VAILLANT GROUP PENSION SCHEME

Annual Report and Financial Statements to 5th April 2022

Pension Schemes Registry Registration Number 100777193

Vaillant Group Pension Scheme

Annual Report and Financial Statements

5th April 2022

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THE TRUSTEES AND THEIR ADVISERS

TRUSTEES APPOINTED BY VAILLANT HOLDINGS LTD

M A Hampton	Independent Trustee (Chairman)
D Whyld (from 7th December 2021)	HR Manager, UK – Vaillant Group (UK) Ltd Employee (Non-member)
A L Simpson (to 21st June 2022)	Process/Project Manager – Vaillant Group (UK) Ltd Employee (Non-member)
S Clark (to 21st April 2022)	Director of Commercial One-off sales, UK and Ireland – Vaillant Group (UK) Ltd Employee (Deferred Member)
E Staniland (from 12th July 2022)	Senior Tax Manager – Vaillant Holdings Ltd (Deferred Member)

TRUSTEES NOMINATED BY SCHEME MEMBERS

S J Adams	Retired – previously employed by Vaillant Holdings Ltd Pensioner
S V Wakely	Retired – previously employed by Vaillant Holdings Ltd Pensioner

PRINCIPAL EMPLOYER

Vaillant Holdings Ltd, Nottingham Road, Belper, Derbyshire DE56 1JT

Telephone 01773 596048

SECRETARY TO THE TRUSTEES

S D Tickner, Vaillant Holdings Ltd, Nottingham Road, Belper,

Derbyshire DE56 1JT. Telephone 01773 596250

ADMINISTRATION

Pensions Department, Vaillant Holdings Ltd, Nottingham Road, Belper, Derbyshire DE56 1JT

Telephone 01773 596048

ACTUARY

M J Harrison FIA FCIA, Mercer Ltd, 1 Whitehall Quay, Whitehall Road, Leeds, LS1 4HR

INDEPENDENT AUDITORS & COVENANT ADVISER

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH (auditors)

PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL (covenant adviser)

BANKERS

National Westminster Bank PLC, 42 High Street, Sheffield, S1 1QG

LEGAL ADVISER

Pinsent Masons LLP, 1 Park Row, Leeds, LS1 5AB

FIDUCIARY MANAGER AND INVESTMENT ADVISER

SEI Investments (Europe) Limited, 1st Floor, Alphabeta, 14-18 Finsbury Square,

London, EC2A 1BR

INVESTMENT MANAGERS

Aberdeen Standard Life Investments Ltd, 1 George Street, Edinburgh EH2, 2LL

BMO (On 01/07/2022 changed name to Columbia Threadneedle Investments), Exchange House, 12 Primrose Street, London, EC2A 2NY

Insight Investment, 160 Queen Victoria Street, London, EC4V 4LA

M&G Investment Management Ltd, Laurence Pountney Hill, London, EC4R 0HH

SEI Investments (Europe) Limited, 1st Floor, Alphabeta, 14-18 Finsbury Square, London, EC2A 1BR

REPORT OF THE TRUSTEES

Introduction and Chairman's Statement

On behalf of the Trustees, I am pleased to present the Annual Report and Financial Statements for the year ended 5th April 2022.

The financial year saw the world emerge from the grip of the COVID-19 pandemic, with a gradual return to more normal economic and social activity. The road was however bumpy with the Delta variant sweeping across the UK and the world over the summer of 2021 followed by the Omicron variant in the winter. Most of the UK and indeed many other parts of the world finally lifted the bulk of restrictions in the first quarter of 2022, though lockdowns in China indicated that the virus can still have an impact. Economic growth was strong across the globe for most of the financial year as a result of the re-opening. This, coupled with accommodative monetary policy from Central Banks, meant that financial markets were strong throughout 2021 as markets optimistically looked to continued favourable economic conditions. However, inflation rapidly increased in the last quarter of 2021 driven by both supply shocks as a result of the COVID shutdown and higher demand. Central Banks have responded by tightening monetary policy and indicating that more is to come to get inflation under control. This, coupled with the Russian invasion of Ukraine resulted in significantly increased uncertainty in the first quarter of 2022 with the markets giving back much of their gains over the financial year. Economic projections in the short to medium term, particularly in terms of inflation, interest rates and GDP growth, in the UK and globally, remain very challenging.

The Trustees continued with their program of monitoring events and their impact on the funding level, the Scheme's investments, and other aspects of the Scheme's operations. This was in order to enable swift action to be taken where it was required to manage ongoing, and new risks in the Scheme, including, but not exclusively, the investment risk. You may recall that the Trustees put significant risk reduction in place in 2019 that hedged a large proportion of the interest rate and inflation risk inherent in our liabilities. This is known as "hedging" and I can confirm that this was further enhanced through increasing interest rate and inflation hedging levels during 2021.

With effect from 5th April 2022, the Scheme will have its next formal triennial actuarial valuation. The results of this valuation are expected towards the end of 2022, and members will be updated on the results through a Special Newsletter after the results have been finalised.

Members are reminded that the Scheme Actuary prepares a report every year when there is not a formal valuation. The last actuarial report, prepared as at 5th April 2021 showed an improvement in the funding position of the Scheme, estimating that the deficit had reduced from £127.9 million on 5th April 2019 to £121.4 million by 5th April 2021, having increased significantly in 2020 to c£210.7 million, due mainly to the impact of COVID-19.
This improvement represented an increase in the funding level to 85%, compared with 76% on 5th April 2020, and meant the Scheme recovered well, although we were still behind plan in terms of our "expected path". Although we are awaiting the final results of the 5th April

2022 valuation, we currently expect to see further improvements in our funding level as at that date. Despite this improvement, we are anticipating that we will still be behind our original funding plan target and, as such, the need for ongoing contribution commitments from the Company will be a key feature of the valuation negotiations which are now underway.

The Trustees regularly take advice from their appointed Scheme Actuary when monitoring and reviewing the Scheme's funding position. This has continued to be very closely monitored throughout the last 24 months, as we have continued to see the impact of COVID-19 on investment markets, and more latterly the impacts of Russia's war in Ukraine.

The Trustees are pleased that, whilst the recent events have had a negative impact in that the Scheme's funding level is behind our expectations, the combination of Company contributions and market recoveries means that the Scheme is now much closer to being back on track, as we enter into the 5th April 2022 actuarial valuation negotiations with the Company, which will be held with the Company over the coming months.

The Scheme's long-term funding target

As part of the discussions on the 2019 actuarial valuation, the Trustees and Company agreed a longer-term target designed better to secure members' benefits. It is currently expected that this target should be reached by April 2034. The Trustees continue regularly to monitor the Scheme's progress against the long-term funding target, and this will again be a key feature for the April 2022 valuation negotiations.

Despite the impacts of COVID-19 and Russia's war in Ukraine, the Scheme is still very much on track to reach this longer-term objective, and we will continue to work closely with the Company and our professional advisers to develop a progressive plan to continue to reduce risk within the investment portfolio as and when the Scheme is ahead of its funding target.

Investment changes

You may recall that the Trustees implemented a lower risk investment strategy in 2019, with a substantial increase in the hedging of interest rate and inflation risk. During the last financial year, the Trustees decided to reduce risk further through additional hedging of interest rate and inflation risks, and this now sits at around 95% of our liabilities – meaning 95% of our liabilities are fully protected against movements in interest rates and inflation.

SEI and the Trustees have continued to work closely together to review whether any action was required as a result of the COVID-19 pandemic and the subsequent re-opening as well as more recent events, which continue to increase economic uncertainty as a result of rising inflation and Russia's invasion of Ukraine. No further significant changes to the investment strategy were considered necessary during the year, however it should however be noted that SEI in its role as Fiduciary Manager was active in using their discretion to take action on rebalancing the portfolio and making changes within asset classes including allocations to different specialist sub-advisers to manage risk and take advantage of opportunities as they arose.

The Trustees have, more recently, been working with SEI to further enhance the investment strategy, which will shortly see the Trustees introducing new “alternative” asset classes into the overall investment portfolio.
These new asset classes are intended to complement the existing portfolio by both reducing reliance on equity markets to deliver our returns, and by providing much greater diversification benefits – particularly important given recent market volatility. The new asset classes are “illiquid” in nature, meaning that the Trustees had to undertake some detailed analysis of our ability to meet ongoing cashflow demands, before a decision to allocate and tie-up money in longer-term investment vehicles could be reached.

I am pleased to confirm that this work has all been completed over the last few months, and the Trustees intend to implement the changes and to allocate funds to these new investment vehicles in the next financial year.

The Trustees are comfortable that implementing the investment portfolio changes will deliver the investment returns required to continue to secure member benefits in a risk efficient manner, recognising that some risk still needs to be taken.

Implementation Statement

The Trustees have prepared an Implementation Statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. Its purpose is to demonstrate how the Scheme has followed the policy on voting, stewardship and engagement as set out in the Scheme’s Statement of Investment Principles (SIP), dated 8th December 2021.

This Implementation Statement covers the year 6th April 2021 to 5th April 2022 and can be found on Pages 24 to 30.

Recent Market Events

As noted in this report, the Scheme’s investment strategy includes the use of liability driven investment (LDI) funds that seeks to provide a broad match to changes in the Scheme’s liability values to help protect the Scheme’s overall funding position. These LDI investments respond in a similar way to the Scheme’s liabilities, when government bond yields and expected inflation change.

Since the beginning of 2022, government bond (gilt) yields have been increasing noticeably. However, in September 2022, following a change in the UK government’s fiscal policy, and lower than expected Bank of England (BoE) interest rate increases, exacerbated by concerns over rising inflation, significant increases and volatility in gilt yields were triggered. This led to a significant fall in the value of assets invested in the Scheme’s LDI funds and an increase in collateral calls being made by the Scheme’s LDI managers to support the LDI funds. It is worth noting that this was a systemic issue affecting many defined benefit pension schemes across the UK. In response to this market turmoil, the BoE set aside £65bn to buy back government bonds, in order to seek to mitigate gilt yield rises and ease pressure on pension funds and insurance companies.

Over this period, the LDI managers have been deleveraging their LDI funds and the Fiduciary Manager and Investment Adviser has also been judicious in managing the liquidity risk of the Scheme by using more unlevered LDI funds as well as lower leverage LDI funds. This resulted in a drop in the hedge ratios while the overall asset allocation was maintained. As at 21 October 2022, risk management assets were about 51% of the portfolio, largely in line with the target. The Scheme's advisers continue to monitor the situation and act accordingly.

Consequent on the above and changes in bond values, as expected, the overall value of the Scheme's investment portfolio has significantly declined. That said, the value of the Scheme's liabilities (as measured on the technical provisions basis) has also fallen by a similar amount, in line with the risk management approach using LDI. This has left the Scheme's estimated funding levels broadly stable and there are no concerns regarding its ability to meet the payment of benefits to members, or its ability to continue as a going concern.

The Trustees will continue to monitor the situation and are well placed to take any further action as required.

Guarantee Minimum Pension (GMP) Equalisation Project

The Trustees Board continued to be busy over the last year on some key projects. You may recall from my statement last year that one of these is a project where all UK defined benefit pension schemes have been addressing the need to ensure "GMP equalisation" is implemented following the Lloyds Court ruling in October 2018. This involves adjusting benefits to make sure men and women are treated equally – and can result in a relatively modest top-up to earlier payments made to our existing members.

The Trustees appointed Buck Consultants to manage this project and to steer us through the complexity of delivering it. I am very pleased to confirm that the Scheme has largely completed Phase 1 of this project with most of our pensioner members having been reviewed and their benefits recalculated to identify if any "shortfall" payment was due to them. Pensioner and Dependant Scheme members were contacted by the administration team in October 2021, with details of any additional payment that they were due to receive. All backdated shortfall payments were credited to affected members as part of their November 2021 pension payment.

The Trustees are now working through the next phases of the project and will contact those who retired after March 2021 with results of their GMP equalisation calculation in due course.

