VAILLANT GROUP PENSION SCHEME

Annual Report and Financial Statements to 5 April 2023

Pension Schemes Registry Registration Number 100777193

Vaillant Group Pension Scheme

Annual Report and Financial Statements

to 5th April 2023

THE TRUSTEES AND THEIR ADVISERS

TRUSTEES APPOINTED BY VAILLANT HOLDINGS LTD

M A Hampton	Independent Trustee (Chairman)
D Whyld	HR Manager, UK – Vaillant Group (UK) Ltd Employee (Non-member)
A L Simpson (to 21 June 2022)	Process/Project Manager – Vaillant Group (UK) Ltd Employee (Non-member)
S Clark (to 21 April 2022)	Director of Commercial One-off sales, UK and Ireland – Vaillant Group (UK) Ltd Employee (Deferred Member)
E Staniland (from 12 July 2022)	Senior Tax Manager – Vaillant Holdings Ltd (Deferred Member)
M Wilkins (from 11 July 2023)	Technologies and Training Director – Vaillant Group (UK) Ltd (non-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 (until 12 September 2023), S Young FIA (from 12 September 2023), 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

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

INVESTMENT CUSTODIAN

The Bank of New York Mellon (International) Limited,

160 Queen Victoria Street, London, EC4V 4LA

AVC MANAGERS

Coventry Building Society

Aviva Life & Pensions UK Limited

Yorkshire Building Society

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 5 April 2023.

The financial year saw interest rates steadily rising in response to the sharp increase in inflation which materialised due to numerous factors including Russia's war in Ukraine, global energy prices and tight labour markets. The UK gilt market then went into free-fall when the Liz Truss government announced their mini-budget in September 2022 which promised unfunded tax-cuts. Many pension funds hold significant amounts of leveraged UK gilts to hedge their liabilities. The sudden spike in gilt yields caused significant volatility for pension schemes across the U.K. The Trustees and SEI Investments (Europe) Limited (hereafter referred to as SEI) communicated regularly during that period and took swift actions to manage the risk to the investment portfolio. Nonetheless, we were not immune to this and our Scheme has been impacted by it. Markets settled by the end of October following the resignation of Liz Truss and dismissal of Kwasi Kwarteng and the unwinding of their measures. Globally, economies are still facing headwinds with high inflation, correspondingly high interest rates and the threat of a recession.

With this backdrop, 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. Specifically, during the gilt crisis in September and October 2022, the Trustees and SEI reduced the leverage within the gilt funds and this has meant that there was a reduction to the Scheme's interest rate hedging levels albeit that this was at the same time mitigated by buying real gilts. We will continue to monitor the market environment and adjust our investment strategy accordingly.

The Scheme undertook its formal triennial actuarial valuation with effect from 5 April 2022 and this estimated that pension benefits worth £744.9 million had been earned in the Scheme. The assets held by the Scheme at that point were £676.2 million (which was the unaudited value of assets at the time the valuation was completed), resulting in a shortfall of £68.7 million. This represents an increase in the funding level to 90.7%, compared to 84% at the previous 5 April 2019 valuation. The positive increase in the funding level was due to strong growth in equity markets over the period, and the Company paying in a further £61 million of contributions over the three years up to 5 April 2022. Whilst this represented great news at the time, it is important to remember that valuation results are based on a snapshot of time before recent market events.

Since 5 April 2022, it became clear that there was no safe harbour from choppy market cross currents during the second quarter of 2022. Equities and fixed-interest asset classes alike capsized around the globe, and even commodity prices ran aground as the likelihood of recession increased. Emerging-market equities fell by double digits during the quarter, although they still fared better than their developed-market counterparts, buoyed by a rebound in China. UK shares posted significant losses, but they were not as steep as those of Japanese or European equities.

US shares, meanwhile, had the sharpest drop among major markets as the US dollar appreciated by 6.49% versus a trade-weighted basket of foreign currencies. Value-oriented equities tended to fall by less than growth-oriented equities across both large- and small-cap markets, although the performance spread was much wider within larger companies. No sectors were spared from losses, but energy and consumer staples had the mildest declines, while information technology and consumer discretionary had the steepest.

Government-bond rates climbed throughout the second quarter as prices fell. UK gilt and eurozone government-bonds rates rose across the yield curve, with longer-term rates increasing by more than shorter-term rates. US Treasury yields also increased across the curve, but shorter-term rates outpaced longer-term rates for the full quarter. Fixed-interest performance ran the gamut of losses, moving from relatively modest declines for government bonds to more severe losses for emerging-market and high-yield bonds. The European Union (EU) imposed a partial ban on Russian crude oil and petroleum products in early June 2022, blocking seaborne oil shipments but allowing Hungary, Slovakia and the Czech Republic to continue pipeline imports for domestic consumption. In a farther-reaching move, EU companies were banned from providing shipping insurance to transporters of Russian petroleum products—regardless of the destination country—depriving shippers of a critical market for insurers.

A line chart of global equity market performance during the third quarter looks remarkably like a mirror image: climbing higher toward mid-quarter, then tumbling downward thereafter. The relationship between signs of softening economic activity in late spring and the presumption that it would enable central banks to increase rates by less than feared spurred a rally across equity and fixed-interest markets from June to August 2022. US Federal Reserve (Fed) Chair Jerome Powell shattered this complacency by explaining that lower growth and softer labour markets will likely be the unfortunate costs of hiking rates to fight inflation, and that expectations for a premature pivot to looser policy will probably be disappointed. His remarks sent markets reeling through the end of the quarter. Developed-market equities fell by less than emerging markets during the third quarter, although the relatively small decline posted by the US masked steeper declines by Europe and the UK. Latin American shares had the only positive regional performance for the period, while Hong Kong had the steepest decline. Government-bond rates climbed in the UK, eurozone and US for the full third quarter—declining during July in the UK and eurozone while the US yield curve flattened as short-term rates rose and long-term rates fell. Rates then climbed through August and September across all three jurisdictions. The UK and US yield curves grew more inverted (that is, when shorter-term rates are higher than longer-term rates) as the quarter progressed. Fixed-interest performance produced a range of losses during the quarter as yields increased around the globe (yields and prices have an inverse relationship). Global government bonds had the deepest losses, while US high-yield bonds had a comparably modest decline.

Most equity markets finished in positive territory during the fourth quarter of 2022, trimming their losses for the full calendar year. Developed-market stocks marginally outperformed their emerging-market counterparts. Regionally, emerging markets in Europe generated the world’s strongest equity gains over the quarter, while developed markets in Europe and the

Asia-Pacific region also performed well. Conversely, the North American market lagged as US stocks posted relatively smaller gains.

Despite the upturn in the fourth quarter, both fixed-income and equity markets chalked up big losses for the full 2022 calendar year—almost regardless of region or style. US long-duration bonds, as represented by the Bloomberg Long US Government/Credit Index, endured a stunning decline of 27%, exceeding the sharp losses sustained by US and international equities. While emerging-market equities and bonds fared relatively better, the only asset class to post a positive absolute return for the year was commodities. Yields on US Treasury securities rose in the short and long parts of the curve over the quarter and declined modestly in the intermediate segment (yields and prices have an inverse relationship). Short-term yields increased by a larger margin than long-term yields. Consequently, the 2-to-10-year yield curve inverted further (short-term yields exceeded long-term yields), widening by 0.14% to 0.53%. UK gilt yields decreased across the curve during the reporting period. Eurozone government bond yields increased for all maturities, particularly at the short end of the curve. US fixed-income asset classes garnered positive returns in the fourth quarter as intermediate-term bond yields declined. High-yield bonds led the rally, while investment-grade corporate bonds also performed well.

