of expenses relates to member charges on divorce and transfer out calculations and reimbursement of costs for administrative tasks undertaken for other group schemes as detailed in note 24 on page 39.

<b>8. <u>Investment income</u></b>						
Income and dividends from:						
bonds	45,575	-	45,575	39,354	-	39,354
equities	28,849	-	28,849	27,977	-	27,977
pooled investment vehicles	47,755	-	47,755	48,007	-	48,007
repurchase agreements	(12,206)	-	(12,206)	(1,858)	-	(1,858)
derivatives	(46,804)	-	(46,804)	(130)	-	(130)
Net rent from properties	16,872	-	16,872	16,869	-	16,869
Interest on cash deposits	22	-	22	1	-	1
Other income	19,955	-	19,955	3,035	-	3,035
	<b>100,018</b>	<b>-</b>	<b>100,018</b>	<b>133,255</b>	<b>-</b>	<b>133,255</b>

### **9. Taxation**

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The tax charge in the Fund Account represents irrecoverable withholding taxes arising on investment income.

<b>10. <u>Investment management expenses</u></b>						
Administration, management and custody	11,743	-	11,743	30,032	-	30,032
Performance measurement services	73	-	73	82	-	82
Other advisory fees	1,518	-	1,518	547	-	547
	<b>13,334</b>	<b>-</b>	<b>13,334</b>	<b>30,661</b>	<b>-</b>	<b>30,661</b>

The administration, management and custody fees for 2023 have reduced due to the assets falling over the course of the year resulting in reduced performance fees from the investment managers.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 11. Reconciliation of investments

	Note	Value at 6 Apr 2022 £000s	Purchase at cost and derivative payments £000s	Sales proceeds and derivative receipts £000s	Change in market value £000s	Value at 5 Apr 2023 £000s
<b>DB Section</b>						
Bonds		1,613,007	881,547	(640,941)	(333,853)	1,519,760
Equities		1,093,018	644,440	(927,856)	(65,533)	744,069
Pooled investment vehicles	12	1,657,569	200,297	(527,788)	15,724	1,345,802
Derivative contracts	15	248,329	342,621	(297,712)	(146,490)	146,748
Property		408,020	1,513	(17,101)	(79,897)	312,535
AVC investments	17	11,422	516	(749)	(596)	10,593
		<u>5,031,365</u>	<u>2,070,934</u>	<u>(2,412,147)</u>	<u>(610,645)</u>	<u>4,079,507</u>
Cash		211,948			517	79,742
Other investment balances		9,051			(179)	25,738
Repurchase agreements		<u>(935,329)</u>			<u>(7,177)</u>	<u>(519,724)</u>
		<u>4,317,035</u>			<u>(617,484)</u>	<u>3,665,263</u>

The value of securities sold under repurchase agreements was £507.7m (2022 £790.1m).

#### DC Section

Pooled investment vehicles	12	<u>878,109</u>	<u>73,393</u>	<u>(24,169)</u>	<u>(65,348)</u>	<u>861,985</u>
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DC Section investments are all allocated to members.

DC Section investments are allocated to provide benefits to individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee and the Scheme administrator allocates investment units to members.

#### Transaction Costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds. Direct transaction costs include costs charge to the Scheme such as fees, commission and stamp duty.

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees & Taxes £000s	Commission £000s	2023 Total £000s	2022 Total £000s
Bonds	-	-	-	1
Equities	684	507	1,191	917
Pooled Funds	-	-	-	5
Derivatives	-	7	7	32
Cash Instruments	-	-	-	1
	<u>684</u>	<u>514</u>	<u>1,198</u>	<u>956</u>
2022	<u>486</u>	<u>470</u>	-	<u>956</u>

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

	2023 £000s	2022 £000s
<b>12. <u>Details of pooled investment assets held at year end</u></b>		
<b>DB Section</b>		
Bond funds	-	335,757
Cash funds	-	68,829
Equity funds	202,544	263,510
Hedge funds	49	236
Private debt	956,422	791,964
Multi Asset Credit	186,787	197,273
	<u>1,345,802</u>	<u>1,657,569</u>
<b>DC Section</b>		
The underlying assets within the Target dated funds were:		
Equity funds	666,607	666,640
Bond funds	159,682	176,830
	<u>826,289</u>	<u>843,470</u>
The self-select funds available to members are invested in similar asset classes. The value of these funds are as follows		
Tier 2 – 4 Self select funds	35,696	34,639
	<u>861,985</u>	<u>878,109</u>
<b>13. <u>Details of other investment balances - assets</u></b>		
<b>DB Section</b>		
Pending trades	28,094	9,225
Cash collateral	10,218	833
Outstanding dividends and recoverable withholding tax	15,604	16,369
	<u>53,916</u>	<u>26,427</u>
<b>14. <u>Details of other investment balances - liabilities</u></b>		
<b>DB Section</b>		
Pending trades	27,286	17,315
Cash collateral	892	61
	<u>28,178</u>	<u>17,376</u>
Total other investment balances.	<u>25,738</u>	<u>9,051</u>

### 15. Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as follows:

Futures – the Trustee did not want cash held to be ‘out of the market’ and therefore bought exchange traded index based futures contracts which had an economic value broadly equivalent to cash held.

Options – the Trustee’s aim is to match as far as possible the Liability Driven Investment (LDI) portfolio and the Scheme’s long term liabilities, in particular in relation to their sensitivities to market prices. The Trustee has entered into OTC options that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 15. Derivatives (continued)

Swaps – the Trustee’s aim is to match as far as possible the Liability Driven Investment (LDI) portfolio and the Scheme’s long term liabilities, in particular in relation to their sensitivities to interest rate movements. The Trustee had entered into OTC interest rate swaps that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Forward FX – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

	Net asset / (liability) £000s	Derivative asset £000s	Derivative liability £000s
<b>2023</b>			
Futures	-	-	-
Options	803	803	-
Swaps	131,277	509,845	(378,568)
Forward FX	14,668	17,926	(3,258)
As at 5 April 2023	146,748	528,574	(381,826)

	Net asset / (liability) £000s	Derivative asset £000s	Derivative liability £000s
<b>2022</b>			
Futures	381	769	(388)
Options	2,666	2,666	-
Swaps	261,818	748,166	(486,348)
Forward FX	(16,536)	6,310	(22,846)
As at 5 April 2022	248,329	757,911	(509,582)

Futures	Number of Contracts	Notional principal £000s	Aggregate Asset £000s	Aggregate Liability £000s
As at 5 April 2023 the Scheme held no futures.				
As at 5 April 2023	-		-	-
As at 5 April 2022			769	(388)
Options	Number of Contracts	Notional Principal £000s	Aggregate Asset £000s	Aggregate Liability £000s
US Market Index options	2	2	803	-
As at 5 April 2023	2		803	-
As at 5 April 2022			2,666	-

# ASSOCIATED BRITISH FOODS PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Derivatives (continued)

Swaps	Duration	Nature of swap	Notional principal £000s	Aggregate Asset £000s	Aggregate Liability £000s	
Type and number of contracts						
OTC	151	15+ years	INF UK	610,616	91,648	(15,280)
OTC	29	10-15 years	INF UK	237,158	17,194	(11,836)
OTC	22	5-10 years	INF UK	182,186	23,070	(5,903)
OTC	28	1-5 years	INF UK	295,121	32,254	(12,343)
OTC	10	<1 year	INF UK	62,163	8,211	(949)
OTC	123	15+ years	IRS UK	1,185,732	122,414	(71,636)
OTC	26	10-15 years	IRS UK	307,131	25,764	(46,689)
OTC	19	5-10 years	IRS UK	165,387	20,367	(9,777)
OTC	22	1-5 years	IRS UK	304,614	42,858	(11,981)
OTC	4	<1 year	IRS UK	15,341	753	(218)
OTC	2	10-15 years	CCY UK	28,686	8,333	(7,991)
OTC	55	15+ years	OIS UK	494,516	96,672	(100,923)
OTC	11	10-15 years	OIS UK	241,675	2,956	(53,241)
OTC	11	5-10 years	OIS UK	103,755	2,618	(15,657)
OTC	4	1-5 years	OIS UK	74,478	319	(8,166)
OTC	14	15+ years	CCP IFS UK	81,119	3,011	(2,983)
OTC	3	10-15 years	CCP IF5 UK	37,856	2,552	(96)
OTC	3	5-10 years	CCP IF5 UK	43,023	1,012	(36)
OTC	1	1-5 years	CCP IFS UK	4,160	485	-
OTC	10	15+ years	CCP OIS UK	217,131	3,376	(1,182)
OTC	1	10-15 years	CCP OIS UK	6,296	147	-
OTC	4	5-10 years	CCP OIS UK	59,267	379	(396)
OTC	3	1-5 years	CCP OIS UK	69,089	698	-
OTC	1	15+ years	OIS US	2,300	527	-
OTC	2	15+ years	INF US	26,040	2,227	(1,285)
As at 5 April 2023	<u>S59</u>			<u>509,845</u>	<u>(378,568)</u>	
As at 5 April 2022				<u>748,166</u>	<u>(486,348)</u>	

#### Forward FX

Currency Bought	Currency Sold	Number of contracts	Sterling equivalent of currency bought £000s	Aggregate asset £000s	Aggregate liability £000s
Sterling	Euro	7	487,836	5,663	-
Sterling	JPY	4	22,010	250	-
Sterling	US\$	16	772,289	11,375	(1)
Sterling	Various	16	32,302	538	(22)
Various	Various	42	95,538	100	(3,235)
As at 5 April 2023		<u>85</u>		<u>17,926</u>	<u>(3,258)</u>
As at 5 April 2022				<u>6,310</u>	<u>(22,846)</u>

Abbreviations used: *INF = inflation swap*      *Forward FX = forward foreign exchange*  
*IRS = interest rate swap*      *OTC = over the counter*      *OIS = overnight indexed swap*  
*CCY = Currency Swap*      *CCP IFS = Cleared Inflation Swap*      *CCP OIS = Cleared zero coupon swap*

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Forward FX and IRS derivatives are being used to generate additional return by exploiting short term pricing differences, by obtaining exposure to specific markets without having to purchase specific investments or to eliminate short term risk. INF derivatives are being used to provide the Scheme with longer term protection against changes in inflation and interest rates that are not correlated with the underlying assets held in the Scheme.

16. <u>Collateral</u>	2023	2022
	£000s	£000s
<b>Cash Collateral</b>		
Collateral provided to counterparties but remaining within the net assets of the Scheme:		
Cash	12,763	1,595
UK Gilts	93,994	15,881
	<u>106,757</u>	<u>17,476</u>
 Collateral received from counterparties which does not form part of the net assets of the Scheme:		
Cash	93,928	251,912
UK Gilts	117,768	25,632
	<u>211,696</u>	<u>277,544</u>
	2023	2022
	£000s	£000s
<b>Repurchase Agreement Collateral</b>		
Collateral provided to counterparties but remaining within the net assets of the Scheme:		
Cash	332	-
UK Gilts	6,140	64,340
	<u>6,472</u>	<u>64,340</u>
 Collateral received from counterparties which does not form part of the net assets of the Scheme:		
Cash	974	-
UK Gilts	7,702	615
	<u>8,676</u>	<u>615</u>
	2023	2022
	£000s	£000s
<b>17. <u>DB section AVC investments</u></b>		
AVC investments held on Mobius Life investment platform	5,424	5,989
Phoenix Life	5	5
Clerical Medical Investment Group	1,495	1,474
Prudential	84	83
ReAssure	19	19
Standard Life Assurance Company	3,566	3,852
	<u>10,593</u>	<u>11,422</u>

The Trustee holds DB members' AVC investments which are invested in money purchase type arrangements with the above companies and which are separate from the main fund.

AVC investments for DC members are invested with the main DC investments of which £19.8m relate to AVCs (2022: £19.5m).

The Clerical Medical valuation as at 5 April 2022 includes £314k in respect of one policy for which the provider was unable to provide an updated valuation. The value used has been calculated using the 5 April 2021 valuation and adjusted for any cash movements within the current year.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 18. Fair value determination

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been included at fair value using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
<b>As at 5 April 2023</b>				
<b>DB Section</b>				
Equities	733,238	1,568	9,263	744,069
Bonds	3,430	1,496,815	19,515	1,519,760
Property	-	-	312,535	312,535
Pooled investment vehicles	-	202,544	1,143,258	1,345,802
Derivatives	803	145,945	-	146,748
AVC investments	-	-	10,593	10,593
Cash	79,742	-	-	79,742
Repurchase agreements	-	(519,724)	-	(519,724)
Other investment balances	16,412	9,326	-	25,738
	<b>833,625</b>	<b>1,336,474</b>	<b>1,495,164</b>	<b>3,665,263</b>
<b>DC Section</b>				
Pooled investment vehicles	-	861,985	-	861,985
<b>Total</b>	<b>833,625</b>	<b>2,198,459</b>	<b>1,495,164</b>	<b>4,527,248</b>
	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
<b>As at 5 April 2022</b>				
<b>DB Section</b>				
Equities	1,071,065	1,964	19,989	1,093,018
Bonds	-	1,585,222	27,785	1,613,007
Property	-	-	408,020	408,020
Pooled investment vehicles	-	668,096	989,473	1,657,569
Derivatives	3,047	245,282	-	248,329
AVC investments	-	-	11,422	11,422
Cash	211,948	-	-	211,948
Repurchase agreements	-	(935,329)	-	(935,329)
Other investment balances	8,279	772	-	9,051
	<b>1,294,339</b>	<b>1,566,007</b>	<b>1,456,689</b>	<b>4,317,035</b>
<b>DC Section</b>				
Pooled investment vehicles	-	878,109	-	878,109
<b>Total</b>	<b>1,294,339</b>	<b>2,444,116</b>	<b>1,456,689</b>	<b>5,195,144</b>



## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **19. Property**

At the year end the Scheme holds direct property with a value of £312.5m (2022: £408.0m).

#### **20. Investment risk disclosures**

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- 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 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.
- 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.

The Trustee determines its investment strategy after consulting with professional advisers. The Scheme has exposure to these risks because of the investments it makes in its investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio. Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 20. Investment risks (continued)

##### Defined Benefit Section (DB Section)

###### (i) Investment strategy

The investment objective of the DB Section is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Section payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the DB Section taking into account considerations such as strength of the employer covenant, the long term liabilities of the DB Section and the funding agreement with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy is to hold:

- 56.50% in investments that move in line with the long term liabilities of the DB Section. This is referred to as LDI and comprises UK and overseas government and corporate bonds, repurchase agreements and interest rate swaps, the purpose of which is to hedge against the impact interest rate movement on long term liabilities.
- 41.50% in return seeking investments comprising UK and overseas equities, equities futures, investment property, hedge funds and private debt.
- 2.00% in cash held in UK and overseas currencies.

To protect the overseas investments a currency hedge strategy has been established thereby minimising foreign exchange risk.

###### (ii) Credit risk

The DB Section is subject to credit risk because the Trustee elects to invest in bonds, OTC derivatives, has cash balances and enters into repurchase agreements. The DB Section also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The DB Section is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles excluding Equity and Hedge Funds shown in note 12.

	Investment grade	Non-investment grade	Unrated	Total
	£000s	£000s	£000s	£000s
<b>2023</b>				
Bonds	750,092	89,655	680,013	1,519,760
OTC Derivatives	-	-	146,748	146,748
Cash	2,243	-	77,499	79,742
Repurchase agreements	-	-	(519,724)	(519,724)
Pooled Funds <sup>1</sup>	-	-	1,345,802	1,345,802
	<u>752,335</u>	<u>89,655</u>	<u>1,730,338</u>	<u>2,572,328</u>
	Investment grade	Non-investment grade	Unrated	Total
	£000s	£000s	£000s	£000s
<b>2022</b>				
Bonds	787,954	109,921	715,132	1,613,007
OTC Derivatives	-	-	247,948	247,948
Cash	-	-	211,948	211,948
Repurchase agreements	-	-	(935,329)	(935,329)
Pooled Funds <sup>1</sup>	-	-	1,657,569	1,657,569
	<u>787,954</u>	<u>109,921</u>	<u>1,897,268</u>	<u>2,795,143</u>

<sup>1</sup>Due to their structure, Pooled Funds are classed as unrated, however the investments held within them will be a combination of investment grade and non-investment grade.

## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **20. Investment risks (continued)**

##### **Defined Benefit Section (DB Section) (continued)**

###### **(ii) Credit risk (continued)**

Credit risk arising on bonds held directly is mitigated by predominantly investing in government bonds where credit risk is minimal, or corporate bonds which are rated at least investment grade. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated. This is the position as at the year end.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter. OTC derivatives contracts are not guaranteed by any regulated exchange and therefore the DB Section is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements. Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade. This is the position at the year end.

Cash is held within financial institutions which are at least investment grade credit rated. This is the position as at the year end.

Credit risk on repurchase agreements is mitigated through collateral arrangements. The amounts due from counterparties in relation to reverse repurchase transactions and the amounts received from counterparties are outlined in note 16.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled managers, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carried out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitored any changes to the regulatory and operating environment of the pooled managers.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 20. Investment risks (continued)

##### Defined Benefit Section (DB Section) (continued)

##### (ii) Credit risk (continued)

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

	<b>2023</b>	<b>2022</b>
	<b>£000s</b>	<b>£000s</b>
Irish Collective Asset Vehicle	-	77,195
Open Ended Investment Company	-	68,829
Limited Partnership	956,471	792,200
Irish Qualifying Investor Alternative Fund	186,787	197,273
Authorised Unit Trust	202,544	263,510
Insurance Policy	-	258,562
	<u>1,345,802</u>	<u>1,657,569</u>

##### (iii) Currency risk

The Scheme was subject to direct currency risk because some of the DB Section's investments are held in overseas markets.

The Scheme is also exposed to indirect currency risk via the underlying holdings in its pooled investment vehicles shown in note 12.

The Trustee has set a benchmark limit to overseas currency exposure which is achieved through a currency hedging policy. This was the net currency exposure at the year end.

	<b>2023</b>	<b>2022</b>
	<b>£000s</b>	<b>£000s</b>
US Dollar	592,949	489,417
Japanese Yen	22,879	15,946
Euro	253,894	157,175
Canadian Dollar	6,185	7,877
Australian Dollar	6,456	6,781
Swiss Franc	9,977	12,404
Other	<u>100,774</u>	<u>185,601</u>
	<u>993,114</u>	<u>875,201</u>

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 20. Investment risks (continued)

##### (iii) Currency risk (continued)

The other currencies are split as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000s</b>	<b>£000s</b>
UAE Dirham	809	-
Brazilian Real	1,810	2,608
Danish Krone	20,977	48,458
Hong Kong Dollar	38,089	63,362
Korean Won	1,109	5,815
Indonesia Gourde	1,093	775
Norwegian Krone	7,128	10,358
Swedish Krona	15,171	38,578
Singapore Dollar	5,647	2,328
Thailand Baht	1,170	934
Turkish Lira	427	1,994
New Taiwan Dollar	7,344	9,141
South African Rand	-	1,250
	<u>100,774</u>	<u>185,601</u>

##### (iv) Interest rate risk

The DB Section is subject to interest rate risk because some of the DB Section's investments are held in bonds, interest rate swaps, either as segregated investments or through pooled vehicles and cash. The Trustee has set a benchmark for total investment in bonds and interest rate swaps of 16.5% of the total investment portfolio, as part of their LDI investment strategy. Under this strategy, if interest rates fall, the value of the LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year end the LDI portfolio represented 20.09% of the total investment portfolio (2022: 16.94%).

	<b>2023</b>	<b>2022</b>
	<b>£000s</b>	<b>£000s</b>
Direct		
Bonds	1,519,760	1,613,007
Swaps	131,277	261,818
	<u>1,651,037</u>	<u>1,874,825</u>

The Scheme is also exposed to indirect interest rate risk via the underlying holdings in its pooled investment vehicles excluding Equity and Hedge Funds shown in note 12.

## **ASSOCIATED BRITISH FOODS PENSION SCHEME**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **20. Investment risks (continued)**

##### **(v) Other price risk**

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, equity futures and investment properties. The Scheme has set a target asset allocation of 41.5% of investments being held in return seeking investments. This was the position at the year end.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

	<b>2023</b>	<b>2022</b>
	<b>£000s</b>	<b>£000s</b>
<b>Direct</b>		
Equities	744,069	1,093,018
Equity Options	803	2,666
Property	312,535	408,020
	<hr/>	<hr/>
	1,057,407	1,503,704
<b>Indirect</b>		
Equity Pooled Funds	202,544	263,510
	<hr/>	<hr/>

#### **Defined Contribution Section (DC Section)**

##### **(i) Investment strategy**

The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and the employer, will provide a retirement amount with which the member can purchase a pension annuity (or other type of pension product). The SIP outlines the investment objectives and strategy for the DC Section assets of the Scheme.

As disclosed in detail in the Investment Report on page 14, the Trustee offers the members Target Date Funds and tier 2-4 Self Select Funds.

The investment funds offered to members are white label funds provided by AllianceBernstein as follows:

- Equity
- Bonds
- Cash
- Diversified Growth

Due to the value of the self-select funds in comparison to the value of the Target Date Funds, the risk disclosures primarily concentrate on the risks associated with the Target Date Funds.

The Trustee has an investment management agreement in place with AllianceBernstein that sets out guidelines for the underlying investments held by the funds. The day to day management of the underlying investments is the responsibility of Mobius Life, including the direct management of credit and market risks.

The Trustee monitors the underlying risks by quarterly investment reviews with AllianceBernstein.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 20. Investment risks (continued)

##### (ii) **Credit risk**

The DC Section is subject to direct credit risk in relation to AllianceBernstein through its holding in unit linked insurance funds provided by AllianceBernstein.

AllianceBernstein is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of AllianceBernstein by reviewing published credit ratings. AllianceBernstein invests all the Scheme's funds in its own investment linked funds and it does not use other investment funds or reinsurance arrangements. In the event of default by AllianceBernstein the Scheme is protected by the Financial Services Compensation Scheme.

The DC Section is also subject to indirect credit and market risk arising from the underlying investments held in the white label funds. Member level risk exposures will be dependent on the funds invested in by members.

At the Scheme year end the bond funds per note 12 were exposed to underlying credit risk.

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

	2023	2022
	£000s	£000s
Unit Linked Insurance Policy	861,985	878,109

##### (iii) **Market risk**

The Scheme's DC Section is subject to indirect currency, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by AllianceBernstein.

The Equity Fund element of the Target Date Funds per note 12 is exposed to currency risk and other price risks.

