

LANDIS GRINDING SYSTEMS PENSION FUND

ANNUAL REPORT

YEAR ENDED 5 APRIL 2022

PLAN REGISTRATION NUMBER: 10273536

LANDIS GRINDING SYSTEMS PENSION FUND

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LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES AND THEIR ADVISERS FOR THE YEAR ENDED 5 APRIL 2022

Trustees

BESTrustees Limited – represented by Ann Rigby (Employer-Appointed) (Chair)
Anthony Howarth (Member-Nominated)
Phil Snowden (Employer-Appointed)

Secretary to the Trustees

Jay Solanki
Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
CR0 2LX

Principal Employer

Fives Landis Limited
Eastburn Works
Skipton Road
Cross Hills
Keighley
BD20 7SD

Plan Actuary

David Jarman
Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
CR0 2LX

Plan Administrator

Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
CR0 2LX

Independent Auditor

Nortons Assurance Limited
Highlands House
Basingstoke Road
Spencers Wood
Reading
Berkshire
RG7 1NT

LANDIS GRINDING SYSTEMS PENSION FUND
TRUSTEES AND THEIR ADVISERS
FOR THE YEAR ENDED 5 APRIL 2022

Bank

Clydesdale Bank PLC (trading as Virgin Money)
48-50 Market Street
Manchester
M1 1PW

Fiduciary Investment Manager

Schroders Solutions (formerly River & Mercantile Solutions)
1 Wall Place
London
EC2Y 5AU

Legal Adviser

Field Fisher
Riverbank House
2 Swan Lake
London
EC4R 3TT

Custodian

CACEIS
Broadwalk House
5 Appold Street
London
EC2A 2AG

Insurance Policy Provider

Legal and General
PO Box 6080
Wolverhampton
WV1 9RB

Enquiries

Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
CR0 2LX

Email: Landis@premiercompanies.co.uk

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Introduction

The Trustees of the Landis Grinding Systems Pension Fund (the "Plan") are pleased to present their report together with the financial statements for the year ended 5 April 2022. The Plan is a defined benefit scheme.

The Plan was established on 1 July 2005 and is governed by a definitive trust deed dated 30 June 2006.

With effect from 5 April 2008 the Plan became a Career Average Revalued Earnings ("CARE") Scheme in relation to future service. The past service benefits were calculated as at 5 April 2008 using Final Pensionable Salary as at 6 April 2008. The Plan was closed to new entrants with effect from 30 April 2012. The Plan has also been closed for future accrual with effect from November 2013. There is now a new category of Employed Deferred membership which consists of Fives Landis Limited employees who are no longer accruing benefits due to the closure of the Plan.

Management of the Plan

A list of Trustees is on page 1.

Under the Pensions Act 2004, from 6 April 2006, scheme trustees (including those whose Sponsoring Employers opted out of the 1996 Member-Nominated Trustee requirements) are required to ensure that at least one third of trustees are nominated and selected by the members.

The Member-Nominated Trustee may be removed before the end of their three-year term only by agreement of the remaining Trustees, although their appointment ceases if they cease to be a member of the Plan.

In accordance with the trust deed, the Principal Employer, Fives Landis Limited, has the power to appoint and remove the other Trustees of the Plan.

Further information about the Plan is given in the explanatory booklets, which are issued to all relevant members.

During the year, four Trustee Meetings were held.

Governance and Risk Management

The Trustees have in place a risk register and business plan that sets out their objectives in areas such as administration, investment, funding and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustees run the Plan efficiently and serves as a useful reference document.

Trustee Knowledge and Understanding

The Pensions Act 2004 requires Trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Plan documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding, to assist trustees on this matter, which became effective from 6 April 2006. The Trustees receive regular training and have agreed a training plan. This enables the Trustees to meet the Trustee Knowledge and Understanding requirements.

LANDIS GRINDING SYSTEMS PENSION FUND**TRUSTEES' REPORT****FOR THE YEAR ENDED 5 APRIL 2022****Membership**

Details of the Plan's membership for the year ended 5 April are given below:

| | 2022 | 2021 |
|---|-------------|------|
| Pensioners | | |
| Pensioners at the start of the year | 100 | 97 |
| Adjustments | 1 | - |
| Retirements | 5 | 3 |
| New spouses and dependants | - | 1 |
| Deaths | - | (1) |
| Pensioners at the end of the year | 106 | 100 |
| Deferreds | | |
| Members with deferred benefits at the start of the year | 163 | 169 |
| Retirements | (5) | (3) |
| Transfers out | (1) | (2) |
| Deaths | - | (1) |
| Deferreds at the end of the year | 157 | 163 |
| Total Membership at 5 April | 263 | 263 |

Deferred members at the year end included Employed Deferred members totaling 84 (2021: 87).

These membership figures do not include movements notified to the Plan Administrator after the completion of the annual renewal. The adjustments relate to late notifications of member movements.

Included in the above are 3 (2021: 3) pensioners whose benefits are provided by annuities.

Financial Development of the Plan

The financial statements on pages 19 to 33 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the Plan has increased from £41,969,005 at 5 April 2021 to £43,295,126 as at 5 April 2022.

Calculation of Transfer Values

No allowance is made in the calculation of transfer values for discretionary pension increases.

Pension Increases

The increases for pensions in payment on 1 April were as follows:

| | 2022 | 2021 |
|--|-------------|------|
| | % | % |
| GMP for service after 5 April 1988: | 3.0 | 0.5 |
| Pension relating to service after 6 April 1997: | 3.1 | 0.5 |
| Pensions relating to service after 6 April 2007: | 2.5 | 0.5 |

No increase was applied to the Guaranteed Minimum Pension earned in respect of service before April 1988 since this pension is increased separately by the State. Increases calculated in this manner are guaranteed. No discretionary increases were made during the year.

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

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 Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

A summary of the funding position as at 5 April 2020, the date of the latest actuarial valuation of the Plan, showed the following:

| | £m |
|-----------------------|-----------|
| Value of liabilities: | (59.9) |
| Value of assets: | 38.0 |
| Funding deficit: | (21.9) |
| Funding level: | 63% |

If the Employer goes out of business or decides to stop contributing to the Plan, the Plan may be "wound up" and the Employer would be required to pay additional money to buy all members' benefits from an insurance company. The comparison of the Plan's assets to the cost of buying the benefits from an insurance company is known as the "buy-out position". A pension scheme's buy-out position will often show a larger shortfall than the standard actuarial valuation as insurers are obliged to take a very cautious view of the future, and they also seek to make a profit.

The actuarial valuation at 5 April 2020 showed that the Plan's assets would not have been enough to buy all members' benefits from an insurance company, as the "buy-out position" at that date was:

| | £m |
|--|-----------|
| Estimated cost of buying benefits with an insurance company: | (89.7) |
| Value of assets: | 38.0 |
| Buy-out position deficit: | (51.7) |
| Funding level: | 42% |

This does not mean that the Employer is thinking of winding up the Plan. The fact that there was a shortfall at the last valuation has not affected the pensions being paid from the Plan and all members who have retired have received the full amount of their pension.

It is worth remembering that a valuation is just a "snap shot" of the Plan's funding position, and it can change considerably if there are sudden changes in share prices, gilt yields, or members live longer than expected.

LANDIS GRINDING SYSTEMS PENSION FUND**TRUSTEES' REPORT****FOR THE YEAR ENDED 5 APRIL 2022****Report on Actuarial Liabilities (continued)****Method**

The actuarial method used in the calculation of the technical provisions is the Defined Accrued Benefits Method.