Liz Truss resigned as UK prime minister in late October 2022 after the disastrous reception of her fiscal program sent gilt and sterling markets reeling, collapsing her support within the Conservative Party. Her departure cleared the way for Rishi Sunak to ascend as Conservative leader and prime minister. Sunak was forced to deal with his first domestic crisis as prime minister just weeks after succeeding Truss, when members of trade unions representing National Health Service (NHS) nurses, ambulance workers and rail and Border Force employees staged targeted strikes, over compensation and working conditions. Negotiations with the unions have proven especially challenging given that UK Chancellor Jeremy Hunt is seeking to reduce the government's £55 billion (roughly US$66 billion) deficit through tax increases and drastic spending cuts. Under the government's current deficit-reduction plan, a gross domestic product (GDP) growth rate of 2% would result in savings of approximately £23 billion (about US$27.6 billion) for the UK government by the 2027-to-2028 fiscal year.

Global equity markets finished in positive territory for the first quarter of 2023, amid numerous periods of volatility in reaction to the latest monetary policy actions and public comments from central banks. Additionally, late in the period, turbulence in the banking sectors in the U.S. and Europe led to a selloff in equity markets globally before stocks rallied towards the end of the quarter. In early March, California-based Silvergate Capital, a major lender to the highly speculative cryptocurrency industry, announced that it was entering a voluntary liquidation due to significant losses following massive withdrawals of funds by depositors. Soon thereafter, two U.S.-based regional banks–Silicon Valley Bank (SVB) and Signature Bank–failed after depositors withdrew funds on fears regarding the valuation of the institutions' bond portfolios. The US Federal Deposit Insurance Corporation (FDIC), an independent agency that insures deposits, and examines and supervises financial institutions, was appointed as receiver to SVB on March 12 after the California Department of Financial Protection and Innovation closed the bank. The bank troubles were not limited to the U.S. Swiss lender Credit Suisse also came under pressure after suffering significant investment losses in 2021 and 2022. Credit Suisse reported that clients had withdrawn 110 billion francs (US$119 billion) of funds in the fourth quarter of 2022.

The Swiss National Bank, Switzerland's central bank, announced that it would provide the embattled bank with 50 billion francs (US$54 billion) in financial support. Soon thereafter, Swiss bank UBS took control of rival lender Credit Suisse in an emergency 3 billion franc (US$3.2 billion) deal negotiated by Swiss government regulators. While this development was not directly related to the failures of the U.S. regional banks, the timing resulted in significant declines in the share prices of other banks worldwide. Developed markets garnered positive returns over the quarter and outperformed emerging markets. Europe was the top-performing region among developed markets for the quarter due primarily to strength in Ireland and the Netherlands. North America also performed well. The Far East region generated the largest gains in emerging markets, buoyed by robust performance in Taiwan and Korea.

The impact on the Pension Scheme of these recent market events was that whilst our Liability Driven Investments (LDI) portion of the portfolio continued to serve us well, protecting the Scheme against general market volatility, the pace and scale of interest rate rises in the immediate aftermath of Kwasi Kwarteng's budget of 23 September 2022 had a negative impact on the Vaillant Group Pension Scheme (as was the case for many UK pension schemes), due to "hedging" protection being cut at very short notice. You may recall that Kwasi Kwarteng announced various tax cuts, which were largely unfunded, and these were widely criticized and briefly caused the pound sterling to fall to its lowest ever level against the US dollar. He was dismissed as Chancellor after 38 days. The mini budget sent the UK Pensions Markets into turmoil as those heavily invested in LDI funds raced towards liquidity to meet collateral call demands from the fund managers running LDI funds and this resulted in very short cash settlement deadlines (sometimes a matter of hours rather than the normal 7-10 days).

As a result of this, many LDI managers were forced to cut hedging levels for pension schemes in order to protect the integrity and solvency of the underlying fund. In terms of the Vaillant Group Pension Scheme, we experienced a mild cut to our hedging levels between 23 and 26 September, which was shortly before the Bank of England (BoE) intervened with a strategic programme of buying up gilts (the most liquid parts of an investment portfolio that Schemes were by then selling off in large numbers to meet collateral calls) to avoid the economy collapsing. Whilst it was clear that the BoE's intervention protected the economy and stabilized markets, their intervention then brought down interest rates which in turn saw pension scheme long-term liabilities rise very sharply, at a time when hedging levels had been forcibly cut by the fund managers to protect the solvency of the fund. This crisis had a negative impact on the Scheme as our long-term liabilities rose, but the assets designed to insulate us against moves in interest rates provided less protection due to our hedging levels falling from 95%. This had the effect of reducing our funding level by 5 April 2023, where we saw our assets fall from £676.7 million as at 5 April 2022 to £465.5 million as at 5 April 2023. Despite a fall in our asset values, members are reminded that the LDI part of our portfolio is designed to insulate our assets as liabilities rise and fall, and as such it should be noted that whilst our assets have decreased in value between 5 April 2022 and 5 April 2023, so have our long term liabilities - which fell from £744.9 million as at 5 April 2022 to approximately £557.0 million as at 5 April 2023. In essence, this means that our funding level has fallen marginally from 90.7% on 5 April 2022 to approximately 82.5% on 5 April 2023.

Despite the volatility we experienced in 2022 and 2023, the Scheme has fully restored its "hedging" so that the Scheme is back on target to protect its long-term liabilities against sensitivities in interest rate changes. As a result, we have seen our funding level improve since April 2023.

The Trustees have taken action to better protect the LDI part of the Scheme in the event of any future interest rate volatility and continue to monitor the situation. The Scheme is well placed to take any further action as required and both the Trustees and the Company are mindful that this worsening in the funding position between 5 April 2022 and 5 April 2023 may well require additional contribution support from the Sponsor as we head into the next valuation in April 2025 negotiations.

The asset value of £465.5 million is the audited market value of the Scheme's assets at 5 April 2023, and reflects a decrease of £211 million since 5 April 2022, principally arising from a negative change in market value of investments of £207 million, commensurate with the negative investment performance in the year of 29.96%. It is important to remember that the Scheme's long-term liabilities also reduced significantly over the same period.

There are no concerns regarding the Scheme's funding level, its ability to meet the payment of benefits to members, or its ability to continue as a going concern.

The Scheme's long-term funding target

As part of the discussions on the 2019 and 2022 actuarial valuations, the Trustees and Company have agreed a longer-term target designed to better secure members' benefits. It is expected that this target should be reached by April 2034 (or shortly thereafter) at which time the intention will be to look at opportunities to buy-out any remaining benefits with an insurance company. This is only a target and it does not imply buy out is the Trustees' ultimate objective. It is, however, an important step in the Scheme's journey towards fully securing all member benefits.