The Bond Fund element of the Target Date Funds per note 12 is exposed to currency risk and interest rate risk.

	DB	DC	Total	DB	DC	Total
	2023	2023	2023	2022	2022	2022
	£000s	£000s	£000s	£000s	£000s	£000s

#### 21. Current assets

Prepayments	146	-	146	88	-	88
Contributions due from employers	49	101	150	-	4	4
Contributions due from members	3	107	110	-	3	3
Recoverable VAT	1,101	-	1,101	99	-	99
Rent due from tenants	4,166	-	4,166	2,084	-	2,084
Other debtors	167	-	167	50	-	50
Cash at bank	12,785	4,377	17,162	11,802	3,033	14,835
	<u>18,417</u>	<u>4,585</u>	<u>23,002</u>	<u>14,123</u>	<u>3,040</u>	<u>17,163</u>

Prepayments for 2023 and 2022 comprise of pension payroll, administrative costs and computer licence fees paid in advance

DC cash at bank is allocated to members and the Trustee as follows:

	2023	2022
	£000s	£000s
Members	4,301	3,022
Trustee	76	11
	<u>4,377</u>	<u>3,033</u>

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

	DB	DC	Total	DB	DC	Total
	2023	2023	2023	2022	2022	2022
	£000s	£000s	£000s	£000s	£000s	£000s
<b>22. <u>Current liabilities</u></b>						
Rent prepaid by tenants	3,580	-	3,580	3,538	-	3,538
Accrued expenses	4,948	-	4,948	14,086	-	14,086
Tax payable	1,926	100	2,026	1,982	159	2,141
Benefits payable	836	1,104	1,940	1,632	567	2,199
Contributions prepaid	13,851	1,785	15,636	13,356	-	13,356
	<u>25,141</u>	<u>2,989</u>	<u>28,130</u>	<u>34,594</u>	<u>726</u>	<u>35,320</u>

### **23. Employer related investments**

There is an indirect employer-related investment inherent in the DC Section's participation in Amundi (Index MSCI World Climate Transition CTB Fund, Global Multi-Factor Equity Fund and Index MSCI World SRI Fund) and Aegon (Investment Grade Bond and Pension Corporate Bond Fund) because ABF shares are included in the FTSE All-Share Index. The level of employer related investment is immaterial as at 5 April 2023 and 5 April 2022.

There was no indirect investment in Associated British Foods Plc within the DB Section as at 5 April 2023 or 5 April 2022. There was no direct investment in Associated British Foods Plc within the DB or DC Section as at 5 April 2023 or 5 April 2022.

### **24. Related party transactions**

The Scheme receives employee and employer contributions in respect of Trustee Directors who are Scheme members. The Scheme also pays benefits to former Trustee Directors who have retired. Such transactions are received/paid in accordance with the Schedule of Contributions and Trust Deed and Rules.

Remuneration of £67,968 (2022: £66,691) was paid for the services of the Chairman, and £1,252 (2022: £597) was paid in respect of Trustee expenses.

The sponsoring employer, ABF Plc, pays the salaries and the employers' pension costs in respect of the employees of the ABF Group Pensions Department. Other costs relating primarily to computer network support, are recharged to the Scheme one year in arrears and are included in the administration and processing costs shown in Note 7. Recoverable VAT on the Scheme's administration expenses is refunded to the Scheme by ABF Plc also one year in arrears.

The Scheme is reimbursed for administrative tasks it undertakes for other pension schemes connected with the ABF Group and for a charity. The recoverable amount shown in Note 7 includes:

	2023	2022
	£000s	£000s
Weston Provident Fund (charity)	42	42
Member charges for divorce calculations	12	14
	<u>54</u>	<u>56</u>

During the year, the sponsoring employer ABF Plc paid a £100m loan to the Scheme to assist with the settlement of collateral following the mini-budget as explained on page 8 of the Trustee report. The loan was repaid within twenty-four hours with interest of £8,052.



## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 25. GMP Equalisation

As explained on page 6 of the Trustee's report, the Trustee is already taking steps to equalise the benefits of male and female members currently in the Scheme following the High Court ruling in the first judgement of October 2018, this work is being preceded by undertaking a full reconciliation of data held by the Trustee with that held by the DWP. These GMP equalisation projects will now be extended to include historic cash equivalent transfer payments paid out of the Scheme following the second judgement made on 20 November 2020. The Trustee will be undertaking projects to revisit cash equivalent transfer values paid to former members with a view to make top up payments where members have not been paid their full entitlement (equalised benefits). Furthermore, the Trustee with the help of the Scheme Actuary and the Legal Advisors is also considering the implications of the judgement on past transfers made by way of bulk transfer from the Scheme and Individual transfers made under the rules of the Scheme as opposed to CETV. The Trustee is also reviewing the need to take action to equalise the benefits payable to members in respect of historic transfer payments received by the Scheme where those benefits are inadequate due to the effect of GMPs accrued under the transferring schemes. The implication of the rulings mentioned above on the Scheme and the equalisation of guaranteed minimum pensions between men and women, in the context of the rules of the Scheme and the value of any liability, is estimated not to be material to the figures presented in these accounts. The amount is in the process of being finalised but is not expected to be material to the accounts. The Trustee has therefore not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

#### 26. Concentration of investments

The investments (other than UK Government Securities) which were more than 5% of the total value of the net assets of the Scheme at year end were:

	2023		2022	
	£000s	%	£000s	%
SCHRODER QEP GL ACT VA-X INC fund (DB Section)	202,544	4.48	263,510	5.09

#### 27. Contractual commitments

The Trustee has undrawn commitments relating to funds held at the end of the year as follows:

	2023	2022
	£000s	£000s
Alcentra	9,652	14,115
Arcmont II	11,881	13,106
Arcmont III	7,808	13,347
Arcmont SLF	16,959	24,774
Ares II	8,375	8,215
Ares III	5,812	5,702
Ares IV	10,399	9,531
Ares V	11,814	34,836
Beachpoint IV	10,293	38,084
Bridgepoint	14,892	11,207
Cordet	14,545	10,902
Cordet II	13,294	13,041
Hayfin II	29,010	19,735
Hayfin III	33,993	42,265
HIG	6,766	1,603
Mezzvest III	2,511	2,464
Mezzvest IV	2,472	12,089
Mezzvest V	18,705	39,878
Morgan Stanley	11,043	12,425
Muzinich	3,067	6,743
Muzinich II	12,188	-
Neuberger III	3,570	10,102
Neuberger IV	23,362	39,671
Ninety One Global	40,420	-
	<u>322,831</u>	<u>383,835</u>

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 28. Subsequent events

During the year the Trustee agreed to a recommendation by the Pensions Management Team to replace Bank of New York Mellon as custodian of the Scheme with Northern Trust. The transition took effect on 1 August 2023.

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE ASSOCIATED BRITISH FOODS PENSION SCHEME

We have examined the summary of contributions to the Associated British Foods Pension Scheme for the Scheme year ended 5 April 2023 which is set out on page 43.

In our opinion contributions for the Scheme year ended 5 April 2023 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 9 December 2020.

#### Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 43 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

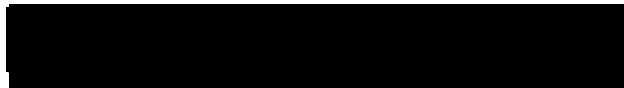
#### Respective responsibilities of the Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

#### Use of our statement

This statement is made solely to the Scheme's Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement 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 Scheme's Trustee those matters we are required to state to it 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 Scheme's Trustee as a body, for our work, for this statement, or the opinions we have formed.



Ernst & Young LLP  
Statutory Auditor

Reading

Date: 15<sup>th</sup> SEPTEMBER 2023

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### STATEMENT OF TRUSTEE RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the schedule.

#### Trustee Summary of Contributions payable under the Schedule in respect of the Scheme year ended 5 April 2023

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Scheme Actuary on 9 December 2020 applicable for the Scheme year ended 5 April 2023. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year	£000s
Employer:	
normal contributions	52,112
other contributions	11,670
Member:	
normal contributions	35,476
<b>Contributions payable under the Schedule</b>	<b>99,258</b>
<b>(as reported on by the Scheme Auditor)</b>	

#### Reconciliation of Contributions Payable

Reconciliation of contributions payable under the Schedule of Contributions reported in the financial statements in respect of the Scheme year:

<b>Contributions payable under the Schedule (as above)</b>	99,258
Contributions payable in addition to those due under the Schedule (and not reported on by the Scheme Auditor):	
Member additional voluntary contributions	3,194
<b>Total contributions reported in the financial statements</b>	<b>102,452</b>

Signed for and on behalf of Associated British Foods Pension Trustees Limited

# ASSOCIATED BRITISH FOODS PENSION SCHEME

## CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS



## CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Name of the Scheme Associated British Foods Pension 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 5 April 2020 to be met by the end of 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 7 December 2020.

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

Name

James Bourne

Date of signing

9 December 2020

Qualification

Fellow of the Institute and Faculty of Actuaries

Name of employer

Mercer Limited

Address

One Christchurch Way  
Woking  
Surrey  
GU21 6JG

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### REPORT ON ACTUARIAL LIABILITIES

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. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 5 April 2020. An update to the valuation was performed on 5 April 2022. These showed that on those dates:

	Actuarial Valuation as at 5 April 2020	Actuarial update as at 5 April 2022
The value of the Technical Provisions	£3,619 million	£3,346 million
The value of the assets	£3,317 million	£4,298 million
Funding level	92%	128%

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

#### Method

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

#### Significant actuarial assumptions

##### Investment return (discount rate)

The discount rate used is a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cashflows beyond the longest available yields) plus an additional time based outperformance to reflect the prudent allowance the Trustee has agreed for additional investment returns. The time based investment outperformance over the gilt yield curve assumed for the 5 April 2020 valuation is shown in the table below.

Year	Outperformance
2020/21	2.50%
2021/22	2.50%
2022/23	2.50%
2023/24	2.50%
2024/25	2.50%
2025/26	1.20%
2026/27	1.20%
2027/28	1.20%
2028/29 onwards	0.50%

## ASSOCIATED BRITISH FOODS PENSION SCHEME

### Report on Actuarial Liabilities (continued)

#### Future Retail Prices Index (RPI) inflation

The assumption for the rate of increase in the Retail Prices Index (RPI) will be a term structure derived from the difference between the yield on conventional and index-linked UK Government bonds at the date of each future cashflow (extrapolated for cashflows beyond the longest available bonds), with allowance for an appropriate inflation risk premium adjustment; at the 5 April 2020 valuation the adjustment was a deduction of 0.1% per annum until 2028 and no deduction thereafter.

#### Future Consumer Price Index (CPI) inflation

The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each valuation; at the 5 April 2020 valuation the adjustment was a deduction of 0.7% per annum until 2025, a deduction of 0.4% per annum between 2025 and 2030 and no deduction thereafter.

#### Salary

The assumption for real salary increases (salary increases in excess of CPI inflation) will be determined after consulting the Employer, but as a starting point the Trustee will use an assumption of 1.0% per annum. No additional allowance has been made for promotional increases.

#### Pension increases

Pension increases linked to inflation are set in line with the relevant inflation assumption, adjusted to reflect any caps or collars on the annual pension increase.

#### Mortality

For the 5 April 2020 valuation the mortality tables are S3 Year of Birth tables for males and S3\_middle Year of Birth tables for females with weightings of 104% for males and 98% for females. Future improvements are based on the CMI 2019 model with a smoothing parameter of 7.5, core initial improvements parameter and long term improvement rate of 1.75% per annum.

**APPENDIX 1: STATEMENT OF INVESTMENT PRINCIPLES****1. Introduction**

The purpose of this Statement of Investment Principles ("SIP") is to record the investment arrangements (and the rationale behind those arrangements) adopted by the Trustee of the Associated British Foods Pension Scheme ("the Scheme") in accordance with the requirements of Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 and Occupational Pension Scheme (Investment) Regulations 2005.

This SIP has been prepared after obtaining written professional advice from Mercer Limited ("Mercer"), the "Investment Consultant", which is regulated by the Financial Conduct Authority ("FCA"). Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever it reviews this Statement.

The Trustee's investment powers are set out within the Scheme's governing documentation and relevant legislation. The Trustee notes that, according to the law, it has ultimate power and responsibility for the Scheme's investment arrangements.

The Trustee will seek to maintain a good working relationship with the sponsoring Company, Associated British Foods plc, and will discuss any proposed changes to this Statement with the Company. However, the Trustee's fiduciary obligations to Scheme members will take precedence over the Company's wishes, should these ever conflict.

The Trustee believes that the investment policies and their implementation are in keeping with best practice, including the principles underlying the (Myners) Code of Best Practice for pension fund investment published in 2001 and the Updated Principles and best practice guidance published in 2008.

The Scheme's investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Implementation Policy Document ("IIPD"). Both are available to members on request.

The Scheme is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustee's investment powers. The investment powers do not conflict with this Statement.

**2. Scheme Structure**

The Scheme has two sections – the Defined Benefit Section ("DB Section") and the Defined Contribution Section ("DC Section").

**3. Scheme Governance**

A brief overview of the various parties involved in the Scheme's governance structure is set out below.

***The Trustee***

The Scheme's assets are held in trust by the Trustee. The Trustee is responsible for the investment of the Scheme's assets (although members of the DC Section choose the funds in which to invest from a range of funds made available by the Trustee).

The Trustee has appointed its Investment Consultant to provide relevant advice to the Trustee. The Trustee also takes advice as appropriate from the Scheme Actuary and other professional advisers.

The Trustee has established an Investment Sub-Committee (the "ISC") to focus on investment matters. The role of the ISC is to assume decision making responsibility in the area of specialist investment matters typically including manager selection and structure decisions.



### ***The Investment Consultant***

Mercer has been appointed as the Investment Consultant to the Trustee for both Sections. The details of the Consultant's appointment, in terms of both obligations and remuneration, are contained in a signed agreement between the Trustee and the Consultant. Mercer provides the Trustee with sufficient information to ensure that they are fully informed as to the decisions they take and to monitor those that they delegate.

### ***The Investment Managers***

The Trustee has chosen to entrust the day-to-day management of the DB Section's investments to the Investment Managers as specified in the IIPD.

Details of the DB Section's strategic framework, within which the Investment Managers operate and a listing of the Scheme's current portfolios managed by the Investment Managers (including a description of the mandates and benchmarks) is set out in the IIPD.

Until the 31<sup>st</sup> July 2023, the Trustee appointed an independent performance measurement company, BNY Mellon Performance & Risk Analytics Europe Limited, independent of the Investment Managers to calculate return and risk measures for each Investment Manager's portfolio and for the assets in aggregate. From 1<sup>st</sup> August 2023, the Northern Trust Company (NT) became the appointed independent performance measurement company. The Performance Measurer provides quarterly reports to the Trustee and more detailed reports on an annual basis. The investment consultant also provides quarterly reports.

The ISC meets the active investment managers at least annually and, if circumstances require, more frequently to review the managers' actions together.

### ***The Custodian***

The Scheme's custodian was Bank of New York Mellon ("BNYM") until 31<sup>st</sup> July when they were replaced by NT. The custodian is responsible for the safekeeping of the Scheme's assets held in segregated portfolios and for performing the associated administrative duties such as trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting. The Scheme's assets that are held in pooled funds or collective vehicles will be the under the safekeeping of the pooled fund's own custodian.

### ***The Scheme Actuary***

Mr James Bourne of Mercer Limited has been appointed as the Scheme Actuary. The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the Actuarial Valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme.

### ***The Bundled DC Provider***

The Scheme's DC default investment arrangements are Target Date Funds managed by Alliance Bernstein by way of an insurance contract using an investment platform with Mobius Life, the "Bundled DC Provider". All other investments for the DC Section are also held on the same investment platform. The terms are contained in the documentation provided by the Bundled DC Provider to the Trustee. Either the investment managers or the specific funds in which the DC Section invests are regulated by the FCA.

## **4. Defined Benefit Section**

### **4.1 Investment Objective**

The Trustee believes its prime objective is to invest the Scheme assets in such a manner that it is likely that the Scheme liabilities can be met.

The estimated liabilities are a series of projected cash flows calculated on assumptions contained in the valuation basis. In theory, the matching asset would be a portfolio of UK Government bonds that provided these projected cash flows in all future economic scenarios. Given the discrete number of UK Government bonds available, such a combination is unlikely to exist in practice. It is nonetheless a valid reference point against which to assess investment strategies that can be implemented in practice.

In agreeing to adopt this investment objective, the Trustee has taken into account the Company's view that some risk should be taken in an attempt to reduce the cost of providing the benefits that which would be expected from adopting a fully matched investment strategy.

### **4.2 Investment Policy**

#### **Strategic Management**

There is a broad target benchmark split between asset classes for the DB Section. The strategic framework including benchmarks is outlined in the IIPD.

Interest rate and inflation risk exposures will also be managed via Insight, the Liability Driven Investments ("LDI") manager. The management of these exposures is implemented using a combination of a swap and derivative overlay and the interest rate and inflation characteristics of existing physical bond holdings within the portfolio.

The Trustee selected the strategic benchmark to reflect that the Scheme liabilities would change in value in a similar manner to changes in the level of the UK government bond markets. The Trustee expects that there will be a small return premium above government bonds from non-government bonds and a larger return premium from equity markets. The Trustee expects there will be periods when equities, property and credit underperform government bonds and is prepared (as is the Company) to accept this risk.

Implementation of the strategy is via a range of active investment managers whose roles are set out in the IIPD, as well as Insight (the LDI manager), directly held property and BlackRock (the passive currency manager). The Trustee uses NT as the overall custodian of the Scheme assets.

When considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitability qualified investment adviser. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

#### **Day-to-day Management**

The Trustee implements its investment strategy by delegating the day-to-day management of the DB Section's assets to the Investment Managers. Details of the Investment Managers as well as the mandates are set out in the IIPD.

The Trustee employs more than one manager to limit the risk to the Scheme as a whole of one manager underperforming for a period.

The Trustee's policy on apportioning assets between the managers is to invest the assets such that the resulting asset allocation reflects the Scheme-specific benchmark.

#### **Currency Hedging**

BlackRock has been appointed as a passive currency manager for the Scheme. This is done by hedging 50% of the overseas equity, plus hedging 100% of the overseas private debt exposure in the six major currencies – US Dollar, Canadian Dollar, Swiss Franc, Euro, Japanese Yen and Australian Dollar. The hedging arrangements, particularly the

level of hedging and asset classes included, were developed in consultation with the Scheme's Investment Consultant.

### Rebalancing

Under normal circumstances at the end of each calendar quarter, the actual bond/equity allocation will be reviewed. If the portfolio allocation is outside the agreed range for bonds then, under normal circumstances, the portfolio allocation will be moved back towards the neutral position. In order to reduce dealing costs, the allocation may not be rebalanced to the neutral allocation, but to 2% away from this position. Under normal circumstances, property and cash will not form a part of the rebalancing process. Any decision to not rebalance if the allocations fall outside of the stated ranges will not be deemed as a breach of this SIP.

### 4.3 Investment Risk

Before deciding to take investment risk relative to the liabilities, the Trustee received advice from the Investment Consultant and Scheme Actuary and held discussions with the Employers. In particular, the Trustee considered carefully the following possible consequences:

- The assets might not achieve the excess return relative to the liabilities anticipated. This would result in deterioration in the DB Section's actuarial position.
- The relative value of the assets and liabilities will be more volatile than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the DB Section. This consequence is particularly serious if it coincides with the Employers being unable to make good the shortfall.
- This volatility in the relative value of assets and liabilities may also increase the volatility of the Employer's contribution rate set at successive actuarial valuations, depending on the approach to funding adopted.

The Trustee's willingness to take investment risk, and the degree of investment risk, is dependent on the continuing financial strength of the Employers and their willingness to contribute appropriately to the DB Section. The financial strength of the Employer and their perceived commitment to the DB Section is monitored and the Trustee will consider reducing investment risk relative to the liabilities should either of these deteriorate.

The degree of investment risk the Trustee is willing to take also depends on the financial health of the DB Section and its liability profile. The Trustee monitors these with a view to altering the investment objectives, risk tolerance and/or return target should there be a significant change in either.

In formulating the investment objective the Trustee has also considered the risks to which the Scheme is exposed. A review of the Scheme's investment strategy was last completed in 2022. The most recent review followed strong improvements in funding level and focused on a transition to a lower-risk self-sufficiency portfolio, which the Trustee expects to transition to over the next three to five years. The Trustee believes that the arrangements adopted, and those they plan to transition to, represent a satisfactory trade-off between target return (net of all costs) and investment risk after taking into account the resources available to implement and monitor the arrangements.

In addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of different sources. The Trustee aims to take on those risks for which the Trustee expects to be rewarded over time, in the form of excess returns. The Trustee believes that diversification limits the impact of any single risk.

To implement the hedging strategy, the Trustee appointed a specialist LDI manager, who is responsible for managing interest rate and inflation hedging strategies for the Scheme.

Investment risk is measured by reference to the likely annual variation in return between the matching portfolio of investments and the investment arrangements adopted. A risk level of 10% p.a. would mean that the Trustee expects the return on the chosen strategy to be within 10 percentage points of the return on the matching assets two years out of three.

The Trustee has also considered various combinations of assets and investment management approaches that might minimise the required degree of risk for a level of return expectation consistent with the assumptions in successive actuarial valuations.

The risks identified below is not exhaustive, but covers the key risks considered by the Trustee to be financially material to the DB Section

**Currency risk**

A risk where the Trustee does not expect excess returns over time is currency risk. As part of the most recent strategy review, the Trustee agreed to hedge 50% of its non-Sterling equity and 100% of its private debt currency exposure on a passive basis to the six major foreign currencies. This is implemented by BlackRock.

**Credit risk**

The DB Section is subject to credit risk as the Trustee elects to invest in bonds, OTC derivatives, has cash balances and enters into repurchase agreements. The DB Section also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The DB Section is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles. This risk is mitigated by investing in government bonds where credit risk is minimal and all other investments being of investment grade credit rated securities.

**Liquidity risk**

Exposes the Trustee from a lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise a loss. Apart from the property and the private debt portfolios, the Trustee considers the pricing and dealing terms to be acceptable for a Scheme of its size.

**Counterparty risk**

The Trustee is also exposed to a risk associated with a counterparty to a financial contract not meeting its obligations. The derivative portfolio managed by Insight primarily restricts the collateral to UK investment grade government bonds and cash, except for two legacy derivatives whereby the collateral is restricted to North American and Western European investment grade government bonds and cash. The Trustee will consider winding up the positions under these legacy agreements should an appropriate price be available.