The Trustees are also working on our deferred member population (i.e. those members who have not yet retired) to introduce a GMP calculation at the point they move into retirement. Essentially, this means that when you come to retire, your benefits will be compared on both a "male" and "female" basis, and if the calculation of your benefits on the "opposite" sex basis provides a higher result, these higher benefits will be put into payment for you.

As previously reported, following a further Court ruling in November 2020 in relation to past transfer cases, the Trustees are also now considering how to equalise benefits for any members who have transferred-out from the Vaillant Group Pension Scheme into an external arrangement since 1990. This aspect of the project will be dealt with in 2023.

Pensions Increase Exchange Project

The Company took the decision in 2022 to provide pensioner members with an offer whereby they could receive a one-off uplift to their Pre 1997 benefits, in exchange for giving up future annual increases on this portion of their pension. The Trustees were pleased to have involvement in the project in terms of the selection of the organisation that would be appointed to provide advice to the members who would receive an offer, and Origen were formally appointed by the Company in the first quarter of 2022.

Members, with more than £500 per annum of Pre 1997 benefits received their "offer" packs in April 2022, and had a 3 month window in which to engage with Origen (the appointed IFA) to take appropriate advice. At the time of publishing this report I can confirm that 814 of our pensioners and dependents have accepted the offer and their pensions are currently being adjusted to reflect the uplifted pension payable in exchange for giving up future pensions increases. The uplifted pensions for affected members will start from their November 2022 instalment of pension (payable on 31st October 2022).

Meetings

In line with the requirement to work from home during the COVID-19 pandemic, the Trustees have continued to hold all meetings via video conferencing, rather than face-to-face. You will recall that working remotely caused us to review our overall governance structures to facilitate more effective Scheme management and, as a result, the Trustees identified the need for a small number of additional committees to oversee delivery of an increasingly heavy business plan. These committees remain in place and have met as follows:

Emergency Committee (Chairman's Committee)

This Committee is intended to come into play in exceptional circumstances, should approval be required for any item reserved for the Trustees Board or of any Committee's decision during a period between scheduled Trustees Board or Committee meetings.
Membership of the Committee is:

- Mike Hampton: Chair of Trustees
- Adrian Simpson: Company Representative Trustee (who was replaced by Steve Adams: Member-Nominated Trustee).
- Steve Wakely: Member Nominated Trustee

In the event that any of the individuals are unavailable, then the following principles apply:

- The Committee shall comprise no fewer than three Trustees;
- There must always be at least one Member-Nominated Trustee on the Committee;

The Emergency Committee has not needed to convene during the year as all Scheme matters were able to be dealt with by the various Committees the Scheme now has in place, or by the full Trustees board.

Funding and Investment sub-group (now a formal committee with effect 12 July 2022).
The Committee was appointed by the Trustees of the Scheme. The appointed members are:

- Mike Hampton: Chair of Trustees
- Steve Wakely: Member-Nominated Trustee

This committee continued to ensure that the Trustees were able to closely monitor the impact on the funding level progression and take any action in relation to investment portfolio changes throughout the COVID-19 pandemic, and as Russia's war in Ukraine began to unfold.

This committee also considers matters relating to investment and funding and is supported at each meeting by both Mercer Ltd as the appointed Actuary, and SEI as the investment fiduciary manager. This committee also considers matters relating to investment performance reporting and has helped to further develop SEI's stewardship report that is presented to the Trustees Board on a quarterly basis. In terms of Trustees attendance, both Mike Hampton in his capacity as Trustee Chairman, and Steve Wakely as a Member-Nominated Trustee attend meetings.

The funding and investment sub-group met on four occasions during the year.

GMP Equalisation Committee (now a Benefit Projects Committee)
The Committee was appointed by the Trustees of the Scheme. The appointed members are:

- Mike Hampton: Chair of Trustees
- Steve Adams: Member-Nominated Trustee

The Trustees are responsible for the efficient operation of the Scheme, and the Committee supports the Trustees in executing their responsibilities by exercising delegated powers to oversee all delegated matters relating to the management of a GMP Equalisation project for the Scheme. The Committee takes actions and make recommendations, where necessary, reporting back to the main Board at least quarterly on meetings held and attendees, recommendations/requests for decisions to be made by the main Trustees Board, decisions made under delegated authority, and other items for noting.

The GMP Equalisation Committee met on four occasions during the year.

The Trustees have also now approved an update to the GMP Equalisation Committee Terms of Reference so that this committee will now be referred to as the Benefit Projects Sub-Committee.

Their scope of work has now been extended to cover a wider range of projects like Pensions Increase Exchange (PIE), Flexible Retirement Options (FRO) and the upcoming requirements to participate in a government led initiative called Pension Dashboards which seeks to enable individuals to reconnect with their previous pension benefits which they may have thought they had lost or have been unable to trace.

Governance Risk and Audit Committee
This Committee was established in January 2021 with the intention of providing greater focus and support for the Scheme Secretary on matters such as policies and procedures (including support of the Risk Register, Business Plan, annual report and financial statements, and the associated audit processes). It also helps to provide assurance to the Trustees in relation to governance standards and creates an environment that encourages informed risk taking by the Trustees with clear accountability.

The Committee considers, reviews, and make recommendations to the Trustees board on the following matters:

- Scheme policies (and their contents) required as a result of changes in law and regulation or best practice;
- the annual (or other frequency) review of existing policies to ensure continued compliance with law and regulation and best practice;
- the annual (or other frequency) review of the Risk Register;
- the annual (or other frequency) review of the Business Plan;
- the annual (or other frequency) review of process and procedure to ensure compliance with law and regulation and best practice;
- production of the annual report and financial statements (including associated arrangements such as appointment of, and meetings with, the auditors); and
- the support of any Vaillant Group audit and / or the Scheme audit.

The Committee also takes responsibility for ad-hoc projects delegated to it by the Trustees Board from time to time.

The Committee was appointed by the Trustees of the Scheme. The appointed members are:

- Mike Hampton: Chair of Trustees
- Adrian Simpson: Company Representative Trustee (who has been replaced by Steve Adams following his resignation from the Company).

The Governance Risk and Audit Committee met on five times during the year.

<u>Trustees meetings</u>
In addition to the various Committee and sub-group meetings, the full Trustees Board met on twelve occasions throughout the year. This included five meetings to discuss some proposed changes from the Company in relation to the “Negative Pledge” Deed, where the Company sought some small changes to the “boundaries” surrounding borrowing and lending limits in exchange for the new UK Heatpump manufacturing being incorporated into Vaillant Industrial Limited - a key financial contributor to the pension Scheme in terms of recovery plan contributions that are met through their ongoing profits).

The Trustees also attended two formal training days covering GMP Equalisation, and a Cyber Risk wargame where we tested our Incident Response Plan and Data Breach Procedures under a simulated scenario.

The Trustees also held an adviser review day which was centred around the annual performance review of SEI – our appointed investment and Scheme Fiduciary Manager. The Trustees were supported in this review by our specialist investment and fiduciary oversight team at IC Select. This review covered all performance and other agreed investment objectives, and also enabled the Trustees to set the scene for 2022 and 2023 as we embrace the challenges of ESG (Environmental, Social and Governance) measures and the new regulatory reporting requirements which are likely to apply to schemes of our size over the next few years.

Due to a continuing heavy workload, each main Trustees meeting has been scheduled for a day and a half per meeting. This enables all business matters to be dealt with, as well as for the Trustees to receive full updates on the work undertaken by each of the Committees/sub-groups.

The Trustees continue to monitor the business resilience of our suppliers, advisers and administration team and we are pleased to report that our advisers and third-party suppliers have robust business continuity plans in place and, most importantly, that we continue to provide a high-quality service to our Scheme members.

<u>Trustee changes</u>
Finally, there have been some Trustee changes this year.

The Company appointed Mrs E Staniland as a Trustee on 12th July 2022 and Mr Whyld on 7th December 2021. Mrs Staniland is Senior Tax Manager – Vaillant Holdings Ltd and brings a wealth of expertise to the wider group, including a strong focus on risk management. Mr Whyld is HR Manager – Vaillant Group (UK) Ltd who brings a focus on member engagement and all matters related to member benefits. The Trustees would like to extend their warm welcome to both Trustees and very much look forward to working with them

Both Mr S Clark and Mr A Simpson stood down as Trustees.

Mr Clark leads Vaillant's commercial sales team and, due to business demands, does not feel he can continue to dedicate the time that is required to properly serve as a Trustee given the increasing time demands this needs.

Mr Simpson left Vaillant Group (UK) Ltd in June 2022 to pursue new opportunities outside of the business. I would like to personally thank both Mr Clark and Mr Simpson for their support and commitment during their time spent as Trustees, and I wish them both well for the future.

On that note, I should like to thank all of the Trustees for their diligence in dealing with a heavy workload again over the past year, especially given the ongoing challenging circumstances that the pandemic has continued to present.
I should also like to thank Steve Tickner, our Pensions Manager, and his in-house administration team for maintaining an excellent service to all of our Scheme members.

I look forward to working closely with all of my colleagues, both Trustees and the in-house team, as we continue to develop the strategic plan for the Scheme on behalf of our Scheme members, and as we progress the negotiations with the Company relating to the actuarial valuation.

Mike Hampton - Chairman of the Trustees

Scheme Management

Principal Employer and Ultimate Holding Company
The Principal Employer continues to be Vaillant Holdings Ltd (the "Company") and the ultimate holding company of the Company is Vaillant GmbH.

The Scheme
The Scheme is an occupational defined benefit pension scheme set up under trust to provide retirement benefits for certain groups of employees of the Company. It is governed by a Trust Deed and Rules dated 12th October 1992 and subsequent amendments. The Scheme is closed to new members and to future accrual.

Trustees
The power to appoint and remove Trustees, subject to the requirements of the Pensions Act 2004, is vested in the Principal Employer and this power must be exercised by Deed.

Member Nominated Trustees (MNTs) are nominated by the Scheme members and selected by a sub-committee of the Trustees.

Professional Advisers
The Trustees retain a number of professional advisers in connection with the operation of the Scheme. The full list of advisers currently appointed are as shown on page 4 of this report.

Members and Pensioners

The number of members is shown below:

	6th April 2021	5th April 2022
Contributing members	-	-
Deferred pensioners	2,431	2,324
Pensioners	4,552 (including 980 spouse/dependants)*	4,500 (including 1,008 spouse/dependants)*
Total	**6,983**	**6,824**

*annuity policies are in place for 7 pensioner members (6 Reassure and 1 Aviva) (11 pensioner members -9 Reassure, 1 Canada Life and 1 Aviva in 2021)

Deficit Contributions

The Schedule of Contributions dated 2nd April 2020, prepared in accordance with Section 227 of the Pensions Act 2004, sets out additional contributions the employer has agreed to pay between May 2019 and October 2023 in order to fund the deficit. Total contributions of £112.35 million will be paid during this period. To date, £71 million has already been received up to 5th April 2022.

Negative Pledge

It is important for the Scheme to continue to have the support of Vaillant Holdings Ltd and Vaillant GmbH (the "Companies"). As a result, the Trustees and the Companies entered into a binding agreement, a Negative Pledge. This is to ensure that the value of Vaillant Holdings Ltd and its subsidiaries can be monitored by the Trustees and cannot be materially reduced, by the actions of the Companies, unless Vaillant GmbH or any other member of the Vaillant Group have sought the prior written consent of the Trustees. The Negative Pledge also includes a mechanism that provides additional cash contributions to the Scheme should the Company breach the agreement, in order to mitigate the breach.

Deed of Guarantee

In addition to the Negative Pledge the Trustees have also made an agreement with the Companies that participate in the Scheme should any of them not be able to meet their financial obligations to the Scheme. If this were to happen, then the remaining participating companies will each be liable for that company's debt.

Review of the Financial Development of the Scheme during the year

As at 5th April 2022 the Scheme's net assets, including the investment assets at fair value and Additional Voluntary Contributions were £676,705,148 (2021: £681,329,294), a small decrease of £4.62 million during the year.