Significant Actuarial Assumptions

The key assumptions used for calculating the technical provisions as at 5 April 2020, and future contribution requirement for the Plan were:

| Non-Pensioners | |
|--|---|
| Discount Rate – Post retirement | 1.35% p.a. |
| Discount Rate – Pre retirement | 1.85% p.a. |
| RPI Price Inflation | 2.95% p.a. |
| CPI Price Inflation | RPI less 0.7% p.a. 2.25% p.a. |
| Pension Increases in Payment – Post 1997 and Pre 2007 accruals | 2.25% p.a. |
| Pension Increases in Payment – Post 2007 accruals | 1.95% p.a. |
| Mortality | Base table: S3PxA Allowance for future improvements: CMI_2019 |
| Pensioners | |
| Discount Rate | 1.10% p.a. |
| RPI Price Inflation | 3.15% p.a. |
| CPI Price Inflation | RPI less 0.7% p.a. 2.45% p.a. |
| Pension Increases in Payment – Post 1997 and Pre 2007 accruals | 2.45% p.a. |
| Pension Increases in Payment – Post 2007 accruals | 2.5% p.a. |
| Mortality | Base table: S3PxA Allowance for future improvements: CMI_2019 |

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Report on Actuarial Liabilities (continued)

Recovery Plan

The Trustees and Employer have agreed the following Recovery Plan that will make good the deficit over a period of 12 years and 4 months from the valuation date, ending on 31 August 2032:

- Contributions of £126,600 per month between 1 April 2020 and 31 March 2021.
- Contributions of £131,411 per month between 1 April 2021 and 30 June 2021.
- Contributions of £83,333 per month between 1 July 2021 and 30 June 2024.
- Contributions of £125,000 per month payable from 1 July 2024 to 31 August 2032 (inclusive), increasing by 3% p.a. each April.

The agreed Recovery Plan allowed for an improved funding position, taking into account of factors post the effective date of the valuation, when the estimated funding position as at 5 April 2021 had improved from a deficit of £21.9m to a deficit of £14.8m.

The Actuarial Certificate in relation to the Schedule of Contributions is shown on page 34 of the Annual Report.

The next full valuation is due as at 5 April 2023.

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Investment Matters

Fiduciary Investment Manager

The Trustees have entered into an Investment Management Agreement with Schroders Solutions (formerly River and Mercantile Investments Limited) as the Fiduciary Manager of the portfolio of the Plan's assets and investments.

The Trustees have chosen to implement their investment strategy through Schroders Solutions (formerly River and Mercantile Solutions) Fiduciary Management service, an implemented solution which allows trustees to retain ownership of those decisions which have the greatest importance to the Plan's investment strategy – framing objectives, allocations to on-risk/off-risk assets, risk tolerance – whilst delegating other decisions to Schroders Solutions.

In addition, the Trustees have appointed CACEIS as custodian of the Plan's assets.

Investment Strategy & Objective

The Trustees have delegated the investment of the Plan's assets to the Fiduciary Manager, which has discretion to invest the Plan assets in underlying securities and funds, either directly or through the use of other investment managers (hereafter referred to as the 'Underlying Managers') to run the portfolio on a day-to-day basis. The Trustees have acknowledged and considered with sufficient diligence the potential conflict that may arise from the Fiduciary Manager and the Investment Adviser being the same organisation.

The overall objective of the Plan is to meet the benefit payments promised as they fall due. The Trustees have set the following qualitative objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in this Statement, which will generate income and capital growth to pay, together with contributions from the Sponsoring Employer, the benefits which the Plan provides as they fall due.
2. To limit the risk of the assets being assessed as failing to meet the liabilities over the long-term having regard to any statutory funding requirement.
3. To achieve a return on investments which has a reasonable chance of meeting the Plan Actuary's assumptions over the long term.

In quantitative terms, the Trustees invest in a blend of Growth assets (consisting of Dynamic Assets and an Equity Derivative Overlay Strategy) that broadly targets 3% above cash, and a liability hedge which aims to mitigate the change in the liabilities. The Trustees decide the blend of these funds to target the appropriate return for the Plan, this is shown in the Quarterly Monitoring Report.

The Trustees' long-term objective for the Plan is to target an investment return objective of approximately 1.8% per annum (net of fees) in excess of the returns on the Liability Benchmark Portfolio ("LBP").

In addition to framing the investment objective, the Trustees are responsible for setting the split of assets between return-seeking assets (known as the Growth Assets) and liability-matching assets (known as the Liability Hedging Assets).

Based on consideration of the Plan's liabilities and the desired investment objective, the Trustees have adopted a 60% Growth Assets/40% Liability Hedging Assets split. The Fiduciary Manager has discretion to implement the Trustees' investment strategy in order to meet the objective, as described below.

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Investment Matters (continued)

Investment Strategy & Objective (continued)

Liability Hedging Assets (LHA)

The LHA are invested in a portfolio of directly held gilts, which are expected to move closely in line with the rise and fall in liability values, thus providing a degree of protection to the Plan's funding position.

The LHA also contains OTC derivatives, which extend the liability matching provided by the gilts to changes in interest rate and inflation expectations.

Growth Assets (GA)

The GA hold a diverse portfolio of assets that are expected, in the longer term, to exceed the growth in the value of the Plan's liabilities. The objective for the GA is to achieve a return of at least 3.125% per annum in excess of the return of cash, after the deduction of fees, over rolling three-year periods.

During the year, the GA have been invested in a diversified portfolio of equities, global government, high yield, and emerging market bonds, and alternative assets such as hedge funds and leveraged loans.

The following table shows the asset class restrictions of the GA as well as the asset allocation as a proportion of the GA at the current and prior year end:

| Asset Class | Min % | Max % | 2022 % | 2021 % |
|--|----------|----------|-----------|-----------|
| Equities | 20 | 65 | 44.5 | 52.2 |
| Property | 0 | 20 | 4.6 | 8.2 |
| Alternatives | 0 | 40 | 14.9 | 15.1 |
| Return Seeking Credit | 0 | 45 | 14.0 | 13.1 |
| Commodities | 0 | 15 | 2.5 | 0.0 |
| Cash & Sovereign Bonds | 0 | 40 | 19.5 | 11.4 |
| Equities & Commodities | 20 | 70 | 47.0 | 52.2 |
| Sub-Investment Grade Debt | 0 | 30 | 5.4 | 5.9 |
| Equities and Sub-Investment Grade Debt | 20 | 80 | 49.9 | 58.1 |

* Please note clean values have been used where applicable. All restrictions expressed as a proportion of the Growth Assets. Currency hedging is not included in the figures above.

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Investment Matters (continued)

Investment Performance

Performance of the Plan's assets against the objectives is shown below:

| Portfolio Section | 1 Year (%) | 3 Years p.a. (%) | 5 Years p.a. (%) |
|-------------------|------------|------------------|------------------|
| Growth Assets | 4.4 | 5.5 | 4.2 |
| Objective | 3.3 | 3.4 | 3.5 |
| Relative | 1.1 | 2.1 | 0.7 |
| Total Portfolio | 2.4 | 5.5 | 4.7 |
| Objective | 4.0 | 4.6 | 5.0 |
| Relative | -1.6 | 0.9 | -0.3 |

Performance is shown net of fees to the extent that fees are paid from assets.

Statement of Investment Principles

The Trustees have produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995, dated September 2020. A copy of the Statement is available on request. The main priority of the Trustees when considering the investment policy is to make available investment funds which serve to meet varying needs and risk tolerance of the Plan.

Environmental, Social and Governance Considerations (ESG)

The Trustees and Fiduciary Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Fiduciary Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustees have appointed the Fiduciary Manager to implement the Plan's investment strategy. The Fiduciary Manager manages assets directly on behalf of the Trustees as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Fiduciary Manager is appointed to carry out its role on an ongoing basis. The Trustees periodically review the overall value-for-money of using Schroder Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustees are satisfied that these arrangements incentivise the Fiduciary Manager:

- to align its investment strategy and decisions with the Trustees' investment policies, such as their return target and the restrictions detailed in the Fiduciary Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Plan's performance, which is measured relative to the Trustees' long-term performance objectives.

The Plan investments are generally made via pooled investment funds, in which the Plan investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the underlying managers.

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Investment Matters (continued)

Environmental, Social and Governance Considerations (ESG) (continued)

The Trustees have delegated responsibility for monitoring and voting on decisions relating to their underlying manager holdings to the Fiduciary Manager. The Fiduciary Manager has in place a voting policy which sets out how it will aim to vote at general meetings of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the Fiduciary Manager are subject to additional sign-off by the appropriate representative from the Investment Manager.

The Fiduciary Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Fiduciary Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Fiduciary Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustees' objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Fiduciary Manager, as detailed above.

The Trustees acknowledge the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Fiduciary Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Fiduciary Manager directly monitors these as part of their regulatory filings (where available), the Fiduciary Manager also monitors this as part of ongoing review. The Fiduciary Manager's Conflict of Interest policy is available publicly here:

https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

The Fiduciary Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations, the Fiduciary Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

These considerations which include the below "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. All references to ESG also include climate change.