The Trustees will continue to regularly monitor the Scheme's progress against the long-term funding target and formal discussions will be held with the Company every three years at future actuarial valuations to ensure we are still on track to meet the long-term objective. Despite the recent impact of COVID-19 and other market events, the Scheme is still on track to reach this longer-term objective, and we will continue to work closely with the Company and our professional advisers to develop and implement the plan to progressively reduce risk in the investment portfolio as and when the Scheme is ahead of its expected target.

Investment changes

We have worked with SEI to introduce new "alternative" asset classes in the last financial year, with the aim of diversifying the portfolio. The majority of these new "alternative" investments were purchased in 2022 with additional capital promised and committed to any funds where there is effectively a queuing system in place.

As mentioned above, due to the market environment, we reduced our interest rate hedging ratio from 95% to 80% while maintaining the inflation hedging ratio at 95%, and with the new investment funds largely in place and funded, we have worked with SEI to rebalance the portfolio to increase our interest rate hedging levels back towards the 95% target. As we are trying to achieve this without significant leverage (borrowing) the journey to achieving this through lower leveraged LDI funds, means there is a slightly longer lead time to us achieving this.

No further significant changes to the investment strategy were considered necessary during the year; 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. Furthermore, the Trustees will be working through a strategy review following the agreement of the triennial actuarial valuation.

The Trustees are comfortable that the changes they have implemented within the last 18 months will continue to deliver the investment returns required 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 8 December 2021. It is important to note that whilst the SIP dated 8 December 2021 set out allowable ranges for the high-level asset allocation between the return enhancing and risk matching parts of the portfolio including target interest and inflation rate hedge ratios, the events of Q4 2022 resulted in a fall in the hedge ratios temporarily as the LDI crisis unfolded. At the time of signing the Annual Report the Trustees are pleased to confirm that the hedge ratios are now comfortably within the target range and general rebalancing of the portfolio will result in the high-level asset allocation now moving towards the parameters set out in the allowable range.

This Implementation Statement covers the year 6 April 2022 to 5 April 2023 and can be found on Pages 27 to 40.

Guarantee Minimum Pension (GMP) Equalisation Project

The Trustees continued to be busy over the last year on some other 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 have completed Phase 1 of the project with most of our pensioner members having been reviewed and their benefits adjusted to ensure these have been equalised.

The Trustees continue to work 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 likely be dealt with during 2024 and into 2025.

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. I can confirm that 814 of our pensioners and dependents accepted the offer and their pensions were adjusted to reflect the uplifted pension payable in exchange for giving up future pensions increases. The uplifted pensions for affected members started from their November 2022 instalment of pension (payable on 31 October 2022).

Meetings

With the easing of travel restrictions since the COVID-19 pandemic, the Trustees have resumed meeting face to face for their main quarterly Board meetings as well as for their annual strategy and training day, the annual fiduciary manager performance assessment day and for the annual ESG (Environment, Social and Governance) investment review.

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 meet virtually on a regular basis 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 to the Trustees or of any committee's decision during a period between scheduled Trustees or committee meetings.

Membership of the committee is:

- Mike Hampton: Chair of Trustees
- 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 Committee

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 caused through a multitude of financially impacting situations. Throughout the COVID-19 pandemic, Russia's war in Ukraine, and, more recently, the impact of the September 2022 mini-budget, the committee remained close to events as they unfolded. Consequently, they were able to oversee the actions being taken by SEI to manage the key risks as interest rates soared and the impact on LDI funds 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.

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

Benefit Projects Committee (now rolled into the Governance, Risk and Audit 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
- Emma Staniland: Company appointed 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. This committee was predominantly put in place to oversee the effective management of the GMP Equalisation project for the Scheme, taking actions and making recommendations, where necessary, reporting back to the main Board.

This Committee was largely made up of Trustees who also served on the Governance, Risk and Audit Committee. The decision was taken by the Trustees to disband the committee and roll all benefits project work in to the Governance, Risk and Audit committee.

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 makes 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.
- Benefit projects and remediation projects
- Pension Dashboard
- Workflow and Service Level Reporting for the administration services
- New legislative and regulatory developments (like Effective System of Governance and Task Force on Climate-Related Financial Disclosures)

The committee also takes responsibility for ad-hoc projects delegated to it by the Trustees board from time to time, for instance member tracing and verification, Pensions Increase Exchange and Flexible Retirement.

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

- Mike Hampton: Chair of Trustees
- Steve Adams: Member Nominated Trustee
- Emma Staniland: Company Appointed Trustee

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

Trustees meetings

In addition to the various committee and sub-group meetings, the full Trustees Board met on four occasions throughout the year.

The Trustees also attended a formal investment strategy and training day in January 2023, held an adviser review day in April 2023 which was centred around the annual performance review of SEI – our appointed investment and Scheme Fiduciary Manager where the Trustees were supported in their 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 2023 and 2024 as we continue to 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. In this regard the Trustees also met in November 2022 to carry out their annual ESG review and to start planning for new reporting requirements in relation to the impact of climate change on the pension scheme.

Due to a continuing heavy workload, each main Trustee 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.

Actuary changes

On 12 September 2023, Mr M J Harrison resigned his position as Scheme Actuary. In his statement on leaving office, he noted no circumstances connected with his resignation which, in his opinion, significantly affected the interest of members or the prospective members of, or beneficiaries under, the Scheme. His colleague Sophie Young was appointed as Scheme Actuary in his place.

Trustee changes

Finally, there have been some Trustee changes this year.

The Company appointed Mrs E Staniland as a Trustee on 12 July 2022 and Mr M Wilkins on 11 July 2023. 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 Wilkins is Technologies and Training Director – Vaillant Group (UK) Ltd and brings a focus on business strategy as the sponsor drives forward their strategy to succeed in delivering solutions to homes and businesses through new technologies (hydrogen solutions and heat pumps). The Trustees would like to extend their warm welcome to both Trustees and very much look forward to working with them.

Mr S Clark and Mr A Simpson stood down as Trustees upon leaving the Vaillant UK business.

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 mini-budget crisis created.

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.

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 12 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:

	5 April 2022	5 April 2023
Contributing members	-	-
Deferred pensioners	2,324	2,182
Pensioners	4,500 (including 1,008 spouse/dependants)*	4,473 (including 1,028 spouse/dependants)*
Total	**6,824**	**6,655**

*annuity policies are in place for 4 pensioner members (3 Reassure and 1 Aviva) (7 pensioner members – (6 Reassure, and 1 Aviva in 2022)

Deficit Contributions

The Schedule of Contributions dated 31 August 2023, prepared in accordance with Section 227 of the Pensions Act 2004, sets out additional contributions the employer has agreed to pay between May 2022 and October 2025 in order to fund the deficit. Total contributions of £65.35 million will be paid during this period. To date, £22 million has already been received up to 5 April 2023.

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 5 April 2023, the Scheme's net assets, including the investment assets at fair value and Additional Voluntary Contributions were £465.5 million (2022: £676.7 million), a decrease of £211.2 million during the year.

The decrease in the value of the Scheme's assets is a result of the Trustees focus on reducing liability sensitivity risk through investment into Liability Driven Investments (referred to as LDI). LDI funds use leveraging in order to enable ongoing investment into growth funds (like equities) in a capital efficient way so that investment returns, coupled with ongoing contributions from the Company are aimed at closing the funding deficit over time.