**Operational risk**

The Trustee mitigates operational risk, being the loss resulting from inadequate or failed internal processes, people, systems or external events, by monitoring and evaluating investment managers at regular intervals, reviewing the results of the control assurance reports from investment managers as part of the annual audit and segregation of funds for each asset class.

The Trustee has also considered various combinations of assets and investment management approaches that might minimise the required degree of risk for a level of return expectation consistent with the assumptions in successive actuarial valuations. The Trustee considers the risks highlighted above to be financially material and these risks are considered over the anticipated lifetime of the DB Section.

**4.4 Responsible Investment and Corporate Governance**

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment performance and risk, and that good stewardship can create and preserve value of companies and markets. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given its investment managers discretion when evaluating ESG factors (including climate change considerations) and in exercising rights and stewardship obligations attached to the Scheme's investments. This is in accordance with the investment managers own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code. The Trustee has not set any restrictions on the appointed investment managers in relation to products or activities but may consider this in future. The Trustee has set carbon intensity reduction targets for the DB Section's aggregate equity portfolio and fixed income - public investment grade credit portfolio. The Trustee monitors managers against these carbon intensity targets.

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new managers and monitoring existing investment managers. The Trustee may also consider the degree of alignment of managers' engagement priorities with their own priorities in any new appointments and ongoing monitoring. Monitoring is undertaken on a quarterly basis at Investment Sub-Committee meetings.

The Trustee does not currently explicitly consult members when taking account of the selection, retention and realisation of investments, but may consider ways to incorporate member views in future.

The Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies and should take account of current best practice. The Trustee expects its FCA registered managers to comply with the UK Stewardship Code. The Trustee encourages its non-FCA authorized managers to adhere to the Stewardship Code on a best efforts basis. The Trustee may, from time to time, ask the Scheme's investment managers to explain their corporate governance policy and practices, and review their voting activities. These reviews may include consideration of the Investment Manager's engagement priorities and the degree of alignment with the Trustee's own engagement priorities and definition of significant votes. Additionally, the Trustee asks the Investment Managers to provide annual reports indicating the overall level of voting activity and detailing any instances where they have not voted in line with their stated policy.

#### **4.5 Liquidity**

With the DB Section being mature, the Trustee understands liquidity planning is becoming an important consideration, especially where the annual cash flow requirements can represent a significant proportion of the Section's assets. To minimise the need for disinvestment of the Schemes assets, the Trustee aims to meet the Scheme monthly cash outflows to the extent possible using cash inflow and income generated from the Scheme's assets. Therefore a specific investment strategy is followed to generate cash through no-reinvestment of dividends, bond maturities etc. The Trustee understands liquidity may become an increasing issue, particularly with the currency hedge programme and recognises that this will change over time and will be addressed when required.

## 5 Defined Contribution Section

### 5.1 Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives.

The Trustee believes that most members do not have the knowledge or desire to manage their pension investments. The Trustee regards it as its duty to make available (as the default investment option) a fund which:

- is suitable for most members;
- is dynamically managed; and
- has a risk and reward profile that reflects the period until its participating members reach retirement age.

The Trustee also regards its duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs if they wish to do so. The Trustee has the objective of grouping these investments into 'tiers' based on the amount of member involvement required in investment management.

The investment objective of each Target Date fund (default fund) is designed and managed for an investor saving to retire in or around the years stated in its name (the "target date"). The investment manager's aim is to maximise, for a typical such investor, their eventual retirement income while taking account of their decreasing capacity to afford losses as they approach and, possibly, go past the target date of retirement. On retirement, the investor is assumed to use their built-up pension savings to provide pension income from the options available when they retire. The Target Date funds will progressively move from riskier, capital growth-oriented assets such as equities and property, into lower-risk retirement income protection oriented assets, such as bonds, as it approaches and passes its target date. The investment manager seeks to ensure that the mix of assets remains appropriate given the Target Date Fund's aim and will also employ a dynamic asset allocation strategy which seeks to mitigate the effects of large market movements without detracting from long-term returns. The manager will manage the Target Date Funds in such a way that, for an individual investing over the whole term of each Target Date Fund, a return of CPI plus 4% per annum is targeted.

A review of the default strategy and the performance of the default funds was undertaken during the 2021 Scheme year against the aims and objectives as set out in this SIP. The review included the following key areas:

- Value of Assets in the TDFs
- Commentary submitted by Alliance Bernstein including performance & asset allocation decisions
- Fees & Charges
- Details of performance of all Tier 2-4 Funds
- Consideration of whether all TDF Vintages had outperformed or underperformed their objective

Overall, the review concluded that the default strategy and its returns remain consistent with the Trustee's objectives as set out in the SIP and that TDFs remain an appropriate default investment vehicle for the Scheme. The Trustee did recognise the challenging environment of very high inflation and is currently planning to incorporate an allocation to illiquid assets in the Glidepath from Q4 2023. Details of any changes to the Glidepath will be reported in the final version of the SIP if required.

### 5.2 Investment Risk

The Trustee has considered risk from a number of perspectives in relation to the DC section, including the default option. The list below is not exhaustive, but covers the main risks considered by the Trustee to be financially material.

Risk	How it is Managed	How it is measured
<p><b>Market Risk</b> The risk that low investment returns over members' working lives or unfavourable market movements in the years just prior to retirement will secure an inadequate pension.</p>	<p>The Trustee provides members with a range of funds, across various asset classes, including actively and passively managed options. Members are able to set their own investment strategy in line with their aims and risk tolerances.</p>	<p>The performance of the available funds is monitored on a quarterly basis.</p>
<p><b>Interest Rate Risk</b> The risk that unfavourable interest rate movements, particularly in the years just prior to retirement may lead to a reduction in the pension that the member's retirement account can secure.</p>	<p>The Trustee provides members with a range of funds, across various asset classes, which will have varying sensitivities to interest rate risk.</p>	<p>The performance of investment funds and market fundamentals, including interest rates, are monitored on a quarterly basis. This helps the Trustee understand the effect that changes in interest rates are having on the funds.</p>
<p><b>Inflation Risk</b> The risk that investments do not keep pace with inflation.</p>	<p>The Trustee provides members with a range of funds, across various asset classes, which have varying exposure to inflation risk. These include inflation index linked funds, as well as equities which are generally viewed to have inflation hedging properties.</p>	<p>Quarterly performance reports consider the long-term performance of the funds to help the Trustee assess whether the returns have kept pace with inflation.</p>
<p><b>Manager Risk</b> The risk that the chosen underlying investment managers underperform the benchmark against which the managers are assessed.</p>	<p>In particular, the Trustee has considered the risk that active managers may underperform, whereas passive managers are likely to achieve a return close to any chosen benchmark. The Trustee believes active management skills exist and can be identified but not with complete certainty. As such the Trustee makes available to members both actively managed and passively managed funds.</p>	<p>The Trustee considers the ratings of investment strategies from their DC Investment Consultant during the selection process. It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective.</p>
<p><b>Mismatch Risk</b> The risk that the financial assets a member is invested in as they approach retirement are not suited to the way they will access their retirement benefit.</p>	<p>The Trustee has made available to members a range of funds including shares, cash and bond funds that can be selected by members as they approach retirement. The default option follows a lifestyle strategy which progressively switches to assets the Trustee expects will be less volatile to reduce mismatch risk for members targeting income drawdown.</p>	<p>It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis and identify how the characteristics of certain funds are suitable for different retirement options.</p>
<p><b>Liquidity Risk</b> The risk that assets may not be readily marketable when required.</p>	<p>The pooled funds in which the Trustee allows members to invest provide the required level of liquidity. Units in the pooled funds in which the Scheme invests are believed to be readily redeemable.</p>	<p>When considering new investment options or reviewing existing options, the Trustee considers the pricing and dealing terms of the underlying funds.</p>

Risk	How it is Managed	How it is measured
<p><b>Concentration Risk</b> The risk that a portfolio has an over-allocation to a single asset class, sector, country or counterparty, thereby having a high exposure to non-systemic risk factors.</p>	<p>The Trustee has made a range of funds available to members, so that they can choose to invest in a well-diversified portfolio. The range of funds enables diversification by asset class (e.g. equity, bonds, cash), by region and includes both passively and actively managed funds, which can help achieve diversification.</p>	<p>It is the Trustee's policy to monitor performance and rating of funds on an ongoing basis. The Trustee also periodically reviews the default investment option and self-select range, and as part of this considers the correlations or similarities between the available funds.</p>
<p><b>Sponsor Risk</b> The risk that the sponsoring company of the Scheme will cease financial sponsorship.</p>	<p>The Trustee has considered the risk that the Company may be unwilling or unable to continue to contribute to the Scheme in the future.</p>	<p>The Trustee has concluded that this risk is acceptable and that no further action is necessary to mitigate this risk at the current time. The Trustee will review this position in the event of any material changes in the circumstances of the sponsor.</p>
<p><b>Exchange Rate Risk</b> The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>With a diverse spread of assets geographically, the Trustee accept that there is a degree of risk for members as a result of varying sensitivities of fluctuating exchange rates.</p>	<p>Monitoring the performance of investment funds on a quarterly basis, including quarterly market reviews considering the movements in foreign currencies relative to pound sterling.</p>
<p><b>Environmental, Social and Governance Risk</b> ESG factors can have a significant effect on the performance of the investments held by the Scheme, e.g. extreme weather events, poor governance.</p>	<p>The Trustee's policy on ESG risks is set out in Section 5.7 of this Statement.</p>	<p>As set out in Section 5.7, monitoring is undertaken on a regular basis and is documented annually.</p>

The items set out in this section of the SIP are those that the Trustee considers to be financially material considerations in relation to the Defined Contribution Section and the default investment arrangement. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire. Members are reminded to review the suitability of their investment choices via their annual benefit statements and other Scheme communication.

### 5.3 Investment Strategy

The Trustee believes that the risks identified in chapter 5.2 are best managed by, and the objectives in chapter 5.1 are best met by, a default range of Target Date Funds which are linked to a target retirement age of 65 for each particular member and by offering members a range of investment vehicles from which to choose. The current range has been grouped into four 'tiers' (1 to 4) with increasing levels of member involvement required. The range offered in each tier will be reviewed periodically and changed in response to member demand.

The composition of each tier is summarised as follows:

- Target Date Funds
- Diversified growth / multi asset investment funds
- Single Asset Funds (Equity Funds, Bond Funds and Diversifiers/ Alternatives)
- Any other fund from the 'Corporate Investment Services' range on the Bundled DC Provider's platform



Members are free to choose any of the funds available within the 4 tiers. They can invest in one or more tiers and they can elect for their accrued funds to be invested differently from the future contributions.

The investment strategy of the Defined Contribution Section and the default funds will be reviewed at least every three years and without delay after any significant change in investment policy or to the demographic profile of relevant members.

#### 5.4 Investment Management Structure

The Trustee has appointed Alliance Bernstein as investment manager of the Target Date Funds (tier 1). All funds (in all four tiers) are administered on the Mobius Life platform. There are a variety of funds available across different asset classes and with a range of investment managers. Details of the funds available and their objectives can be accessed at [www.abfpensions.com/dc](http://www.abfpensions.com/dc).

#### 5.5 Monitoring the investment manager and platform provider

The Trustee monitors the performance of the tier1, tier2, and tier3 investment options – and tier4 investment options which the Trustee has made available – on a regular basis. The Trustee also monitors the effectiveness of the platform provider. To assist the Trustee, the platform provider regularly supplies the Trustee with unit reconciliations and fund factsheets.

#### 5.6 Investment restrictions

As the assets of the Defined Contribution section are invested in pooled fund vehicles the investment restrictions applying to these funds are determined by the investment manager. The Trustee is satisfied that the investment manager's policy on investing in individual securities held in each vehicle provides adequate diversification of investments.

#### 5.7 Responsible Investment and Corporate Governance

The Trustee believes that environmental, social and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

That said, the Trustee has elected to invest in pooled funds and cannot therefore directly influence the ESG policies, as well as the ethical policies and practices of the companies in which the pooled funds invest.

However, the Trustee expects the underlying managers to evaluate ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The DC investment managers acknowledge that ESG issues are recognised as having an impact on the investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

The governance approach used by AllianceBernstein where they directly hold individual investments is to incorporate this through "integration", whereby a bottom-up integration of ESG factors into the research and investment process is key to identifying investment risks as well as opportunities.

The method for implementing this is via a two-pronged approach to active ownership:

1. By engaging directly with equity and bond issuers as part of the research process, and
2. By utilising the in-house proxy voting policy which incorporates ESG factors.

The TDFs primarily utilise a selection of underlying third-party investment managers' funds, selected by Alliance Bernstein, to gain access to a broad range of investments. As these underlying funds are predominantly



passive/systematic approaches, the incorporation of active ESG consideration when making any single investment is limited. Furthermore, as these underlying funds are not managed by Alliance Bernstein, the ability to incorporate their own ESG policies is somewhat limited.

To address this, Alliance Bernstein are increasingly making use of custom fund arrangements that provide the flexibility to impose their own ESG policies. However, in cases where this is not possible, Alliance Bernstein review shortlisted managers' UNPRI signatory status, ESG and ownership/stewardship policies, and proxy voting history to ensure that any appointed manager is as closely aligned to their policies as possible.

Alliance Bernstein regularly monitors appointed managers as part of their ongoing due diligence process.

The Trustee accepts the investment managers' policy on the voting rights attached to investments, which can be found online: <https://www.alliancebernstein.com/content/dam/corporate/corporate-pdfs/AB-Proxy-Voting-and-Governance-Policy.pdf>.

The Trustee may review the DC Investment managers engagement priorities from time to time and notes the alignment of the manager's current priorities - of climate change, modern slavery and executive compensation - with the priorities set by the Trustee, as outlined in the following section. The DC Investment manager produces an annual report on their engagement within these priority areas which is available online: <https://www.alliancebernstein.com/content/dam/corporate/corporate-pdfs/ab-esg-engagement-campaign-report.pdf>.

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis by the Investment Sub-Committee and documented annually.

These policies apply across the range of investment options made available to members including the default investment arrangement and the self-select investment fund range.

Member views have not explicitly been taken into account in the selection, retention and realisation of investments, although feedback received from members is welcomed and considered by the Trustee. However, specialist funds have been added to the fund range to cater for members who wish to invest their assets accordingly e.g. the HSBC Islamic Global Equity Index and the Legal & General Ethical Global Equity index.

In line with the requirement to conform to the Task Force on Climate-Related Financial Disclosures (TCFD) and the statutory requirements prescribed by the Department of Work and Pensions, the Trustee has produced its annual TCFD report.

## 6. Engagement Priorities and Significant Votes

### 6.1 Engagement Priorities

The Trustee's engagement priorities are based on their belief that ESG issues, across each of the three factors, may have a material impact on investment performance. As such the Trustee has determined what they consider the most salient topic within each of the three ESG factors, as listed below.

Engagement Priority	Rationale
<b>Environment:</b> Climate Change	Climate-related financial impacts are driven by the associated transition to a low-carbon economy and the physical damages of different climate outcomes.  The Trustee believes climate change issues present risks and opportunities that increasingly may require explicit consideration.
<b>Social:</b> Human rights including modern Slavery	Workforce and supply chain safety and human rights practices should avoid contributing to modern slavery, exploitation and other human rights abuses – these can contribute to economic instability, the threat of social tension and subsequent political instability which, in turn, may have a negative impact on investment performance.

	The Trustee notes alignment of this priority with the Company's Supplier Code of Conduct and the commitments made therein.
<b>Governance:</b> Executive remuneration	Executives have significant influence over the financial success of the companies which they manage. Therefore, executive remuneration policies can have a meaningful impact on the return of investors in companies. These policies should attract and retain talent whilst ensuring alignment of incentives with company and shareholder objectives.

## 6.2 Significant Votes

The Trustee consider a vote to be significant if the holding makes up more than 2% of the relevant fund's value and:

- It relates to any of the Trustee's engagement priorities, as set out above; or
- It has a direct financial impact on the company.

Any vote on exposures, irrespective of the purpose of the vote, that make up more than 5% of the relevant fund are considered significant.

To aid reporting, the Trustee reports on the most significant votes, defined as votes in relation to the largest three fund holdings that meet the above significant criteria, on an annual basis within the Implementation Statement. This statement is available to members online or upon request.

## 7. Additional Voluntary Contributions

### 7.1 Defined Benefit Arrangements

#### Existing AVC payers

DB Members that commenced paying AVCs prior to 1 October 2012 may have legacy AVC investments held with Standard Life, Clerical Medical, Prudential, Phoenix Life (formerly London Life) and ReAssure Life (formerly Guardian Assurance) had the option of investing DB AVCs with these legacy providers. From the 1 April 2023 all AVC contributions ceased to be invested with the legacy AVC providers and were invested in similar funds contained in the Mobius platform. The retained legacy AVC's are invested in the following range of funds:

- Balanced Funds
- Cash Funds
- Ethical Funds
- Managed Funds
- Money Market Pension Fund
- Unit Linked Funds
- With Profit Funds

Effective from the 1 April 2023, all legacy AVC funds were closed to future contributions. Existing AVC assets remain invested within the aforementioned legacy AVC providers. The Trustee is currently reviewing the legacy arrangements.

#### New AVC payers

For the DB members that applied to start paying AVCs from 1 October 2012, the Trustee has made available the investment fund range referred to in chapter 5.3 and applies to all new AVC Investments.

## 8. Other assets

The only other Scheme assets relate to un-invested cash, maintained for the day-to-day management of the Scheme. This is managed by Associated British Foods Pensions Department, liaising with the Company's Treasury Management division to ensure a market rate of interest is obtained.

The monthly cash out flows are currently more than the monthly cash inflows from contributions and therefore a specific investment strategy is followed to generate cash through non-reinvestment of dividends, bond maturities etc.

#### 9. Realisation of Investments

In general, the Investment Managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments, subject to not exceeding the Trustee's powers as set out in the Trust Deed and Rules. The Investment Managers are responsible for generating any cash required for benefits and other expenditure on the instructions of the Trustee.

#### 10. Aligning Manager Appointments with Investment Strategy

The managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics. The Trustee looks to Mercer, where appropriate, for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Mercer's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in and makes available to DC members. Mercer's manager research ratings assist with due diligence (and questioning the investment managers during presentations to the Trustee) and are used in decisions around selection, retention and realisation of manager appointments. The Trustee will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. If the investment objectives for a particular manager's fund change, the Trustee will review the fund appointment to ensure that it remains appropriate and consistent with the wider Trustee's investment objectives. The Trustee accepts that it has no ability to specify the risk profile and return targets of the manager. Such issues are taken into consideration when selecting and monitoring the managers to align with the overall investment strategy requirements.

#### 11. Incentivising Managers to consider Long-Term Financial and Non-Financial Performance

The Trustee has considered how each manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's beliefs around responsible investment. This includes the managers' policy on voting and engagement (where relevant). The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments where applicable.

The Trustee meets with the investment managers periodically and can challenge decisions made including voting history and engagement activity to ensure the best performance over the medium to long term.

The managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then they will consider replacing the manager.

#### 12. Evaluating Investment Manager Performance and Remuneration

The Trustee receives investment performance reports from Mercer and AllianceBernstein on a quarterly basis, which present performance information over 1 quarter, 6 month, 1 year, 3 year and 5 year periods. As well as considering each manager's style over the course of an economic cycle, the Trustee reviews absolute performance and in many cases relative performance against a suitable index used as a benchmark. The Trustee's focus is primarily on long-term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager or portfolio management team;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to Mercer's rating of the manager.

The investment managers are generally remunerated by way of a fee calculated as a percentage of assets under management. If managers are not meeting performance objectives, or investment objectives for mandates have changed, the Trustee may ask managers to review the Annual Management Charge or decide to switch managers.

As part of the annual value for members assessment, the Trustee review the DC investment managers' fees.

**13. Manager Turnover**

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. For all funds apart from the Private Debt contracts, there is no set duration for the manager appointments. The Trustee will therefore retain an investment manager unless:

- For the DB Section, there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- For the DC section, the mandate is no longer considered to be optimal nor have a place in the default investment strategy or self-select fund range;
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate

**14. Portfolio Turnover Costs**

The Trustee asks investment managers to include portfolio turnover and turnover costs in their presentations and report to the Trustee. The Trustee also receives MiFID II reporting from their investment managers. All reporting is analysed to ensure consistency between reporting periods and any inconsistencies are investigated with the investment manager. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. For the DC Section, the Trustee considers portfolio turnover costs as part of the annual value for money assessment.

**15. Compliance with this Statement**

The Trustee will monitor compliance with this Statement periodically. The investment managers are provided with copies of this Statement periodically. The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Principal Employer which they judge to have a bearing on the stated investment policy. This review will occur no less frequently than triennially to coincide with the Actuarial Valuation. Any such review will again be based on written expert advice and will be in consultation with the Principal Employer.

**APPENDIX 2: ANNUAL DC GOVERNANCE CHAIR'S STATEMENT FOR THE SCHEME YEAR ENDING 5 APRIL 2023****PREPARED IN ACCORDANCE WITH REGULATION 23 OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME ADMINISTRATION) REGULATIONS 1996 (THE "REGULATIONS")**

As the Chair of the Associated British Foods Pension Trustees Limited, I, together with my fellow Trustee Directors, must continually review and assess the Associated British Foods Pension Scheme's ("the Scheme") systems, processes, and controls across a number of areas to ensure they are consistent with those set out by legislation and The Pensions Regulator (TPR). Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the Scheme is required to produce a yearly statement (which is signed by the Chair of the Trustee) to describe how these governance requirements have been met in relation to:

- The investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select).
- The requirements for processing financial transactions.
- The charges and transaction costs borne by members.
- Reporting net investment returns.
- An illustration of the cumulative effect of these costs and charges.
- Assessment of value for members.
- Trustee knowledge and understanding; and
- Scheme operations.

This Statement provides an insight to the steps taken during the Scheme year ending 5 April 2023 to ensure our compliance with these requirements for the DC Section.

**1. DEFAULT INVESTMENT ARRANGEMENT-TARGET DATE FUNDS (TDFs)**

Members who join the Scheme and who do not choose an investment option are placed in the Target Date Funds, the Scheme's default arrangement. However, members are given the option to select an alternative investment via the Scheme welcome letter. The Trustee has set out the following aims and objectives for the Target Date Funds:

- It is likely to be appropriate for most members.
- The Glidepath is dynamically managed to manage risk and to seek significant long-term real growth whilst members are further from their target retirement date.
- It has a risk and reward profile that addresses the various risks that members face as identified by the Trustee in the SIP, in particular that these reflect the period remaining until members reach retirement age and their ability to recover any market losses. As members move towards their retirement "target date," the fund gradually reduces risk by changing the investments within the fund to ensure it has an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings; and
- Regularly remind members to review their investment options to ensure they remain appropriate via annual communications and the website.