The decrease in the value of the Scheme's assets is a result of the Trustees increasing our interest rate and inflation risk "hedging" levels, which use leveraged gilt funds to ensure that our liabilities (which are extremely sensitive to movements in interest rates) are broadly matched by movements in our assets. The Trustees increased their hedging levels from c83% to c95% in December 2021 and, although our total assets may have fallen by £4.62m during the year, the Scheme's long-term liabilities reduced by more than this figure. As a result, we are expecting a modest improvement in our overall funding position between 5th April 2021 and 5th April 2022, and this will be communicated to members with greater confidence as the results of the 5th April 2022 actuarial valuation are received later this year.

Further details regarding the Scheme's investments are given on pages 16 to 21. Given the impact on schemes that do not have interest rate and inflation hedging in place, our portfolio has continued to serve us extremely well in the current climate.

The audited Financial Statements appear on pages 44 to 59 and the 'Summary of Contributions' appears on page 63 of this Report. They record the financial transactions of the Scheme during the year and the nature and disposition of its net assets at 5th April 2022.

A statement of the Trustees' responsibilities when preparing the Annual Report and Financial statements is given on pages 34 and 35.

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

Investment Matters

Investment Report for the year ended 5th April 2022

The Trustees have delegated the day-to-day investment decisions to SEI as their appointed fiduciary manager. A mandate is in place covering the levels of delegated authority that SEI hold. SEI may further delegate investment decisions on the pooled funds held within the portfolio to the underlying fund managers (where these are not blended pooled funds managed by SEI).

In accordance with section 35 of the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles (SIP). Copies of the Statement are available on request from the Scheme Administrator (see contact details on Page 62), and are now available on our member website at www.vaillantpensions.com

As at the 5th April 2022, the investment portfolio overseen by SEI, consisted of a range of pooled investment funds and vehicles. Many of the pooled funds are constructed by SEI on a "fund of managers" approach, although non-blended funds are in place for some of the investments where SEI do not feel they can bring competitive advantage through the use of multi-managers. An example of this is the leveraged gilt funds which were constructed with Bank of Montreal (BMO) with the aim of providing the Scheme with a significant increase in interest rate and inflation risk protection.

The Bank of New York Mellon (International) Ltd is the custodian of all assets held on the SEI platform. The following funds have not yet been, or cannot be, re-registered into the Bank of New York Mellon (International) Ltd custody account. The administrators of those funds are shown below:

a) M&G European Loans Fund – State Street Fund International (Ireland) Ltd.
b) M&G Secured Property Income Fund – M&G (Guernsey) Limited.
c) M&G PP All Stocks Corporate Bond Fund – The investments are in an insured fund managed by Prudential Pensions Ltd. As such, the policy does not require a separate custodian. SEI have recently appointed M&G as one of the underlying fund managers who have a mandate to manage funds within the SEI Corporate Bond Fund. As such, it is anticipated that the existing M&G All Stocks Corporate Bond Fund investments will be re-registered ("In-specie") into the SEI Corporate Bond Fund in Q3 2022. As M&G will manage in excess of 50% of the SEI Corporate Bond Fund through their existing M&G All Stocks Corporate Bond Fund, this move seems sensible for the Trustees of the Scheme as it will allow them to not only access a broader range of Corporate Bond Fund Managers (bringing diversification benefits), they also can achieve this without being subject to significant transaction fees that are associated with selling and buying investments. The M&G mandate with SEI equates to around 50% of the total funds managed under the SEI Fund).
d) Aberdeen Standard Life Long-Lease Property Fund - The investments with Aberdeen Standard Life are in a Trustees Investment Plan, a form of insurance policy not requiring a custodian.

The fees of the investment managers, custodians and the fiduciary manager were met from the resources of the Scheme.

At the year-end, the Scheme's investment assets were placed with the investment managers as follows:

Investment Manager	Holding	Assets % (2022)	Assets £ (2022)	Assets % (2021)	Assets £ (2021)
BMO	Leveraged Nominal Gilt	9.02	61,039,791	12.1	82,173,009
BMO	Short profile Leveraged Real Gilt	4.14	27,998,174	5.1	34,599,881
Insight	Partially funded index-linked Gilts (2021-2030)	2.37	16,054,454	1.8	12,248,228
Insight	Partially funded index-linked Gilts (2031-2040)	1.57	10,639,848	1.4	9,411,416
Insight	Partially funded index-linked Gilts (2041-2050)	0.30	2,038,496	-	-
Insight	Partially funded Gilts (2051-2060)	1.17	7,941,075	-	-
Insight	Partially funded Gilts (2041-2050)	0.64	4,312,635	-	-
M&G	Fixed Income	13.17	89,135,096	14.1	96,129,227
M&G	European Loan Fund	5.01	33,881,724	5.0	34,265,423
M&G	Secured Property Income	3.26	22,033,841	2.9	19,520,643
Aberdeen Standard Life	Long Lease Property	4.27	28,863,603	3.8	26,265,643
SEI	UK Long Duration Credit	9.63	65,162,271	10.4	70,586,379
SEI	UK Index-linked Gilts	1.76	11,927,631	-	-
SEI	UK Gilts Fund	1.00	6,798,956	2.9	20,035,166
SEI	Emerging Markets Debt (Hedged)	2.10	14,234,151	2.1	14,464,990
SEI	High Yield Fixed Income	2.20	14,872,776	2.4	16,402,289
SEI	Global Managed Volatility (Equity)	17.21	116,481,350	16.9	115,154,375
SEI	Factor Allocation Global Equity	10.58	71,602,487	10.1	68,780,445
SEI	Dynamic Asset Allocation (Equity)	2.4	16,232,024	1.3	8,723,567
SEI	Structured Credit (Alternatives)	2.55	17,230,353	2.2	15,155,004
SEI	Liquid Alternative Fund	3.62	24,489,451	2.1	14,798,768
SEI	Cash	0.43	2,902,093	2.6	17,715,741
Insight	Solutions Plus Partially Funded Gilts 21-30	0.43	2,895,478	-	-
Cash and Creditors	Trustee Bank Account	1.02	6,932,343	0.7	4,416,781
AVCs*		0.07	467,018	0.1	482,319
Other	Accrued dividends less accrued management expenses	0.08	538,029	-	-
Total		**100**	**676,705,148**	**100**	**681,329,294**

**AVCs valuation as at 5th April 2022 includes the latest available data from the AVC providers.*

Investment Changes

The Trustees review the investment and fiduciary manager performance regularly and are supported in their oversight of this by IC Select (a specialist firm of 3rd party investment consultant and fiduciary manager evaluators). SEI report to the Trustees on at least a quarterly basis.

Investment Performance Objectives

The Trustees appointed SEI as fiduciary manager for the Scheme's assets in 2019 and, in this, capacity SEI provides advice to the Trustees on the long-term investment strategy of the Scheme and, in addition, is responsible for managing the Scheme's assets according to the agreed investment policy. This includes fully delegated responsibility for the selection and monitoring of investment managers of pooled funds or within SEI's own multi-manager pooled funds.
The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustees have set the following primary objectives for SEI:

- To outperform gilts by 2.5% p.a. and
- To only take the level of risk considered to be appropriate to achieve this objective with a target level of a Value at Risk at the 95th Percentile of 10.1% of liabilities (This means that the target is for the funding level not to deteriorate by more than 10.1% in a 1:20 market event)

The Trustees' approach to investment strategy is to allocate the assets into the following broad asset categories (all via pooled investment vehicles) in order to meet the investment objectives:

- Risk Management Pool - these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, UK investment grade corporate bonds and liability driven derivative overlays such as interest rate and inflation swaps. The Trustees will set a target, known as a hedge ratio, for the percentage of the interest rate and inflation risk in the liabilities that will be mirrored in the assets.

- Return Enhancement Pool - these investments exist in the portfolio to generate return relative to the liabilities without a requirement to closely track liability performance. Assets in this pool include, but are not limited to, equities, property, emerging market debt, high yield bonds, commodities, structured credit instruments, hedge funds and infrastructure assets.

The Trustees' investment objective determines the split of assets between these components and within each component. Further to this the Trustees have an intended Long-Term Funding Target (which will see the Scheme achieve "low dependency" on the Company for cash contributions) which it aims to reach by October 2034. Journey Plan which sets out how this split will be adjusted over time as the Funding Level improves. This is currently being discussed with the Company along with a preferred "journey plan" which sets out how this split will be adjusted over time as the funding level improves.

The Trustees have appointed SEI Investments (Europe) Limited to be Fiduciary Manager. The Fiduciary Manager is appointed to invest the Scheme's assets, in accordance with the Investment policy agreed, through:

- Selecting appropriate SEI Funds or external Funds suitable for the Scheme. Defining the allocations to each Fund. Making changes and adjustments where appropriate.
- The performance expectation of this process is delivery of the investment objectives of the Scheme.

SEI's objectives are:

- Total assets should outperform the agreed liability gilts benchmark by 2.5% over rolling three-year periods, and
- Manage the assets within the parameters set in the Fiduciary Management Agreement and within agreed risk tolerances.

The Trustees assess the performance of the Scheme's investments in the following groupings consistent with the overall strategy:

- Return-enhancing assets: Are assessed by reference to agreed benchmarks and performance targets set and agreed with each manager.
- Risk-management assets (including LDI): Are compared with benchmarks but the Trustees' main focus is security of cash flows and therefore growth in these assets is less relevant.

High Level Asset Allocation

Category	Allowable Range	Sub-category ranges
Return Enhancing Pool	**37%-57%**	Equities: 19%-35% Alternatives: 12%-28%
Risk Management Pool	**43%-63%**	n/a

The Trustees have also determined that they wish to reduce the interest rate and inflation risk exposure of the Scheme by engaging in an LDI Strategy to target a hedge ratio as shown below:

Interest and Inflation rate risk mitigation

Risk	Hedge Ratio Target
Interest rate risk (effective % of interest rate sensitivity in the liabilities that the Portfolio should match)	**95%**
Inflation rate risk (effective % of inflation rate sensitivity in the liabilities that the Portfolio should match)	**95%**

The Trustees receive reports from their investment advisers on a quarterly basis showing actual performance by manager and fund. As the appointed Fiduciary Manager, SEI present to the Trustees Board on a quarterly basis in terms of overall portfolio performance, individual fund performance against the agreed benchmarks, on matters of compliance and on ESG engagements and voting policies. The Trustees monitor the performance of the Fiduciary Manager against the agreed performance objectives and regularly review the activities of the Fiduciary Manager to ensure they continue to perform in a competent manner and have the appropriate knowledge and experience to manage the assets of the Scheme.

The Trustees have considered the nature, disposition, marketability, security and validity of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each class of investment. Further details about investments are given in the notes to the financial statements.

Investment Returns

SEI has estimated that the return from the combined assets for the financial year was 2.21% compared to a benchmark of 0.25%.

Due to SEI being appointed in 2019, performance of the Scheme's investments is currently only available for a 1-year period, and for the period since their inception on 31st October 2019. This is summarised as follows:

Asset Category	Asset Class or Fund Name	1 year performance	Benchmark Performance	Performance since inception (31/10/2019)	Benchmark Performance	Allocation
Risk Management Fixed Income (including LDI)	Liability Driven Investment (LDI) Strategy	-8.7%	-8.7%	-7.8%	-7.8%	22.9%
	M&G All Stocks Corporate Bond	-4.4%	-5.2%	0.4%	-1.0%	13.2%
	SEI UK Long Duration Credit Fund	-9.1%	-8.1%	-2.7%	-2.7%	9.6%
Return Enhancing (Equities)	SEI Global Managed Volatility Fund	16.6%	14.9%	6.2%	5.7%	17.2%
	SEI Factor Allocation Global Equity Fund	12.5%	12.4%	13.9%	13.6%	10.6%
	SEI Dynamic Asset Allocation Fund	19.2%	15.4%	17.5%	14.7%	2.4%
Return Enhancing (Alternatives)	M&G European Loan Fund	1.9%	0.2%	2.3%	0.3%	5.0%
	Aberdeen Standard Life Long Lease Property fund	13.8%	-5.1%	8.2%	-2,8%	4.3%
	M&G Secured Property Income Fund	12.0%	9.0%	6.8%	4.6%	3.3%
	SEI Structured Credit Fund	13.3%	0.1%	13.3%	0.3%	2.5%
	SEI Liquid Alternative Fund	1.9%	0.1%	7.0%	0.3%	3.6%
Return Enhancing (Fixed Income)	SEI High Yield Fixed Income Fund	1.0%	-0.5%	4.3%	2.9%	2.2%
	SEI Emerging Markets Debt Fund	-5.2%	-5.9%	-3.1%	-4.1%	2.10%
Total						**98.9%**

Employer-related Investments

There were no directly held employer-related investments at the year-end (2021: none). There were no indirectly held employer-related investments at the year-end (2021: none).