Interest rate changes have a significant impact on the Scheme's long-term liabilities and, as such, the Trustees use LDI funds as a risk management tool. Our LDI solution uses 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, however the market and financial crisis which arose following the disastrous mini-budget of September 2022 saw our hedging levels cut, almost overnight, to c60% as markets rushed towards liquidating gilts to meet capital and cashflow commitments.

The Trustees continue to work hard with SEI, as our appointed fiduciary manager, to increase our overall hedging levels back towards the target 95% of liabilities, and members are reminded that as LDI solutions are intended to ensure our assets and liabilities are intended to broadly move up and down in unison as interest rates rise and fall, this is never a perfect match as the scheme is not 100% "hedged".

Although our total assets have fallen by £211.2 million during the year, the Scheme's long-term liabilities also reduced by approximately £187.9 million and, as a result, our overall funding position as at 5 April 2023 shows the Scheme is 82.5% funded on its current Technical

Provisions basis. Whilst this is slightly behind our expected path to full funding, the Scheme weathered the storm of the Q4 2022 financial crisis relatively well and, in fact, as at 31 July 2023 our funding level had further improved and was approximately at 87.3%.

Further details regarding the Scheme's investments are given on pages 19 to 24. 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 55 to 74 and the 'Summary of Contributions' appears on page 76 of this Report. They record the financial transactions of the Scheme during the year and the nature and disposition of its net assets at 5 April 2023.

A statement of the Trustees' responsibilities when preparing the Annual Report and Financial statements is given on pages 45 and 46.

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 5 April 2023

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 77), and are now available on our member website at www.vaillantpensions.com

As at the 5 April 2023, 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.

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) 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 % (2023)	Assets £ (2023)	Assets % (2022)	Assets £ (2022)
BMO	Leveraged Nominal Gilt	-	-	9.02	61,039,791
BMO	Short profile Leveraged Real Gilt	--	--	4.14	27,998,174
Insight	Partially funded index-linked Gilts (2021-2030)	0.01	55,225	2.37	16,054,454
Insight	Partially funded index-linked Gilts (2031-2040)	0.83	3,884,522	1.57	10,639,848
Insight	Partially funded index-linked Gilts (2041-2050)	-	-	0.30	2,038,496
Insight	Partially funded Gilts (2021-2030)	0.10	454,030	0.43	2,895,478
Insight	Partially funded Gilts (2031-2040)	0.60	2,789,588	-	-
Insight	Partially funded Gilts (2041-2050)	0.13	630,308	0.64	4,312,635
Insight	Partially funded Gilts (2051-2060) Partially funded Gilts (2041-2050)	0.25	1,179,999	1.17	7,941,075
Insight	Fully funded index-linked Gilts (2051-2060)	0.68	3,182,220	-	-
Insight	Fully funded index-linked Gilts (2061-2070)	4.07	18,937,842	-	-
Insight	Fully funded Gilts (2041-2050)	5.78	26,937,096	-	-
Insight	Fully funded Gilts (2061-2070)	10.58	49,270,975	-	-
M&G	Fixed Income	-	-	13.17	89,135,096
M&G	European Loan Fund	7.07	32,932,168	5.01	33,881,724
M&G	Secured Property Income	3.62	16,838,843	3.26	22,033,841
Aberdeen Standard Life	Long Lease Property	4.66	21,683,426	4.27	28,863,603
SEI	UK Ultra Long Gilts	6.24	29,031,996	-	-
SEI	UK Ultra Long Index- Linked Gilts	4.73	22,020,989	-	-
SEI	UK Credit	9.71	45,190,330	-	-
SEI	UK Long Duration Credit	8.54	39,752,526	9.63	65,162,271
SEI	UK Index-linked Gilts	-	-	1.76	11,927,630
SEI	UK Gilts Fund	-	-	1.00	6,798,956
SEI	Emerging Markets Debt (Hedged)	1.23	5,708,088	2.10	14,234,151
SEI	High Yield Fixed Income (Hedged)	1.19	5,556,724	2.20	14,872,776
SEI	Global Managed Volatility (Equity)	5.88	27,370,328	17.21	116,481,350
SEI	Factor Allocation Global Equity	3.87	18,011,943	10.58	71,602,487
SEI	Dynamic Asset Allocation (Equity)	1.02	4,740,270	2.4	16,232,024
SEI	Structured Credit (Alternatives)	2.81	13,068,930	2.55	17,230,353
SEI	Liquid Alternative Fund (Hedged)	2.21	10,289,034	3.62	24,489,451
SEI	Global Real Assets	4.58	21,301,151	-	-
SEI	Secured Income	3.22	14,975,989	-	-
SEI	Vista Fund	2.64	12,273,575	-	-
SEI	Cash	1.53	7,116,979	0.43	2,902,093
Cash and Creditors	Trustee Bank Account	1.10	5,101,576	1.02	6,932,343
AVCs*		0.08	380,974	0.07	467,018
Other	Accrued dividends less accrued management expenses	1.04	4,867,073	0.08	538,030
Total		**100**	**465,534,717**	**100**	**676,705,148**

**AVCs valuation as at 5 April 2023 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 third 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 2.8% p.a. over rolling three year periods; 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 8.7% 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 April 2034 (or shortly thereafter given recent market events). 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. Recent market events would infer however that additional cash contributions will be required after the current deficit recovery plan ends, if the Scheme is to still reach its intention to be fully funded on a "low dependency" basis by April 2034.

The Trustees have appointed SEI 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 2.8% 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	At 5 April 2023	Sub-category ranges
Return Enhancing Pool	**37%-57%**	45.2%	Equities: 19%-35% Alternatives: 12%-28%
Risk Management Pool	**43%-63%**	54.8%	n/a

Following the LDI crisis during Q4 2022, the Trustees agreed to reduce the interest rate and risk exposure of the Scheme by engaging in an LDI Strategy to target a hedge ratio as shown below – this was a short term decision aimed at maintaining reasonable levels of leverage required to free up capital to invest into the growth elements of the investment portfolio (so far as this is needed to close the funding deficit). However, during 2023, the Trustees continued to work with SEI to restore the interest rate hedge ratio to 95% which has now been achieved:

Interest and Inflation rate risk mitigation as at April 2023

Risk	Hedge Ratio Target
Interest rate risk (effective % of interest rate sensitivity in the liabilities that the Portfolio should match)	**80%**
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 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 ended 5 April 2023 was -29.96% compared to a benchmark of -38.72%.

New funds invested into after 5 April 2022 will not show 1 year performance as the funds have not been in place for a full year yet.