The Trustees delegate consideration of financially material factors to the Fiduciary Manager who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. As part of their ongoing monitoring, the Trustees review some key metrics on a regular basis that are provided by the Fiduciary Manager covering ESG which enable them to engage with the Fiduciary Manager and understand the impact of ESG on the portfolio.

ESG factors and stewardship are considered, in the context of long-term performance, by the Fiduciary Manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the Fiduciary Manager monitors the ESG implementation and on-going compliance with other factors, like stewardship as a part of overall engagement.

LANDIS GRINDING SYSTEMS PENSION FUND
TRUSTEES' REPORT
FOR THE YEAR ENDED 5 APRIL 2022

Investment Matters (continued)

Custodial Arrangements

The custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Underlying investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments. The Trustees have appointed CACEIS as custodian of the Plan's assets held through Schroders Solutions.

Employer-Related Investments

There were no Employer-related investments during the year.

Investment Management Expenses

Investment management expenses are met by the Plan.

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Compliance Matters

Data Protection

The Trustees are registered as Data Controllers within the meaning of GDPR guidelines (formerly under the Data Protection Act 1998) to hold such information as is necessary for the management of the Plan. Premier Pensions Management Ltd is registered as a Data Processor under GDPR guidelines (formerly under the Act).

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator and can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0345 600 1101
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pension Tracing Service

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
Post Handling Site A
Wolverhampton
WV98 1AF

Telephone: 0800 731 0193
Website: www.thepensionservice.gov.uk

MoneyHelper

For any general enquiries on their pensions, members can contact the MoneyHelper Service. A local advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively, the Service can be contacted at:

MoneyHelper
120 Holborn
London
EC1N 2TD

Telephone: 0800 011 3797
Email: contact.pensionwise@moneyhelper.org.uk
Website: www.moneyhelper.org.uk

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Compliance Matters (continued)

The Pensions Ombudsman

Any concerns connected with the Plan should be referred to Premier Pensions Management Ltd, AMP House, Dingwall Road, Croydon, CRO 2LX as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their Plan which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with The Pensions Ombudsman. The address is:

Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

Enquiries

Members can obtain information about their own pension benefits, copies of the Plan's governing documentation or further information about the Plan by contacting:

Landis Grinding Systems Pension Fund
Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
CRO 2LX

Telephone: 0800 122 3200

Email: Landis@premiercompanies.co.uk

LANDIS GRINDING SYSTEMS PENSION FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Statement of Trustee's 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 Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan 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 Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments 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 Plan will not be wound up.

The Trustees are also responsible for making available certain other information about the Plan in the form of an annual report.

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

The Trustees are 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 Plan by or on behalf of the Employer and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received and for adopting risk-based processes to monitor whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Signed for and on behalf of the Trustees by:

| | | | |
|----------|--|-------|-------------------|
| Trustee: |  <small>D690ADDE9CB5409...</small> | Date: | 15 September 2022 |
|----------|--|-------|-------------------|

| | | | |
|----------|--|-------|-------------------|
| Trustee: |  <small>C9AF89D7A1A444F...</small> | Date: | 15 September 2022 |
|----------|--|-------|-------------------|

LANDIS GRINDING SYSTEMS PENSION FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES

FOR THE YEAR ENDED 5 APRIL 2022

Opinion

We have audited the financial statements of the Landis Grinding Systems Pension Fund for the year ended 5 April 2022, which comprise the Fund account, the Statement of Net Assets (Available for Benefits) and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 5 April 2022 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 Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other Information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the information and we do not express any form of assurance conclusion thereon.

LANDIS GRINDING SYSTEMS PENSION FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES

FOR THE YEAR ENDED 5 APRIL 2022

Other Information (continued)

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' Responsibilities Statement on page 15, the Trustees are 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 Trustees determine 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 Trustees are responsible for assessing the Plan'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 Trustees either intend to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Plan through discussions with the Trustees and other management, and from our knowledge and experience of pension schemes;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Plan, including the Pensions Act 1995;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the Trustees; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

LANDIS GRINDING SYSTEMS PENSION FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES FOR THE YEAR ENDED 5 APRIL 2022

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We assessed the susceptibility of the Plan's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the Trustees as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud: and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Trustees meetings;
- enquiring of the Trustees as to actual and potential litigation and claims; and
- reviewing correspondence with the Pensions Regulator.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

Use of Our Report

This report is made solely to the Plan's Trustees, as a body, in accordance with Regulation 3 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 Plan's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Nortons Assurance Limited

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Nortons Assurance Limited

Statutory Auditor
Reading

Date: 16-09-2022

LANDIS GRINDING SYSTEMS PENSION FUND
FUND ACCOUNT
FOR THE YEAR ENDED 5 APRIL 2022

| | Notes | 2022 £ | 2021 £ |
|---|-------|--------------------|--------------------|
| Contributions and Benefits | | | |
| Employer contributions | 4 | 1,355,547 | 1,720,800 |
| Other income | 5 | 1,014 | 1,168 |
| | | <u>1,356,561</u> | <u>1,721,968</u> |
| Benefits paid or payable | 6 | (1,187,083) | (1,109,013) |
| Payments to and on account of leavers | 7 | (454,100) | (619,500) |
| Administrative expenses | 8 | (301,601) | (231,140) |
| | | <u>(1,942,784)</u> | <u>(1,959,653)</u> |
| Net Withdrawals from Dealings with Members | | <u>(586,223)</u> | <u>(237,685)</u> |
| Returns on Investments | | | |
| Investment management expenses | 9 | (186,559) | (205,985) |
| Investment income | 10 | 316,317 | 331,154 |
| Change in market value of investments | 11 | 1,782,586 | 4,090,819 |
| | | <u>1,912,344</u> | <u>4,215,988</u> |
| Net Returns on Investments | | <u>1,912,344</u> | <u>4,215,988</u> |
| Net Increase in the Fund | | <u>1,326,121</u> | <u>3,978,303</u> |
| Net Assets at 6 April | | <u>41,969,005</u> | <u>37,990,702</u> |
| Net Assets at 5 April | | <u>43,295,126</u> | <u>41,969,005</u> |

The notes on pages 21 to 33 form part of these financial statements.

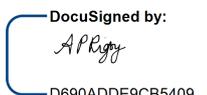
LANDIS GRINDING SYSTEMS PENSION FUND
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 5 APRIL 2022

| | Notes | 2022 £ | 2021 £ |
|-------------------------------|-------|--------------------------|--------------------------|
| Investment Assets | | | |
| Bonds | 11 | 20,285,900 | 27,556,508 |
| Pooled investment vehicles | 12 | 27,147,371 | 17,131,697 |
| Insurance policies | 13 | 957,000 | 1,039,300 |
| Derivatives | 14 | 6,911,589 | 8,676,413 |
| Cash | 11 | 621,341 | 115,728 |
| Other investment balances | 11 | 34,557 | 67,641 |
| | | <u>55,957,758</u> | <u>54,587,287</u> |
| Investment Liabilities | | | |
| Derivatives | 14 | <u>(13,089,848)</u> | <u>(13,055,942)</u> |
| Total Net Investments | | 42,867,910 | 41,531,345 |
| Current Assets | 18 | 506,402 | 561,853 |
| Current Liabilities | 19 | <u>(79,186)</u> | <u>(124,193)</u> |
| Net Assets at 5 April | | <u>43,295,126</u> | <u>41,969,005</u> |

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with on pages 5 to 7 and the Actuarial Certificate on page 34 of the annual report and these financial statements should be read in conjunction with them.

The notes on pages 21 to 33 form part of these financial statements.

The financial statements were approved and signed on behalf of the Trustees by:

Trustee:  Date: 15 September 2022
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Trustee:  Date: 15 September 2022
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LANDIS GRINDING SYSTEMS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2022

1. BASIS OF PREPARATION

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

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Plan is registered as a trust under English law. The address for enquiries is included in the Trustees’ Report.

3. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements and have been applied consistently.

3.1 Contributions and Benefits

- a) Employer deficit funding and expense contributions are accounted for on the due dates in accordance with the Schedule of Contributions.
- b) Benefits are accounted for on an accruals basis in the period in which they relate.
- c) Pensions are accounted for on an accruals basis.
- d) Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.
- e) Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Plan as appropriate.

3.2 Other Income

Interest on cash held with the Plan Administrator is accounted for as it accrues.