Compliance Matters

Scheme governance

The Trustees retain direct responsibility for setting investment objectives, establishing risk and return targets and setting the Scheme's Strategic Asset Allocation (SAA). To guide them in doing so, the Trustees have established a set of investment beliefs as well as taking those of the Principal Company into consideration.

As well as aiming to achieve a funding level of 100% of Technical Provisions by October 2023, as part of the 2019 actuarial valuation, the Trustees outlined their intended long-term funding target (LTFT) with the Company. This target is underpinned by funding measures which are relatively close to a level of funding which would see the securing of all member benefits through an insurance contract. The Scheme's financial security is therefore measured by how it is performing against this longer-term target as well as the objective referred to above of reaching full funding on a Technical Provisions basis by October 2023.

The Trustees closely monitor funding level progression against both targets, and whether the investment portfolio remains appropriate to deliver successful outcomes for both.

Through the Scheme's Integrated Risk Management (IRM) framework, funding and investment risks are regularly considered in the context of ongoing monitoring of the Company's covenant strength (i.e. its ability to continue to fund to meet its obligations to pension scheme members). Regular discussion with the Company on this ensures that the Sponsor understands the strong role that ongoing contributions play in ensuring the Trustees can maintain a lower risk investment approach as the Scheme continues to mature.

SEI, as the Scheme's Fiduciary Manager, is responsible for managing the Scheme's assets according to the agreed investment policy set out in the Fiduciary Management Agreement. This includes fully delegated responsibility for the selection and monitoring of investment managers of pooled funds or within SEI's own multi-manager pooled funds. SEI report to the Trustees on matters regarding portfolio and manager performance, and the Trustees meet with the SEI and IC Select on a regular basis to review this.

The Custodian for all assets held on the SEI platform is Bank of New York Mellon (International) Limited. They are responsible for the safekeeping of the Scheme's assets.

The Scheme Actuary performs a full valuation of the Scheme at least every three years, in accordance with regulatory requirements, as well as providing the Trustees with an estimated funding position on a quarterly basis. The main purpose of the full actuarial valuation (and updates) is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy for the Scheme.

Full details of the current funding strategy and contributions payable will be found in the Statement of Funding Principles and Schedule of Contributions respectively.

SEI, in its role as the Scheme's Investment Adviser, provides professional investment advice to the Trustees.

Their role encompasses, but is not limited to, providing assistance to the Trustees in formulating investment objectives, advice on investment strategy, and advice on devising an appropriate portfolio structure. The Scheme provides predominantly defined benefits, but also provides certain money purchase benefits related to members' additional voluntary contributions ("AVCs").

Responsible Investment

The Trustees believe that responsible investment and good stewardship can enhance long-term portfolio performance and is therefore aligned with their fiduciary duty. Mitigating risk and capturing investment opportunities driven by the integration of ethical and environmental, social and governance ("ESG") and climate-related issues may have a material impact on investment returns across all asset classes. Therefore, the Trustees consider ESG integration to be an important component of their investment strategy.

This is a view shared by the Company, who view sustainability as central to the organisation's long-term vision of "Taking care of a better climate". To support this effort, the Trustees note that the Company has established a strategic programme ("S.E.E.D.S") to deliver on this vision both within the organisation and externally.

The Trustees received a refresher training session on ESG at the March 2021 Board meeting and then held a further ESG workshop in May 2022 which followed a presentation from the Company on how they are measuring and implementing ESG improvement strategies across Group and their supply chain. The training and ESG workshops attended by the Trustees, considered how ESG is implemented from an investment perspective, the screening approach, and how SEI uses influence and mutual interest when engaging and exercising its voting rights to drive improvements across the underlying companies where investment is being made through the Scheme. The Trustees were also appraised on how SEI's integrated analysis and investment manager research process drives better ESG change. The Trustees (through SEI) have partnered with specialised providers for engagement, pooling SEI's assets with other investors to increase the influence on management of different companies. In addition, SEI is part of Climate Action 100+, an initiative amongst the world's leading institutional investors to ensure that the biggest greenhouse emitters take action on climate change. SEI are well placed to drive ESG priorities for their investment and fiduciary management clients.

The May 2022 workshop also specifically covered how Climate Change considerations should be incorporated within the Scheme, in terms of the potential financial impact on the Scheme as well as to comply with regulatory requirements. Further follow-up work will be undertaken to enhance the governance structures around management of ESG risks and to introduce further metrics for the Trustees to be able to better appraise the effectiveness of their ESG policies. ESG currently forms part of the quarterly investment review that the Trustees hold with SEI and the new governance structure will entail a more detailed annual review of ESG activity and ESG policy.

The Trustees continue to work with SEI and our wider appointed advisers to drive development of the Trustees' knowledge and understanding on ESG, and to better understand what positive action the Scheme can take (as a large investor) to drive further improvements on ESG matters both within the underlying investment managers, and the underlying companies that the Scheme ultimately invests in through our range of pooled funds.

Implementation Statement

Trustees must exercise their powers of investment with a view to giving effect to the policies in the Statement of Investment Principles ("SIP"), so far as is reasonably practical. To boost compliance with the SIP, Trustees are required to produce an Implementation Statement which sets out how they have followed and acted upon their stated investment policies in their SIP.

The Trustees of the Vaillant Group Pension Scheme have prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. Its purpose is to demonstrate how the Scheme has followed the policy on voting, stewardship and engagement as set out in the Scheme's Statement of Investment Principles (SIP), dated 17th September 2020 and as updated to incorporate revised hedging levels on the 8th December 2021. This statement covers the year 6th April 2021 to 5th April 2022, and is also available on the Scheme member website by visiting www.vaillantpensions.com

Stewardship: Voting and Engagement Policy

The policy as set out in the SIP in respect of voting, stewardship and engagement is in summary as follows:

i. The Scheme only invests via pooled investment funds, meaning that the Scheme's investments are pooled with those of other investors. It can be harder for those invested in pooled funds to exert their influence, given the other investors with a stake, but the Trustees still monitor and engage as much as possible.

ii. Voting decisions on stocks are delegated to the investment manager of the pooled funds held by the Scheme.

iii. SEI, the Scheme's Fiduciary Manager, or the investment manager of a third-party pooled fund, has full discretion for undertaking engagement activities in respect of the investments.

iv. Where the investment manager is SEI, they have pooled their holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services. However, the Trustees reserve the right to request from the Investment Manager information regarding its actions and the actions of its delegates.

v. SEI will report on voting and engagement activity to the Trustees on a periodic basis together with its adherence to the UK Stewardship Code. The Trustees will consider whether the approach taken was appropriate or whether an alternative approach is necessary.

vi. The SIP dated 17th September 2020 set out new policies in respect of asset manager arrangements. In relation to voting, stewardship and engagement, a policy was introduced that the Trustees will assess the Fiduciary Manager's performance against objectives annually including how well the Fiduciary Manager is aligned with the SIP in terms of ESG factors.

No other changes were made to the voting, stewardship and engagement policies

The Trustees are of the opinion that this policy has been followed during the year. In particular, the Trustees have received and reviewed quarterly reports from SEI that set out:

- How SEI has voted on all the shares where SEI has voting rights including number of votes for, against and abstentions. For votes against, details of the issue to which the vote relate are provided.

- SEI's engagement priorities which for 2021 included priorities in each of the following categories:
    - Climate change
    - Sustainable Agriculture
    - Modern Slavery
    - Future of Work
    - Board Governance

- The number of companies engaged, and the number of milestones achieved by engagement issue and a rating of its significance.

- The Trustees reviewed the above quarterly reports throughout the Scheme year and monitored performance. The Trustees were satisfied with the content of the report and that SEI's performance was in line with the SIP and the Trustees' expectations.

- The Trustees have considered SEI's voting practices and stewardship policies noting that they are a Tier 1 signatory to the UK Stewardship code and a signatory to the UN Principles for Responsible Investment.

- The Trustees have a process in place to review SEI's performance against objectives, including a specific objective related to providing the Trustees with information on ESG implementation and advice on ESG policy. This process has been implemented during the year, with ESG engagement and voting records being discussed at each quarterly Trustees Board meeting. The Trustees also formally reviewed SEI's performance in this regard as part of the fiduciary manager annual performance assessment carried out in April 2022. The Trustees were supported in this process by their appointed oversight manager – IC Select.

In light of the above and otherwise, the Trustees have considered their policy in regard to voting and stewardship and concluded that:

- SEI's voting and stewardship policies and implementation remain aligned with the Trustees' views on these matters.

- the current voting and stewardship policy is appropriate, and no further action is required. The Trustees will, however, be undertaking follow-up work to the May 2022 ESG Workshop to enhance the governance structures around management of ESG risks and to introduce further metrics for the Trustees to be able to better appraise the effectiveness of their ESG policies including potentially those related to voting and stewardship.

Voting Record

All underlying securities in pooled funds that have voting rights are managed by SEI with SEI having the legal right to the underlying votes. SEI in turn use a specialist ESG provider, namely BMO REO© for 2020 and Glass Lewis for votes cast in 2021, as a proxy for all voting. The proxy votes accord to a policy set out by SEI. SEI provide the specialist provider with the holdings across all SEI's pooled funds. During the year from 6th April 2021 to 5th April 2022, across the Scheme's holdings, including the percentage of overall votable items voted on, SEI voted as follows:

Fund Name	**Global Managed Volatility**	**Global Factor Allocation Equity**	**Dynamic Asset Allocation**
ISIN	IE00B19H3542	IE00BDD7WJ18	IE00B5NNKL10
Number of Votable Meetings	544	681	805
Number of Votable Items	6355	9382	15100
% of Items Voted	93%	95%	94%
For	91%	90%	93%
Against	7%	9%	6%
Abstain/ Withhold/ Other	1%	1%	0%
% of votes with management	92%	90%	93%
% of votes against management	8%	9%	6%
Voting Against/Abstain by Category			
Capital Related	0%	0%	0%
Board/Directors/Governance	7%	16%	7%
Remuneration Related	48%	45%	41%
Shareholder Proposals	16%	17%	22%
Other	22%	13%	28%

Significant Votes

A highlight of some of the significant votes during the year are shown in the table below. These votes are considered to be significant as they have a material impact on the company or the wider community. SEI's selects votes based on one or more of the following criteria's:

- Votes SEI consider to be high profile which have such a degree of controversy that there is high client and/ or public scrutiny.
- Votes relating to companies with a high or severe ESG risk rating.
- Votes relating to companies on one of SEI's watch lists. Watch lists cover ESG topics such as climate and diversity as well as initiatives including Climate Action 100 + and the United Nations Global Compact.
- Votes relating to our 2021 thematic priorities as described in section A.

To date, the Trustees have accepted SEI's position on what constitutes a significant vote but this will be kept under consideration.