This is summarised on the following page:

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	-84.45%	-84.45%	-45.23%	-45.23%	36.4%
	SEI UK Long Duration Credit Fund	-22.46%	-22.78%	-8.96%	-9.03%	8.6%
	SEI UK Credit Fund (inception 12 July 2022)	-	-	-3.55%	-4.82%	9.8%
Return Enhancing (Equities)	SEI Global Managed Volatility Fund	3.38%	0.41%	5.36%	4.34%	6.0%
	SEI Factor Allocation Global Equity Fund	1.97%	-1.43%	10.24%	8.95%	4.0%
	SEI Dynamic Asset Allocation Fund	-1.71%	-0.99%	11.54%	9.88%	1.0%
Return Enhancing (Alternatives)	M&G European Loan Fund	1.73%	2.26%	2.11%	0.84%	7.2%
	Aberdeen Standard Life Long Lease Property fund	-17.03%	-16.27%	0.11%	-6.97%	5.0%
	M&G Secured Property Income Fund	-20.92%	13.51%	-2.18%	7.11%	3.7%
	SEI Structured Credit Fund	1.98%	2.26%	9.66%	0.89%	2.9%
	SEI Liquid Alternative Fund	4.35%	2.26%	6.19%	0.87%	2.3%
	Global Real Assets (inception 15 February 2023)	-	-	-	-	4.6%
	Secured Income (inception 1 September 2022)	-	-	1.66%	1.79%	3.4%
	Vista Fund (inception 1 September 2022)	-	-	2.72%	1.79%	2.7%
Return Enhancing (Fixed Income)	SEI High Yield Fixed Income Fund	-7.29%	-5.19%	0.77%	0.45%	1.2%
	SEI Emerging Markets Debt Fund	-0.99%	-1.55%	-2.51%	-3.33%	1.2%
Total						**100.0%**

Employer-related Investments

There were no directly held employer-related investments at the year-end (2022: none). There were no indirectly held employer-related investments at the year-end (2022: 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 April 2025, the Trustees also outlined their intended long-term funding target (LTFT) with the Company as part of the 2022 actuarial valuation negotiations. 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 April 2025.

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 November 2022 Board meeting, and also 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 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 have prepared this implementation statement in compliance with the governance standards introduced under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (as amended). Its purpose is to demonstrate how, and the extent to which, the Scheme's Statement of Investment Principles (SIP) dated December 2021 has been followed, if there has been any review of the SIP (of which there was none during the year ended 5 April 2023) and how the policies on voting, stewardship and engagement have been followed. This statement covers the period 6 April 2022 to 5 April 2023, and is also available on the Scheme member website by visiting www.vaillantpensions.com

A. 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.

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. The Fiduciary Manager is a signatory to the UK Stewardship Code 2020.

vi. 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.

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 is provided.
- SEI's engagement priorities which for 2022 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 signatory to the UN Principles for Responsible Investment.
- The Trustees have a process in place to review SEI's performance against objectives, including ESG factors.
- SEI's engagement efforts are primarily focused on public equities; however, many companies represented in our engagement efforts are also held in fixed income strategies. SEI believes that these fixed income funds also benefit from the positive progress that results from productive shareholder engagement. The engagement on climate change through SEI's collaboration with their engagement partner spans both equity and fixed income.

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 on behalf of the Trustees remain aligned with the Trustees' views on these matters.
- The current policy is appropriate and no further action is required at this stage, albeit the Trustees will continue to monitor the performance of this policy and SEI's performance in the future.

B. 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 Glass Lewis as a proxy for all voting. SEI provide the Specialist provider with the holdings across all SEI's pooled funds and the proxy votes are cast according to a policy set out by SEI. During the period from 6 April 2022 to 5 April 2023, across the Scheme's holdings[1] SEI voted as follows, including the percentage of overall votable items voted on:

Fund Name	**Global Managed Volatility**	**Global Factor Allocation Equity**	**Dynamic Asset Allocation**
ISIN	IE00B19H3542	IE00BDD7WJ18	IE00B5NNKL10
Number of Votable Meetings	572	819	744
Number of Votable Items	7690	13229	14789
% of Items Voted	90%	97%	94%
For	90%	89%	93%
Against	9%	9%	6%
Abstain/ Withheld/ Other	1%	2%	1%
% of votes with management	91%	89%	94%
% of votes against management	8%	9%	6%
% of votes other	1%	2%	0%
Voting Against/Abstain by Category			
Capital Related	7%	13%	3%
Board/Directors/Governance	45%	47%	38%
Remuneration Related	18%	14%	22%
Shareholder Proposals	25%	17%	25%
Other	5%	8%	13%

[1] SEI has shown voting data for the relevant quarters the fund was invested in.

C. Significant Votes

A highlight of some of the significant votes during the period 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 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 2022 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) (% size of holding)[2]	Theme	Date of Vote and Outcome	Vote Decision and Significance of vote
Amazon	Factor Allocation Global Equity (<0.01%) Dynamic Asset Allocation (<0.01%)	Corporate Governance	Date: 25 May 2022 Outcome: Against	Voted Against the proposal 'advisory vote on executive compensation'. In association with the new CEO transition, Mr Jassy is set to receive $212 million as a time based promotion award, which will become fully vested in ten years. Large awards like this can undermine the integrity of a company's regular incentive plans and the link between pay and performance. Although the long vesting period may help lessen concerns around the lack of performance based conditions, an award of this size without performance – based vesting conditions is concerning. This vote is deemed significant because it is a high profile company which has been under scrutiny on account of

[2] % holding as at last day of the quarter in which vote occurred.

				its labour conditions which continue to be a focal point for investors and the media. Additionally, the lack of clarity of future grants to Mr Jassy and lack of transparency to the shareholders through performance-based conditions for a grant this size warrant shareholder opposition.
Bezeq	Global Managed Volatility (<0.01%) Factor Allocation Global Equity (<0.01%)	Corporate Governance	Date: 28 April 2022	Voted Against the proposal 'amend employment terms of executive chair'. SEI believe that the shareholders should be concerned that management would keep the right to grant an annual bonus to the chair on a discretionary basis, without the need for any quantitative measure of performance. SEI believe this is not in the shareholders' best interests and the company has also failed to disclose a clear description of their performance hurdles. This vote is deemed significant because without this disclosure it makes it hard to evaluate the extent to which the company aligns annual executive compensation with short-term performance and Bezeq has a high ESG risk rating.
Rami Levi Chain Stores Hashikma Marketing Ltd	Global Managed Volatility (<0.01%) Factor Allocation Global Equity (<0.01%)	Corporate Governance	Date: 29 June 2022 Outcome: For	Voted Against the proposal 'elect Mordechai Berkovitch'. In 2021 Rami Levi acknowledged that their long-serving board chair Mordechai Berkovitch had criminal charges brought to him by the Jerusalem District Attorney's Office. There has been a very slow response from the company in making the shareholders aware of the allegations and these charges

				were in connection to activities that allegedly occurred during his time as an external legal consultant of Beit Shemesh municipality. This vote is deemed significant because Mordechai Berkovitch is a long-standing board member and SEI believe that Rami Levi’s shareholders should be concerned with the criminal investigations he is involved in as matters may worsen and it may dampen shareholder value. Rami Levi has a high ESG risk rating.
Shufersal Ltd	Global Managed Volatility (<0.01%)	Corporate Governance	Date: 22 September 2022 Outcome: For	Voted Against the proposal ‘elect Itzik Abercohen’. In this year’s annual meeting a competitive election has made it possible for there to be more recommendations than actual seats on the board. A popular candidate being backed by a few institutional investors is Shufersal’s former CEO Itzik Abercohen who resigned in January 2022. His resignation was fast tracked because of the 2 scandals he was involved in. The first, revealed by Israel’s Channel 10, showed that the company was marketing discounted prices to ultra-Orthodox Jewish parts of the population. The second involved a raid of Shufersal’s offices and Itzik Abercohen being questioned on suspicion of price fixing. Whilst it is noted that investigations are in the early stages, SEI is concerned by the circumstances surrounding Abercohen’s departure and the hasty attempt to return him to the board. Shufersal also has a high ESG risk rating.