3.3 Investment Income

- a) Income from bonds is accounted for as it accrues.
- b) Income from pooled investment vehicles is accounted for when declared by the fund manager.
- c) Income arising on the underlying investments of accumulation funds is reflected within the change in market value.
- d) Income from insurance policies is accounted for when the Plan is entitled to receive the monies.

LANDIS GRINDING SYSTEMS PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022

3. ACCOUNTING POLICIES (CONTINUED)

3.4 Valuation of Investments

- a) Accrued interest is excluded from the market value of fixed income and index linked securities and is included in other investment balances. Index linked securities valuations include indexation.
- b) Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.
- c) Swaps are valued based on the present value of future cash flows arising from the swap, determined using discounted cashflow models and market data at the reporting date.
- d) The market value of pooled investment vehicles is based on the bid price or, if only single priced, the single unit price operating at the accounting date, as advised by the investment manager.
- e) Insurance policies purchased in the name of the Trustees which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined using the most recent Actuarial Valuation Report assumptions and methodology. Annuity valuations are provided by the Plan Actuary. Annuities are secured by Legal & General.
- f) The changes in investment market value are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year-end.

3.5 Transfers

Individual transfers are accounted for when paid or once the member has notified the Trustees of their transfer option.

3.6 Administrative and Investment Management Expenses

Administrative and investment manager's expenses are met by the Plan and are accounted for on an accruals basis.

3.8 Currency

- a) The Plan's functional currency and presentational currency is Pounds Sterling (GBP).
- b) Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction. Monetary items denominated in foreign currency are translated into Sterling using the closing exchange rates at the year end.

LANDIS GRINDING SYSTEMS PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022

4. EMPLOYER CONTRIBUTIONS

| | 2022 | <i>2021</i> |
|-----------------|-------------------------|-------------------------|
| | £ | <i>£</i> |
| Deficit funding | 1,144,227 | <i>1,519,200</i> |
| Expense | 211,320 | <i>201,600</i> |
| | <u>1,355,547</u> | <i><u>1,720,800</u></i> |

Contributions were received in accordance with the Schedules of Contributions certified by the Plan Actuary on 19 October 2018 and 5 July 2021.

In accordance with the latest Schedule of Contributions certified by the Plan Actuary on 5 July 2021 the Employer will pay deficit contributions as follows:

- Contributions of £83,333 per month between 1 July 2021 and 30 June 2024.
- Contributions of £125,000 per month payable from 1 July 2024 to 31 August 2032 (inclusive), increasing by 3% p.a. each April.

5. OTHER INCOME

| | 2022 | <i>2021</i> |
|---|---------------------|---------------------|
| | £ | <i>£</i> |
| Interest on cash held with the Plan Administrator | 1,014 | <i>328</i> |
| Transfer calculation fees | - | <i>840</i> |
| | <u>1,014</u> | <i><u>1,168</u></i> |

6. BENEFITS PAID OR PAYABLE

| | 2022 | <i>2021</i> |
|---|-------------------------|-------------------------|
| | £ | <i>£</i> |
| Pensions | 968,184 | <i>944,411</i> |
| Commutations and lump sum retirement benefits | 218,899 | <i>49,102</i> |
| Lump sum death benefits | - | <i>115,500</i> |
| | <u>1,187,083</u> | <i><u>1,109,013</u></i> |

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| | 2022 | <i>2021</i> |
|---------------------------------------|----------------|----------------|
| | £ | <i>£</i> |
| Individual transfers to other schemes | 454,100 | <i>619,500</i> |

LANDIS GRINDING SYSTEMS PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022

8. ADMINISTRATIVE EXPENSES

| | 2022 | <i>2021</i> |
|----------------|-----------------------|-----------------------|
| | £ | <i>£</i> |
| Consultancy | 118,792 | <i>95,368</i> |
| Administration | 88,384 | <i>66,482</i> |
| Actuarial | 79,434 | <i>56,539</i> |
| Audit | 11,928 | <i>7,210</i> |
| Legal | 1,881 | <i>3,345</i> |
| Trustee | 1,000 | <i>2,000</i> |
| Bank charges | 182 | <i>196</i> |
| | <u>301,601</u> | <i><u>231,140</u></i> |

9. INVESTMENT MANAGEMENT EXPENSES

| | 2022 | <i>2021</i> |
|--|-----------------------|-----------------------|
| | £ | <i>£</i> |
| Administration, management and custody | <u>186,559</u> | <i><u>205,985</u></i> |

10. INVESTMENT INCOME

| | 2022 | <i>2021</i> |
|--|-----------------------|-----------------------|
| | £ | <i>£</i> |
| Income from bonds | 217,722 | <i>228,086</i> |
| Income from pooled investment vehicles | 71,866 | <i>76,490</i> |
| Income from insurance policies | 26,729 | <i>26,578</i> |
| | <u>316,317</u> | <i><u>331,154</u></i> |

LANDIS GRINDING SYSTEMS PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022****11. INVESTMENT RECONCILIATION**

Reconciliation of investments held at the beginning and the end of the year:

| | Value at 6 April 2021 £ | Cost of Purchases and Derivative Payments £ | Proceeds of Sales and Derivative Receipts £ | Change in Market Value £ | Value at 5 April 2022 £ |
|-------------------------------|----------------------------------|--|--|-----------------------------------|----------------------------------|
| Bonds | 27,556,508 | 24,584,303 | (32,012,762) | 157,851 | 20,285,900 |
| Pooled investment vehicles | 17,131,697 | 12,270,947 | (4,288,130) | 2,032,857 | 27,147,371 |
| Insurance policies | 1,039,300 | - | - | (82,300) | 957,000 |
| Derivatives | <u>(4,379,529)</u> | <u>12,126,976</u> | <u>(13,599,884)</u> | <u>(325,822)</u> | <u>(6,178,259)</u> |
| | 41,347,976 | <u>48,982,226</u> | <u>(49,900,776)</u> | <u>1,782,586</u> | 42,212,012 |
| Cash | 115,728 | | | | 621,341 |
| Other investment balances | <u>67,641</u> | | | | <u>34,557</u> |
| | <u>41,531,345</u> | | | | <u>42,867,910</u> |

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.

Where the investments are held in a unitised fund, the change in market value also includes expenses, both implicit and explicit, for the year and any reinvested income, where income is not distributed.

No direct transaction costs have been incurred. Indirect transaction costs are incurred within pooled vehicles via bid/offer spreads and charges made within those vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

LANDIS GRINDING SYSTEMS PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022****12. POOLED INVESTMENT VEHICLES**

The holdings of the Pooled Investment Vehicles are analysed below:

| | 2022 | 2021 |
|-------------|-------------------|-------------------|
| | £ | £ |
| Multi asset | 20,984,772 | 12,886,911 |
| Alternative | 2,512,269 | 1,998,384 |
| Cash | 1,480,849 | 1 |
| Property | 1,205,251 | 1,487,295 |
| Bonds | 964,230 | 759,106 |
| | <u>27,147,371</u> | <u>17,131,697</u> |

13. INSURANCE POLICIES

The legacy insurance policies relate to benefits due for three individuals. The Trustees no longer purchase such policies to meet Plan liabilities. The value of the insurance policy is calculated by the Plan Actuary using the most recent Plan funding valuation assumptions. The value as at the 5 April 2022 was £957,000 (2021: £1,039,300).

14. DERIVATIVES

The Trustees have authorised the use of derivatives by their investment manager as part of their overall investment strategy for the Plan. The main objectives for the use of derivatives and the policies followed during the year are summarised as follows:

Forward foreign exchange – the Trustees have set the maximum foreign exchange exposure for the investment portfolio at 15% in order to balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling. In order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns the underlying investment portfolio is 50% invested overseas. A currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce currency exposure if these overseas investments exceed the 15% target.

Swaps - The Trustees' aim is to match as far as possible the Plan's long-term liabilities, in particular in relation to their sensitivities to interest rate movements. The Trustees have entered into interest rate swaps that extend the duration of the Plan assets to better match the long-term liabilities. Similarly, the Trustees have entered into inflation swaps to match the inflation-linked nature of the liabilities.