1.1 A copy of the latest Statement of Investment Principles (SIP) prepared in accordance with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 is attached as Appendix 1 to this statement.

1.2 The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangements. A review of the default strategy and the performance of the default funds was undertaken four times during the Scheme year against the aims and objectives as set out in the Statement of Investment Principles. The review included the following key areas:

- Value of Assets in the TDFs
- Commentary submitted by Alliance Bernstein including performance & asset allocation decisions
- Fees & Charges
- Details of performance of all Tier 2-4 Funds
- Consideration of whether all TDF Vintages had outperformed or underperformed their objective and if they remain 'on track' to deliver the objective over the long term
- CyRil membership analysis (demographic analysis undertaken to 'stress test' risk parameters)
- Reviewing risk budgets in line with changes to central risk/return forecasts

The last formal review on 3 March 2022 concluded that all TDF vintages had performed well since inception net of fees, and it was extremely important that each TDF is monitored on its performance from inception as this allows judgement to be made regarding whether the objective over the lifetime of each TDF vintage will be achieved.

The Trustee decided that:

- Alliance Bernstein LP (AB) remains appropriate as a Company for the provision of investment services having demonstrated their continued commitment to the market, their ongoing and dynamic research and implementation processes, and their long-term demonstrable track record.
- TDFs remain appropriate to deliver a default strategy which meets the Trustee's objectives (as set out in the SIP).
- Each TDF's investment approach as members near retirement remains appropriate given the glidepath construction and the management thereof.
- The strategic changes made to asset allocation of the TDFs were appropriate, based on market developments over the year when considering the levels of risk and return achieved to the objective.
- The investment performance for each TDF, relative to the aims and objectives of the default as set out in the SIP, was acceptable. The Trustee reviews both short term and long-term performance regularly and all strategies were ahead of the journey plan defined under the glidepath.
- The total expense ratio for each TDF was significantly lower than the charge cap (0.75%) and continues in the opinion of the Trustee to provide value for money to members.

Overall, the review concluded that the default strategy and its risk and return characteristics remain consistent with the Trustee's objectives as set out in the SIP and that TDFs remain an appropriate default investment strategy for the Scheme. As part of the review, it is agreed to work with Alliance Bernstein to understand what role illiquid assets, such as Private Debt, could perform in the Glidepath. As such, the Trustee has made no changes to the Scheme's default arrangement as a result of this review. The Trustee reviews investment performance every quarter and formally reviews both the performance and the strategy at least every three years or earlier where necessary. The next formal review is intended to take place by the end of the Scheme year 5 April 2025.

## 2. CORE FINANCIAL TRANSACTIONS

2.1 Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations requires the Trustee to ensure that core financial transactions have been processed promptly and accurately during the Scheme year. Core financial transactions include investment of contributions, transfers of assets relating to members into and out of the Scheme, transfers of assets relating to members between different investments within the Scheme and payments from the Scheme to, or in respect of, members. The Trustee has received assurances from the Scheme's administrator, ABF Pensions Department, and as such is confident that the requirements of Regulation 24 have been met during the year for the following reasons:

- The Trustee treats all transactions which relate to the handling of contributions and assets as core financial transactions. All receipts have been matched to the corresponding payments to ensure that all transactions are monitored on a daily basis and actioned in a timely manner. This control complements existing member level unit reconciliations and provides an increased level of monitoring at transaction level.
- Contributions for each pay period from all pay-sites were tracked to record the date the monies were received and the date the schedule providing a breakdown of the contributions per member was received. This was checked against a pre-agreed Contribution Calendar. Processes are in place to resolve any issues directly with the senior management teams of the employer within one working day and to rectify any systems failures etc to ensure the issue is not repeated.
- All contributions received by the Scheme were invested within two working days of receipt of the correct funds, file and supporting documents detailing the breakdown of individual member contributions, whichever was the latter.



- Transfers of members' assets into and out of the Scheme were processed in accordance with the Pensions Act requirements and complied with the new Transfer Regulations (which came into effect from June 2022).
- Members' assets being switched between different funds within the Scheme were actioned in a timely manner and in accordance with the member's instructions.
- Payments from the Scheme to, or in respect of, members were completed in a timely manner and in accordance with statutory requirements.
- The Scheme Administrator utilises internal Service Level Agreements to drive and monitor all aspects of the day to day administration. These include the accuracy and timeliness of all core financial transactions. These include:
  - All payments to and from Mobius Life are actioned, invested, or disinvested within 5 working days.
  - Contributions including individual transfers into the Scheme are invested within 2 working days of receipt of monies and reconciled with membership data.
  - Switches between funds and benefit settlements are all actioned within 2 working days.
  - A workflow monitoring tool is in place which is used to monitor Compliance against the Service Levels in respect of all cash movements within the DC Section.
  - All receipts into the Trustee bank account are reconciled against contribution files and member data.
  - At least two individuals are involved with checking investment transactions.

The Group Pensions Director reviews all logs and monthly reconciliation reports and provides an update of any findings to both the Trustee Board and Audit Sub-Committee. The Trustee also receives quarterly Admin Reports detailing the administrator's performance and compliance. The Scheme administrator adopts an Internal Controls Framework (based on AAF01/20) and has provided confirmation that all receipts for the financial year were matched to the corresponding payments. In addition, confirmation has been received that all transactions were monitored on a daily basis and actioned in a timely manner and well within statutory deadlines. These checks were complementary to both the daily bank reconciliations and monthly member level unit reconciliations.

I am happy to report that during the Scheme year there were no regulatory breaches reported, no issues were found that gave rise to concern by the Trustee and there are no outstanding issues at the date of this statement.

### 3. CHARGES AND TRANSACTION COSTS

3.1 The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the Total Expense Ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The Employer meets all administration and risk costs for the DC Section of the Scheme. The Trustee is also required to separately disclose transaction costs figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within the investment funds.

#### 3.2 Target Date Fund charges and transaction costs

The levels of charges and transaction costs applicable to the 21 default Target Date Funds at the end of the Scheme year are shown in the table below. The Target Date Funds have been designed to help manage investment risk which means that as members move towards their retirement "target date", the fund gradually reduces risk by changing the investments within the fund. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and which fund they are invested in. The Trustee is required to separately disclose the transaction costs for each Fund (see penultimate column below).



Fund Description	Alliance Bernstein Fee (%) (a)	Mobius Life Platform Charge (%) (b)	Additional Fund Expenses (%) (c)	Total Expense Ratio (%) (a+b+c)	Transaction Costs (%)	Fund returns net of fees & costs (%)
AB Retirement Fund 2011-2013	0.175	0.040	0.008	0.223	0.11	(3.16)
AB Retirement Fund 2014-2016	0.175	0.040	0.009	0.224	0.12	(3.82)
AB Retirement Fund 2017-2019	0.175	0.040	0.010	0.225	0.13	(4.21)
AB Retirement Fund 2020-2022	0.175	0.040	0.011	0.226	0.12	(4.55)
AB Retirement Fund 2023-2025	0.175	0.040	0.013	0.228	0.11	(5.24)
AB Retirement Fund 2026-2028	0.175	0.040	0.017	0.232	0.08	(6.16)
AB Retirement Fund 2029-2031	0.175	0.040	0.023	0.238	0.05	(7.52)
AB Retirement Fund 2032-2034	0.175	0.040	0.026	0.241	0.03	(7.44)
AB Retirement Fund 2035-2037	0.175	0.040	0.029	0.244	0.02	(6.84)
AB Retirement Fund 2038-2040	0.175	0.040	0.030	0.245	0.02	(5.91)
AB Retirement Fund 2041-2043	0.175	0.040	0.027	0.242	0.03	(5.09)
AB Retirement Fund 2044-2046	0.175	0.040	0.024	0.239	0.03	(4.87)
AB Retirement Fund 2047-2049	0.175	0.040	0.024	0.239	0.03	(4.87)
AB Retirement Fund 2050-2052	0.175	0.040	0.024	0.239	0.03	(4.87)
AB Retirement Fund 2053-2055	0.175	0.040	0.024	0.239	0.03	(4.86)
AB Retirement Fund 2056-2058	0.175	0.040	0.024	0.239	0.03	(4.86)
AB Retirement Fund 2059-2061	0.175	0.040	0.024	0.239	0.03	(4.86)
AB Retirement Fund 2062-2064	0.175	0.040	0.024	0.239	0.03	(4.85)
AB Retirement Fund 2065-2067	0.175	0.040	0.024	0.239	0.03	(4.83)
AB Retirement Fund 2068-2070	0.175	0.040	0.024	0.239	0.03	(4.72)
AB Retirement Fund 2071-2073	0.175	0.040	0.024	0.239	0.03	(3.92)

### 3.3 Target Date Funds net investment returns

The net returns are shown as an annual geometric average. The annual net return, which compounded over time, delivered the returns shown below:

Fund Description	Inception Date	Age of Member in 2023 (Years)	Annualised Returns 1 Year p.a. (2023) Net (%)	Annualised Returns 3 Years p.a. (2020-2023) Net (%)	Annualised Returns 5 Years p.a. (2018-2023) Net (%)	Annualised Returns 10 Years p.a. (2013-2023) Net (%)
AB Retirement Fund 2011-2013	30/09/2012	76	(3.2)	1.9	1.6	2.8
AB Retirement Fund 2014-2016	30/09/2012	73	(3.8)	1.9	1.7	3.1
AB Retirement Fund 2017-2019	30/09/2012	70	(4.2)	2.2	1.8	3.8
AB Retirement Fund 2020-2022	30/09/2012	67	(4.6)	2.7	2.1	4.4
AB Retirement Fund 2023-2025	30/09/2012	64	(5.2)	4.0	2.7	5.1
AB Retirement Fund 2026-2028	30/09/2012	61	(6.2)	5.6	3.6	5.7
AB Retirement Fund 2029-2031	30/09/2012	58	(7.5)	6.3	4.0	6.1
AB Retirement Fund 2032-2034	30/09/2012	55	(7.4)	7.5	4.5	6.6
AB Retirement Fund 2035-2037	30/09/2012	52	(6.8)	9.1	5.1	7.0
AB Retirement Fund 2038-2040	30/09/2012	49	(5.9)	11.0	5.8	7.5
AB Retirement Fund 2041-2043	30/09/2012	46	(5.1)	13.4	6.7	8.0

Fund Description	Inception Date	Age of Member in 2023 (Years)	Annualised Returns 1 Year p.a. (2023) Net	Annualised Returns 3 Years p.a. (2020-2023) Net	Annualised Returns 5 Years p.a. (2018-2023) Net	Annualised Returns 10 Years p.a. (2013-2023) Net
AB Retirement Fund 2044-2046	30/09/2012	43	(4.9)	13.7	6.9	8.1
AB Retirement Fund 2047-2049	30/09/2012	40	(4.9)	13.7	6.9	8.1
AB Retirement Fund 2050-2052	30/09/2012	37	(4.9)	13.7	6.9	8.1
AB Retirement Fund 2053-2055	30/09/2012	34	(4.9)	13.7	6.9	8.1
AB Retirement Fund 2056-2058	30/09/2012	31	(4.9)	13.7	6.9	8.1
AB Retirement Fund 2059-2061	30/09/2012	28	(4.9)	13.7	6.9	8.1
AB Retirement Fund 2062-2064	31/10/2012	25	(4.9)	13.7	6.9	8.1
AB Retirement Fund 2065-2067	28/02/2013	22	(4.8)	13.7	6.9	8.1
AB Retirement Fund 2068-2070	28/02/2013	19	(4.7)	13.8	6.9	8.1
AB Retirement Fund 2071-2073	28/02/2013	16	(3.9)	14.1	7.1	8.2

### 3.4 Self-select options charges and transaction costs

The Trustee also offers DC members access to the full range of self-select funds on the Mobius Life Platform. Currently members are invested in 76 of these funds. This accounts for less than 2% of members and assets in the DC Section. The TER for providing these funds range from 0.08% to 1.23% per annum (the TER can be negative where Mobius are able to purchase units at the bid price when they have bought the assets at a lower price than its true investment value. Similarly, a negative cost would be seen if Mobius sold units at the offer price). Detailed information relating to these funds can be found on the Scheme website at [www.abfpensions.com/dc](http://www.abfpensions.com/dc). The level of charges and transaction costs applicable to the self-select funds currently utilised by DC and DBAVC members at the end of the Scheme year are shown in the table below:

Mobius Life have provided transaction costs. The Trustee is required to separately disclose the transaction costs for each Fund (end column below) which forms part column (c).

Fund Description	Investment Manager Fee (%) (a)	Mobius Life Platform Charge (%) (b)	Additional Fund Expenses (%) (c)	Total Expense Ratio (%) (a+b+c)	Transaction Costs (%)	Fund returns net of fees & costs (%)
AB Dynamic Diversified Beta	0.19	0.04	0.03	0.26	0.06	-
AB Emerging Market Multi-Asset	0.80	0.04	0.14	0.98	0.53	(4.6)
AB Global Plus Fixed Income	0.50	0.04	0.09	0.63	0.21	(5.8)
Aberdeen Corporate Bond Fund	0.50	0.04	0.12	0.66	(0.01)	(12.3)
Aberdeen Emerging Markets Equity	0.89	0.04	0.13	1.06	0.23	(5.3)
Aegon Investment Grade Bond	0.61	0.04	0.03	0.68	(0.40)	(10.1)
Aegon UK Corporate Bond	0.21	0.04	0.01	0.26	0.00	(10.5)
Aquila Connect >15 Year Corporate Bond	0.05	0.04	0.01	0.10	0.04	(22.8)
Aquila Connect >15 Year UK Gilt	0.05	0.04	0.01	0.10	(0.10)	(30.0)

Fund Description	2022 Return	2021 Return	2020 Return	2019 Return	2018 Return	2017 Return
Aquila Connect US Four UK Index Linked Gilt	0.05	0.04	0.00	0.09	-0.07	(18.3)
Aquila Connect Pacific RIM Equity Index	0.05	0.04	0.01	0.10	0.00	(3.2)
Aquila Connect US Equity	0.05	0.04	0.00	0.09	0.01	(6.1)
Aquila Life 50:50 Currency Hdgd Global Equity	0.10	0.04	0.00	0.14	(0.08)	(0.7)
Aquila Life Up to 5 Yrs Gilt	0.05	0.04	0.00	0.09	0.17	(2.2)
Aquila Life World Equity Index	0.05	0.04	0.01	0.10	(0.01)	(3.3)
Artemis SmartGARP Global Equity	0.75	0.04	0.14	0.93	0.00	(5.0)
AXA Framlington American Growth	0.61	0.04	0.07	0.72	0.06	(7.5)
AXA Framlington Health	0.61	0.04	0.08	0.73	0.06	0.8
AXA Framlington UK Select Opportunities	0.61	0.04	0.08	0.73	0.09	(8.3)
Baillie Gifford Diversified Growth	0.42	0.04	0.25	0.71	0.68	(8.5)
Baillie Gifford IF Long Term Global Growth Investment Fund (ABF)	0.51	0.04	0.02	0.57	(0.08)	(16.6)
Baillie Gifford OGF Emerging Markets Leading Companies Fund (ABF)	0.60	0.04	0.08	0.72	0.00	(3.4)
Baillie Gifford OGF Euro Fund	0.55	0.04	0.03	0.62	0.19	(8.2)
Baillie Gifford UKB Global Alpha Growth Fund (ABF)	0.45	0.04	0.02	0.51	(0.07)	(7.1)
Baillie Gifford UKB Managed	0.30	0.04	0.02	0.36	0.19	(8.5)
BlackRock Gold & General	0.71	0.04	0.17	0.92	0.23	(6.8)
BlackRock Institutional Sterling Liquidity	0.10	0.04	0.00	0.14	0.01	2.2
BlackRock Life Balanced Growth	0.45	0.04	0.00	0.49	(0.07)	(0.5)
BlackRock UK Smaller Companies	0.61	0.04	0.15	0.80	0.51	(20.7)
BlackRock UK Special Situations	0.61	0.04	0.15	0.80	0.54	(7.3)
BNYM Global Equity	0.31	0.04	0.04	0.39	0.21	(3.2)
BNYM Real Return	0.65	0.04	0.04	0.73	0.13	(4.6)
EF Tellsons Endeavour Fund	0.40	0.04	0.21	0.65	0.00	(10.7)
HSBC Islamic Global Equity	0.30	0.04	0.00	0.34	(0.03)	(5.9)
Invesco Global Targeted Returns	0.70	0.04	0.00	0.74	0.41	6.2
Invesco High Income	0.76	0.04	0.00	0.80	0.01	0.9
Invesco Income	0.76	0.04	0.00	0.80	(0.13)	0.8
iShares 100 UK Equity Index	0.06	0.04	0.01	0.11	0.18	4.7



	2019	2018	2017	2016	2015	2014
China Emerging Markets Index	0.06	0.04	0.07	0.17	0.03	(6.2)
Janus Henderson Global Equity	0.71	0.04	0.48	1.23	0.06	(6.9)
JPM Natural Resources	0.69	0.04	0.06	0.79	0.87	(1.6)
Jupiter China	0.75	0.04	0.24	1.03	0.25	2.7
Jupiter Global Convertibles	0.76	0.04	0.20	1.00	0.33	(7.1)
Jupiter India Fund	0.75	0.04	0.24	1.03	0.06	0.9
LGIM All Stocks Gilt Index	0.04	0.04	0.00	0.08	0.18	(15.9)
LGIM All Stocks Index Linked Gilt	0.04	0.04	0.00	0.08	0.18	(24.9)
LGIM Asia Pacific (ex Japan) Dev Equity	0.08	0.04	0.00	0.12	0.04	(5.0)
LGIM Cash	0.05	0.04	0.00	0.09	0.03	2.1
LGIM Diversified Fund	0.30	0.04	0.02	0.36	0.02	(5.8)
LGIM Ethical Global Equity Fund	0.30	0.04	0.00	0.34	0.04	(1.9)
LGIM Ethical UK Equity Index	0.20	0.04	0.00	0.24	0.04	1.9
LGIM Europe (ex UK) Equity Index	0.08	0.04	0.00	0.12	0.05	5.9
LGIM Global Equity Fixed Weights 60/40	0.08	0.04	0.00	0.12	0.03	1.5
LGIM Global Real Estate Equity Index	0.18	0.04	0.00	0.22	0.07	(18.0)
LGIM Japan Equity Index	0.08	0.04	0.00	0.12	0.01	0.4
LGIM North American Equity Index	0.08	0.04	0.00	0.12	0.09	(5.9)
LGIM Over 5 Year Index Linked Gilt	0.04	0.04	0.00	0.08	0.21	(28.5)
LGIM Property Fund	0.60	0.04	0.02	0.66	(0.11)	(15.0)
LGIM UK Equity Index	0.03	0.04	0.00	0.07	0.04	2.37
LGIM World Emerging Market Equity Index	0.30	0.04	0.00	0.34	0.06	(5.9)
LGIM World ex UK Equity Index	0.08	0.04	0.00	0.12	0.08	(3.6)
Liontrust European Growth	0.75	0.04	0.13	0.92	(0.17)	8.4
M&G Corporate Bond	0.35	0.04	0.04	0.43	0.14	(7.7)
MFS Global Equity Institutional	0.60	0.04	0.06	0.7	0.04	(1.9)
Ninety One Emerging Markets Local Currency Debt	0.69	0.04	0.24	0.97	0.42	5.8
Schroder Institutional UK Smaller Companies	0.50	0.04	0.01	0.55	(0.18)	(18.8)
Schroder Life Intermediated Div Growth	0.55	0.04	0.05	0.64	0.39	(8.4)
Schroders Global Emerging Markets	0.37	0.04	0.22	0.63	0.18	(5.4)
Standard Life Inv GARS	0.70	0.04	0.03	0.77	0.83	(7.9)

Fund Description	Investment Manager Fee (%) (a)	Mobius Life Platform Charge (%) (b)	Additional Fund Expenses (%) (c)	Total Expense Ratio (%) (a+b+c)	Transaction Costs (%)	Fund returns net of fees & costs (%)
Standard Life Inv Short Duration Credit	0.50	0.04	(0.18)	0.36	(0.04)	(2.9)
Stewart Investors Asia Pacific Leaders	0.76	0.04	0.04	0.84	0.08	(2.2)
Stewart Investors Global Emerging Markets	0.76	0.04	0.08	0.88	0.22	(1.1)
Storebrand Global E5G Plus	0.30	0.04	0.21	0.55	1.07	(4.7)
Threadneedle Global Select	0.42	0.04	0.01	0.47	0.25	(6.3)
Threadneedle UK PAIF	0.66	0.04	0.04	0.74	(0.56)	(18.2)
Vanguard FTSE Developed World ex UK	0.08	0.04	0.00	0.12	0.00	(3.7)
Vanguard US Equity Index CCF	0.08	0.04	0.00	0.12	0.00	(5.1)

### 3.5 Self-select net investment return

Mobius Life Fund Name	Inception Date	1 Year p.a. (%)	3 Years p.a. (%)	5 Years p.a. (%)	10 Years p.a. (%)
		Net	Net	Net	Net
AB Dynamic Diversified Beta	30/09/2012	-	(6.3)	9.3	5.0
AB Emerging Market Multi-Asset (ABF)	14/03/2019	(4.6)	37.0	1.2	17.4
AB Global Plus Fixed Income (ABF)	14/03/2019	(5.8)	5.2	3.1	(1.3)
Aberdeen Corporate Bond Fund (ABF)	14/03/2019	(12.3)	8.7	3.0	(1.7)
Aberdeen Emerging Markets Equity (ABF) (CTNB)	14/03/2019	(5.3)	54.2	1.4	17.3
Aegon Investment Grade Bond (ABF)	14/03/2019	(10.1)	10.5	1.3	-
Aegon UK Corporate Bond (ABF)	14/03/2019	(10.5)	7.0	3.5	-
Aquila Connect >15 Year Corporate Bond (ABF)	14/03/2019	(22.8)	9.5	5.1	1.0
Aquila Connect >15 Year UK Gilt (ABF)	14/03/2019	(30.0)	(11.7)	5.2	3.9
Aquila Connect >5 Year UK Index Linked Gilt (ABF)	14/03/2019	(28.3)	(1.3)	6.8	4.4
Aquila Connect Pacific RIM Equity Index (ABF)	14/03/2019	(3.2)	21.4	4.6	-
Aquila Connect US Equity (ABF)	14/03/2019	(6.1)	40.6	18.6	-
Aquila Life 50:50 Currency Hgd Global Equity (ABF)	14/03/2019	(0.7)	38.0	4.7	(11.6)
Aquila Life Up to 5 Yrs Gilt (ABF)	14/03/2019	(2.2)	(0.2)	1.4	1.0
Aquila Life World Equity Index (ABF)	14/03/2019	(3.3)	39.0	12.2	(7.5)
Artemis SmartGARP Global Equity (ABF)	14/03/2019	(5.0)	44.2	4.3	(7.3)
AXA Framlington American Growth (ABF)	14/03/2019	(7.5)	46.9	23.0	(11.1)
AXA Framlington Health (ABF)	14/03/2019	0.8	26.0	17.8	-
AXA Framlington UK Select Opportunities (ABF)	14/03/2019	(8.3)	35.0	3.8	(14.1)
AXA IM Global High Income (ABF)	14/03/2019	-	22.4	3.0	(9.9)