Tesla Inc.	Dynamic Asset Allocation (<0.01%) Factor Allocation Global Equity (<0.01%)	Corporate Governance Social	Date: 8 April 2022 Outcome: Against	Voted For the 'Shareholder Proposal Regarding Report on Effectiveness of Workplace Sexual Harassment and Discrimination Policies'. In the last five years, Tesla has faced more than 40 lawsuits from former and current employees alleging that it fosters a sexist and racist work culture. In the lawsuits, Tesla is depicted as having a workplace where slurs, groping, and threats are commonplace, and where the human resources function has repeatedly failed to address workers' concerns. These allegations made by employees are mainly claims of harassment, discrimination and poor working conditions. This vote is considered significant because a failure to adequately address matters related to sexual harassment and discrimination could result in significant difficulties attracting and retaining employees, fines or additional lawsuits, and, ultimately, the erosion of shareholder value. By reporting on the effectiveness and outcomes of its efforts to prevent harassment and discrimination, it will allow shareholders to better understand the efficacy of the Company's policies and initiatives. The report will also help to identify Tesla's progress on relevant metrics and targets and mitigate potential risks.
Eutelsat Communications	Factor Allocation Global	Corporate Governance Social	Date: 10 November 2022	Voted Against the 'Ratification of the Co-Option of Eva Merete Søfelde Berneke'. Eutelsat Communications provides satellite

	Equity (<0.01%)		Outcome: For	TV services to Russia, among which Trikolor and NTV, which are considered to be the spearheads of Russian war propaganda and a major source of news and information for 25% to 30% of the Russian population. Since the Russian invasion of Ukraine, Eutelsat has received public opposition for deciding to maintain its operations in Russia, which represented 6.7% of its revenue in the past fiscal year. This vote is deemed significant because the level of disclosure provided by the Company on its decision to maintain operations in Russia constitutes a substantial failure to properly inform shareholders on material risks. As CEO of the Company, shareholders could reasonably hold Eva Merete Søfelde Berneke accountable for this issue.
Dentsu Group Inc	Dynamic Asset Allocation (<0.01%)	Corporate Governance	Date: 30 March 2023 Outcome: Against	Voted Against the proposal to 'Elect Hiroshi Igarashi'. Hiroshi Igarashi served as a director of the company in 2018 when alleged bid-rigging related to the Tokyo 2020 Olympics took place. On February 27, 2023, he had voluntarily admitted during a questioning by the Tokyo Prosecutors Office that the Company was responsible for being involved in bid-rigging. This vote is deemed significant as the incident signals poor internal controls and a lack of risk management at the company. Members of the board bear the responsibility of ensuring that the group maintains appropriate

				internal controls as well as fair and reliable disclosure to the public.

D. Engagement Activity

A highlight of some of the engagements during the period are shown in the table below. SEI conducts shareholder engagement collaboratively through third party specialists Sustainalytics and Columbia Threadneedle Investment Reo©. Each case study describes a milestone achieved relating to our engagement priorities as described in section A.

Company Name	Held in Fund(s)	Theme	Objective	Description
Archer-Daniels-Midland (ADM)	Global Managed Volatility Dynamic Asset Allocation	Sustainable Agriculture	Progress on ESG governance, land use, biodiversity and carbon management activities	Through our collaborative engagement with Sustainanalytics, SEI have engaged with ADM to encourage a transition to more sustainable agricultural practices, a holistic response to environmental challenges, and to contribute to a more sustainable food system. During a call in May 2022, ADM discussed its approach to carbon and land management risks. The company explained recent updates to their executive share plan, outlining the integration of ESG metrics (carbon emissions and employee diversity criteria) to replace total shareholder return, which are more reflective of stakeholder materiality and desired behaviour change. Archer-Daniels-Midland also mentioned their attention to deforestation and carbon sequestration exposures, and has put a stakeholder materiality assessment in place to monitor these exposures and impacts. This includes a goal to mitigate deforestation in all supply

				chains by 2030, which is already in progress. ADM has set a robust target to reduce 25% of its scope 3 greenhouse gas emissions by 2035 from a 2019 baseline, outlined by a clear strategy focused on the company's supply chain activities. Through various approaches to supply chain management, ADM is taking steps to reduce its ecological impacts and risks.
Siemens AG	Dynamic Asset Allocation	Future of Work	Develop a proactive human capital management approach in hiring, developing and retaining talent to address the transformation caused by emerging trends.	Through our collaborative engagement with Sustainalytics, SEI have engaged with Siemens to encourage the continued development of human capital management approaches that address workplace transformations such as technology and remote work and enhanced focus on diversity, equity and inclusion. Siemens is a global technology firm with 380,000 employees. Siemens has set a goal to achieve 30% female representation in top management by 2025. It has acknowledged challenges collecting diversity data beyond gender given the company's global footprint, differences in local diversity expectations, and the need to maintain employee privacy. In March 2022, Siemens invited Sustainalytics to participate in an internal event focused on the future of work, with a focus on measuring the effectiveness of upskilling and reskilling programs as part of a company initiative to help employees

				build their skills to stay ahead in a changing workplace. Ongoing dialogue with Siemens is focused on diversity in leadership, pay equity, and efforts to make the company more inclusive.
Shell PLC	Dynamic Asset Allocation Global Managed Volatility Factor Allocation Global Equity	Thematic – Climate Change	Climate Progress – Net Zero Strategy	The Royal Dutch Shell (Shell PLC) company was one of the first oil and gas companies to set a net zero target as a part of their “Climate Progress” strategy. Despite this approach, Columbia Threadneedle Reo© has continued to engage the company to push their efforts to support progress in this area, specifically to disclose a clear methodology for how their assessment of a 1.5oC scenario is aligned with capex spending and fossil fuel investment. Shell has set scope 3 emissions intensity targets, but there is no clear alignment of these targets to achieving an absolute emissions reduction to achieve a 1.5 degree scenario. Although the company has published a “Climate Progress Report”, stakeholders have remained concerned about the impact of this strategy. Shell continues to remain open to engagement, and commits to updating their plans and targets as regulatory and economic environments evolve in the face of the current energy crisis. Outside of an emissions strategy, Shell PLC has taken strides to engage stakeholders on biodiversity risks, including the creation of “net positive impact” on biodiversity at newly developed sites and nature-

				based solutions projects. Through engagement efforts, these commitments will encourage further assessment and disclosure of how Shell measures impacts and progress.
Walmart, Inc.	Global Managed Volatility Dynamic Asset Allocation Factor Allocation Global Equity	Global Standards Engagement	Labour Rights – Milestones Achieved	Sustainalytics began its bilateral engagement dialogue with Walmart, Inc. in 2011. At the beginning of engagement efforts, labour rights were a major controversy within Walmart's engagement and management activities. Although initially exposed to a high degree of labour risk across the supply chain and within the brick and mortar stores, the company has evolved to a place where Walmart now welcomes constructive dialogue and engagement on industry best practices in human capital management. Since the inception of Walmart's engagement with Sustainalytics, the company has attended almost twenty conference calls and conducted two in-person meetings to discuss reducing their exposure to labour rights. Walmart, Inc. implemented and published a human rights policy statement across business operations, which led to an improvement in disclosure practices on the topic. Walmart, Inc. has taken the necessary steps to mitigate it's risk associated with labour rights management, including resolving any related legal incidents and providing detailed human capital disclosures aligned with their strategy. Resulting from Walmart's consistent willingness to engage, and transition their leadership approach to one that