At the year end the Plan held the following derivatives:

| | 2022 | 2022 | 2021 | 2021 |
|--------------------------|------------------|---------------------|------------------|---------------------|
| | Asset | Liability | Asset | Liability |
| Derivative Contracts | £ | £ | £ | £ |
| Swaps | 6,909,744 | (13,047,919) | 8,650,670 | (13,055,894) |
| Forward foreign exchange | 1,845 | (41,929) | 25,743 | (48) |
| | <u>6,911,589</u> | <u>(13,089,848)</u> | <u>8,676,413</u> | <u>(13,055,942)</u> |
| | | <u>(6,178,259)</u> | | <u>(4,379,529)</u> |

LANDIS GRINDING SYSTEMS PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022

14. DERIVATIVES (CONTINUED)

Swaps

| Type of Contract | Expiration | Notional Principal £ | Assets £ | Liability £ |
|----------------------------|-------------------|---------------------------------|---------------------|------------------------|
| Inflation rate swaps (OTC) | 2040-2045 | 7,097,000 | - | (2,197,451) |
| | 2030-2047 | 12,044,072 | 1,968,052 | - |
| Interest rate swaps (OTC) | 2025-2042 | 54,512,500 | 3,066,449 | (2,636,596) |
| | 2025-2048 | 34,350,000 | 1,875,243 | (6,871,702) |
| Total return swaps (OTC) | 2022-2023 | 20,458,726 | - | (1,342,170) |
| Plan 2022 | | 128,462,298 | 6,909,744 | (13,047,919) |
| <i>Plan 2021</i> | | <i>139,632,761</i> | <i>8,650,670</i> | <i>(13,055,894)</i> |

Included in gilts is collateral of £7,521,767 (2021: £5,038,408) which has been pledged to the counterparty. At the year end the Plan held £823,750 (2021: £Nil) of collateral belonging to the counterparty. This collateral is not reported within the Plan's net assets.

Forward Foreign Exchange

| Type of Contract | Settlement Date | Currency Bought | Currency Sold | Asset £ | Liability £ |
|-------------------------|------------------------|------------------------|----------------------|--------------------|------------------------|
| Forward OTC | 27/4/2022 | Sterling | Yen | 941 | - |
| Forward OTC | 27/4/2022 | Sterling | Euro | 904 | - |
| Forward OTC | 27/4/2022 | Sterling | US Dollar | - | (41,929) |
| | | | | <u>1,845</u> | <u>(41,929)</u> |

LANDIS GRINDING SYSTEMS PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022****15. INVESTMENT FAIR VALUE HIERARCHY**

The fair value of financial instruments has been determined 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

For the purposes of this analysis, daily priced funds have been included in (1), weekly priced funds in (2), and monthly net asset values in (3).

The Plan's investment assets have been fair valued using the above hierarchy categories as follows:

| | Level 1 | Level 2 | Level 3 | 2022 |
|----------------------------|-------------------|--------------------|------------------|--------------------|
| | £ | £ | £ | £ |
| Bonds | 20,285,900 | - | - | 20,285,900 |
| Pooled investment vehicles | - | 23,098,582 | 4,048,788 | 27,147,371 |
| Insurance policies | - | - | 957,000 | 957,000 |
| Derivatives | - | (6,178,258) | - | (6,178,259) |
| Cash | 621,341 | - | - | 621,341 |
| Other investment balances | 34,557 | - | - | 34,557 |
| | 20,941,798 | 16,920,324 | 5,005,788 | 42,867,910 |

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>2021</i> |
|----------------------------|-------------------|--------------------|------------------|--------------------|
| | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| Bonds | <i>27,556,508</i> | - | - | <i>27,556,508</i> |
| Pooled investment vehicles | - | <i>13,246,029</i> | <i>3,885,668</i> | <i>17,131,697</i> |
| Insurance policies | - | - | <i>1,039,300</i> | <i>1,039,300</i> |
| Derivatives | - | <i>(4,379,529)</i> | - | <i>(4,379,529)</i> |
| Cash | <i>115,728</i> | - | - | <i>115,728</i> |
| Other investment balances | <i>67,641</i> | - | - | <i>67,641</i> |
| | <i>27,739,877</i> | <i>8,866,500</i> | <i>4,924,968</i> | <i>41,531,345</i> |

LANDIS GRINDING SYSTEMS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2022

16. INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks. FRS 102 sets out these risks as follows:

Credit Risk: 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: comprises currency risk, interest rate risk and other price risk.

- **Currency Risk:** 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:** 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:** 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 Plan has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustees' Report. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits, which are set taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Plan's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management and the Plan's exposures to credit and market risks are set out below. This does not include annuity insurance policies, as these are not considered significant in relation to the overall investments of the Plan.

LANDIS GRINDING SYSTEMS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2022

16. INVESTMENT RISKS (CONTINUED)

Credit Risk

The Plan is subject to credit risk because the Plan directly invests in bonds, OTC derivatives and has cash balances. The Plan also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustees' policy for managing credit risk is detailed in the Statement of Investment Principles.

The Plan holds £20.3m in directly held bonds, -£6.2m in OTC derivatives and £0.1m in directly held cash balances. The Plan also holds £2.4m bonds and cash through underlying pooled fund investments.

Credit risk arising on derivatives held directly depends on whether the derivative is exchange traded or over the counter (OTC). The Plan holds OTC derivative contracts which are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. Credit risk for OTC derivative contracts is mitigated by placing restrictions on Schroders Solutions which ensure that new contracts are only entered into with counterparties that are investment grade. The credit risk in respect of OTC swaps is further reduced by collateral arrangements.

Credit risk arising on bonds held directly is mitigated by Schroders Solutions choosing to only invest in government bonds, where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Directly held cash balances are at financial institutions which are at least investment grade credit rated. This is the position at the year-end. In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Indirect credit risk arises in relation to underlying investments held in bond and cash pooled investment vehicles. This risk is mitigated by the Trustees mandating Schroders Solutions that the underlying investment in sub-investment grade debt may not exceed 30% of the Growth Assets.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer. The Trustees monitor the investment strategy adopted by Schroders Solutions to ensure that the arrangement remains diversified.

Direct credit risk also arises in respect of pooled investment vehicles. The majority of the Plan's Growth Assets (£21m) is invested in the RAMIL Stable Growth Fund, which in turn invests in a series of underlying pooled funds. The RAMIL Stable Growth Fund is an Irish domiciled open ended investment company.

Some alternative investments (£2.5m) are accessed through direct investment in pooled funds outside of the RAMIL Stable Growth Fund. These funds have various legal structures in various domiciles. The credit risk associated with these managers, and the managers of the underlying pooled funds in the RAMIL Stable Growth Fund, is also mitigated by:

- the regulatory environments in which those managers operate;
- diversification amongst a number of pooled arrangements; and
- due diligence checks by Schroders Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

LANDIS GRINDING SYSTEMS PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022

16. INVESTMENT RISKS (CONTINUED)

Currency Risk

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, via pooled investment vehicles. The Trustees' policy for managing this risk is detailed in the Statement of Investment Principles.

Currency risk is mitigated by delegating management of currency exposures at total portfolio level to Schroders Solutions. Schroders Solutions implement currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of forward foreign exchange contracts.

Net of currency hedging, 6.8% of the Plan's holdings were exposed to overseas currencies as at the year end. (2021: 5.2%)

Interest Rate Risk

The Plan's assets are subject to interest rate risk because some of the Plan's investments are held in bonds, interest/inflation rate swaps for the purpose of liability hedging. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate. At the year-end, the assets held for liability hedging purposes comprised of:

| | 2022 £'000 | 2021 £'000 |
|-----------------|---------------|---------------|
| Direct | | |
| Bonds | 20,286 | 27,557 |
| Swaps | (6,138) | (5,364) |
| Indirect | | |
| Bond PIVs | 964 | 759 |
| Cash PIVs | 1,481 | - |

Other Price Risk

Other price risk arises principally in relation to the Plan's return seeking portfolio which may include various asset classes (i.e., alternatives, bonds, cash, and investment properties) held in pooled vehicles. The Plan manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the Plan's exposure to investments subject to other price risk was:

| | 2022 £'000 | 2021 £'000 |
|-------------------|---------------|---------------|
| Direct | | |
| Equity Options | - | 958 |
| Bonds | - | 7,372 |
| Indirect | | |
| Property PIVs | 2,512 | 1,487 |
| Alternatives PIVs | 20,985 | 1,998 |
| Multi Asset PIVs | 1,205 | 12,887 |

Please note clean values have been used where applicable.