Company Name	**Held in Fund(s)**	**Theme**	**Description**
Boeing Co	Dynamic Asset Allocation	Governance	Boeing supplied the aircraft for the Lion Air Flight 610 and the Ethiopian Airlines Flight 302 that fatally crashed in October 2018 and March 2019 respectively. The investigations and hearings which followed these crashes have indicated that it was due to poor oversight by many parties including the board, the firm's executives and U.S. Federal Aviation Administration's aircraft certification process. SEI therefore voted Against the re-election of Edmund Giambastiani and Lawrence Kellner who are the longest serving members on the board and were on the audit committee when the planes were being developed and the certification of them. Therefore, they had a significant role in the decisions regarding these planes. This vote is considered high profile as it addresses concerns over passenger safety and helps to hold the board accountable for the fatal consequences of the Boeing crashes. Boeing also has a high ESG risk rating and is part of the Climate Action 100+ initiative.
DuPont de Nemours Inc	Dynamic Asset Allocation	Environmental	Voted For the proposal for a 'Report on Plastic Pollution'. Although DuPont have made commitments to reducing its environmental footprint by plastic pollution e.g. zero discharge of plastics to marine and freshwaters it has not provided much disclosure on how it is going to meet these commitments. Therefore, this report will provide better oversight of this. This vote is considered significant as it addresses important environmental issues and DuPont is part of the United Nations Global Compact as well as having a high ESG risk rating.
General Electric Company	Dynamic Asset Allocation	Governance	Voted Against the proposal on 'Advisory Vote on Executive Compensation'. This vote decision was mainly driven by the CEO's updated inducement award to 9.3 million shares from 5 million and its lower performance goals. Despite this increase being due to the drop in value of the award (pandemic impact to the share value) and a need to retain top

			executives, SEI believe that this award and its targets misalign long-term performance and pay outcomes. This vote is considered significant due to the high executive pay and the impact this has on governance of a high-profile company. General Electric Company has a severe risk rating and is part of multiple watch lists including Climate Action 100+ and United Nations Global Compact.
Glencore	Dynamic Asset Allocation	Climate Change	Voted For the 'Advisory Vote on Climate Action Transition Plan'. Glencore's plan which will be updated every 3 years and targets to become net zero total emissions by 2050.This proposal would encourage the engagement between the company and the shareholders to ensure the company is producing strong reporting on climate related issues. The company have also clarified that the Board would remain responsible for the management and oversight of all risks and opportunities relating to climate change and the vote would not be a way for the Board to defer issues of strategy to shareholders. This vote is deemed high profile due to the nature of Glencore's business, which has a high exposure to ESG issues. Therefore, this vote will help to address its environmental impact on the wider society. Glencore has a high ESG risk rating and is part of Climate Action 100+ and United Nations Global Compact.
Imperial Oil Ltd	Dynamic Asset Allocation	Climate Change	Voted For the 'Shareholder Proposal Regarding Net Zero by 2050 Ambition'. Many companies, particularly energy companies are adopting net zero emission goals to align their operations with the goals of the Paris Agreements. This proposal was flagged as a Climate Action 100+ shareholder proposal and requests an ambition to achieve net zero carbon emissions at or before 2050 on Scope 1 and 2 emissions. Considering the market and regulatory momentum towards cutting carbon emissions this proposal is important since this company is one of Canada's largest integrated oil companies. This vote is deemed high profile due to the nature of Imperial Oil Ltd.'s business, which has a high exposure to ESG issues. Therefore, this vote will help to address its environmental impact on the wider society. Imperial Oil Ltd has a high ESG risk rating and is part of Climate Action 100+.
Johnson & Johnson	Global Managed Volatility Factor Allocation Global Equity Dynamic Asset Allocation	Community Relations	Voted For the 'Shareholder Proposal Regarding Racial Impact Audit'. Johnson & Johnson have faced many legal challenges on the safety of its talc-based baby powder where patients alleged it caused cancer. It has also been accused of marketing the product to minority women even after concerns about potential carcinogens in the product were raised. Although the legal battle continues, this report will require a third party audit to assess the racial impact of its policies, products and services. This vote is deemed high profile because of the concerns of product safety and its impact on society.

			This issue disproportionately impacted women of colour due to the focused marketing therefore the report will help to identify and mitigate potential risks. Johnson & Johnson has a high ESG rating and is part of SEI's United Nations Global Compact watch list.
Phillips 66	Dynamic Asset Allocation	Climate Change	Voted For the 'Shareholder Proposal Regarding Greenhouse Gas Reduction Targets'. The proposal implicitly requests the company to set Scope 1, 2 and 3 emissions reduction targets on its operations and energy products. Although the company has raised that it is working towards setting attainable targets that are tied to projects, SEI believes that they should do more given the regulatory momentum in US which could make Phillips 66 and others in the industry significantly reduce their emission levels. Scope 3 targets can require significant operational changes but for a company that has not set scope 1 or 2 emission reductions it is lagging behind oil and gas industry peers. This vote is deemed high profile due to the nature of Phillips 66 business, which has a high exposure to ESG issues. Therefore, this vote will help to address its environmental impact on the wider society. Phillips 66 has a high ESG risk rating and is part of Climate Action 100+.
Rio Tinto Ltd	Factor Allocation Global Equity Dynamic Asset Allocation	Governance	Voted Against the proposal 'Remuneration Report'. SEI is hesitant to support the remuneration report due to the size of the awards for the former CEO. In May 2020 in Western Australia as part of an iron-ore mine expansion, the company blasted two ancient rock shelters in the Juukan Gorge. This caused permanent damage to an Aboriginal cultural heritage site. Despite knowing the cultural significance of them before blasting, it went ahead and also later admitted they did not advise the traditional owners of other options available, which would not have involved destruction of the shelters. As CEO at the time, they would have had a significant role in this decision and therefore SEI does not support the high Long Term Incentive Plan of the CEO as part of the remuneration report. This vote is deemed high profile as the destruction of the Gorge sparked a public outcry and therefore, it seeks to address poor corporate behaviour by not compensating those responsible. Rio Tinto has a high ESG risk rating and is part of Climate Action 100+.
Santos Ltd	Dynamic Asset Allocation	Climate Change	Voted For 'Shareholder Proposal Regarding Disclosure of Paris-aligned Capital Expenditure and Operations'. As one of the largest oil and gas producers in Australia , additional reporting on how the Company's capital expenditures is consistent with the climate goals of the Paris Agreement would benefit shareholders and provide insight into how the Company manages an important issue and wider climate goals. This vote is deemed high profile due

			to the nature of Santos Ltd's business, which has a high exposure to ESG issues. Therefore, this vote will help to address its environmental impact on the wider society. Santos Ltd has a high ESG risk rating and is part of Climate Action 100+.
Alibaba	Factor Allocation Global Equity	Governance	Voted Against the proposal 'elect Joseph Tsai Chung'. SEI believes shareholders are best served if the board has basic standards of independence for its board leadership and committees. Chung is executive vice chair of the Company and is a member of the compensation committee. SEI does not believe it is appropriate for an executive to serve on their own company's compensation committee, as they would be in charge of setting their own compensation. Additionally, he also serves as chair of the nominating and corporate governance committee which SEI believes should consist of solely independent directors. Finally, the board has no independent chair or lead director since both roles are held by company insiders. An independent chair is better able to oversee the executives of the company without conflicts. Alibaba has a high ESG risk rating and the company is deemed high profile after recent investigations by the Chinese regulatory body overseeing business.

Corporate Governance

The Trustees have examined the issues in relation to corporate governance and on the exercise of voting rights. The Trustees recognise that good corporate governance creates the framework within which a company can be managed in the long-term interests of shareholders. In particular, voting at Annual and Extraordinary General Meetings on the election of directors, the issuance of equity, and the appointment of auditors are seen as fundamental in protecting shareholder interests.

Noting that the Scheme's equity investments are solely in pooled investment vehicles managed by SEI, the exercise of voting rights on matters of corporate governance has been delegated to SEI. As such, voting policy is determined by SEI who are expected to take account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. SEI report on their adherence to the UK Stewardship Code on an annual basis. The Trustees will assess the extent to which SEI has complied with the UK Stewardship Code.

Matters Reported to the Pensions Regulator

The Pensions Regulator was created by the Pensions Act 2004 and is the regulatory body for occupational pension schemes. The Regulator has a defined set of statutory objectives, has wide powers to investigate schemes and where necessary, take action. The Regulator takes a pro-active risk-based approach to regulation and provides practical support to the regulated community. There were no matters reported to the Pensions Regulator during the Scheme year covered by this report.

Additional Voluntary Contributions (AVCs)

The Trustees have AVC arrangements with Aviva (previously Friends Life) and Coventry Building Society. No AVC payments have been made since the Scheme's closure to future accrual with effect from 5th April 2015.

The Trustees last reviewed the AVC providers in 2020, taking advice from both Pinsent Masons and SEI about a potential rationalisation of AVC providers (given the small amount of AVC fund now invested). The decision was taken in May 2020 to disinvest funds from Utmost Life and Pensions, and to move these to Aviva. All members were communicated with in terms of the rationalisation of AVC providers and to outline their investment choices with Aviva. The funds were reinvested with Aviva in December 2020. There are no plans to review AVC arrangements again until 2025.

Self-Investment and loans

The Trustees confirm that the assets of the Scheme are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 2005, which restricts employer related investments to not more than 5% of the Fund. Self-investment in Vaillant Holdings Ltd and Vaillant GmbH is not permitted and loans to group companies are prohibited. There are restrictions imposed on how much the investment managers are permitted to invest in shares of their own companies.

Actuarial Matters

Actuarial Liabilities and valuation as at 5th April 2019

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

When undertaking a full valuation of the Scheme the Pensions Act 2004 and the Scheme Funding Regulations issued in 2005 require the Trustees to adopt the statutory funding objective i.e. to have sufficient and appropriate assets to cover the 'technical provisions'.

The technical provisions are an estimate of the assets needed to pay the benefits to the Scheme members as they become due, based on a set of assumptions. These assumptions are set out in the Statement of Funding Principles, which is available to members on request.

The most recent triennial valuation was carried out as at 5 April 2019, with the next valuation as at 5th April 2022 currently underway. This had an agreed funding objective to reach by October 2023 (one year earlier than the previous valuation), and to maintain thereafter assets equal to the technical provisions assessed on an ongoing basis. The Actuary has certified that the calculation of the Scheme's technical provisions is in accordance with the regulations and their Certificate of Technical Provisions dated 2nd April 2020 is given on Page 36.

At the valuation date of 5th April 2019 there was a deficit of £127.9 million calculated on an ongoing basis, representing a funding level of 84% relative to the technical provisions. Under the agreed recovery plan the Company will pay additional contributions to the Scheme of £112.35 million by October 2023. These additional contributions are set out in the Schedule of Contributions on pages 37 to 39, along with the actuary's certificate on page 40. At the same valuation date, the deficit on a wind-up basis (i.e. using more prudent assumptions which are aligned with those which would be used by an insurance company when considering a buy-out of the Scheme's liabilities) was £310.6m million, representing a solvency funding level of 68%.

In addition to the technical provisions funding target, the Trustees and Employer have also now agreed a Long-Term Funding Target, which more closely targets funding levels towards a full buy-out with an insurance company within 15 years (5th April 2034). The deficit on this method as at 5th April 2019 was £203.1m representing a deemed funding level of 76%. The Trustees will continue to monitor progress against this long-term target. The Trustees and Employer will consider options which could include (but are not limited to) additional contributions, a review of the investment strategy or an extended timescale to achieve full funding (subject to covenant advice) as part of the "journey plan" to achieve this goal.

The technical provisions at the valuation date are based on a set of assumptions. The general principles adopted by the Trustees are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid and to reflect the commitments which will arise from members' accrued pension rights.

The liabilities of the Scheme are calculated by projecting forward all of the future benefit cash flows and discounting them back to the effective date of the valuation, using the assumptions outlined above.

The majority of benefits in a pension Scheme are paid many years in the future, and in the periods both prior to and during which the benefits are paid, Trustees invest the funds with the aim of achieving a return on those funds.