				supports transparent human rights management, Sustainalytics considers this case to be resolved.
Imperial Oil Ltd.	Dynamic Asset Allocation Factor Allocation Global Equity	Climate Change	Reduction of scope 1 and 2 greenhouse gas emissions intensity.	Imperial Oil Ltd. achieved a milestone in contribution to the Climate Change engagement theme conducted by Columbia Threadneedle reo. The Canada-based energy company committed to set a target to reduce the Scope 1 and 2 greenhouse gas emissions intensity of its oil sands facilities by 30 percent by 2030, relative to 2016 emission levels. This achievement is encouraging, as the company must make changes to a number of operational capabilities to achieve this reduction. When engaged, Imperial Oil Ltd. explained that it will meet emissions intensity reductions through the implementation of next generation technologies, efficiency improvements at facilities, and use of carbon capture and storage. Imperial's commitment to reduce greenhouse gas intensity contributes to Canada's national commitment to achieve net zero emissions. Specifically, the energy supplier reaffirmed its goal to achieve net zero for Scope 1 and 2 greenhouse gas emissions. Implementing initial climate governance for the company's oil sand operations is a key note of progress for Imperial Oil Ltd.
Mitsubishi Materials Corporation	Factor Allocation	Global Standards Engagement – Business	Ensure suitable board-level quality control	In 2017 and 2018, Mitsubishi Materials Corp. revealed that a number of its subsidiaries had falsified various product data for the

	Global Equity	Ethics (Consumer Interests)	oversight is in place.	aerospace, automotive and electric power industries, affecting over 750 companies reliant on the data. This, coupled with additional misconduct found at one of Mitsubishi's copper smelter and other refineries, led to a number of fines for the corporation. Engagement with Mitsubishi Materials Corp. focused on supporting the company to implement board-level oversight of quality control activities, and to strengthen the corporate culture throughout the business that places high importance on quality control. Engagement efforts led the company to improve its quality control framework, and to obtain independent verification of related activities. Mitsubishi Materials Corp. has been willing to acknowledge the risks and hand, and dedicate resources to fix the issues that had been proactively self-reported. In order to avoid future falsification issues, the company disclosed steps to address previous shortcomings: enhancement of the framework and authority of the quality control department, expansion of quality training, enhanced inspection equipment, etc. These updates have led to no further incidents or falsifications of data to be identified or reported by Mitsubishi Materials Corp.

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. The Trustees did report to the Pension Regulator on 4th July 2023 that it was not going to be able to complete and submit the actuarial valuation on 5th July 2023 (the 15 month statutory submission deadline), but that the Trustee Board did expect to complete this by 31st August 2023. The valuation was subsequently completed and submitted to the Pensions Regulator on 31st August 2023, following significant additional negotiation with the Company. At the time that this report was written, no further response had been received from the Pensions Regulator.

Additional Voluntary Contributions (AVCs)

The Trustees have AVC arrangements with Aviva (previously Friends Life), Coventry Building Society and Yorkshire Building Society. No AVC payments have been made since the Scheme's closure to future accrual with effect from 5 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 5 April 2022

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 2022. At this date, there was a deficit of £68.8 million calculated on an ongoing basis, representing a funding level of 91% relative to the technical provisions. Under the agreed recovery plan the Company will pay additional contributions to the Scheme until October 2025. These additional contributions are set out in the Schedule of Contributions on pages 48 to 50, along with the actuary's certificate on page 51.

The 2022 valuation had an agreed funding objective to reach by October 2025, and to maintain thereafter assets equal to the Technical Provisions assessed on an ongoing basis. Should there still be a technical provisions deficit as at October 2025 (and if at which point the 2025 valuation is still to be finalised), the Company intends to continue to pay contingent contributions of £0.5 million per month until the 2025 valuation has been agreed or there ceases to be a deficit against the Technical Provisions (if earlier). A Memorandum of Understanding ("MoU") was agreed between the Trustees and the Company which contains more details about the Technical Provisions objective for 2025 (see further comments below). 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 31 August 2023 is given on Page 47.

At the 5 April 2022 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 £220.3 million, representing a solvency funding level of 75%.

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 from 5 April 2034 (and to maintain full funding on this basis until all benefits had been secured).

The MoU was implemented with effect from 5 April 2022 as part of agreeing the overall 2022 valuation package which documents this Long Term Funding Target (including the date and assumptions underlying it) and the framework for aligning the Technical Provisions with the

LTFT. The Trustees will continue to monitor progress against this target. The Trustees and Company will consider options which could include (but are not limited to), a continuation of contributions past October 2025 if the 2025 Valuation has not been agreed and the Scheme remains in deficit against the Technical Provisions, additional contributions, contingent assets, 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 5 April 2022 were as shown below.

Key Assumptions	
Investment return (pre-retirement)	Nominal gilts yield curve + 1.75% p.a.
Investment return (post-retirement)	Nominal gilts yield curve + 0.5% p.a.
RPI	Market implied inflation curve
CPI	Pre 2030: RPI - 1% p.a. Post 2030: equal to RPI
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.)	CPI assumption, adjusted for caps and collars for inflation linked pension increases
Post 2003 (CPI maximum 5% p.a.)	
Mortality base table:	S3PA (year of birth) tables (middle for females) with the following weightings and no age adjustments. 111%/108% (non-pensioners males/females) 107%/103% (pensioner males/females)
Future improvements on mortality:	CMI 2021 projections with a long term improvement rate of 1.5% p.a. and smoothing factor/s-kappa 7
Cash Commutation	80% of maximum using an illustrative factor of 22.5 (at 5 April 2022) at Age 65

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 77 to 79 forms part of the Report of the Trustees. The Report of the Trustees on pages 5 to 46 is approved by the Trustees of the Vaillant Group Pension Scheme and signed on their behalf by:

Mike Hampton - Chairman of the Trustees

Date: 3 November 2023

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 2022 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 31 August 2023.

Signature	
Name	Michael J Harrison
Date of signing	31 August 2023
Name of employer	Mercer Limited
Address	1 Whitehall Quay Whitehall Road Leeds LS1 4HR
Qualification	Fellow of the Institute and Faculty of Actuaries

ACTUARIAL VALUATION AS AT 5 APRIL 2022 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 13th 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, on 31 August 2023.

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 31 August 2023 to 31 August 2028

Employer's contributions in respect of the shortfall in funding as per the recovery plan of 31 August 2023

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

Period	Deficit contributions (payable monthly)
1 May 2022 – 30 April 2023	£22m (£1.833m per month)
1 May 2023 – 31 October 2023	£19.35m (£3.225m per month)
1 November 2023 – 31 October 2025	£12m (£0.5m 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, with the exception of certain investment-related expenses which will be paid from Scheme assets.

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 August 2023.

Signed on behalf of Vaillant Holdings Limited	
Name	Michael Weinholzer
Position	Director
Date of signing	31 August 2023

Signed on behalf of the Trustees of the Vaillant Group Pension Scheme	
Name	Mike Hampton
Position	Chair of Trustees
Date of signing	31 August 2023

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 2022 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 August 2023.