LANDIS GRINDING SYSTEMS PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022****17. CONCENTRATION OF INVESTMENTS**

The following investments account for more than 5% of the Plan's net assets as at 5 April:

| | 2022 | | 2021 | |
|--------------------------|-------------------|-------------|------------|------|
| | £ | % | £ | % |
| RAMIL Stable Growth Fund | 20,984,772 | 48.4 | 12,886,911 | 30.7 |

18. CURRENT ASSETS

| | 2022 | 2021 |
|---------------------------------------|----------------|---------|
| | £ | £ |
| Cash held with the Plan Administrator | 320,643 | 338,667 |
| Employer contributions due | 101,213 | 143,400 |
| Pensions paid in advance | 84,546 | 79,786 |
| | 506,402 | 561,853 |

The contributions due at the year end were received in accordance with the Schedule of Contributions certified by the Plan Actuary on 5 July 2021.

19. CURRENT LIABILITIES

| | 2022 | 2021 |
|------------------------------------|---------------|---------|
| | £ | £ |
| Investment management expenses due | 42,613 | 94,538 |
| Administrative expenses due | 26,331 | 20,731 |
| PAYE due to HMRC | 10,242 | 8,924 |
| | 79,186 | 124,193 |

20. RELATED PARTY TRANSACTIONS

The Principal Employer has provided certain administrative services during the year without charge and meets the costs of all statutory levies. The Member-Nominated Trustee does not receive any remuneration for this service to the Plan but has been reimbursed for expenses of £2,000 (2021: £1,500). The Independent Trustee, BESTrustees Ltd, is appointed by the Employer, and the fees are paid by the Employer amounting to £25,325 (2021: £24,604).

21. EMPLOYER-RELATED INVESTMENTS

There were no Employer-related investments during the year.

LANDIS GRINDING SYSTEMS PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2022

22. TAXATION

In accordance with the provisions of Schedule 36 of Finance Act 2004, the Plan is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006.

23. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

GMP Equalisation

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their Plan must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. Following the ruling, it is expected that the Trustees will need to equalise Guaranteed Minimum Pensions between men and women. This is likely to result in additional liabilities for the Plan for equalisation of the benefits already crystallised e.g., historical transfers out, retirement benefits etc.

As a result, from the latest actuarial valuation an allowance has been made for GMP equalisation, the Plan Actuary advised the total increase to the Technical Provisions was estimated to be £1.12m.

Subsequently, on 20 November 2020, the High Court issued a follow up judgment in respect of the Lloyds Banking Group ruling that any transfers out paid since 17 May 1990 must be potentially be increased to reflect additional liabilities arising from the equalisation of GMPs accrued between 17 May 1990 and 5 April 1997. This could potentially result in top-up payments to members but presents significant challenges for the Trustees and Plan Administrator in terms of:

- Identifying transfers paid since 1990.
- Equalising the transfer payment.
- Tracking the relevant members and the arrangements they transferred to.

The Trustees are currently reviewing all options with their Plan Advisers.

LANDIS GRINDING SYSTEMS PENSION FUND

ACTUARIAL CERTIFICATE

Certificate of Schedule of Contributions

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 can be expected to be met by the end of the period specified in the Recovery Plan dated 1 July 2021.

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 1 July 2021.

Signature:

David Jarman

Name:

David Jarman

Date of Signing:

5 July 2021

Address:

Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
CR0 2LX

Qualification:

Fellow of the Institute of Actuaries

Note: 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 Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.

LANDIS GRINDING SYSTEMS PENSION FUND

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS

FOR THE YEAR ENDED 5 APRIL 2022

Independent Auditor's Statement about Contributions to the Trustees of the Landis Grinding Systems Pension Fund

We have examined the Summary of Contributions payable to the Landis Grinding Systems Pension Fund for the Plan year ended 5 April 2022 which is set out on the following page.

In our opinion contributions for the Plan year ended 5 April 2022 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 19 October 2018 and 5 July 2021.

Scope of Work on Statement about Contributions

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

Respective Responsibilities of Trustees and the Auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Plan's Trustees are 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 Plan by the Employer in accordance with the Schedules 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 Report

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

DocuSigned by:

Nortons Assurance Limited

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Nortons Assurance Limited

Statutory Auditor

Reading

Date: 16-09-2022

LANDIS GRINDING SYSTEMS PENSION FUND
SUMMARY OF CONTRIBUTIONS PAYABLE
FOR THE YEAR ENDED 5 APRIL 2022

During the year ended 5 April 2022, the contributions payable to the Plan by the Employer were as follows:

| | 2022 |
|---|-------------------------|
| | £ |
| Employer Contributions payable under the Schedules of Contributions | |
| Deficit funding | 1,144,227 |
| Expense | <u>211,320</u> |
| Contributions payable under the Schedules and reported in the Financial Statements | <u><u>1,355,547</u></u> |

Signed for and on behalf of the Trustees by:

Trustee:

DocuSigned by:

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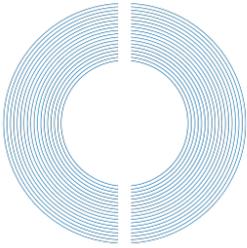
Date: 15 September 2022

Trustee:

DocuSigned by:

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Date: 15 September 2022



Landis Grinding Systems Pension Fund ('Scheme')

5 April 2022 Implementation
Statement

August 2022

Schroders' Solutions Disclaimer:

The Implementation Statement is a regulatory requirement under the 2018 changes to the Occupational Pension Schemes (Investment) Regulations 2005. It is important that the Trustee of the Scheme understand and consider financially material Environmental, Social and Governance ("ESG") factors and consider its own stewardship obligations. A failure to do this puts Trustee at risk of breaching your legal duties.

This is a Trustee document and the Trustee must review the Implementation Statement draft, provided by its investment adviser, and confirm that they have considered the content prepared and reviewed any associated documentation such as voting policies.

1. Introduction

The Trustees are required to make publicly available online a statement (“the Implementation Statement”) covering the Landis Grinding Pension Fund (the ‘Scheme’) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

The SIP was unchanged during the year ending 31 March 2022. The SIP has been updated over the last 3 years to account for ESG considerations and the Trustees will make any updates the SIP in future to account for any investment strategy changes or regulatory requirements.

This SIP came into force from September 2020.

A copy of the current SIP signed and dated September 2020 be found here:
<https://www.landis.yourpremier.co.uk/explore#document-centre>

This Implementation Statement covers the Scheme year from 6 April 2021 to 5 April 2022 (the “Scheme Year”). It sets out:

- How the Trustees’ policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustees during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A copy of this Implementation Statement is available on the following website:
<https://www.landis.yourpremier.co.uk/explore#document-centre>

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Scheme invests in assets with voting rights attached, and other assets with no voting rights. The Trustees' policies on exercising voting rights and engagement are set out in the SIP. The Trustees made no changes to the voting and engagement policies contained in the SIP during the year but will keep them under review in future years.

The Trustees retains the Fiduciary Management¹ service of **Schroders IS Limited**, formerly known as **River and Mercantile Investments Limited**, as their Investment Manager and Adviser (it is referred to as the "**Fiduciary Manager**" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "**Underlying Investment Managers**"). Schroders Group, a global asset manager, has a long history of engagement and active ownership, dating back to 1998 when it appointed its first governance resource, and has recorded and monitored ESG engagements since then. It is a signatory to the UK Stewardship code. Its external recognition includes an A+ rating for UN Principles for Responsible Investment, A- rating for Carbon Disclosure Project, Advanced ESG recognition from Morningstar and Best Investor Engagement recognition from IR Society Best Practice Award for 2021.

Investments with the Underlying Investment Managers are generally made via pooled investment funds, where the Scheme's investments are pooled with those of other investors. With a pooled investment fund, the direct control of the process of engaging with the companies that issue the underlying securities lies with the Underlying Investment Manager.

A copy of the SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustees' policies on corporate governance and other financially material considerations when providing Fiduciary Management services. In particular, the Trustees require that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, when choosing new or monitoring existing Underlying Investment Managers.

The Trustees believe it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. Similarly, the Trustees have not sought to set their own voting policy, a position they do not intend to change at this time.