Mobius Life Fund Name	Inception Date	1 Year p.a. (%)	3 Years p.a. (%)	5 Years p.a. (%)	10 Years p.a. (%)
Baillie Gifford Diversified Growth (ABF)	14/03/2019	(8.5)	17.4	0.2	-
Baillie Gifford IF Long Term Global Growth Investment Fund (ABF)	01/10/2021	(16.6)	-	-	-
Baillie Gifford OGF Emerging Markets Leading	01/10/2021	(3.4)	-	-	-
Baillie Gifford OGF European Fund (ABF)	14/03/2019	(8.2)	59.8	0.1	-
Baillie Gifford UKB Global Alpha Growth Fund	01/10/2021	(7.1)	-	-	-
Baillie Gifford UKB Managed Fund (ABF)	14/03/2019	(8.5)	46.4	10.1	-
BlackRock Gold & General (ABF)	14/03/2019	(6.8)	25.9	13.5	51.7
BlackRock Institutional Sterling Liquidity (ABF)	14/03/2019	2.2	0.1	0.6	(0.1)
BlackRock Life Balanced Growth (ABF)	14/03/2019	(0.5)	24.4	5.9	-
BlackRock UK Smaller Companies (ABF)	14/03/2019	(20.7)	54.8	0.8	(21.7)
BlackRock UK Special Situations (ABF)	14/03/2019	(7.3)	38.8	5.5	(8.5)
BNY Global Equity (ABF)	14/03/2019	(3.2)	34.8	13.7	(5.8)
BNY Real Return (ABF)	14/03/2019	(4.6)	19.5	7.0	-
EF Tellsons Endeavour Fund (ABF)	14/03/2019	(10.7)	17.7	3.4	-
HSBC Islamic Global Equity Index (ABF)	14/03/2019	(5.9)	35.6	18.9	-
Invesco Global Targeted Returns (ABF)	14/03/2019	6.2	(1.7)	(2.2)	-
Invesco High Income (ABF)	14/03/2019	0.9	25.0	-	(11.3)
Invesco Income (ABF)	14/03/2019	0.8	26.2	1.3	(12.1)
iShares 100 UK Equity Index (UK)	08/06/2020	4.7	-	-	-
iShares Emerging Markets Index (ABF)	14/03/2019	(6.2)	45.7	(.01)	12.7
Janus Henderson Global Equity (ABF)	14/03/2019	(6.9)	32.8	9.8	(12.1)
JPM Natural Resources (ABF)	14/03/2019	(1.6)	55.4	9.8	16.6
Jupiter China (ABF)	14/03/2019	2.7	26.1	(2.7)	-
Jupiter Global Convertibles (ABF)	14/03/2019	(7.1)	25.4	(1.9)	-
Jupiter India Fund (ABF)	14/03/2019	0.9	43.4	(2.0)	-
LF Equity Income Fund (ABF)	14/03/2019	(15.3)	(11.7)	(5.4)	-
LGIM All Stocks Gilt Index (ABF)	14/03/2019	(15.9)	(6.5)	3.8	3.0
LGIM All Stocks Index Linked Gilt (ABF)	14/03/2019	(24.9)	(1.6)	6.6	3.3
LGIM Asia Pacific (ex Japan) Dev Equity (ABF)	14/03/2019	(5.0)	51.7	4.1	8.7
LGIM Cash (ABF)	14/03/2019	2.1	0.0	0.5	(0.2)
LGIM Diversified Fund (ABF)	14/03/2019	(5.8)	20.2	6.2	-
LGIM Ethical Global Equity Index (ABF)	14/03/2019	(1.9)	37.2	12.2	-
LGIM Ethical UK Equity Index (ABF)	14/03/2019	1.9	25.9	7.5	-
LGIM Europe (ex UK) Equity Index (ABF)	14/03/2019	5.9	36.4	1.9	(14.8)
LGIM Global Equity Fixed Weights 60/40 Index (ABF)	14/03/2019	1.5	33.1	6.5	(8.0)
LGIM Global Real Estate Equity Index (ABF)	14/03/2019	(18.0)	23.5	23.6	8.7
LGIM Japan Equity Index (ABF)	14/03/2019	0.4	26.0	(0.7)	4.1
LGIM North American Equity Index (ABF)	14/03/2019	(5.9)	39.9	18.2	(8.5)
LGIM Over 5 Year Index Linked Gilt (ABF)	14/03/2019	(28.5)	(1.8)	6.9	5.2
LGIM Property Fund (ABF)	14/03/2019	(15.0)	7.2	2.8	-

Mobius Life Fund Name	Inception Date	1 Year p.a. (%)	3 Years p.a. (%)	5 Years p.a. (%)	10 Years p.a. (%)
LGIM UK Equity Index (ABF)	14/03/2019	2.37	29.3	5.8	(8.6)
LGIM World Emerging Market Equity Index (ABF)	14/03/2019	(5.9)	43.6	0.7	-
LGIM World ex UK Equity Index (ABF)	14/03/2019	(3.6)	40.0	11.6	-
Liontrust European Growth (ABF)	14/03/2019	8.4	54.5	-	(9.6)
M&G Corporate Bond (ABF)	14/03/2019	(7.7)	11.1	2.9	(3.2)
MFS Meridian Global Equity Institutional (ABF)	14/03/2019	(1.9)	36.4	14.6	(6.8)
Ninety One Cautious Managed (ABF)	14/03/2019	-	22.6	(1.0)	(1.4)
Ninety One Emerging Markets Local Currency Debt (ABF)	14/03/2019	5.8	(5.1)	(4.0)	19.4
Schroder Institutional UK Smaller Companies (ABF)	14/03/2019	(18.8)	83.6	(5.3)	-
Schroder Life Intermediated Div Growth (ABF)	14/03/2019	(8.4)	23.1	(0.6)	(4.8)
Schroders Global Emerging Markets (ABF)	14/03/2019	(5.4)	50.2	(1.6)	11.7
Standard Life Inv GARS (ABF)	14/03/2019	(7.9)	8.0	(0.4)	(3.2)
Standard Life Inv Short Duration Credit (ABF)*	14/03/2019	(2.9)	11.9	1.0	-
Stewart Investors Asia Pacific Leaders (ABF)	14/03/2019	(2.2)	40.9	10.3	6.5
Stewart Investors Global Emerging Markets (ABF)	14/03/2019	(1.1)	32.2	(2.8)	6.9
Storebrand Global ESG Plus Lux (ABF)	31/12/2019	(4.7)	39.1	-	-
Threadneedle Global Select (ABF)	14/03/2019	(6.3)	32.3	11.6	-
Threadneedle UK PAIF (ABF)	14/03/2019	(18.2)	(3.3)	(2.5)	-
Vanguard FTSE Developed World ex UK (ABF)	14/03/2019	(3.7)	39.0	12.0	-
Vanguard US Equity Index CCF (ABF)	14/03/2019	(5.1)	42.0	17.0	-

Net fund performance for self-select funds is calculated on the percentage change of the net unit prices from the start to the end of the period and includes any income the Fund receives. The net fund performance figures are shown after deductions for annual management charge and additional fund expenses. Fund expenses will vary depending on the costs incurred.

\*Performance shown until fund closure in June 2022.

The following fund names changed during the Scheme year:

Old Fund Name	Date Changed	New Fund Name
Aberdeen Emerging Markets Equity Fund	1 August 2022	abrdn Emerging Markets Equity Fund
Aberdeen Sterling Corporate Bond	1 August 2022	abrdn Sterling Corporate Bond Fund
Threadneedle Global Select	5 July 2022	Columbia Threadneedle Global Select
Threadneedle UK PAIF	5 July 2022	Columbia Threadneedle UK PAIF

All charges are collected through a daily adjustment in unit prices and are payable to the following parties:

**Alliance Bernstein (AB)** for investment management and asset allocation advice in relation to the Retirement Strategies Funds. This includes management fees charged by third-party fund managers in relation to any other underlying funds by which the value of the AB Retirement Strategies Funds is determined.

**Mobius Life** for the administration, establishment and maintenance of the Retirement Strategies Funds.

**Additional fund expenses** payable to third-party fund managers in relation to expenses incurred by those underlying funds such as custodian fees, audit fees, depository/trust fees and legal fees. These expenses are dependent upon the underlying asset allocation of the Retirement Strategies Funds at any given time.

The **total expense ratio** of the Retirement Strategies Fund is the total annual cost associated with managing and operating the Retirement Strategies Fund.

During the year, the following funds were either suspended or closed and the funds redirected accordingly:

Fund Name	Dates Suspended	Comments
abrdn Corporate Bond Fund	24 February 2023	Merged into the abrdn Sterling Corporate Bond Fund
AXA IM Global High Income	24 March 2023	Fund removed from platform due to lack of interest/investment from members since 2012.
Columbia Threadneedle UK PAIF	10 October 2022 to 28 February 2023	Fund suspended by manager
HSBC Islamic Global Equity Index	18 November 2022	Merged into the HSBC UCITS Islamic Global Equity Index fund
Ninety One Global Income Opportunities previously Ninety One Cautious Managed	24 March 2023	Fund removed from platform due to lack of interest/investment from members since 2012.
Standard Life Short Duration Credit Instl Acc	22 June 2022	Fund closed by fund manager
LF Woodford Equity Income Fund	4 June 2019	Winding up has been in progress since 2019 and a final distribution was received in February 2023. This has taken a substantial amount of time due to COVID and the underlying property assets needing to be realised.

If a fund is suspended or closed, the steps taken are as follows:

1. Mobius notify us of a fund suspension.
2. The administration team identify which members are affected and notify them in writing, seeking confirmation of their instructions for existing and/or future contributions (as applicable). We also explain that we will invest future contributions into their default Target Date Fund if they do not make a positive decision.
3. The member website is updated to show the fund is suspended and the fund is disabled on the system to prevent any instructions being sent.
4. Mobius notify us that the fund suspension is removed or if the fund is to remain closed. The members affected are contacted again asking them to confirm the instruction for future contributions or current investment ensuring members are choosing their preferred investment options at every step. The website is also updated accordingly.



### 3.6 Legacy Additional Voluntary Contributions (AVC) (Defined Benefit with AVCs that commenced prior to 2012)

Some members of the Scheme are currently invested in legacy AVCs and details of these funds and providers funds are shown in the table below:

Legacy AVC Provider	Type of Fund	Type of Fund	Type of Fund	Payment of Contributions
Clerical Medical	With-profits fund	Unit linked funds	-	Yes*
Phoenix Life	With-profits AVC	-	-	No further contributions
Prudential	With-profits cash accumulation	-	-	No further contributions
Reassure Limited	Basic with-profits	-	-	No further contributions
Standard Life	Pension Millennium with-profits fund	Pension with-profits fund	Managed pension fund	Yes*
Standard Life	Money market pension fund	Pension with-profits one fund	Ethical pension fund	Yes*

\*Future contributions to these funds ceased in April 2023. Members are instead able to invest DB AVC contributions in the wide range of funds available via the Mobius Life platform.

It is important to note that all firms that conduct with-profits business are required to publish a Principles and Practices of Financial Management (PPFM) which explains how the with-profits fund is managed. An annual report for the with-profits policyholders outlining providers' compliance with obligations relating to PPFM is produced. This information including investment information, arrangement costs and charges can be obtained from the Providers' website as it has not been possible to table these details on this report. The links to the websites are shown in the following table:

Legacy AVC Provider	Principles and Practices of Financial Management (PPFM) Web Address
Clerical Medical	<a href="http://www.clericalmedical.co.uk/business/fundsprices/withprofits">www.clericalmedical.co.uk/business/fundsprices/withprofits</a>
Phoenix Life	<a href="http://www.phoenixlife.co.uk">www.phoenixlife.co.uk</a>
Prudential	<a href="http://www.pru.co.uk/funds/ppfm">www.pru.co.uk/funds/ppfm</a>
Reassure Limited	<a href="http://www.reassure.co.uk">www.reassure.co.uk</a>
Standard Life	<a href="http://www.standardlife.co.uk/c1/funds/with-profits-important-information.page">www.standardlife.co.uk/c1/funds/with-profits-important-information.page</a>

### 3.7 The impact of charges on a member's fund

All pension arrangements will apply charges to a member's account which cover items such as the cost of administering their account and the cost associated with the investments. As a member of the Scheme, the employer covers all the costs of running the Scheme, so the only charges are those related to the running of the investment funds. Most members in the Scheme are invested in the default option, the maximum charge for these funds is 0.245%. This is significantly lower than the maximum permitted charge for default funds of 0.75%. As member's fund growth can be significantly affected by the charges deducted over time, it's important that they understand how their fund at retirement can be impacted.

Additionally, in all DC pension schemes, a further layer of costs is incurred when contributions are invested. This is because investments involve transactions such as buying, selling, lending, and borrowing of investments - and all of these transactions incur costs. Transaction costs are payable by members in addition to the AMC and the additional fund expenses described above.

### 3.8 Default investment arrangement costs

The following tables show the estimated costs for the target date fund cohorts. This is based on the estimated cost of regular contributions and rebalancing events and the spread of the underlying portfolios, rolled up into the TDF. Please note that the figures and costs shown represent the worst-case level of costs (i.e., a full mid-offer spread) and the actual spreads experienced are typically lower. As most members of the Scheme are invested in the default arrangement an illustration is shown as follows.

<b>Example:</b>	
Annual salary	£25,000
Total contribution (from member and employer)	8%
Total investable contribution (per year)	£2,000
Average pot size	£23,000
Future Investment charges (based on rate applicable as at 31 March 2023)	0.223%-0.239% depending on age
<b>Transaction costs associated with contributions</b>	
Based on average Offer to Mid Spread of Target Date Funds as at 31 March 2023 including those that are incurred for single swinging priced funds prudently assuming that the swing is unfavourable for all such transactions	0.1018%
<b>Transaction costs associated with ongoing investment management</b>	
Based on average total transaction costs associated with investment management for the period 31.3.2021-31.3.2023 including rebalancing costs associated with trading between single swinging priced funds. In years where costs were negative (i.e., beneficial to members) these have been counted as zero for the purposes of these calculation.	0.004%

The table below shows the potential impact over time of costs and charges borne by the Scheme's DC members on projected values over a range of ages.

Projected pension pot values for members aged 22 to 65 (2023)			
Standard default arrangement			
Years	Accumulated contributions before investment returns, costs and charges	Projected fund value before the deduction of costs and charges	Projected fund value after the deduction of costs and charges
1	2,000	23,000	25,542
3	6,060	31,067	30,862
5	10,202	36,893	36,508
10	20,924	53,170	52,165
15	32,193	72,173	70,252
20	44,038	94,289	91,087
25	56,486	119,961	115,020
30	69,569	149,544	142,290
35	83,320	177,675	167,771
40	97,772	203,117	190,405
43	106,796	216,131	201,776

#### Assumptions used

- 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 starting pot size is assumed to be £23,000 at age 22 for a member retiring at age 65.
- Inflation is assumed to be 2.5% each year.
- Contributions are assumed to be paid at the beginning of each month from age 22 to 65 and increase in line with assumed earnings inflation of CPI plus 1.0% each year on the anniversary of the first contribution. Initial contribution level is assumed to be £173.33 per month.
- Values shown are estimates and are not guaranteed.
- Charges are based on a prudent historical average of charges (as a percentage of the fund invested) including all member borne charges and underlying transaction costs. This is likely to overestimate the impact of these costs and charges as it is likely they will fall through time as the size of the plan grows and provision of administration and investment services to the plan becomes more efficient. Furthermore, we note that the transaction costs incurred when buying and selling the TDF strategies has been included in this analysis, which is noted as an option for trustees and investment managers within the guidance provided by the DWP.
- The projected future growth rate, after all costs and charges have been deducted, for the default strategy is initially CPI + 3.5% up until 32 years before retirement reducing gradually to CPI + 0% at 2 years before retirement – based on the latest assumptions used to produce member SMPI illustrations as at 31 March 2023. These are in line with the targets set for the default strategies by the Trustee. For purposes of these illustrations these rates, gross of charges, has been capped at 2.5% plus estimated transaction costs in line with DWP guidance and for the period to 5 April 2020.
- The provision of these outcomes on behalf of members assumes the provision of investment services, as such the numbers shown for the accumulated fund allowing for investment returns but before the deduction of costs and charges is purely hypothetical and does not represent an achievable member outcome.
- In addition, the Trustee is required to provide value for money to members and as such it would be inappropriate to assume that lower costs and charges would necessarily equate to better member outcomes i.e., that the assumed level of overall service to members, including the investment returns achieved, could be maintained at a lower cost.

#### 3.9 Transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pensions savings can reduce the amount available to the member at retirement. Transaction costs have been obtained from the investment managers who invest money for the Trustee. For the Target Date Funds these are shown on the fourth page of this document and on the fifth to eighth pages for the self-select funds. Transaction costs in brackets are negative



transaction costs where the spread paid by investors when buying units for a fund should cover the costs of the transaction, but at the time of producing the analysis, had not yet incurred all the costs associated with placing that money in the market.

Historical Fund performance information can be found on the fund factsheets for each of the available funds, the factsheets are available on the website at [www.abfpensions.com/dc/investments](http://www.abfpensions.com/dc/investments). We also provide members under two years to normal retirement age with a personalised projection on their benefit statements each year.

### 3.10 Net Investment Returns

The DWP recommends that figures for net investment returns should be shown dating back at least 5 years and the Trustee has selected standard reporting periods of 1 year, 3 years, 5 years and added 10 years for clarity even though there is no data currently available for some of the funds reporting, as the inception date for these funds is less than 10 years ago.

The self-select fund is distinct from the underlying fund, with its own price and other fund specific details. However, the fund is fully invested in the underlying fund. The performance of the fund will not exactly match that of the underlying fund due to price swings, valuation timing or charges. Fund performance shown on page 8 is based on the unit prices calculated each day for the fund. Each fund has a single unit price, which means that on any given date, an investor will purchase units at the same price as an investor selling units.

### 3.11 Value for Money Assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value," but the Trustee considers that it broadly means "that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market." The Trustee reviews all member-borne charges (including transaction costs) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the year. The Trustee notes 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. The Trustee's investment advisers have confirmed that the fund charges are competitive for the types of fund available to members. The Trustee's assessment included a review of the performance of the Scheme's investment funds (after all charges) in the context of their investment objectives. In carrying out the assessment, the Trustee also considers the other qualitative benefits members receive from the Scheme, which include:

- The oversight and governance of the Trustee – this ensures the Scheme is compliant with relevant legislation, such as the charge cap, holds regular meetings to monitor the Scheme and address any material issues that may impact members.
- The design of the default arrangement – this is structured to allow members' benefits to grow in order to provide benefits on the member's retirement.
- The range of investment options and strategies – the Trustee has provided an additional suite of funds to allow members to self-select their investment options.
- The quality of communications delivered to members – all communications to members has been provided in accordance with the regulatory requirements and written in a clear and concise manner so it is easily understood by the members.
- The quality of support services - the Scheme website provides members with online access to Scheme information and their fund values.
- The efficiency of administration processes - the administration process has met or exceeded its expected levels of standards for the Scheme year.

The chart below illustrates the impact of charges for a 30 year old member who is paying £200 a month into the Scheme and is invested in the default fund option. In preparing the chart below, the Trustee had regard to how the level of charges incurred by the Scheme members in the default fund compare to those levied by National Employment Savings Trust (NEST).



**Band 1 - no charge – the fund could be £285,890**

Band 1 shows the potential fund at age 65 if no charges were deducted from the fund or contributions. Unfortunately, as all investment managers will make a charge for running the fund, this result is only provided for comparison purposes.

**Band 2 - 0.2% charge – the fund could be £272,359**

Band 2 shows the potential fund at age 65 for a member of the Scheme who is invested in the default TDF option. The Scheme does not deduct any charges from your contributions, so if you pay £100, then the full £100 is used to purchase units in your chosen investment fund.

**Band 3 - 0.4% charge – the fund could be £259,534**

Band 3 shows the potential fund at age 65 for the average charge for DC members.

**Band 4 - 0.7% charge – the fund could be £241,539**

Band 4 shows the potential fund at age 65 if the maximum charge that is permitted for a default fund is levied.

**Band 5 - 2.1% charge – the fund could be £174,181**

Band 5 shows the fund if a 2.1% charge was taken from total contributions. This is similar to the charge that we understand is currently levied by National Employment Savings Trust (NEST). According to NEST's March 2023 quarterly investment report, NEST will deduct 1.8% from each contribution paid, meaning that from £100, only £98.20 is used to purchase units. They then deduct a further investment charge of 0.3% on the fund.

The Trustee assessment of the extent to which the charges and transaction costs set out above represent good value for members relative to what members receive and to other comparable schemes and have concluded that members continue to receive excellent value.

This is demonstrated by the following:

- According to the DWP Pension Charges Survey 2020, the average member charge for Qualifying Workplace unbundled DC trust-based schemes (i.e., comparable to the Scheme) was 0.48% pa, whereas the maximum total expense ratio for the Scheme's default fund at the year-end was 0.245% pa.
- The maximum total expense ratio for the Scheme default fund is 0.245% per annum which we understand is much lower than the total charges for a member in the National Employment Savings Trust (NEST) who we understand currently incurs 2.1% in total charges according to NEST's March 2023 quarterly investment report.



- The TDFs are actively managed glidepaths using passive sleeves of assets and their investment performance since inception has ranged between 2.8% and 8.2% per annum which was above the relevant benchmark in all cases and ranged from -3.2% and -7.5% per annum in the current year.
- There are strict controls in place to ensure timely investment and accuracy of contributions as per our monitoring procedures in 2.1.
- The Employer meets all other costs of running the DC section e.g., administration and communications.