When calculating how much money is needed now to make these benefit payments, it is appropriate to make an allowance for the future investment return that is expected to be earned on these funds. This is known as "discounting". In addition to the discount rate, in order to calculate the liabilities, the Trustees also need to make assumptions about other factors that affect the costs of benefits provided by the Scheme – for example how long members will live and the future level of inflation.

The method used to calculate the actuarial present value of all future liabilities is referred to as the "Projected Unit" method. The key assumptions made for the valuation as at 5th April 2019 were as shown below. The next actuarial valuation, as at 5th April 2022 is currently underway.

Key Assumptions	
Investment return (pre-retirement)	3.56% p.a.
Investment return (post-retirement)	2.06% p.a.
RPI	3.32% p.a.
CPI	2.52% p.a.
Salary increases	N/A (Scheme closed to future accrual)
Pension increases (in payment)	
Pre 1997	3.00% p.a. fixed
1997-2003 (CPI minimum 3% p.a. maximum 5% p.a.)	3.40% p.a.
Post 2003 (CPI maximum 5% p.a.)	2.49% p.a.
Mortality base table:	S3PA Year of Birth tables (middle for females) with the following weightings and no age adjustments. 107%/105% (non-retired males/females) 106%/105% (retired males/females)
Future improvements on mortality:	CMI 2018 with a long-term improvement rate of 1.5% p.a. and smoothing factors/s-kappa 7.
Cash Commutation	80% of maximum using a factor of 19.0 at Age 65

Actuarial Report as at 5th April 2021

The Actuary is required by law to provide the Trustees with an update of the Scheme's financial position each year when a full three-yearly valuation is not being undertaken.

The latest actuarial report was prepared as at 5th April 2021 and this showed a strong improvement in the funding position of the Scheme over the last 12 months, estimating that the deficit has now reduced from £210.7 million at 5th April 2020 (equivalent to a funding level of 76%) to £121.4 million at 5th April 2021 (equivalent to a funding level of 85%).

The next full three-yearly valuation as at 5th April 2022 is currently being undertaken and the results of this valuation are expected towards the end of 2022. The results will be communicated to Scheme members through a Special Valuation Newsletter in due course.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees' responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("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 scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the scheme will continue as a going concern. The trustees are also responsible for making available certain other information about the scheme in the form of an annual report.

The trustees have a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control. The trustees are also responsible for the maintenance and integrity of the member website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustees' responsibilities in respect of contributions

The trustees are responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the scheme by or on behalf of employers and the active members of the scheme 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 in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the scheme 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 to members.

The general information included on pages 62 to 65 forms part of the Report of the Trustees. The Report of the Trustees on pages 5 to 35 is approved by the Trustees of the Vaillant Group Pension Scheme and signed on their behalf by:

Mike Hampton - Chairman of the Trustees

Date: 4th November 2022

G
CERTIFICATE OF TECHNICAL PROVISIONS

Name of the Scheme	Vaillant Group Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 5 April 2019 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the statement of funding principles dated 2 April 2020.

Signature	M J Harrison
Name	Michael J Harrison
Date of signing	2 April 2020
Name of employer	Mercer Limited
Address	1 Whitehall Quay Whitehall Road Leeds LS1 4HR
Qualification	Fellow of the Institute and Faculty of Actuaries

ACTUARIAL VALUATIONS AS AT 5 APRIL 2019
SCHEDULE OF CONTRIBUTIONS

Vaillant Group Pension Scheme ("the Scheme")

Status of this document

This schedule has been prepared by the Trustees of the Vaillant Group Pension Scheme ("the Trustees") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Michael J Harrison, the actuary to the Scheme appointed by the Trustees.

This document is the 11th schedule of contributions put in place for the Scheme. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustees and the Employer, Vaillant Holdings Limited.

The Trustees and the Employer have signed this schedule on pages 2 and 3 to indicate that it represents an accurate record of the agreed pattern of contributions.

The schedule is effective from the date it is certified by the Scheme Actuary on page 4.

Contributions to be paid to the Scheme from 1 April 2020 to 1 April 2025

Employer's contributions in respect of the shortfall in funding as per the recovery plan of 31 March 2020

To correct the shortfall, the Employer will pay contributions as shown below:

Period	Deficit contributions (payable monthly)
May 2019 – April 2020	£30m (£2.5m per month)
May 2020 – April 2021	£20m (£1.667m per month)
May 2021 – April 2022	£21m (£1.75m per month)
May 2022 – April 2023	£22m (£1.833m per month)
May 2023 – October 2023	£19.35m (£3.225m per month)

The payments will normally be made monthly, but the Trustees and Employer can agree for payments to be made earlier if appropriate.

These contributions shall normally fall due on the last day of each calendar month in respect of that month, and shall be paid by the 19th of the subsequent month.

From time to time the Employer may wish to accelerate the payment date of contributions due in respect of the shortfall in funding or pay more contributions than set out above. The Trustees agree to such accelerated or additional payments without the need for the Employer to seek the prior agreement of the Trustees. However, the Employer is expected to notify the Trustees of any accelerated or additional payments.

Employer's contributions in respect of benefit augmentations

In addition the Employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Employer and approved by the Trustees.

Employer's contributions in respect of administration and other costs

Any administrative and other expenses incurred by the Trustees will be met by the Employer.

Arrangements for other parties to make payments to the Scheme

Payments towards the Scheme may be paid by any subsidiary company of the Employer, in lieu of contributions otherwise due from the Employer.

Dates of review of this schedule

This schedule of contributions will be reviewed by the Trustees and the Employer no later than 15 months after the effective date of each actuarial valuation, due every three years.

Employer and Trustee agreement

This schedule of contributions has been agreed by the Employer, Vaillant Holdings Limited, and the Trustees of the Vaillant Group Pension Scheme on 31 March 2020.

Signed on behalf of Vaillant Holdings Limited	Michael [signature]
Name	Michael Weinholzer
Position	Director
Date of signing	02. April 2020

Signed on behalf of the Trustees of the Vaillant Group Pension Scheme

Name	Mike Hampton
Position	Chair of Trustees
Date of signing	2 April 2020

CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Name of the Scheme	Vaillant Group Pension Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 5 April 2019 to be met by the end of the period specified in the recovery plan.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 31 March 2020.

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

Signature	M J Harrison
Name	Michael J Harrison
Date of signing	3 April 2020
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
Address	1 Whitehall Quay Whitehall Road Leeds, LS1 4HR

Independent auditors' report to the trustees of Vaillant Group Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, Vaillant Group Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of Net Assets available for benefits as at 5 April 2022; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the scheme's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the trustees are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to wind up the scheme, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the trustees and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the trustees to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

04-11-2022

VAILLANT GROUP PENSION SCHEME FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED 5TH APRIL 2022

Note		*5 April 2022*	*5 April 2021*
		£	*£*
	CONTRIBUTIONS AND OTHER INCOME		
3	Employer contributions	21,000,000	20,000,000
4	Other income	-	-
		21,000,000	20,000,000
	BENEFITS AND OTHER PAYMENTS		
5	Benefits paid or payable	30,785,596	29,350,901
6	Transfers to other plans	5,101,575	5,978,033
7	Other payments	5,029	1,838
8	Administrative expenses	3,601	16,310
		35,895,801	35,347,082
	NET WITHDRAWALS FROM DEALINGS WITH MEMBERS	(14,895,801)	(15,347,082)
	RETURNS ON INVESTMENTS		
9	Investment income	15,701,073	4,435,294
10	Change in market value of investments	(3,418,895)	39,322,630
11	Investment management expenses	(2,010,523)	(1,605,388)
	NET RETURNS ON INVESTMENTS	10,271,655	42,152,536
	NET (DECREASE) INCREASE IN THE FUND DURING THE YEAR	(4,624,146)	26,805,454
	NET ASSETS OF THE SCHEME		
	OPENING NET ASSETS	681,329,294	654,523,840
	CLOSING NET ASSETS	676,705,148	681,329,294

The notes on pages 46 to 59 form part of these financial statements.

VAILLANT GROUP PENSION SCHEME FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
available for benefits as at 5TH APRIL 2022

Note			*5 April 2022*		*5 April 2021*
		£	**£**	**£**	**£**
10	**INVESTMENT ASSETS**				
	Pooled investment vehicles	668,767,757		676,430,194	
	Other investment assets	933,849		-	
	AVC investments	467,018		482,319	
			670,168,624		676,912,513
	CURRENT ASSETS				
11	Other Debtors	1,536		1,536	
	Cash	7,311,534		4,744,273	
		7,313,070		4,745,809	
12	Current Liabilities	(776,546)		(329,028)	
	NET CURRENT ASSETS		6,536,524		4,416,781
	TOTAL NET ASSETS AVAILABLE FOR BENEFITS		676,705,148		681,329,294

The financial statements summarise the transactions of the Scheme 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 Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 31 to 32 of the Report of the Trustees, and these financial statements should be read in conjunction with this report.

The financial statements on pages 44 to 59 were approved by the Trustees and signed on their behalf by

M A Hampton

Chairman of the Trustees

S Adams

Trustee

Date: 4th November 2022

The notes on pages 46 to 59 form part of these financial statements.

VAILLANT GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

General Information

The Vaillant Group Pension Scheme (the “Scheme”) is an occupational pension scheme established in the United Kingdom under trust. The Scheme was established to provide retirement benefits to certain groups of employees of Vaillant Group. The address of the Scheme's office is Nottingham Road, Belper, Derbyshire, DE56 1JT. The Scheme is a defined benefit scheme, which closed to new members on 5th April 2013 and to future accrual on 5th April 2015.

1 Basis of preparation of the financial statements

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

2 Accounting policies

The principal accounting policies of the Scheme applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Presentational currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

Contributions

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions, or on receipt if earlier with the agreement of the employer. The Schedule of Contributions already provides for pre-agreement by Trustees to accept early payment of contributions.

Payments to members

Payments to members are accounted for in the period to which they relate. Members can choose whether to take their retirement benefits as a pension or as a reduced pension and lump sum. Pensions and lump sums are accounted for on an accruals basis from the later of the date of retirement or the date the option is exercised. Other benefits are accounted for from the date the member leaves service or on death.

2. **Accounting policies (continued)**
Benefits are accounted for in the period in which the member notifies the Trustees of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Transfer values represent the capital sums payable to the pension schemes of new employers for members who have left the Scheme. They take account of transfers where the Trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year-end, and where the amount of the transfer can be determined with reasonable certainty.

Investment income
Income from cash, short-term deposits and annuity policies is accounted for on an accruals basis. Income from pooled investment vehicles is accounted for when declared by the fund manager. Where pooled investment managers reinvest investment income, this is treated as accumulating within the fund value.

Foreign currency translation
Foreign income is translated into sterling at the rate ruling on the date the income is received. Income received at the year-end is translated at the rate ruling at the end of the year. Investments and current assets and liabilities denominated in foreign currencies are translated using the sterling rate of exchange ruling at the year-end and movements are accounted for through the change in market value.

Other Expenses
Investment management fees and administrative expenses are recognised on an accruals basis.

Investment valuation
Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager. The Trustees have decided to exclude the valuation of annuities from the financial statements as the value is not considered to be material.

Critical accounting judgements and estimation uncertainty
The Trustees make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustees believe the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		5 April 2022	5 April 2021
		£	£
3 Contributions			
Employer	Deficit funding	21,000,000	20,000,000
		21,000,000	20,000,000

Deficit contributions of £21m were paid by the employer during the Scheme year in line with the Schedule of Contributions.

Further deficit contributions of £41.35m are payable during the next one and a half years under the Schedule of Contributions. Of this total, £22m will be paid in the year 6th April 2022 to 5th April 2023.