The Trustees have aligned their stewardship priorities with their Fiduciary Manager's engagement themes over the Scheme Year. The Trustees believe the Fiduciary Manager's engagement themes/priorities are issues which are material to the long-term value of the investments. The Trustees believe that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. These issues also reflect expectations and trends across a range of stakeholders including employees, customers, communities, suppliers and regulators. By strengthening relationships with this range of stakeholders, business models become more sustainable.

¹ The Fiduciary Manager was acquired by Schroders Group on 1 February 2022, so two sets of engagement priorities/themes were applicable to the Scheme during the Scheme Year. Details of both sets of engagement themes can be found in the next section. Going forward, the Fiduciary Manager's engagement priorities will be aligned with the priorities of the broader Schroders Group.

The Trustees believe the current approach to stewardship is in members' and beneficiaries' best interest, as the voting and engagement carried out by both Fiduciary Manager and Underlying Investment Managers is expected to improve ESG related risk management and climate risk, and ultimately this is expected improve the financial outcome for the Scheme's members.

Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustee with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at Trustee meetings held during the Scheme Year.

In addition, the Trustees have received training on topics such as Climate Risk and ESG in the Fiduciary Management solutions. The Trustee reviewed the Fiduciary Manager's Annual ESG report and ensured it was satisfied with the actions taken on its behalf in relation to ESG integration within the investments and stewardship activity.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustees believe that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

The Trustees have identified areas in which it can enhance its stewardship activities in the following scheme year by:

- Identifying ESG beliefs and areas of priority to aid in stewardship and focus engagement.
- Reviewing the Fiduciary Manager's (Schroders Solutions) latest ESG-related policies.
- Continuing to review the Fiduciary Manager on its ESG integration and its own stewardship activities over the year.

3. Voting and Engagement Summary

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustees in line with voting and engagement policies that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund or how the Fiduciary Manager approaches engagement with Underlying Investment Managers and intended outcomes.

- 2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, Bank of New York Mellon (“BNYM”), uses a proxy voting company called Institutional Shareholder Services (“ISS”) to exercise these rights on its behalf and monitors ISS’s activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

The Trustees have considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustees noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- There are two set of engagement priorities/themes from the Fiduciary Manager which the Trustees considered in this Implementation Statement. Examples were provided in the appendix and they were selected to demonstrate how the Fiduciary Manager & Underlying Investment Managers, on behalf of the Trustees, voted and engaged with the investee companies. Those engagement priorities and themes were set out below:
 - For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions’ going forward given the acquisition of the business):
 - E Climate change: carbon emissions and footprint of our funds
 - S Human capital: employee engagement and satisfaction
 - G Corporate governance: board composition, executive pay / compensation
 - For Schroder Solutions’ engagement themes (from February 2022 onwards):
 - Climate: Climate risk and oversight, Climate alignment including decarbonising and minimising emissions, climate adaptation and carbon capture and removal
 - Natural Capital and Biodiversity: Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation

- Human Rights: Overarching approach to human rights, works and communities, customers and consumers
 - Human Capital Management: Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
 - Diversity and Inclusion: Board diversity and inclusion, executive & Workforce diversity and inclusion
 - Corporate Governance: Board and management, executive remuneration, relationship with shareholders
- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, climate strategy in particular, corporate governance including board composition. Executive pay, board diversity and improving social outcomes were the other main themes identified. These themes are in line with the Fiduciary Manager's engagement priorities/themes set out above. We have included a table which sets out the engagement priorities and relevant voting and engagement examples in the appendix.
 - On behalf of the Trustees, the Scheme's Fiduciary Manager have also identified five Underlying Investment Managers who will be the engagement targets over the next scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the board independence and diversity.
 - As a result of the Russia-Ukraine war, the Fiduciary Manager has implemented a no-Russia investments policy and by the end of March 2021, Schroders Solutions had begun removing any Russia exposures from the portfolio and engaging with underlying managers who continue to hold exposures. This will be a priority engagement theme for the next Scheme year. The Trustees is supportive of this approach and receives updates from the Fiduciary Manager on the success of its engagements in this area.

Some details of the voting and engagement from the Scheme's Underlying Investment Managers are set out below:

- Within the Scheme's portfolio, **BNYM Global Equity Fund** makes up the majority of the Scheme's investments in return-seeking assets, the Trustees noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with an American multinational shipping & receiving supply chain management company. BNYM voted for a shareholder proposal requesting that the company report on its plans to reduce its total contribution to climate change and align its operations consistent with the Paris Agreement Goals. BNYM consider some of the company's peers to have set ambitious targets and they believe by supporting this proposal, it will provide shareholders with more transparency into the company's policy and goal-setting process, especially at a time when this company is looking to expand its airline and vehicle fleets. The BNYM annual proxy voting report (2021, link included in Appendix) was reviewed by the Trustees. The proxy voting report includes details of the significant votes and engagement examples covering a board range of underlying investment companies.
- For the largest mandate within the return-seeking credit assets, engagement on improving public disclosure and operational risk management was noted as a significant example. The manager engaged with a leading financial services company that has approximately \$1.9 trillion in assets who is subject to several consent orders and other regulatory actions, requiring the company to undertake certain changes to its business, operations, products, services and risk management practices. The manager's engagement objectives was to improve compliance and operational risk management and enhance public disclosures regarding risk control improvements. The engagement process focused on prioritising the governance with new leadership from outside the organisation, enhanced audits, procedures and controls to mitigate the chance of improper lending practices. The outcomes of the engagement was largely positive such that a new CEO was hired externally, its operating committee who was the most senior group responsible for running the company, has seen nine of its 18 members hired externally.
- In relation to the liability hedging mandate, the Trustees noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of

factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.

The Trustees are satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers was in line with the Trustees' policies contained in the SIP and that no changes are required to these policies at this time. The Trustees will keep the position under review.

Appendix 1 – Voting & Engagement statistics

1. Voting and engagement by the Fiduciary Manager (Schroders IS, formerly known as R&M) in relation to underlying pooled funds held on behalf of the Trustees

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment in through pooled funds managed by underlying investment managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustees and we cover these here.

Over the year to 31 March 2022, the Fiduciary Manager voted on 111 resolutions across 27 meetings. The Fiduciary Manager voted against management on 6 resolutions which was 5.7% of total resolutions and abstained on 6 resolutions (5.7% of the total resolutions).

The Schroders IS Investment Research team engaged with underlying investment managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

The following provides an ongoing engagement example where the Fiduciary Manager engaged Neuberger Berman ("NB", an underlying credit manager) on the tenure of E&Y as fund auditor. In January 2021, they noted that following the 2019 accounts EY have now been in-place for 20 years as fund auditor. The Fiduciary Manager believe there is some additional protection to investors from rotation of auditors (assuming the quality of the appointed party is maintained). They informed NB that in the absence of any plan to change auditor it is subsequently their intention to vote against E&Y's appointment at the 2021 AGM. In February 2021 NB informed Schroders that it was their intention to put the NBIF audit out to tender later in 2021, with EY being allowed to participate.

The tender process was completed before the 2022 AGM and that depending on the outcome of the tender process, one of the resolutions was to approve a new auditor. Schroders Solutions had a routine operational due-diligence meeting with NB in their new offices in Victoria. They again raised the issue of auditor tenure. As a direct result of their engagement with them in 2021 the board issued a tender for the audit of the fund. E&Y, KPMG & GT were short listed. A score card was used to assess each firm. E&Y was reselected on the basis of the highest score. A new audit team was assigned to the engagement. Whilst Schroders's engagement did not result in a change of auditor it did result in a full tender process and a change in audit team.

Over the Scheme Year, the Fiduciary Manager also

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager is not satisfied with the quality of data currently provided.
- reviewed all Underlying Investment Managers against its updated proprietary ESG manager rating framework and will prioritise its engagement with five managers where ESG-related issues have been identified. The Fiduciary Manager plan to report back to the Trustees in the next Implementation Statement on progress. The top engagement themes are set out in the table below:

Top engagement themes

| | |
|--------------------------|---|
| Manager A – Equity | <ul style="list-style-type: none"> ▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes |
| Manager B – Alternatives | <ul style="list-style-type: none"> ▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Board independence and diversity ▪ Formalise voting and engagement policy |
| Manager C – Alternatives | <ul style="list-style-type: none"> ▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy |
| Manager D – Alternatives | <ul style="list-style-type: none"> ▪ Formalise diversity policy ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy |
| Manager E – Alternatives | <ul style="list-style-type: none"> ▪ Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business. ▪ Formalise diversity policy ▪ Formalise ESG investment policy |

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustees

There are c. 30 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustees as described in section 3 above.