#### 4. TRUSTEE KNOWLEDGE AND UNDERSTANDING

- 4.1 In order to run the Scheme effectively, the Trustee Directors are required to maintain appropriate levels of knowledge and understanding. Sections 247 and 248 of the Pensions Act 2004 require that each Trustee Director:
- is conversant with the trust deed and rules of the Scheme, the Scheme's Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme,
  - has, to the degree that is appropriate for the purposes of enabling the individual to properly exercise his or her functions as a Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.
- 4.2 The Trustee has measures in place to comply with the requirement under Sections 247 & 248 of the Pensions Act 2004 regarding conversance and knowledge and understanding for the Scheme year ending 5 April 2023. Details of how the conversance and knowledge and understanding requirements have been met during the year covered by this statement are set out below.
- 4.3 The Trustee has a rolling program of training requirements to cover legislative changes, Scheme specific events, conversance with Scheme documentation and general pensions and trust law. During the Scheme year, each of the Trustee Directors attended training, examples of which included:
- Obligations involved with ownership of assets
  - Pension Dashboard requirements coming into force
  - Tax Treatment of Pension Schemes
  - How policies, practices and Scheme rules are reviewed and amended
  - How Trustees report in line with the Taskforce for Climate related Financial Disclosures (TCFD)
  - Issues surrounding Stewardship and Environmental, Social and Corporate Governance (ESG)
  - DC Investment Performance review and impact of high inflation on the Scheme
  - Pensions Law and Pension Scams
- 4.4 Trustee knowledge and understanding and training requirements are assessed through Trustee training by the Scheme Actuary and self-assessment questionnaires (produced and analysed by the Scheme's Investment and Actuarial adviser). The questionnaires are completed by Trustee Directors in May each year with the results discussed at the September Trustee meeting. The questionnaire covered (amongst other areas):
- How Trustees report in line with Taskforce for Climate related Financial Disclosures (TCFD) recommendations
  - Competition Market Authority (CMA) requirements
  - Investment Governance process and statement of Investment Principles including the Myners Principles
  - Obligations involved with ownership of assets
  - Issues surrounding Stewardship and Environmental, Social and Corporate Governance (ESG)
  - Impact of high Inflation on the Scheme
- 4.5 The Scheme Secretary used the output from the questionnaires to recommend appropriate additional individual and full board training requirements to supplement the rolling program of training sessions. Any additional training for the Trustee has already been included as part of the Trustee training program for the Scheme year. The Trustee is also encouraged to request training if required and the cost is met by the Scheme.

- 4.6 Trustee training was provided via regular training and update sessions provided by the Scheme Secretary and the Scheme's advisers. The sessions covered compliance with legal requirements, general pensions, and Scheme specific topics, developing a working knowledge of the Trust Deed and Rules and other key Scheme documents and specifically incorporated good practice in the DC Code and DC regulatory guidance.
- 4.7 To understand the specifics of the Scheme, Trustee Directors have access to all key Scheme documents, Trustee policies and key Scheme information. This includes the Trust Deed and Rules of the Scheme and the Statement of Investment Principles. The Trustee is legally required to have a working knowledge of these documents. All Trustee Directors are aware of the importance of these documents, and the documents are regularly covered in the context of Trustee training and the receipt of professional advice from the Trustee's appointed advisers legal, investment, actuarial and other advisers.

The Scheme has a detailed induction / training process for new Trustee Directors run by the Scheme Secretary and strongly suggests completion of the Pension Regulator's Trustee Toolkit within 6 months of appointment. The Trustee Toolkit is an online learning programme from The Pensions Regulator aimed at helping new trustees of occupational pension schemes meet the minimum level of knowledge and understanding.

- 4.8 The Trustee believes that the combined knowledge and understanding of the Trustee, together with the advice which is available to it from its range of appointed professional advisers enables it to properly exercise its functions as Trustee. This is achieved by evaluating and identifying the risks critical to the Scheme and obtaining a clear understanding of the Scheme's operational procedures, applicable legal and regulatory requirements, investments, and communications. The Group Pensions Director is delegated to monitor the performance and effectiveness of the Board against the objectives of the Scheme's business plan and to raise any concerns with the Board as they arise. Additionally, the Scheme Investment Advisers report to the Board any concerns they may have with regard to either the investment strategy or underlying fund managers. These reviews are proactive and would include concerns not immediately obvious by way of performance, for instance change in staffing, structure, or culture at respective investment managers. The regular reviews also include consideration of potential future enhancements or changes to our strategies.
- 4.9 All Trustee training records are maintained by the Secretary to the Trustee and are updated quarterly following each Trustee Board meeting. The standards of practice adopted by the Trustee are in line with the DC code and regulatory guidance.
- 4.10 Taking into account the knowledge and experience of the Trustee Directors with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g., actuary, investment consultants, legal advisers), the Trustee Directors believe they are well placed to exercise their functions as Directors of the Scheme properly and effectively.

## 5. CHAIRMAN'S CLOSING REMARKS

Finally, I am pleased to confirm that all aspects of the Scheme have continued to be delivered to members and participating employers throughout the Scheme year.

Annual Events including DC data audit, data scores, Scheme Return, Scheme year end, annual audit and issue of benefit statements have been delivered in line with department project plans and statutory requirements.

Trustee Meetings have been held in accordance with the annual calendar as defined in the Scheme's Trustee Business Plan.

I am pleased to confirm that the Scheme remains compliant and there are no operational concerns to raise with members.

Signed for and on behalf of Associated British Foods Pension Trustees Limited



14.9.23

Chair

Date

## APPENDIX 3: Implementation Statement

### Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 5 April 2023. This statement has been produced in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator. The table later in the document sets out how, and the extent to which, the policies in both the DB Section and DC Section of the SIP have been followed.

### Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

#### DB Section

The Trustee believes its prime objective is to invest the Scheme assets in such a manner that it is likely that the Scheme liabilities can be met.

The estimated liabilities are a series of projected cash flows calculated on assumptions contained in the actuarial valuation. In theory, the matching assets would be a portfolio of UK government bonds that provided the projected cash flows to cover all future economic scenarios. Given the discrete number of UK government bonds available, such a combination is unlikely to exist in practice. It is nonetheless a valid reference point against which to assess investment strategies that can be implemented in practice.

In agreeing to adopt this investment objective, the Trustee has taken into account the Company's view that some risk should be taken in an attempt to reduce the cost of providing the benefits which would be expected from adopting a fully matched investment strategy.

There is a broad target benchmark split between asset classes for the DB Section. The strategic framework including benchmarks is outlined in the Investment Implementation Policy Document ('IIPD').

The Trustee selected their strategic benchmark to reflect that the Scheme liabilities would change in value in a similar manner to changes in the level of the UK government bond markets. The Trustee expects that there will be a small return premium above government bonds from non-government bonds and a larger return premium from equity markets and alternative assets, including property. The Trustee expects there will be periods when equities, property and credit underperform government bonds and is prepared (as is the Company) to accept this risk.

Implementation of the strategy is via a range of active investment managers whose roles are set out in the IIPD, as well as Insight (the LDI manager) and BlackRock (the passive currency manager). The Trustee used Bank of New York Mellon as the overall global custodian of the Scheme assets.

When considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of a suitability qualified investment advisor. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

#### DC Section

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives.

The Trustee assumes that most members do not have the knowledge or desire to manage their pension investments. The Trustee regards it as its duty to make available (as the default investment option) a fund which:

- is suitable for most members;
- is dynamically managed; and
- has a risk and reward profile that reflects the period until its participating members reach retirement age.



The Trustee also regards its duty to be making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs if they wish to do so. The Trustee has developed an objective to group these investments into 'tiers' based on the amount of member engagement and involvement required in investment management.

The investment objective of each default fund, known as the Target Date Fund, is designed and managed for an investor saving to retire in or around the years stated in its name (the "target date"). The investment manager's aim is to maximise, for such a typical investor, their eventual retirement income while taking account of their decreasing capacity to afford losses as they approach and, possibly, go past the target date of retirement. On retirement, the investor is assumed to use their built-up pension savings to provide pension income from the options available when they retire. The Target Date Funds will progressively move from riskier, capital growth-oriented assets, such as equities and property, into lower-risk, retirement income protection oriented assets, such as bonds as it approaches and passes its target date. The investment manager seeks to ensure that the mix of assets remains appropriate given the Target Date Fund's aim and will also employ a dynamic asset allocation strategy which seeks to mitigate the effects of large market movements without detracting from long-term returns. The investment manager will manage the Target Date Funds in such a way that, for an individual investing over the whole term of each Target Date Fund, a return of CPI plus 4% per annum is targeted.

A formal review of the default strategy is completed every three years by the Trustee and the last review was completed in 2021. The next review of the strategy has commenced and will conclude in the new Scheme year. The Trustee undertakes a review of the performance of the default funds each quarter against the aims and objectives as set out in the SIP. The review included the following key areas:

- Value of Assets in the TDFs
- Commentary submitted by AllianceBernstein, including performance & asset allocation decisions
- Fees & Charges
- Details of performance of all Tier 2-4 Funds
- Consideration of whether all TDF Vintages had outperformed or underperformed their objective

Over the year, the quarterly reviews concluded that the default strategy and its returns remain consistent with the Trustee's objectives as set out in the SIP and that the TDFs remain an appropriate default investment vehicle for the Scheme with the focus being on the longer term; particularly when considering the current high inflation environment and the focus on the long term objective of returns greater than CPI +4%. As such, the Trustee has made no changes to the Scheme's default arrangement as a result of these quarterly reviews.

#### **Trustee review of the SIP for the year ended 5 April 2023**

During the year the Trustee reviewed the Scheme's SIP, with a revised SIP agreed at the September 2023 Investment Committee meeting. The following updates were made to the SIP over the year:

- Removing Abrdn from the fixed income portfolio as part of the LDI updates in September 2022
- Including the DB Section's commitment to a Muzinich Private Debt fund
- Including the DB Section's commitment to a Ninety One Private Debt fund.
- With the improving funding position, the Trustee commenced a 3 year strategy review earlier than planned

The Trustee consulted with the Company in finalising the SIP. The SIP is available online (<https://www.abfpensions.com/media/eiylvewy/statement-of-investment-principles-march-2023.pdf>).

#### **Assessment of how the policies in the SIP have been followed for the year to 5 April 2023**

In the opinion of the Trustee, the SIP has been followed throughout the year for both DB & DC Sections.

The information provided in this section highlights the work undertaken by the Trustee during the year for the long term benefit of the Scheme. It also sets out how this work followed the Trustee's policies in the SIP, relating to the Scheme as a whole and the default investment arrangement. The SIP is attached as an Appendix and sets out the policies referenced below.

## Requirement 1 – Securing compliance with the legal requirements about choosing investments

### Detail of the Trustee’s policy:

The Trustee obtains advice from their investment adviser, who can provide expert advice enabling the Trustee to choose investment vehicles that can fulfil the Scheme’s investment objectives. In the Trustee’s opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.

### How the requirements have been met over the year to 5 April 2023:

**DB Section:** The Trustee receives advice from its investment advisers at the quarterly Investment Sub-Committee meetings. Since the start of the year, advice was provided on a wide range of issues, including:

- A quarterly review of the asset allocation of the investment portfolio in line with the SIP;
- Increasing the level of interest rate hedging provided by the Insight LDI portfolio;
- Increased monitoring of the collateral sufficiency of the LDI portfolio, including sourcing collateral at short notice during the UK Gilts Crisis of September 2022;
- Ensuring compliance with the UK EMIR Phase 6 of the Uncleared Margin Rules;
- Termination of the Scheme’s Abrdn holding;
- Commitment to a new private debt vintage with Muzinich;
- Appointing Ninety One as a new manager to the Scheme’s DB Section Private Debt portfolio;
- Production of the Scheme’s first Task Force on Climate Related Financial Disclosures report, including carrying out the necessary Trustee training;
- The future evolution of the DB Section’s investment strategy;

**DC Section:** The Trustee reviews reports from the investment managers to determine the performance of both the default funds and tiered funds each quarter against their aims and objectives.

In addition to this, advice around the production of the Scheme’s first Task Force on Climate Related Financial Disclosures report has also been provided for the DC Section.

The Trustee received advice from Mercer in relation to the default investment option for future Additional Voluntary Contributions (“AVCs”). Effective from 1 April 2023, all legacy Unit-Linked and With Profit AVC arrangements were closed and all further contributions were redirected to the current DC section default arrangement - the AllianceBernstein Target Date Funds. Members were given the choice to select a different investment option from the current investment platform. Follow up advice in relation to the mapping of existing assets to the DC arrangements will take place once full member analysis has been completed in the next Scheme year.

## Requirement 2 – Kinds of investments to be held

### Detail of the Trustee’s policy:

**DB Section:** The Trustee has considered various combinations of assets and investment approaches that might minimise the required degree of risk for a level of return expectation consistent with the Scheme’s objectives and liability profile.

**DC Section:** A range of asset classes are included within the default investment option (within the blended funds used), including developed market equities, emerging market equities, money market investments, and pre-retirement funds. It is the Trustee’s policy to utilise both active and passive management within the default investment option, depending on the asset class.

The Trustee has also made available a range of individual self-select fund options for investment in addition to the default investment option. A range of asset classes has been made available, including: equities, diversified growth funds, money market investments, gilts, index-linked gilts, corporate bonds and pre-retirement funds. It is the Trustee’s policy to offer both active and passive management options to members where appropriate, depending on the asset class.

**How the requirements have been met over the year to 5 April 2023:**

**DB Section:** On a quarterly basis, the Trustee reviewed its investment strategy. After considering the Scheme's liability profile and requirements of the Statutory Funding Objective, the Trustee considered their appetite for risk (including financially material risks such as Environmental, Social and Governance risks, including climate change). This took account of the Sponsoring Employer's appetite for risk and the strength of the Sponsoring Employer's covenant.

The basis of the Trustee's strategy is to divide the DB Section's assets between a "growth" portfolio, comprising assets such as equities, property, and Multi Asset Credit, and a "stabilising" portfolio, comprising of assets such as UK Gilts, UK index Linked Gilts, Private Debt and liability driven investments ("LDI").

The Trustee did not allocate to any new asset classes over the year but did disinvest their allocation to absolute return bonds, allocating the proceeds to the LDI portfolio.

The Trustee regards this strategic distribution of the assets to be appropriate for the Scheme's objectives and liability profile.

The Trustee also considered the future evolution of the DB Section's investment strategy, including the combination of asset classes that could be held, with a view to begin transitioning to an updated strategy in the coming Scheme year.

**DC Section:** The default investment option was last subject to its formal triennial review in 2021. This represents an important exercise for the Trustee that covers the majority of the investment policies the Trustee has in place. The investments (fund type, management style and asset allocations) used in the default strategy were reviewed as part of this exercise. No changes to the type of investments used in the default have been made since this review and the strategy remains consistent with this policy detailed in the SIP.

As part of the triennial review, the Trustee also undertook a review of the alternative glidepath available to members along with a review of the self-select fund range. The Trustee concluded that the available range of funds/types of investments available to members continued to be appropriate and provided members with options across the risk/return spectrum. The details of the types of investment referenced in the SIP remains consistent with the fund range offered to members.

The Trustee is planning on conducting a review of the default strategy as well as the range of self-select fund range in the coming Scheme year as well as the potential introduction of further illiquid assets in the form of private debt funds.

**Requirement 3 – The balance between different kinds of investments****Detail of the Trustee's policy:**

**DB Section:** The Trustee has considered various combinations of assets and investment approaches that might minimise the required degree of risk for a level of return expectation consistent with the Scheme's objectives and liability profile.

**DC Section:** Members can combine the investment funds in any proportion in order to achieve the desired level of return and risk in line with their own attitude towards and tolerance of risk.

Within the default option, the strategic asset allocation is set to achieve the expected return required to meet the objective of the default option.

**How the requirements have been met over the year to 5 April 2023:**

**DB Section:** The Trustee reviews the strategic asset allocation on a quarterly basis throughout the year to ensure it meets its objectives based on the changing membership profile.

The target allocation to the growth and stabilising portfolios did not change over the course of the year. However, within the stabilising portfolio the Trustee increased its allocation to LDI assets, given an increase in the target level of hedging and collateral within the portfolio. This increase in allocation was funded by terminating the Scheme's absolute return bond allocation with Abrdn.

Despite the target asset allocation varying significantly from the actual asset allocation, the Trustee agreed to maintain the prevailing asset allocation given it was comfortable with the level of investment risk the Scheme was running and pending the forthcoming investment strategy review.

**DC Section:** The strategic asset allocation of the default investment option is reviewed on a triennial basis. The last review was completed in 2021. This confirmed that the strategic asset allocation was appropriate to meet the stated aims and objectives of the default. A review of self-select options also formed part of the triennial investment review - no changes were made to the self-select fund range.

The Trustee receives a quarterly investment performance report which monitors the risk and return of options within the Scheme.

As the assets of the DC section are invested in pooled fund vehicles the investment restrictions applying to these funds are determined by the investment manager. The Trustee is satisfied that the investment manager's policy on investing in individual securities held in each vehicle provides adequate diversification of investments. The investments held within the Scheme are consistent with the policies in the SIP.

#### **Requirement 4 – Risks, including the ways in which risks are to be measured and managed**

##### **Detail of the Trustee's policy:**

**DB Section:** The degree of investment risk the Trustee is willing to take depends on the financial health of the DB Section and its liability profile. The Trustee monitors these with a view to altering the investment objectives, risk tolerance and/or return target should there be a significant change in either. The Trustee also regularly considers the strength of the Employer covenant and factors this into the level of risk being considered.

**DC Section:** The Trustee recognises risk (both investment and operational) from a number of perspectives in relation to the self-select funds and the default investment option.

##### **How the requirements have been met over the year to 5 April 2023:**

**DB Section:** As detailed in the risk table in the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of investment managers, funds and asset classes.

The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions.

The Trustee considered climate change risk as part of the scenario analysis carried out within the Scheme's TCFD report. Given the funding level, the DB investment strategy demonstrated robustness with respect to the potential impact of climate change across the scenarios and time-periods considered.

**DC Section:** The default investment option manages investment and other risks through a strategic asset allocation consisting of equities, multi-asset funds, bonds and money market. Risk is not considered in isolation but in conjunction with expected investment returns and outcomes for members.

During the year, the Trustee modelled the exposure of the TDFs to climate risk and engaged the investment manager of the default Target Date Funds, AllianceBernstein, on their climate intensity reduction target. The DC TDFs were found to be materially impacted by climate risk under a failed transition climate scenario. The Trustee noted the allocation to sustainable investments, which is expected to provide some protection from these risks. Further, AllianceBernstein considers climate risk amongst other risks as part of the investment strategy decisions and the results from the climate scenario analysis will be considered as part of the review of the DC arrangements taking place in 2023.

## Requirement 5 – Expected return on investments

### Detail of the Trustee's policy:

**DB Section:** The Trustee selected the strategic benchmark to reflect that the Scheme's liabilities would change in value in a similar manner to changes in the level of the UK government bond markets. The Trustee expects that there will be a small return premium above government bonds from non-government bonds and a larger return premium from equity and alternative investment markets such as property. The Trustee expects there will be periods when equities, property and credit underperform government bonds and is prepared (as is the Company) to accept and manage this risk.

**DC Section:** The funds available are expected to provide an investment return commensurate with the level of risk being taken.

In designing the default, the Trustee has explicitly considered the trade-off between risk and expected returns, to generate returns in excess of inflation during the growth phase and de-risk towards the retirement date to protect funds from significant falls when the time frames to recover these losses are shorter.

### How the requirements have been met over the year to 5 April 2023:

The investment performance reports from investment managers are reviewed by the Trustee on a quarterly basis.

**DB Section:** The investment performance reports details how each investment manager is delivering against their specific mandates and benchmarks. The Trustee assesses the performance of all investment managers using both a qualitative and quantitative review. This also includes assessing the diversification of the portfolio in terms of asset type, geographical position and the current inflation environment.

Over the 3 years to date, the Scheme has returned 5.5% p.a. relative to a benchmark return of 5.0% p.a and the Scheme's funding position has improved.

**DC Section:** The review by the Trustee on a quarterly basis includes the risk and return characteristics of the default and the self-select fund choices.

The Trustee ensures that performance reports include risk and return metrics when completing their review by monitoring the returns against their aims and objectives. The Trustee also assesses the growth of the funds versus inflation and equity volatility.

## Requirement 6 – Realisation of investments

### Detail of the Trustee's policy:

**DB Section:** The Trustee considers the liquidity of the investments in the context of the likely needs of member benefits.

**DC Section:** The Trustee's administrators will realise assets following member requests on retirement or earlier where required.

### How the requirements have been met over the year to 5 April 2023:

**DB Section:** Most years, due to the maturity of the Scheme, some assets are sold to meet benefit payments, fund capital calls for the private debt programme or to meet margin calls for the currency hedge programme. There was a requirement over the Scheme year to disinvest due to the weakening of Sterling against the six main currencies in the currency hedge programme the Trustee has established. As such there was a requirement to sell assets to meet our obligations which meant the Scheme was receiving cash as margin.

Whilst certain funds are not gated (particularly the Property and Private Debt assets), the Trustee has developed strategies for daily liquidity. The diverse asset allocation contains both liquid and illiquid assets to ensure all financial obligations can be met.

This liquidity strategy was tested over the UK Gilt Crisis of September 2022, during which the Scheme's interest rate and inflation hedging levels were maintained. Over this period the Trustee met the collateral requirements of the Scheme's LDI portfolio, with support of a short-term loan from the Company.



In the normal course of events, if a divestment is required, the Trustee takes the decision to source the liquidity based on the asset allocation.

**DC Section:** The Trustee receives an administration report on a quarterly basis to ensure that core financial transactions are processed within SLAs and regulatory timelines. As confirmed in the DC Chair Statement, the Trustee is satisfied that all requirements were met throughout the year with 100% of the of SLAs being met.

All funds invest in daily priced pooled investment vehicles, accessed by an insurance contract. This means that the Trustee can readily have access to the cash to settle member obligations. The Trustee therefore has no concerns regarding the liquidity of any of the Scheme's assets.

**Requirement 7 – Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments**

**Detail of the Trustee's policy:**

**DB and DC Section common policies:** The Trustee considers financially material considerations in the selection, retention and realisation of investments. Consideration of factors such as environmental, social and governance (ESG) is delegated to the investment manager.

Investment managers are expected to evaluate these factors, including climate change considerations, then exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.

Items listed in Sections 4.3, 4.4, 4.5 and 5.2 of the SIP are in relation to what the Trustee considers "financially material considerations".