	£	£
4 Other income		
Claims on life assurance policies (see note 7)	-	-
	-	-

	£	£
5 Benefits paid or payable		
Pensions	29,116,648	26,877,053
Commutation of pensions and lump sum retirement benefits	1,637,441	2,390,266
Lump sum death benefits	31,507	83,582
	30,785,596	29,350,901

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	5 April 2022	5 April 2021
	£	£
6 Transfers to other plans		
Individual transfers out to other plans	5,101,575	5,978,033
	5,101,575	5,978,033

7 Other payments		
	£	£
Premiums on life assurance	5,029	1,838
	5,029	1,838

Since the Scheme closure on 5th April 2015, premiums are only payable in respect of former active members who retired due to ill health and are still covered for life assurance benefits until age 65.

Benefits consist of lump sum payments in respect of death of in-service members or members taking early retirement through ill-health. Payments made are included in “Benefits” (see note 5). There were no claims under these policies in 2022 or 2021.

8 Administrative expenses		
	£	£
Administration and processing	(959)	10,312
Professional fees	4,560	5,998
	3,601	16,310

The Company pay the administrative expenses, except as noted above.

The Scheme meets charges associated with member medical reports, any bank charges which are levied for BACS and CHAPS payments and other fees such as the annual Data Protection registration fees.

	5 April 2022	5 April 2021
	£	£
9 Investment income		
Income from pooled investment vehicles	15,699,768	4,427,375
Interest on cash deposits	514	6,058
Income from annuity policies	791	1,861
	15,701,073	4,435,294

During the financial year, the Scheme held units in the M&G European Loan Fund, M&G Corporate Bond Fund, M&G Secure Property Income Fund, Aberdeen Standard Life Long Lease Property Fund, and various SEI funds and LDI Funds from Insight and Bank of Montreal (BMO).

Income within these funds was credited to the respective funds and included in the change in market value apart from the Aberdeen Standard Life Long Lease Property, M&G Secure Property Income, M&G European Loan, and the M&G Corporate Bond funds, which are paid direct to the Trustees' bank account.

10 Investment assets	£	£
Investment assets		
Pooled investment vehicles	668,767,757	676,430,194
Other Investment assets	933,849	-
AVCs	467,018	482,319
Total investment assets	670,168,624	676,912,513

Other investment assets comprise accrued investment income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Investment assets (continued)

	Market Value at 5 April 2021 £	Purchases at cost £	Sales proceeds £	Change in market value £	Market Value at 5 April 2022 £
Pooled investment vehicles	676,430,194	105,062,490	(109,321,332)	(3,403,594)	668,767,758
AVCs *	482,319	-	-	(15,301)	467,018
	676,912,513	105,062,490	(109,321,332)	(3,418,895)	669,234,776

The movement in purchases and sales in the year are aligned to the Scheme's investment strategy.

Pooled Investment Vehicles (by type)	**Market Value at 5th April 2022 (£)**	**Market Value at 5th April 2021 (£)**
Bonds	368,932,556	390,316,008
Equities	204,315,861	192,658,387
Alternatives	41,719,804	29,953,772
Property	50,897,444	45,786,286
Cash (excluding Trustees Bank Account)	2,902,093	17,715,741
Total	**668,767,758**	**676,430,194**

Pooled Investment Vehicles (by legal nature)	**Market Value at 5th April 2022 (£)**	**Market Value at 5th April 2021 (£)**
Open ended investment company (UCITS compliant)	433,838,286	442,790,947
Open ended investment company (non UCITS compliant)	77,763,710	55,925,067
Mutual Fund (specialised, non-UCITS)	89,037,965	116,772,890
Unit Trust	22,033,841	19,520,643
Limited Liability Partnership	17,230,353	15,155,004
Unit Linked Insurance	28,863,603	26,265,643
Total	**668,767,758**	**676,430,194**

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.

*Following the bulk transfer from Equitable Life/Utmost Life and Pensions in March 2020, all AVC's are now invested solely in AVC policies which the Trustees hold with Aviva and Coventry Building Society. All member investments are entirely in unit linked funds, or deposit funds (Coventry Building Society). There are no members currently invested in a With-Profits fund. Investments in a With-Profits fund is categorised as Level 3 and unit linked fund are categorised as Level 2 in the hierarchy. Refer to the fair value determination section further below for an understanding of the fair value hierarchy levels.

Investment assets (continued)
Investment Risk Disclosures
FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are defined by FRS 102 as follows:

Credit Risk
This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market Risk
This is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market price. This comprises currency risk, interest rate risk and other price risk:

a) Currency risk – this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

b) Interest Rate risk – this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

c) Other Price risk – this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from credit risk, 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 Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are outlined in the Statement of Investment Principles ("SIP") and implemented through the investment management agreements in place with the Scheme's fiduciary manager and investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management, credit and market risk is set out below and overleaf. This does not include AVC investments nor legacy insurance policies as these are not considered material in relation to the overall investments of the Scheme.

Investment Strategy
The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with deficit contributions, the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustees, in consultation with the Company, set the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the Scheme and the funding agreed with the Employer. The Investment Strategy is set out in its Statement of Investment Principles (SIP).

Investment assets (continued)
The Trustees' approach to investment strategy is to allocate the assets into the following broad asset categories (all via pooled investment vehicles) in order to meet the investment objectives:

- Risk Management Pool - these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, UK investment grade corporate bonds and liability driven derivative overlays such as interest rate and inflation swaps. The Trustees will set a target, known as a hedge ratio, for the percentage of the interest rate and inflation risk in the liabilities that will be mirrored in the assets.

- Return Enhancement Pool - these investments exist in the portfolio to generate return relative to the liabilities without a requirement to closely track liability performance. Assets in this pool include, but are not limited to, equities, property, emerging market debt, high yield bonds, commodities, structured credit instruments, hedge funds and infrastructure assets.

High Level Asset Allocation

Category	Allowable Range	Sub-category ranges
Return Enhancing Pool	**37-57%**	Equities: 19-35% Alternatives: 12-28%
Risk Management Pool	**43-63%**	n/a

The Trustees have also determined that they wish to reduce the interest rate and inflation risk exposure of the Scheme by engaging in an Liability Driven Investment (LDI) Strategy to target a hedge ratio as shown below:

Interest and Inflation rate risk mitigation

Risk	Hedge Ratio Target
Interest rate risk (effective % of interest rate sensitivity in the liabilities that the Portfolio should match)	**95%**
Inflation rate risk (effective % of inflation rate sensitivity in the liabilities that the Portfolio should match)	**95%**

10 Investment assets (continued)

Credit Risk

The Scheme is subject to direct credit risk because it directly holds cash in the Trustees' bank account and the Scheme invests in pooled investment vehicles which comprise unit linked insurance contracts and authorised unit trusts. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled UK corporate bond, fixed interest and index-linked gilts, European Loan, High Yield, Emerging Market Debt and Structured Credit investment vehicles. The value invested in the aforementioned funds at the year-end amounted to c£396m (2021: c£423m). Further details of how these risks are managed are provided below.

The Trustees bank account is held with a deposit taking bank, subject to regulatory oversight, which is at least investment grade rated. This is the position at the current and previous year end.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. Investments backing unit-linked insurance contracts are commingled with the insurer's own assets and direct credit risk is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight. The Trustees or SEI also carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

Indirect credit risk arises in relation to underlying investments held in these funds. This risk is mitigated in the UK corporate bond funds by only holding bonds which are at least investment grade credit rated investments, and by diversifying across a number of issuers to minimise the impact of defaults. In the European Loan, Structured Credit and High Yield funds, the underlying holdings are typically below investment grade and hence have a higher risk of default. The Emerging Market Debt fund mainly holds bonds issues by governments of Emerging Market countries, roughly half of which are denominated in US Dollars or Euros (hard currencies) and some denominated in the country's own currency (local currencies). The credit risk associated with these bonds varies considerably by country as some countries are rated investment grade whilst some have very low risk.

Over all the asset classes, credit risk is mitigated through employing skilled managers to select underlying securities and through ensuring high levels of diversification. The elevated level of risk relative to corporate bonds is expected to be rewarded with higher returns over the long term. Fixed interest and index-linked gilts are also technically subject to credit risk. Whilst the possibility cannot be dismissed entirely, given that the UK government can monetise its debt, an actual default is unlikely.

Currency Risk

The Scheme is subject to indirect currency risk because some of the Scheme's investments are held in overseas markets via pooled Sterling priced investment vehicles. SEI's current currency hedging policy adopted for the Scheme's assets is to use unhedged investment vehicles for equities but to use hedged investment classes for all other assets. The exception to this is the Emerging Market Debt holding, which is partially hedged, with local currency risk not being hedged but hard currency portion being hedged. The Trustees also invest in a Liquid Alternatives fund which may take currency positions at the discretion of the manager.

Investment assets (continued)

Interest Rate and Inflation Risk

The Scheme is subject to interest rate and inflation rate risks because some of the Scheme's investments are held in pooled UK corporate bond funds, fixed interest and index-linked gilts funds or as cash in the Trustees bank account. These assets are included to mitigate a similar risk in liabilities and, for this reason, some of the gilt funds used provide additional leverage to increase the interest rate and inflation rate exposure. The Trustees are targeting for the assets to have 95% of the interest rate and inflation rate sensitivity of the liabilities (actual levels were 95% at the year-end). If interest rates fall, the value of these bond assets will rise to help match the increase in actuarial liabilities arising from a fall in discount rate. Similarly, if interest rates rise, the bond assets will fall in value as well as the actuarial liabilities because of an increase in the discount rate. If long-term inflation expectations rise then assets will increase but so will liabilities, and if inflation falls then both assets and liabilities will also fall. At year end, the Scheme's bond and cash holdings dedicated to mitigating interest rate and inflation rate risk within the liabilities (the Risk Management Assets) was c£316m of total assets (2021: c£343m).

Other Price Risk

Other price risk arises principally in relation to the Scheme's equity, liquid alternatives, Property, and income generating assets investments held in pooled vehicles.

The Scheme has set a target allocation of 47% total assets to be invested in these asset classes. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investment across various assets.

At year end, the equity, liquid alternatives, Property and income generating assets represented c53% of total Scheme assets (2021: c49%). The variance from target allocation is deemed within an acceptable range.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 **Investment assets (continued)**

Fair value determination

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

Level 1	Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date
Level 2	Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly
Level 3	Inputs are unobservable, i.e. for which market data is unavailable

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

		5 April 2022			
		£	£	£	£
	Fair value hierarchy	1	2	3	Total
M&G	Property			22,033,841	22,033,841
M&G	European Loan Fund*		33,881,724		33,881,724
M&G	Corporate Bond Fund – All Stocks *		89,135,096		89,135,096
AB ST LIFE	Long Lease Property Fund			28,863,603	28,863,603
BMO	Regular Profile Leveraged Nominal Gilt*		61,039,791		61,039,791
BMO	Short Profile Leveraged Real Gilt		27,998,174		27,998,174
Insight	Index-linked Gilts 2021-2030		16,054,454		16,054,454
Insight	Index-linked Gilts 2031-2040		10,639,848		10,639,848
Insight	Partially funded Gilts 2041-2050		4,312,635		4,312,635
Insight	Partially funded Index-linked Gilts 2041-2050		2,038,496		2,038,496
Insight	Partially funded Gilts 2051-2060		7,941,075		7,941,075
Insight	Solutions Plus Partially funded Gilts 21-30		2,895,478		2,895,478
SEI	UK Long Duration Credit Fund *		65,162,271		65,162,271
SEI	UK Gilts Fund		6,798,956		6,798,956
SEI	UK Index Linked Gilt Fund		11,927,631		11,927,631
SEI	Emerging Markets Debt (Hedged)		14,234,151		14,234,151
SEI	High Yield Fixed Income (Hedged)		14,872,776		14,872,776
SEI	Global Managed Volatility (Equity)*		116,481,350		116,481,350
SEI	Factor Allocation Global Equity*		71,602,487		71,602,487
SEI	Dynamic Asset Allocation (Equity)		16,232,024		16,232,024
SEI	Structured Credit			17,230,353	17,230,353
SEI	Liquid Alternative (Hedged)		24,489,451		24,489,451
Blackrock/SEI	Sterling Liquidity (Cash)		2,902,093		2,902,093
			600,639,961	68,127,797	668,767,758

* Represents investments that exceed 5% of the total value of the net assets of the Scheme.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Investment Assets (continued)

			5 April 2021		
		£	£	£	£
	Fair value hierarchy	1	2	3	Total
M&G	Property			19,520,643	19,520,643
M&G	European Loan Fund*		34,265,423		34,265,423
M&G	Corporate Bond Fund – All Stocks *		96,129,227		96,129,227
AB ST LIFE	Long Lease Property Fund		26,265,643		26,265,643
BMO	Regular Profile Leveraged Nominal Gilt*		82,173,009		82,173,009
BMO	Short Profile Leveraged Real Gilt*		34,599,881		34,599,881
Insight	Index-linked Gilts 2021-2030		12,248,228		12,248,228
Insight	Index-linked Gilts 2031-2040		9,411,416		9,411,416
SEI	UK Long Duration Credit Fund *		70,586,379		70,586,379
SEI	UK Gilts Fund		20,035,166		20,035,166
SEI	Emerging Markets Debt (Hedged)		14,464,990		14,464,990
SEI	High Yield Fixed Income (Hedged)		16,402,289		16,402,289
SEI	Global Managed Volatility (Equity)*		115,154,375		115,154,375
SEI	Factor Allocation Global Equity*		68,780,445		68,780,445
SEI	Dynamic Asset Allocation (Equity)		8,723,567		8,723,567
SEI	Structured Credit			15,155,004	15,155,004
SEI	Liquid Alternative (Hedged)		14,798,768		14,798,768
Blackrock	Sterling Liquidity (Cash)		17,715,741		17,715,741
			641,754,547	34,675,647	676,430,194

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, standard valuation techniques are adopted, and the vehicles are included in level 3 as appropriate. The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustees. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 5 April 2022 or 5 April 2021.