Summary of voting activity – Equity mandates

| | BNYM Global Equity Fund | Vanguard FTSE All World ETF Fund |
|---|-------------------------|----------------------------------|
| Total meetings eligible to vote | 882 | 5,268 |
| Total resolutions eligible to vote | 11,989 | 54,483 |
| % of resolutions did you vote on for which you were eligible? | 97% | 99% |
| % did vote with management? | 88% | 94% |
| % vote against management? | 8% | 5% |
| % abstained | 1% | 2% |
| % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable) | 2% | 0% |

Note:

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use PLSA template. We included votes withhold in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withhold and votes abstained. BNYM also did not vote on 3% of the overall proposals.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.

3. Examples of most significant votes carried out by the Underlying Managers

| Engagement priorities | Examples |
|-----------------------|--|
| Climate change | Origin Energy Limited, Electronic Arts Inc, Costco |
| Human capital | Microsoft, Goldman Sachs |
| Corporate governance | FedEx, EXXON |

BNYM Global Equity Fund

Microsoft

In November 2021, BNYM supported a shareholder proposal that requested a report on effectiveness of workplace sexual harassment policies. Given Microsoft faces a litany of potential controversies in recent years, BNYM believe a transparent report allows shareholders to more adequately assess if the company is addressing these risks effectively. The proposal passed with majority support, forcing Microsoft to report on the effectiveness of workplace sexual harassment policies.

Goldman Sachs

In April 2021, BNYM voted for a shareholder proposal requesting Goldman Sachs report on the impact of the use of mandatory arbitration on employees and workplace culture. As Goldman Sachs requires employees to agree to arbitrate employment-related claims, BNYM believe additional information is useful for shareholders to determine if this process had any impact on human capital management issues such as employee retention and recruitment. The proposal did not pass; however, Goldman Sachs chose to act and produce a response in light of the high level of support which is a good outcome despite the result of the proposal.

Electronic Arts Inc

BNYM inquired as to whether or not Electronic Arts will be including Scope 3 emissions in their reporting and also will they be setting TCFD disclosure targets. Electronic Arts responded that they recently hired new talent to comply with the environmental disclosures and will be explaining the disclosures over the coming months.

EXXON MOBIL CORPORATION

In 2021, BNYM held multiple engagements with Exxon Mobil Corporation and the dissident in the proxy contest, Engine No.1. At the May 2021 meeting, BNYM submitted a cross-slate vote, voting for all dissident candidates and the replacement of one management nominee with an alternative whom BNYM believed had a more appropriate skillset required for Exxon's business strategy. BNYM believe that this support will enhance Exxon's preparedness for an energy transition in the future and the dissident nominees will bring necessary independent industry expertise to the board.

Vanguard FTSE All-World ETF Fund

ORIGIN ENERGY LIMITED

Origin is the second-largest utility provider in Australia. Over the last several years, activist groups have targeted Origin as one of the largest carbon emitters in Australia. Vanguard has engaged with Origin's board and company leaders over many years and the recent discussions have been focused on the company's climate risk mitigation and energy transition plans.

At the annual meeting on 20 October 2021, Vanguard considered, but did not support, several shareholder proposals requesting that company to publish a report on water quality and groundwater management at its sites, temporarily halt operations in area with cultural heritage sites, publicly disclose all materials and agreements used in consent negotiations with Indigenous communities, suspend membership in industry groups whose goals don't align with the Paris Agreement and commit to align all material future capital expenditures with a 1.5 degrees global warming limit.

Vanguard evaluates the materiality and oversight of these various risks on a case-by-case basis. Should there be gaps in the company's current disclosures or disconnects with long-term strategy, Vanguard may vote in favour of shareholder proposals that seek enhanced reporting of the company's approach to risk oversight and strategy alignment. Based on the analysis carried out, Vanguard expressed their support for the revision of the climate targets and their expectation that Origin would update its disclosure, however they did not support the capital allocation proposal by shareholder as they believed that the proposal was aimed at directing the company's strategy away from gas operations, which was overly prescriptive. In addition, Vanguard found the company's governance and oversight processes on climate risks were sufficient, and related disclosures were appropriate and Origin should retain flexibility to manage its relations with industry associations. As a result, Vanguard decided to not support the proposal on climate -related lobbying resolution at this time but encouraged the board to continue to prioritise its review and oversight of the risks highlighted by the proposal, particularly related to organisations that are not fully aligned to the Paris Agreement. Finally, for the water, cultural heritage and consent resolution, Vanguard concluded that Origin had taken appropriate and sufficient action to manage related risks and impacts and was providing adequate reporting to the public. The resolution was deemed overly prescriptive because they sought to dictate the company's operations.

The votes were considered because they were related to climate risk. Although Vanguard did not support the shareholder's proposals, Vanguard has called on companies and their boards to enhance disclosure on oversight and management of a company's material risks. Market norms, regulations, and investor expectations are moving toward greater disclosure on governance matters. The Trustees can expect Vanguard, through their engagements, proxy voting and public advocacy, to continue to seek relevant, decision-useful information on material risks including climate change.

FEDEX

FedEx is a US based package logistics company. At the annual meeting for FedEx on 27 September 2021, Vanguard supported a nonbinding management proposal seeking approval for the compensation of named executive officers and a shareholder proposal requesting that the board report on the company's lobbying-related oversight, policies and expenditures. However, Vanguard did not support a shareholders proposal that requested reports on how the company's policies may reinforce racism within its corporate culture.

For the proposal to ratify named executive officers' compensation, Vanguard's review revealed strong pay for performance alignment on a relative basis and determined that the plan appropriately represented the shareholders' interests and incentivised executives to think about the company's long-term success. Therefore, Vanguard supported this year's executive compensation plan.

For the proposal to report on racism in FedEx's corporate culture, Vanguard are encouraged to see the company's strong commitment to continually improving its diversity-related disclosures through its annual ESG report. Company leaders were receptive to feedback that investors would benefit from additional disclosure on the board's assessment of the effectiveness of its diversity-related efforts. Vanguard did not support the proposal because Vanguard believe the company has provided extensive disclosure of its diversity, equity and inclusion efforts and the board remains committed to improving this reporting.

COSTCO

Costco is an American Multinational corporation which operates a chain of membership-only warehouse clubs. At the annual meeting for Costco on the 20 January 2022, Vanguard supported a shareholder proposal requesting that the board adopt short-, medium-, and long-term science-based greenhouse gas emissions reduction targets, inclusive of its full value chain, to achieve net zero emissions by 2050 and to effectuate appropriate reductions prior to 2030. The proposal passed with 70% support.

Vanguard expects companies and their boards to exhibit three key elements of sound climate risk governance:

- **Oversight:** A climate-competent board that demonstrates awareness of climate risks and fosters healthy debate on climate topics, challenges management assumptions, and makes thoughtful and informed decisions regarding these risks.
- **Mitigation:** Robust risk oversight and mitigation measures, including setting targets aligned with the goals of the Paris Agreement and an expected net zero transition and integrating climate risk considerations into strategic business planning and capital allocation decisions.
- **Disclosure:** Effective and comprehensive disclosures, both qualitative and quantitative, to show progress over time, preferably written in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD).

Where climate change is a material risk to a company's business strategy, Vanguard expect the board to be climate-competent and reflect the necessary skills to independently oversee its company's risks and strategy related to the expected energy transition. Vanguard encourage companies to disclose material risks, including climate-related risks, and their mitigation strategies. As Vanguard have previously communicated, robust climate risk mitigation measures include setting targets aligned with the goals of the Paris Agreement or applicable subsequent agreements and disclosing how the company will deliver shareholder value considering climate risk.

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers can be found here:

| Investment Manager & Underlying Investment Manager | Voting & Engagement Policy |
|--|--|
| Schroders Solutions | https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf |
| Bank of New York Mellon | BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html |
| Vanguard | Disclosure of rationale of voting can be found: https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary |
| Leadenhall | https://www.leadenhallcp.com/esg |
| Neuberger | https://www.nb.com/en/global/esg/engagement |
| CBRE | CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/cbreim-global-esg-policy.pdf |