**How the requirements have been met over the year to 5 April 2023:**

**DB Section:** Each investment manager's investment report is reviewed for performance by the Trustee on a quarterly basis. The Trustee also considers their ratings (both general and ESG specific) from the Trustee's investment advisers. All of the investment managers remained highly rated by either the investment adviser or the Investment Committee during the year. However, following a fall in conviction and a period of poor performance the Trustee exited the Abridged Absolute Return Bonds strategy over the course of the year, utilising the proceeds to top-up the Insight LDI portfolio.

The Scheme's SIP includes the Trustee's policy on ESG factors, stewardship and Climate Change. The Trustee's policy is to delegate responsibility for exercising of ownership rights (including engagement and voting rights) to the investment managers, but acknowledge that any actions taken by the investment managers are on the Trustee's behalf.

In order to improve their understanding, the Trustee has undertaken investment training on responsible investment. This was provided by their investment consultant to cover ESG factors, stewardship, climate change and ethical investing. The Trustee has also produced the Scheme's first TCFD report and as such has considered the exposure of the Scheme to climate risk, through climate related scenario modelling; set carbon intensity reduction targets for the DB Section's aggregate equity portfolio and fixed income - public investment grade credit portfolio; and gathered climate related metric data and considered how this has developed over the Scheme Year.

The Trustee keeps their policies under regular review with the SIP subject to review at least annually. Where investment managers may not be highly rated from an ESG perspective the Trustee continues to monitor the investment manager closely. When implementing a new investment manager, the ESG rating of the investment manager is considered.

The Trustee acknowledges that investment managers in fixed income do not have a high ESG rating assigned by the investment consultant due to the nature of the asset class where it is harder to engage with the issuer of debt.

**DC Section:** As per the DB Section, the Trustee considers the investment manager ratings (both general and ESG specific) from the Trustee's investment advisers to ensure compliance with the SIP. The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, Stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

The TCFD report includes the Scheme's DC Section and the Trustee has set carbon intensity reduction targets for the DC Target Date Funds.

**Requirement 8 – The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments**

**Detail of the Trustee's policy:**

**DB and DC Section common policies:** Non-financial matters are taken into consideration by the Trustee.

**How the requirements have been met over the year to 5 April 2023:**

**DB Section:** Each quarter the Trustee considers both quantitative and qualitative analysis provided by its investment consultant. This includes detailed analysis of the market cycle to identify opportunities for future investment or risk reduction measures.

**DC Section:** As per the DB Section, the Trustee acknowledges that key non-financial matters are taken into consideration.

**Requirement 9 – The exercise of the rights (including voting rights) attaching to the investments**

**Detail of the Trustee's policy:**

**DB and DC Section common policies:** Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.

**How the requirements have been met over the year to 5 April 2023:**

**DB & DC Sections:** The Trustee has delegated their voting rights to the investment managers. Investment managers are expected to provide voting summary reporting on a regular basis, at least annually, and details of the voting activity of relevant managers, including most significant votes are included in this Statement. The reports are reviewed by the Trustee to ensure that they align with the Trustee's policy.

Over the year the Trustee has determined their engagement priorities, which are detailed later in this report and in the SIP, and defined what they consider to be significant votes based upon these priorities. An overview of engagement activities is provided later in this Statement.

During the year, the Trustee has increased its focus and consideration of climate change investing time to, in particular, meet its obligations relating to TCFD reporting.

**Requirement 10 – Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).**

**Detail of the Trustee's policy:**

**DB and DC Section common policies:** Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice. As part of this monitoring, the Trustee may engage with the Scheme's investment managers where appropriate to understand the activity undertaken in relation to the Scheme's engagement priorities. The Trustee has determined their own engagement priorities which are outlined later in this Statement.

Outside of those exercised by investment managers on behalf of the Trustee, no other engagement activities are undertaken.  
**How the requirements have been met over the year to 5 April 2023:**

**DB & DC Sections:** Investment managers are expected to provide reporting on a quarterly basis, and on an annual basis they should provide stewardship monitoring results. These are reviewed by the Trustee to ensure that they are complying with their obligations.

As the Scheme invests in certain pooled funds, the Trustee requires their investment managers to engage with the investee companies on their behalf.

Over the year, the Trustee has undertaken training and carried out work, with their investment consultant, to meet the reporting requirements of TCFD. The first report was produced with respect to the current Scheme year. The Trustee will continue to undertake further training to enhance their understanding on ESG factors, stewardship and climate change. The Trustee believes their investment managers are voting responsibly on their behalf and in line with the Trustee's investment policy.

**Requirement 11 – How the arrangement with the investment manager incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies mentioned in sub-paragraph (b) of the legislation (2-8 of this Statement).**

**Detail of the Trustee's policy:**

**DB and DC Section common policies:** The Trustee's policy on aligning investment manager appointments with the investment strategy is set out in Section 9 of the SIP.

Investment managers are chosen based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

As the Trustee invests in certain pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the investment manager, but appropriate mandates can be selected to align with the overall investment strategy.

The investment strategy for the segregated mandates is set out in the IIPD.

**How the requirements have been met over the year to 5 April 2023:**

**DB Section:** The Trustee continually reviews and amends the mandate for each investment manager where appropriate. Benchmarks are established for each investment manager against which performance is monitored.

There is a broad target benchmark split between asset classes for the DB Section. The strategic framework including benchmarks is outlined in the IIPD.

**DB & DC Sections:** The Trustee continually meets with the investment managers to challenge decisions made including voting history and engagement activity to ensure best performance over the medium to long term.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then they will consider replacing the investment manager.

Over the course of the year the Trustee terminated their appointment of Abrdn within the DB Section following a loss of conviction and period of underperformance.

**Requirement 12 – How the arrangement incentivises the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt**

**Detail of the Trustee's policy:**

**DB and DC Section common policies:** The Trustee's policy in relation to incentivising investment managers to consider long-term financial and non-financial performance is set out in section 10 of the SIP.

The Trustee regularly meets with their investment managers and challenges their strategic policies. The Trustee regularly reviews the decisions made by their investment managers and can challenge such decisions to try to ensure the best long-term performance over the medium to long term. Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the investment manager.



**How the requirements have been met over the year to 5 April 2023:**

**DB & DC Sections:** The Trustee has met with seven of their investment managers at Board meetings during the year to discuss matters such as their mandates, performance and appetite for risk.

The Trustee delegates authority to senior management of the pensions department to regularly meet on an ongoing basis with their investment managers to discuss the contractual arrangements they have in place, to ensure it continues to incentivise the investment manager to make decisions based on medium to long term financial and non-financial performance. This ensures each investment manager's target performance is consistently reviewed to match the Trustee's objectives.

**Requirement 13 – How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in sub-paragraph (b) of the legislation (2-8 of this Statement).**

**Detail of the Trustee's policy:**

**DB and DC Section common policies:** The Trustee recognises their time horizon is a long-term proposition as set out in Section 11 of the SIP. As such investment managers are assumed to be held for a suitably long time. Investment managers' performance net of fees is therefore reviewed over both short and long-term horizons. Remuneration is agreed ahead of the investment manager appointment and is reviewed on a regular basis.

**How the requirements have been met over the year to 5 April 2023:**

**DB & DC Sections:** The Trustee receives investment performance reports from their investment consultants on a quarterly basis, which present performance information over 1 quarter, 6 month, 1 year, 3 year, 5 year periods and since inception.

As well as considering each investment manager's style over the course of an economic cycle, the Trustee reviews absolute performance and in many cases relative performance against a suitable index used as a benchmark. Investment managers are also monitored constantly for qualitative as well as quantitative performance, with a focus on the long term strategy of the Trustee whilst being mindful of short term returns. Over the course of the year the Trustee terminated their appointment of Abrdn within the DB Section following a loss of conviction and period of underperformance.

The investment managers are generally remunerated by way of a fee calculated as a percentage of assets under management. This fee basis is reviewed with each investment manager as part of the informal reviews carried out by senior members of the pensions management team. As part of the annual value for members assessment, the Trustee reviews the DC investment managers' fees.

**Requirement 14 – How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range.**

**Detail of the Trustee's policy:**

**DB and DC Section common policies:** The Trustee's policy in relation to the monitoring of portfolio turnover costs is set out in Section 12 of the SIP.

**How the requirements have been met over the year to 5 April 2023:**

**DB & DC Sections:** The Trustee asks their investment managers to provide portfolio turnover and turnover costs in their presentations to the Trustee.

The Trustee also receives MiFID II reporting from their investment managers. All reporting is analysed to ensure consistency between reporting periods and any inconsistencies are investigated with the investment manager.

**DC Sections:** DC Transaction costs are disclosed in the annual DC Chair's Statement. The transaction costs for each fund cover the buying, selling, lending and borrowing of the underlying securities in the fund. An investment manager can also factor in anti-dilution mechanisms into the total transaction costs.

The Trustee is required to assess these costs for value on an annual basis. However, at present, the Trustee notes a number of challenges in assessing these costs:

- No industry-wide benchmarks for transaction costs exist.
- The methodology leads to some curious results, most notably “negative” transaction costs.
- Explicit elements of the overall transaction costs are already taken into account when investment returns are reporting, so any assessment must also be mindful of the return side of the costs.

As noted in the most recent Chair’s Statement, dated 5 April 2023, there is little flexibility for the Trustee to impact transaction costs as they invest in pooled funds. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not as yet any “industry standard” or universe to compare these to. As such, any comments around transaction costs at this stage can only be viewed as speculative. However, the Trustee will continue to monitor transaction costs on an annual basis and developments on assessing these costs for value. In particular, the Trustee does undertake charging and cost comparisons with other large pension schemes with publicly available data.

### **Requirement 15 – The duration of the arrangement with the investment manager**

#### **Detail of the Trustee’s policy:**

**DB and DC Section common policies:** There is no set duration for the investment manager appointments, with the exception of Private Debt managers. All appointments are regularly reviewed as to its continued suitability and could be terminated either because the Trustee is dissatisfied with the investment managers’ ongoing ability to deliver the mandate promised or because of a change of investment strategy by the Trustee.

For Private Debt managers, at the time of appointment the life of the fund is established, however this could be extended in line with the Investment Management Agreement (IMA).

#### **How the requirements have been met over the year to 5 April 2023:**

**DB Section:** All investment managers agreements, with the exception of the Private Debt managers, have no set duration. As at the 5 April 2023, the Trustee had invested in 25 private debt funds using a series of vintages via LLP structures for defined number of years. In accordance with the IMA each Fund has the ability to extend the lifetime of the fund for a prescribed time period.

All Private Debt contracts the Trustee has engaged in remain open and during the year the Trustee agreed to make new commitments to 2 private debt funds in order to retain its strategic exposure to the asset class.

#### **DC Section:**

The DC investment managers’ appointments have no set duration. However, if the Trustee is not satisfied with an Investment Manager, they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustee requirements, the Trustee will remove the Investment Manager and appoint another after taking advice and following necessary due diligence.

The available fund range and Default Investment Option are reviewed on at least a triennial basis. An Investment Manager’s appointment may be terminated if it is no longer considered to be optimal and does not have a place in the default strategy or general fund range. No managers were terminated over the course of the year, however some DC funds were closed due to lack of economic activity and commercial viability.

### **Engagement and Voting**

#### **Voting Policy**

The Trustee’s policy is to delegate responsibility for exercising of ownership rights (including engagement and voting rights) to the investment managers, but acknowledge that any actions taken by the investment managers are on the Trustee’s behalf and accept responsibility on those actions.

## Engagement Priorities

The Trustee's engagement priorities are based on their belief that ESG issues, across each of the three factors, may have a material impact on investment performance. As such the Trustee has determined what they consider the most salient topic within each of the three ESG factors, as listed below.

Engagement Priority	Rational
<b>Environment:</b> Climate Change	<p>Climate-related financial impacts are driven by the associated transition to a low-carbon economy and the physical damages of different climate outcomes.</p> <p>The Trustee believes climate change issues present risks and opportunities that increasingly may require explicit consideration</p>
<b>Social:</b> Human rights including modern Slavery	<p>Workforce and supply chain safety and human rights practices should avoid contributing to modern slavery, exploitation and other human rights abuses – these can contribute to economic instability, the threat of social tension and subsequent political instability which, in turn, may have a negative impact on investment performance.</p> <p>The Trustee notes alignment of this priority with the Company's Supplier Code of Conduct and the commitments made therein.</p>
<b>Governance:</b> Executive remuneration	<p>Executives have significant influence over the financial success of the companies which they manage. Therefore, executive remuneration policies can have a meaningful impact on the return of investors in companies.</p> <p>These policies should attract and retain talent whilst ensuring alignment of incentives with company and shareholder objectives.</p>

## Significant Votes

The Trustee considers a vote to be significant if the holding makes up more than 2% of the relevant fund's value and:

- It relates to any of the Trustee's engagement priorities, as set out above; or
- It has a direct financial impact on the company.

Any vote on exposures that make up more than 5% of the relevant fund are also considered significant, irrespective of the purpose of the vote.

The Trustee reports on the most significant votes later in this report.

## Engagement and Ownership for DC Default Strategy

The investments within the default strategy are accessed via third-party investment funds - most are managed by BlackRock and Amundi. These investment managers are responsible for engaging with the companies within which they invest, as well as exercising the attached ownership rights (i.e. voting powers), to influence corporate policies/behaviours and hold company management to account. AllianceBernstein (AB) monitors third-party investment managers' policies and actions to ensure that they align as closely as possible with their own. AB meet with each manager quarterly on ESG including on the topic of Stewardship, and they receive their voting data quarterly and are increasingly also receiving detailed engagement content.

Below are the latest available summary statistics of the investment managers' engagement and voting track records, as well as specific examples.

Manager	Engagement	Voting
BlackRock	<ul style="list-style-type: none"> <li>• Engaged with 2,588 global issuers</li> <li>• 3,886 total recorded engagements</li> <li>• Engagements by key priority / theme: <ul style="list-style-type: none"> <li>○ Board quality and effectiveness – 2,349</li> <li>○ Strategy, purpose and financial resilience – 2,118</li> <li>○ Incentives aligned with financial value creation – 1,509</li> <li>○ Climate and natural capital – 2,115</li> <li>○ Company impacts on people – 1,469</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 18,272 meetings voted</li> <li>• 173,326 total proposals voted</li> <li>• 13% of votes were against management</li> <li>• 17% of votes were in favour of shareholder proposals <ul style="list-style-type: none"> <li>○ 24% of Environment/Climate-related shareholder proposals supported</li> <li>○ 17% of Social/Health/Human Rights-related shareholder proposals supported</li> </ul> </li> </ul>
Amundi	<ul style="list-style-type: none"> <li>• Engaged with 2,115 global issuers</li> <li>• Engagements by key priority / theme: <ul style="list-style-type: none"> <li>○ Transition towards a low carbon economy – 1,104</li> <li>○ Natural capital preservation – 344</li> <li>○ Social cohesion – 315</li> <li>○ Product, client, societal responsibility – 235</li> <li>○ Strong governance for sustainable development – 355</li> <li>○ Dialogue to foster a stronger voting exercises – 1,031</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 10,208 meetings voted</li> <li>• 107,297 total proposals voted</li> <li>• Voted on 99% of proposals for which they were eligible</li> <li>• 21% of votes were against management</li> <li>• 68% of votes were in favour of shareholder proposals <ul style="list-style-type: none"> <li>○ 87% of Environment/Climate-related shareholder proposals supported</li> <li>○ 81% of Social/Health/Human Rights-related shareholder proposals supported</li> </ul> </li> </ul>

Voting and engagement metrics cover the year to 31 December 2022 and represent the aggregate of Blackrock and Amundi exposures held by AB, not only the underlying funds that ABF TDF invests in.

Source: BlackRock, Amundi, AllianceBernstein.

### Specific Examples of Engagement Activity

#### Engagement Example – AllianceBernstein

**Nestle:** Over the Scheme Year, AllianceBernstein Responsible Investment team have engaged with Nestle across multiple strategies run by them, details of which are provided below.

Much of the cocoa that Nestle sources is grown in West Africa, which has significant issues with child labour, deforestation and poverty

Nestle's income accelerator program (IAP) aims to reach all of its cocoa supply chain by 2030. The IAP provides both cash incentives and support to farmers. The incentives are linked to key performance indicators (KPIs) – e.g. farmers receive €100 for enrolling all children in school, good agricultural practices, planting 10 trees, diversified incomes, and meeting all KPIs. To support empowerment, half the pay goes to each spouse.

The manager met the Head of Cocoa Sustainability Issues and other representatives. Considering IAP requires all farmers to have bank accounts and access mobile payments, they asked whether they are tracking the issue of access. Nestle informed them that they have partnered with both local mobile companies to help farmers setup mobile banking.

It was noted that Nestle appears to be making meaningful progress on the root causes of child labour. This process is continuously evolving and the manager will continue engaging with them to monitor progress.

### Engagement and Ownership for DC Self Select Funds

Due to the number of DC Self Select Funds in the Scheme, it would not be possible to disclose all the voting information from the external investment managers in this statement and given the vast majority of assets and members (circa 98%) are invested in the target date funds the Trustee has elected to focus on these assets. The Trustee has not specified additional voting and engagement behaviours for these Funds as the voting and engagement for the Funds is outsourced for the DC Self Select Funds investment managers to carry it out.

### Engagement and Ownership of Legacy AVC Funds

Due to the nature of the Legacy AVC Funds, it has not been possible to obtain the information from the policies which are mainly with-profit insurance policies. The Trustee has not specified additional voting and engagement behaviours for these Funds as the voting and engagement for the Funds is outsourced for the Legacy AVC Funds investment managers to carry it out.

### Engagement and Ownership for DB Investment Strategy

The investments within the DB Investment strategy are segregated between investment managers with equity, bond, property and derivative portfolios. Each investment manager within the equity portfolio is responsible for engaging with the companies within which they invest, as well as exercising the attached ownership rights (i.e. voting powers), to influence corporate policies/behaviours and hold company management to account. The Trustee monitors third-party investment managers' policies and actions to ensure that they align as closely as possible with our own. Some managers within the bond portfolio also hold investments that have voting rights attached to them and these managers are also reported below.

Below are the latest available summary statistics of the equity investment managers' engagement and voting track records, as well as specific examples.

Manager	Engagement	Voting
Artemis	<ul style="list-style-type: none"> <li>Artemis have been unable to provide the primary engagement topics since engagement does not form part of the investment process in the SmartGARP strategy.</li> </ul>	<ul style="list-style-type: none"> <li>156 meetings voted</li> <li>2,047 total proposals voted</li> <li>96.3% of eligible votes were cast</li> <li>88.5% of votes were with management recommendations</li> <li>11.5% of votes were against one or more management recommendations</li> <li>0.2% of votes were abstained from</li> <li>In 53.7% of meetings at least one vote was cast against management, withheld or abstained</li> </ul>
Beachpoint	<ul style="list-style-type: none"> <li>Engaged with 18 global companies</li> <li>26 total recorded engagements</li> <li>The primary engagement topics are split as follows: <ul style="list-style-type: none"> <li>42% environmental matters</li> <li>8% social matters</li> <li>12% governance matters</li> <li>38% other matters</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>11 meetings voted</li> <li>76 total proposals voted</li> <li>All eligible votes were cast</li> <li>1.2% of votes were against one or more management recommendations</li> <li>No votes were abstained from</li> <li>9.1% of meetings at least one vote was cast against management</li> </ul>

Manager	Engagement	Voting
<b>Calamos</b>	<ul style="list-style-type: none"> <li>• The Calamos Global Team does not presently engage company management with specific objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• 61 meetings voted</li> <li>• 1,125 total proposals voted</li> <li>• 94.5% of eligible votes were cast</li> <li>• 99.6% of votes were with management recommendations</li> <li>• 0.4% of votes were against one or more management recommendations</li> <li>• No votes were abstained from</li> <li>• In 8.2% of meetings at least one vote was cast against management</li> </ul>
<b>CQS</b>	<ul style="list-style-type: none"> <li>• Engaged with 72 different corporate issuers and banks</li> <li>• 85 total recorded engagements</li> </ul>	<ul style="list-style-type: none"> <li>• 5 total proposals voted</li> <li>• 80.0% of eligible votes were with management recommendations</li> <li>• 20.0% of eligible votes were against one or more management recommendations</li> </ul>
<b>Liontrust</b>	<ul style="list-style-type: none"> <li>• Engaged with 1 global company on social and environmental matters</li> </ul>	<ul style="list-style-type: none"> <li>• 42 meetings voted</li> <li>• 755 total proposals voted</li> <li>• 80.9% of eligible votes were cast</li> <li>• 89.2% of votes were with management recommendations</li> <li>• 10.8% of votes were against one or more management recommendations</li> <li>• 4.4% of votes were abstained from</li> <li>• In 66.7% of meetings at least one vote was cast against management</li> </ul>
<b>Schroders</b>	<ul style="list-style-type: none"> <li>• Engaged with 160 global companies</li> <li>• 507 total recorded engagements</li> <li>• The primary engagement topics are split as follows: <ul style="list-style-type: none"> <li>○ 78% environmental matters</li> <li>○ 11% social matters</li> <li>○ 10% governance matters</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 585 meetings voted</li> <li>• 7,428 total proposals voted</li> <li>• 95.8% of eligible votes were cast</li> <li>• 84.8% of votes were with management recommendations</li> <li>• 11.0% of votes were against one or more management recommendations</li> </ul>
<b>Veritas</b>	<ul style="list-style-type: none"> <li>• Engaged with 13 global companies</li> <li>• 21 total recorded engagements</li> <li>• The primary engagement topics are split as follows: <ul style="list-style-type: none"> <li>○ 76% environmental matters</li> <li>○ 5% social matters</li> <li>○ 19% governance matters</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 24 meetings voted</li> <li>• 408 total proposals voted</li> <li>• All eligible votes were cast</li> <li>• 88.5% of votes were with management recommendations</li> <li>• 11.5% of votes were against one or more management recommendations</li> <li>• No votes were abstained from</li> <li>• In 54.1% of meetings at least one vote was cast against management</li> </ul>

## Specific Examples of Engagement

### Engagement Example – Beachpoint

Moss Creek is a private Exploration & Production (E&P) company with highly economic assets in the northern Midland Basin of the Permian and has instituted a number of leading practices to mitigate environmental damage and promote responsible production. The company, however, lags on their ESG disclosure, lacking any comprehensive reporting of material ESG issues. Beachpoint led an engagement with Moss Creek, aimed at consulting them on how to best prioritize, measure, and report on material ESG considerations identified. During the engagement, Beachpoint highlighted the issues most material for the E&P sector, as well as providing details around best industry practices.