Transaction costs

Transaction costs are included in the cost of the purchase and sales proceeds. Transactions costs include costs charged directly to the Scheme such as fees, commission, stamp duty and other fees. In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. It is not possible for the Trustees to quantify such indirect transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		5 April 2022	5 April 2021
11	Other Debtors	£	£
	Contribution Equivalent Premium Scheme	1,536	1,536
		1,536	1,536

12	Investment management expenses		
	BLACKROCK	-	5,477
	BNY Mellon	8,680	-
	SEI	2,001,843	1,593,108
	JPM (Custodian)	-	6,803
		2,010,523	1,605,388

Investment management expenses and fiduciary management fees are charged directly to the Scheme.

13	Current liabilities		
	PAYE	361,460	309,761
	Investment management fees accruals	395,819	-
	AVC Benefit control	19,267	19,267
		776,546	329,028

14 Related party transactions

Key management personnel

At the end of the Scheme year, three of the Trustees are members of the Scheme (2021 three), two of whom (2021 two) were in receipt of a pension from the Scheme, and one deferred member (2021 one) who is yet to start receiving benefits.

Employer and other related parties

With the exception of the expenses included in notes 8 and 11, all other expenses were met by the Principal employer. Trustees not currently employed by the Vaillant Group received fees of £54,250 (2021 £63,363) and are included in the Scheme costs met by the Principal employer noted above.

As the deficit is being recovered over the long-term, the Scheme must have the support of Vaillant Holdings Ltd and Vaillant GmbH (the 'Companies'). It is important that Vaillant Holdings Ltd and its subsidiaries retain their value so that Vaillant Holdings Ltd can meet any deficit in the Scheme. The Trustees and the Companies entered into a binding agreement (known as a 'Negative Pledge') to ensure that the value of Vaillant Holdings Ltd and its subsidiaries can be monitored by the Trustees and cannot be materially reduced, by the actions of the Companies, unless Vaillant GmbH or any other member of the Vaillant Group have sought the prior written consent of the Trustees. The Negative Pledge also includes a mechanism that provides additional cash contributions to the Scheme should the Company breach the agreement and trigger an additional contribution.

15 Guarantee Minimum Pension (GMP) Equalisation

In October 2018, the High Court ruled that benefits provided to members who had contracted out of their scheme must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. The High Court has since determined, in November 2020, that Trustees owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the Trustees are under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member. Following the rulings, the Trustees will need to equalise guaranteed minimum pensions between men and women. This project is now well underway, with Phase 1 being completed in November 2021 which resulted in most of our pensioners who retired before 5th April 2021 receiving communications as to the results of their calculation. Any "top-up" payments (including backdated awards) were made along with their November 2021 instalment of pension, with the uplifted pension continuing for the rest of their life. The Trustees are now working through the next phases of the project and will contact new retirees (who retired after March 2021) with results of their GMP equalisation calculation in due course. The Trustees are also now considering how to equalise benefits for any members who have transferred-out from the Scheme into an external arrangement since 1990. This aspect of the project will be dealt with in 2023.

Except as noted above, the Scheme has no other contingent liabilities at the year-end (2021: none).

16 Capital commitments

There are no outstanding capital commitments as at 5 April 2022 (2021: Nil).

17 COVID-19 and other matters

Since March 2020, Covid-19 and other, more recent, geopolitical issues (such as Russia's war in Ukraine) and economic issues (such as increases in the rates of inflation and interest rates and movements in foreign currencies) have had a profound effect on domestic and global economies, with disruption and volatility in the financial markets. The Trustees, in conjunction with their advisers, monitor the situation closely and determine any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the scheme and the covenant of the Employer. The extent of the impact on the Scheme's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted. Since the year end, the value of the Scheme's investment assets have been impacted. Whilst the Trustees monitor the overall position, they have not, at this time, quantified the change (being an increase or decrease) in market value of investment assets as markets remain fluid and unpredictable and therefore such an estimate cannot be made.

18 Employer-related Investments

There were no directly held employer-related investments at the year-end (2021: none).
There were no indirectly held employer-related investments at the year-end (2021: none).

Independent auditors' statement about contributions to the trustees of Vaillant Group Pension Scheme

Statement about contributions

Opinion

In our opinion, the contributions required by the schedule of contributions for the scheme year ended 5 April 2022 as reported in Vaillant Group Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the scheme actuary on 3 April 2020.

We have examined Vaillant Group Pension Scheme's summary of contributions for the scheme year ended 5 April 2022 which is set out on the following page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the trustees in respect of contributions

As explained more fully in the statement of trustees' responsibilities, the scheme'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 scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
04-11-2022

SUMMARY OF CONTRIBUTIONS PAYABLE FOR YEAR ENDED 5TH APRIL 2022

	Employee	*Employer*
	£	*£*
CONTRIBUTIONS REQUIRED BY THE SCHEDULE OF CONTRIBUTIONS		
Deficit contributions	-	21,000,000
TOTAL (AS PER FUND ACCOUNT)	-	21,000,000

The Schedule of Contribution is dated 3 April 2020.

Approved by the Trustees and signed on their behalf by:

M A HAMPTON

Chairman of the Trustees

S Adams

Date: 4th November 2022

General Information

Getting in contact

Members can obtain information about their own pension benefits or further information about the Scheme from the Pensions Department at the following address:

Nottingham Road, Belper,

Derbyshire DE56 1JT

Email: Steve.Tickner@Vaillant-group.com Tel: 01773 596048

www.vaillantpensions.com

Copies of the Scheme's documentation are available for reference at the same address, or for retention at a small charge.

Tax status of the Scheme

The Scheme is a final salary pension scheme and is registered under Chapter 2 of Part 4 of the Finance Act 2004. Registration confers certain tax advantages on the provision of retirement benefits and limits the amount and form of the benefits that may be provided. To the Trustees' knowledge there is no reason why such a registration should be prejudiced or withdrawn.

Data Protection (and General Data Protection Regulations "GDPR")

The Scheme is registered with the Office of the Information Commissioner as required by the Data Protection Act 1998 regarding the information it holds for the management of the pension scheme.

Pension Increases

<u>Pensions in Payment</u>

Rule G1:01 of the Trust Deed and Rules states that "a pension in the course of payment <u>shall</u> be increased on each 1st January" as follows:

a) For Pensionable Service up to and including 5th April 1997 by 3%; and

b) For Pensionable Service between 6th April 1997 and 5th April 2003 by the "appropriate percentage" as defined in Section 54 of the Pensions Act 1995 (limited price indexation) subject to a minimum of 3% and a maximum of 5%; and

c) For Pensionable Service after 6th April 2003 by the "appropriate percentage" as defined in Section 54 of the Pensions Act 1995 (limited price indexation) subject to a maximum of 5%.

For the increase being applied with effect from 1st January 2022, the appropriate percentage is taken to be the annual increase in the Consumer Prices Index (CPI) as at 30th September 2021, subject to a minimum of 0%. The 12-month CPI rate to 30th September 2021 was 3.1%.

The respective increases to be applied to the three tranches of pensionable service noted above were as follows:

a) 3%
b) 3.1%
c) 3.1%.

Pension payments at the increased rate due on 1st January 2022 were credited to pensioners' bank accounts on 31st December 2021. Letters confirming the increase rates which were applied were issued to all members ahead of the first instalment of their increased pension being paid.

Rule G1:02 of the Trust Deed and Rules states that "If the Principal Employer so agrees, the Trustees may make additional increases to some or all of the pensions in payment." Given the current funding position and wider circumstances of the Scheme, it was recommended and agreed that the Trustees would not seek consent from the Company to award any additional discretionary increases under Rule G1:02.

Deferred Pensions

Guaranteed Minimum Pensions included in deferred pensions are subject to the statutory increases introduced by the Social Security Pensions Act 1975. The remainder is increased by the lesser of the increase in inflation and 5% per annum compound over the whole period of deferment.

The Trustees have power under the rules of the Scheme to grant discretionary increases to deferred pensions. No discretionary increases have been granted in any Scheme year to 5th April 2022.

Cash Equivalent Transfer Values (CETVs)

CETVs with respect to transfers out do not include any discretionary benefits and have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993.

Pension Tracing Service

The Pension Tracing Service® is a trading style of Better Retirement Group Ltd and has been in operation since 2012 however, they do liaise with the DWP and HMRC to help trace pensions where necessary.

If you would rather use the Government's service see
www.gov.uk/find-pension-contact-details

Any queries to the Pension Tracing Service should be addressed to:

Pension Tracing Service
400 Pavilion Road
Northampton
NN4 7PA

Telephone: 0800 1223 170
Outside UK: +44 (0)1782 389 13445 6002 537
Phone lines open 9.00am – 5.30pm Monday to Friday

Website: www.pensiontracingservice.com

The Scheme's particulars, including details of the address at which the Trustees may be contacted have been registered with the service.

Money Helper (previously The Pension Advisory Service (TPAS))

Any concern connected with the Scheme should first be referred to the Secretary to the Trustees at the Scheme's address. The Money And Pensions Service (known as Money Helper) are also available at any time to assist members and beneficiaries of the Scheme in connection with any pension query they may have, or difficulty that they have failed to resolve with the Trustees or Scheme Administrators. Their contact details are:

The Money & Pensions Service
120 Holborn
London, EC1N 2TD

https://www.moneyhelper.org.uk/

Pensions Helpline: 0800 011 3797
Overseas Helpline: +44207 932 5780
Helpline for Self Employed: 0345 602 7021
Phone lines open 9.00am – 5.00pm Monday to Friday. Calls are free.

Internal Disputes Resolution Procedure (IDRP)

The vast majority of queries and concerns can be dealt with by the Scheme Administrators if, as and when they arise. However, if members feel they need to make a formal complaint they can do this via the Scheme's IDRP. In accordance with the Pensions Act 1995 the IDRP has been agreed by the Trustees, and details of this procedure are available to members and beneficiaries on written request to the Secretary to the Trustees.

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, having gone through the Scheme's IDRP, an application can be made to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving the Scheme. The address is:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

https://www.pensions-ombudsman.org.uk/

Telephone: 0800 917 4487
Phone lines open 9.00am – 5.00pm Monday to Friday

Or you can email them at enquiries@pensions-ombudsman.org.uk