Following the start of the engagement in Q2 2022, Moss Creek has since set quantitative decarbonisation targets and reported on the performance of their newly defined sustainability goals during their Q3 2022 earnings call. They have released an ESG report, which will be published on an annual basis, outlining their ESG strategy and identification of their most material KPIs. Beachpoint believes this represents an important step for the company to identify, measure, and report on specific ESG goals, which includes their best-in-class approach to water recycling.

### Engagement Examples – Calamos

Although Calamos does not presently engage company management with specific objectives; the manager does have frequent interactions with companies and ESG-related issues are discussed and documented. Some of examples of which are provided below.

**Prysmian:** The company designs, produces and installs a variety of cables utilized in the energy and telecom industries. The Calamos Investment Team discussed the company's EUR 1.2b sustainability-linked term loan that is determined by ESG KPIs, including net zero emissions, gender diversity, and supply chain sustainability. Prysmian was able to qualify for financing at attractive rates due to decarbonisation targets and ratio of female white-collar employees hired as percentage of total group hires. The company is also a key enabler of renewable energy, such as offshore wind farms, due to its expertise in design, production, and installation of submarine cable systems and components. Lastly, Prysmian plays a significant role in connecting power transmission and distribution grids that will help meet carbon reduction targets.

**ASML:** ASML is a leading global semiconductor equipment company, with a strong focus on the energy supply situation. The Calamos Investment Team discussed with the company primary strategic objectives - securing the energy resources required for their business, while also implementing efforts to incorporate an increasing proportion of green energy themselves in order alleviate risks or energy shortages. In addition to continuing to source more of their own energy from renewal resources, ASML is also starting to collaborate with suppliers to ensure those companies in their supply chain have alternatives to secure the energy they need.

**Rolls Royce:** Rolls Royce is a manufacturer of aerospace, marine and industrial gas turbines for aircraft. The Calamos Investment Team discussed the company's and broader industry's outlook for electric aviation (reducing carbon emissions) and nuclear power generation, given Rolls' development of modular reactors. Also discussed with management were views on addressing remuneration targets to focus on both financial metrics as well as ESG-related KPIs. Lastly, the Team noted the company's exposure to hydrogen engines for power production.

### Engagement Examples – CQS

**Jadex:** CQS have been supporting Jadex, a material science manufacturer, in making progress towards a net zero commitment. Initially, CQS discussed the idea of decarbonisation with Jadex in March 2022. At this time, the CFO informed them that they would be working to calculate baseline greenhouse gas emissions before establishing any targets. In November 2022, CQS followed up and Jadex told them that they would work towards reducing their operational impact on the planet however they did not set any specific targets. In February 2023, CQS caught up with them again and they revealed that they have released their first ESG report and announced a decarbonisation target of 10% reduction in scope 1 & 2 emissions by 2025.

### Engagement – Liontrust

**Sage Group:** Sage Group is an enterprise software company that was engaged by Liontrust in October 2022 on their ESG Metrics. The Liontrust Responsible Capitalism team met with Sage and discussed ESG metrics and diversity, equity and inclusion. Sage outlined its carbon reduction targets and shared outcomes from its employee engagement survey as well as details of its global gender diversity targets.

## Engagement – Schroders

Over the Scheme Year, and in particular in Q2 2022, Schroders engagement focused on the topic of reducing emissions, which is in line with their broader initiative on accelerating progress towards net zero. Specifically, each company was asked for a commitment to move to net zero by the middle of this century with firm near, mid and long term targets set that include scope 1, 2 and relevant scope 3 emissions. Furthermore, detailed transition plans were requested to be published as well as progress updates.

Schroders were pleased to note the positive approach already employed by several companies held on the QEP desk. Where Schroders felt that companies are lagging their peers in this transition, they set out their intention to vote against individual board members and not support any 'Say on Climate' proposals. This being a new type of proposal to seek shareholder approval of climate targets, policy or plans. By not supporting, they hope to challenge the company to do more.

Schroders also highlighted their reactive engagement with **Kimberley Clark** over Q4 2022. The company faced allegations of forced labour within their supply chain, specifically concerning a Malaysian supplier. Schroders sought to understand what action the company is taking as a result, though few specificities were able to be shared with litigation ongoing. However, Schroders were pleased to hear of the steps that had already been taken to better their due diligence processes. Kimberley Clark had already invested in mechanisms to improve supply chain standards and are working with stakeholder groups more proactively to improve communication channels. They are also increasing access to new data sources in the hope this can help identify high risk suppliers in the future.

US based telco giant **Verizon** was a company engaged with on a range of items during Q1 2023, which Schroders noted that Verizon responded to comprehensively. With a company focus on digital inclusion, it has lobbied for government subsidies to help provide reliable broadband to rural communities in the US. Verizon confirmed they were awarded subsidies to support upgrading their wireline network from copper to fibre in multiple locations, improving connectivity and internet speeds. Labour-related allegations centred on anti-union practices are being levelled at the organisation so Schroders also took the opportunity to better understand this situation, particularly Verizon's union relationships. They noted that all unfair labour practice allegations have now been withdrawn and that they recently extended their collective bargaining agreements, covering union represented employees, to 2026. This helped allay concerns on the company's working relationship with the unions. Finally, given the absence of a publicly available biodiversity policy Schroders requested information on its current programmes or policies in place and highlighted the importance of disclosing these along with any targets. The company confirmed several practices to mitigate their impact on biodiversity. Verizon have also committed to the sustainable sourcing of paper with an enterprise-wide paper sourcing and use policy, while all of the organisation's e-waste (outside of fibre optic cables) is re-used or recycled.

## Engagement – Veritas

### Canadian Pacific Railway

**Rationale** – Encourage alignment of Science Based Targets (SBT) with a 1.5 degree Celsius pathway.

**What was done** - As part of Veritas's TCFD work, they have focussed on SBT alignment. It is their belief that emission reduction targets that are not Science-Based are not meaningful. Therefore, they encourage all companies in which they are invested, to adopt an effective Science-Based climate strategy that preferably incorporates a 1.5 degrees Celsius warming scenario encompassing the entire value chain. They expect Science-Based Targets to receive verification by an independent body. During the 1st half of 2022, following an extensive review of each company's climate strategy and commitments to align their business with Net Zero, Veritas categorised companies into the following groups:

- List A - Companies that do not have SBTs,
- List B - Companies that have SBTs that have not received independent verification and
- List C - Companies that have SBTs. However, the targets are not aligned with 1.5°C temperature pathway.

Each company was sent a custom letter that details our stance on climate change and where Veritas believe the company has fallen short in their efforts thus far.



**Outcomes and next steps** - Veritas received a letter from Keith Creel, the CEO. The company agrees there is a need for independently verified science-based targets. In July 2021, they released their first climate strategy, which included a SBT-verified target to reduce emission intensity, including Scope 1, 2 and 3 emissions 38% by 2020. They acknowledge that this target is aligned with a well below 2°C pathway rather than 1.5°C. However, they recognise the standard has changed and aligning targets with 1.5°C is necessary; work is underway to determine how this framework can be applied.

### Most Significant Votes

The Trustee's definition of a significant vote is provided in a previous section of this Statement. The most significant votes are considered to be all significant votes made by the top three holdings within each mandate. The table below lists the most significant votes cast over the year.

As the Trustee delegates the responsibility for the exercising of voting rights attached to the Scheme's investments to their appointed investment managers. As such the Trustee does not use the direct services of a proxy voter. However, the Scheme's investment managers do utilise proxy voting providers, many of which using a custom voting policy and with final say on any votes determined by the investment manager.

Manager	Vote Information	Outcome
Calamos	<p><b>Company:</b> Taiwan Semiconductor MFG. CO. Ltd</p> <p><b>Date of vote:</b> 20/05/2022</p> <p><b>Resolution summary:</b> To approve the issuance of employee restricted stock awards for year 2022</p> <p><b>Reason for significance of vote:</b> Executive remuneration</p> <p><b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 3.19%</p>	<p><b>How the manager voted:</b> For</p> <p><b>Rationale for vote decision:</b> In-line with proxy voting policy</p> <p><b>Vote Outcome:</b> Approved</p> <p><b>Implications:</b> None provided</p>
	<p><b>Company:</b> Microsoft Corporation</p> <p><b>Date of vote:</b> 23/11/2022</p> <p><b>Resolution summary:</b> Advisory vote to approve named executive officer compensation</p> <p><b>Reason for significance of vote:</b> Executive remuneration</p> <p><b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 2.58%</p>	<p><b>How the manager voted:</b> For</p> <p><b>Rationale for vote decision:</b> In-line with proxy voting policy</p> <p><b>Vote Outcome:</b> Approved</p> <p><b>Implications:</b> None provided</p>
	<p><b>Company:</b> Microsoft Corporation</p> <p><b>Date of vote:</b> 23/11/2022</p> <p><b>Resolution summary:</b> Shareholder Proposal - Report on Investment of Retirement Funds in Companies Contributing to Climate Change</p> <p><b>Reason for significance of vote:</b> Climate Change</p> <p><b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 2.58%</p>	<p><b>How the manager voted:</b> Against</p> <p><b>Rationale for vote decision:</b> In-line with proxy voting policy</p> <p><b>Vote Outcome:</b> Not Approved</p> <p><b>Implications:</b> None provided</p>

Manager	Vote Information	Outcome
	<p><b>Company:</b> ASML Holding NV  <b>Date of vote:</b> 04/11/2022  <b>Resolution summary:</b> Advisory vote on the remuneration report for the Board of Management and the Supervisory Board for the financial year 2021  <b>Reason for significance of vote:</b> Executive Remuneration  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 2.39%</p> <p><b>Company:</b> ASML Holding NV  <b>Date of vote:</b> 04/11/2022  <b>Resolution summary:</b> Proposal to amend the remuneration policy for the Board of Management  <b>Reason for significance of vote:</b> Executive Remuneration  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 2.39%</p>	<p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> In-line with proxy voting policy  <b>Vote Outcome:</b> Approved  <b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> In-line with proxy voting policy  <b>Vote Outcome:</b> Approved  <b>Implications:</b> None provided</p>
Liontrust	<p><b>Company:</b> Bank of Ireland Group Plc  <b>Date of vote:</b> 26/05/2022  <b>Resolution summary:</b> Approve Remuneration Report  <b>Reason for significance of vote:</b> Executive remuneration  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 4.00%</p> <p><b>Company:</b> Centrica Plc  <b>Date of vote:</b> 07/06/2022  <b>Resolution summary:</b> Approve Climate Transition Plan  <b>Reason for significance of vote:</b> Climate change  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 3.70%</p>	<p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> Liontrust's proxy advisor, ISS, didn't identify any concerns with the report.  <b>Vote Outcome:</b> Approved  <b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> We voted in favour of this proposal because although a complete schedule of comprehensive short, medium and long-term emissions reduction targets has not been provided, there are a range of timelines and targets, and the Company made a public commitment to get near-term targets approved by the Science Based Targets Initiative (SBTi). Furthermore, other positive aspects include the commitment to the TCFD recommendations and the intention to regularly (every three years) provide shareholders with an advisory vote on climate at future AGMs. However, we noted the concerns cited by our proxy advisor,</p>

Manager	Vote Information	Outcome
	<p><b>Company:</b> ASML Holding NV  <b>Date of vote:</b> 29/04/2022  <b>Resolution summary:</b> Approve Remuneration Report  <b>Reason for significance of vote:</b> Executive remuneration  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 3.60%</p>	<p>ISS, surrounding the company not having provided short-term targets.  <b>Vote Outcome:</b> Approved  <b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> Liontrust's proxy advisor, ISS, didn't identify any concerns with the report.  <b>Vote Outcome:</b> Approved  <b>Implications:</b> None provided</p>
Veritas	<p><b>Company:</b> Alphabet Inc.  <b>Date of vote:</b> 01/06/2022  <b>Resolution summary:</b> Amend Omnibus Stock Plan  <b>Reason for significance of vote:</b> Financial Impact  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 6.1%</p> <p><b>Company:</b> Alphabet Inc.  <b>Date of vote:</b> 01/06/2022  <b>Resolution summary:</b> Increase Authorized Common Stock  <b>Reason for significance of vote:</b> Financial Impact  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 6.1%</p> <p><b>Company:</b> Alphabet Inc.  <b>Date of vote:</b> 01/06/2022  <b>Resolution summary:</b> Report on Climate Lobbying  <b>Reason for significance of vote:</b> Climate Change</p>	<p><b>How the manager voted:</b> Against  <b>Rationale for vote decision:</b> Based on evaluation of the estimated cost, plan features, and grant practices using the Equity Plan Scorecard (EPSC), a vote against this proposal is warranted due to the following key factor(s):</p> <ul style="list-style-type: none"> <li>• The three-year average burn rate is excessive</li> <li>• The disclosure of change-in-control ("CIC") vesting treatment is incomplete (or is otherwise considered discretionary)</li> <li>• The plan permits liberal recycling of shares</li> <li>• The plan allows broad discretion to accelerate vesting.</li> </ul> <p><b>Vote Outcome:</b> Approved  <b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> None provided  <b>Vote Outcome:</b> Veritas only provide vote outcomes where they have voted against management.  <b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> Against  <b>Rationale for vote decision:</b> Veritas believe company already have a number of sufficient disclosures in this area. P.73 in the proxy - Google's U.S. Public Policy Transparency Report for our public policy and lobbying activities provides robust and regularly</p>



Manager	Vote Information	Outcome
	<p><b>Company:</b> Alphabet Inc.  <b>Date of vote:</b> 01/06/2022  <b>Resolution summary:</b> Report on Risks of Doing Business in Countries with Significant Human Rights Concerns  <b>Reason for significance of vote:</b> Human Rights  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 6.1%</p> <p><b>Company:</b> Alphabet Inc.  <b>Date of vote:</b> 01/06/2022</p>	<p>plan, in 2020 they launched their third decade of climate action to accelerate the climate transition. They are now working toward a new set of ambitious goals, which should strengthen their resilience to climate-related risks and help them harness opportunities. By 2030, their goal is to:</p> <ul style="list-style-type: none"> <li>• Achieve net-zero emissions across all of their operations and value chain;</li> <li>• Become the first major company to run on carbon-free energy 24 hours a day, seven days a week, 365 days a year;</li> <li>• Enable 5 gigawatts of new carbon-free energy through investments in their key manufacturing regions; and</li> <li>• Help more than 500 cities and local governments reduce an aggregate of 1 gigaton of carbon emissions annually.</li> </ul> <p>Their annual Environmental Report discloses progress towards these and other sustainability targets. They regularly track progress toward their environmental goals and targets, and share updates with stakeholders. Data and transparency are important markers of the progress they are making to evaluate and address climate-related risks and opportunities. Their existing disclosures provide meaningful insight into how they identify, assess, and mitigate climate-related risks, including physical risks.</p> <p><b>Vote Outcome:</b> Veritas can only provide vote outcomes where they have voted against management.</p> <p><b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for vote decision:</b> A vote for this proposal is warranted. Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.</p> <p><b>Vote Outcome:</b> Not Approved</p> <p><b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale for vote decision:</b> A vote against this resolution is warranted, as the company's existing board framework appears adequate to allow for robust oversight of issues related</p>



Manager	Vote Information	Outcome
	<p><b>Resolution summary:</b> Establish an Environmental Sustainability Board Committee</p> <p><b>Reason for significance of vote:</b> Climate Change</p> <p><b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 6.1%</p> <p><b>Company:</b> BAE Systems Plc</p> <p><b>Date of vote:</b> 05/05/2022</p> <p><b>Resolution summary:</b> Approve Remuneration Report</p> <p><b>Reason for significance of vote:</b> Executive Remuneration</p> <p><b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 6.0%</p> <p><b>Company:</b> BAE Systems Plc</p> <p><b>Date of vote:</b> 05/05/2022</p> <p><b>Resolution summary:</b> Approve Final Dividend</p> <p><b>Reason for significance of vote:</b> Financial Impact</p> <p><b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 6.0%</p> <p><b>Company:</b> BAE Systems Plc</p> <p><b>Date of vote:</b> 05/05/2022</p> <p><b>Resolution summary:</b> Authorise Issue of Equity</p> <p><b>Reason for significance of vote:</b> Financial Impact</p> <p><b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio):</b> 6.0%</p> <p><b>Company:</b> BAE Systems Plc</p> <p><b>Date of vote:</b> 05/05/2022</p> <p><b>Resolution summary:</b> Authorise Issue of Equity without Pre-emptive Rights</p> <p><b>Reason for significance of vote:</b> Financial Impact</p>	<p>to environmental issues and, absent clear performance concerns, the board is generally given latitude to determine its committee structure.</p> <p><b>Vote Outcome:</b> Veritas only provide vote outcomes where they have voted against management.</p> <p><b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for vote decision:</b> Red Line G19. The total remuneration package of any director is more than 100 times greater than the average pay of the company's UK workforce.</p> <p><b>Vote Outcome:</b> Veritas only provide vote outcomes where they have voted against management.</p> <p><b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for vote decision:</b> None provided</p> <p><b>Vote Outcome:</b> Veritas only provide vote outcomes where they have voted against management.</p> <p><b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for vote decision:</b> None provided</p> <p><b>Vote Outcome:</b> Veritas only provide vote outcomes where they have voted against management.</p> <p><b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale for vote decision:</b> Red Line G13 The resolution requests the disapplication of pre-emptive rights.</p> <p><b>Vote Outcome:</b> Approved</p> <p><b>Implications:</b> None provided</p>

Manager	Vote Information	Outcome
	<p><b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio): 6.0%</b></p> <p><b>Company:</b> BAE Systems Plc  <b>Date of vote:</b> 05/05/2022  <b>Resolution summary:</b> Authorise Market Purchase of Ordinary Shares  <b>Reason for significance of vote:</b> Financial Impact  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio): 6.0%</b></p> <p><b>Company:</b> Microsoft Corporation  <b>Date of vote:</b> 13/12/2022  <b>Resolution summary:</b> Advisory Vote to Ratify Named Executive Officers' Compensation  <b>Reason for significance of vote:</b> Executive Remuneration  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio): 5.9%</b></p> <p><b>Company:</b> Microsoft Corporation  <b>Date of vote:</b> 13/12/2022  <b>Resolution summary:</b> Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk  <b>Reason for significance of vote:</b> Climate Change  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of portfolio): 5.9%</b></p>	<p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> None provided  <b>Vote Outcome:</b> Veritas only provide vote outcomes where they have voted against management.  <b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> None provided  <b>Vote Outcome:</b> Veritas only provide vote outcomes where they have voted against management.  <b>Implications:</b> None provided</p> <p><b>How the manager voted:</b> Against  <b>Rationale for vote decision:</b> A vote against this resolution is warranted. The company offers an option to employees that want to invest more responsibly, and the Department of Labor is finalizing rules on how ESG factors should be considered by fiduciaries.  <b>Vote Outcome:</b> Veritas only provide vote outcomes where they have voted against management.  <b>Implications:</b> None provided</p>

Manager	Vote Information	Outcome
<p>DC Target Date Fund – Amundi MSCI World Climate Transition</p>	<p><b>Company:</b> Apple Inc.  <b>Date of vote:</b> 10/03/2023  <b>Resolution summary:</b> Report on Civil Rights and Non-Discrimination Audit  <b>Reason for significance of vote:</b> Human Rights  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of underlying portfolio within the Target Date Funds):</b> 3.9%</p>	<p><b>How the manager voted:</b> Against  <b>Rationale for vote decision:</b> We do not see that the proponent has demonstrated a deficiency in the Company's current level of disclosure on the matter, and therefore we consider that the proposal is not in shareholders' interest.  <b>Vote Outcome:</b> None provided  <b>Implications:</b> None provided</p>
	<p><b>Company:</b> Tesla Inc.  <b>Date of vote:</b> 04/08/2022  <b>Resolution summary:</b> Report on Corporate Climate Lobbying in line with Paris Agreement  <b>Reason for significance of vote:</b> Climate Change  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of underlying portfolio within the Target Date Funds):</b> 4.8%</p>	<p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> We consider the commitment requested by the proposal as useful for shareholders to assess progress towards Paris Agreement targets.  <b>Vote Outcome:</b> None provided  <b>Implications:</b> None provided</p>
	<p><b>Company:</b> AMERCO  <b>Date of vote:</b> 18/08/2022  <b>Resolution summary:</b> Adopt GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal  <b>Reason for significance of vote:</b> Climate Change  <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of underlying portfolio within the Target Date Funds):</b> 4.8%</p>	<p><b>How the manager voted:</b> For  <b>Rationale for vote decision:</b> We consider the commitment requested by the proposal as useful for shareholders to assess progress towards Paris Agreement targets.  <b>Vote Outcome:</b> None provided  <b>Implications:</b> None provided</p>



Manager	Vote Information	Outcome
<b>DC Target Date Fund – Amundi MSCI World SRI</b>	<b>Company:</b> Tesla Inc. <b>Date of vote:</b> 04/08/2022 <b>Resolution summary:</b> Report on Corporate Climate Lobbying in line with Paris Agreement <b>Reason for significance of vote:</b> Climate Change <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of underlying portfolio within the Target Date Funds):</b> 4.8%	<b>How the manager voted:</b> For <b>Rationale for vote decision:</b> We consider the commitment requested by the proposal as useful for shareholders to assess progress towards Paris Agreement targets. <b>Vote Outcome:</b> None provided <b>Implications:</b> None provided
	<b>Company:</b> Tesla Inc. <b>Date of vote:</b> 04/08/2022 <b>Resolution summary:</b> Report on Eradicating Child Labor in Battery Supply Chain <b>Reason for significance of vote:</b> Climate Change <b>Approximate Size of fund's /mandate's holding as the date of the vote (as % of underlying portfolio within the Target Date Funds):</b> 4.8%	<b>How the manager voted:</b> For <b>Rationale for vote decision:</b> Additional disclosure is warranted concerning current policies, procedures, or practices with respect to human rights. A report describing how Tesla's policies and practices governing the sourcing of battery minerals and progress towards cobalt-free battery goals will put the Company on course to eradicate child labor in all forms from its battery supply chain by 2025, would provide shareholders with additional information on how the company is managing any risks associated with this problem. Amundi therefore considers that the proposal has merit. <b>Vote Outcome:</b> None provided <b>Implications:</b> None provided

**Note:** No significant votes were cast over the year within the Artemis, BeachPoint, CQS or Schroders mandates within the DB Section of the Scheme. Within the DC Target Date Funds BlackRock are currently unable to provide the percentage holding in the underlying fund and so no significant votes are listed in this report for these funds.