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	31 August 2023
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 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 2023; 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 31/1/23

VAILLANT GROUP PENSION SCHEME
FUND ACCOUNT FOR THE YEAR ENDED
5 APRIL 2023

Note		5 April 2023 £	5 April 2022 £
3	Employer contributions	**22,000,000**	21,000,000
4	Other income	**65,206**	-
		22,065,206	21,000,000
5	Benefits paid or payable	**31,335,585**	30,785,596
6	Transfers out to other schemes	**4,446,399**	5,101,575
7	Other payments	**-**	5,029
8	Administrative expenses	**230,158**	3,601
		36,012,142	35,895,801
	Net withdrawals from dealings with members	**(13,946,936)**	(14,895,801)
	Net returns on investments		
9	Investment income	**11,902,027**	15,701,073
10	Change in market value of investments	**(207,256,100)**	(3,418,895)
12	Investment management expenses	**(1,869,422)**	(2,010,523)
		(197,223,495)	10,271,655
	Net decrease in the fund during the year	**(211,170,431)**	(4,624,146)
	Opening net assets available for benefits	**676,705,148**	681,329,294
	Closing net assets available for benefits	**465,534,717**	676,705,148

The notes on pages 57 to 74 form part of these financial statements.

VAILLANT GROUP PENSION SCHEME
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 5 APRIL 2023

Note		5 April 2023 £	5 April 2022 £
10	**Investment assets**		
	Pooled investment vehicles	**448,068,115**	668,767,757
	Cash	**7,116,979**	-
	Other investment balances	**5,102,584**	933,849
	AVC Investments	**380,974**	467,018
	Total net investments	**460,668,652**	670,168,624
11	Current assets	**5,504,292**	7,313,070
13	Current liabilities	**(638,227)**	(776,546)
	Net current assets	**4,866,065**	6,536,524
	Net assets available for benefits	**465,534,717**	676,705,148

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits 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 43 and 44 of the Report of the Trustees, and these financial statements should be read in conjunction with this report.

The financial statements from pages 55 to 74 were approved by the Trustees and signed on their behalf by:

MA Hampton **Chairman of the Trustees**	M A Hampton
S Adams **Trustee**	S Adams

Date: 3 November 2023

The notes on pages 57 to 74 form part of these financial statements.

General Information

The Vaillant Group Pension Scheme (the "Scheme") is an occupational pension scheme established as a trust under English law in the United Kingdom. It is governed by a Trust Deed and Rules dated 12 October 1992 and subsequent amendments.

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 5 April 2013 and to future accrual on 5 April 2015.

In accordance with HMRC requirements the Scheme is registered under Chapter 2, Part 4 of the Finance Act 2004. As a consequence, both employee and employer contributions are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment.

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. Benefits are accounted for in the period in which the member notifies the Trustees of their 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.

2 Accounting policies (continued)

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. 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.

Expenses

Investment management expenses 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 (note 10).

		5 April 2023	*5 April 2022*
		£	£
3	**Contributions**		
	Employer contributions		
	Deficit Funding	**22,000,000**	21,000,000

Deficit funding contributions are being paid by the employer into the Scheme in accordance with a recovery plan dated 2 April 2020 in order to improve the Scheme's funding position.

On 31 August 2023, a revised recovery plan was agreed between the Trustees and the Employer. Deficit contributions are due for payment under the revised Schedule of Contributions as follows:

1 May 2022 – April 2023	£22,000,000
1 May 2023 – October 2023	£19,350,000
1 November – 31 October 2025	£12,000,000

		5 April 2023	*5 April 2022*
		£	£
4	**Other Income**		
	Claims on Life Assurance policies (see note 7)	**-**	-
	AVC Funds Disinvested	**65,206**	-
		65,206	-

		£	£
5	**Benefits Paid or Payable**		
	Pensions*	**28,013,996**	29,116,648
	Commutation of pensions and lump sum retirement benefits	**3,162,907**	1,637,441
	Lump sum death benefits	**158,682**	31,507
		31,335,585	30,785,596

Pensions in payment were uplifted for 815 members who accepted the Pensions Increase Exchange offer in 2022. The total value of pension uplifts amounted to £1,308,267 per annum (£109,022 per month). Uplifts were applied to pensions in payment in October 2022.

	5 April 2023	*5 April 2022*
	£	£

6 Transfers out to other schemes

Individual transfers out to other schemes	**4,446,399**	5,101,575
	4,446,399	5,101,575

7 Other payments

Premiums on life assurance	**-**	5,029
	-	5,029

Since the Scheme closure in 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 2023 (2022: none).

8 Administrative expenses

Administration and processing*	**99,080**	(959)
Audit fees**	**66,393**	4,560
Professional expenses for PIE advice	**64,685**	-
	230,158	3,601

*Includes Dis-allowable VAT £87,549
** Figure in 2022 column relates to additional fees incurred for 2021. 2023 total includes £35,860 for the 2022 audit.
The Company pays the administrative expenses, except as noted above.

The Scheme also meets charges associated with investment and fiduciary management, assets custody fees, 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 2023	*5 April 2022*
	£	*£*

9 Investment income

Income from pooled investment vehicles	**11,831,520**	15,699,768
Interest on cash deposits	**69,566**	514
Income from annuity policies	**941**	791
	11,902,027	15,701,073

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	**448,068,115**	668,767,757
AVC investments	**380,974**	467,018
	448,449,089	669,234,775
Cash held by SEI	**7,116,979**	-
Other investment balances*	**5,102,584**	933,849
Total investment assets	**460,668,652**	670,168,624

AVC assets related statements		
Coventry Building Society	**30,722**	55,203
Prudential	**-**	1,533
Yorkshire Building Society	**11,156**	11,377
Aviva Life & Pensions UK Limited	**339,096**	398,905
Total AVC assets	**380,974**	467,018

10 Investment assets (continued)

	Market Value at 5 April 2022 £	Purchases at cost £	Sales proceeds £	Change in market value £	Market Value at 5 April 2023 £
Pooled investment vehicles	668,767,757	399,587,932	(413,479,028)	(206,808,546)	**448,068,115**
AVCs *	467,018	-	(93,509)	7,465	**380,974**
	669,234,775	399,587,932	(413,572,537)	(206,801,081)	**448,449,089**
Cash	-				**7,116,979**
Other investment balances	933,849				**5,102,584**
Total investment assets	**670,168,624**				**460,668,652**

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 5 April 2023 (£)**	**Market Value at 5 April 2022 (£)**
Bonds / LDI	**287,514,625**	368,932,556
Equities	**50,122,541**	204,315,861
Alternatives	**71,908,680**	41,719,804
Property	**38,522,269**	50,897,444
Cash (excluding Trustees Bank Account and any funds awaiting investment)	**-**	2,902,092
Total	**448,068,115**	**668,767,757**

Pooled Investment Vehicles (by legal nature)	**Market Value at 5 April 2023 (£)**	**Market Value at 5 April 2022 (£)**
Open ended investment company (UCITS compliant)	**207,672,227**	433,838,286
Open ended investment company (non UCITS compliant)	**161,555,124**	77,763,709
Mutual Fund (specialised, non-UCITS)	**-**	89,037,965
Unit Trust	**16,838,843**	22,033,841
Limited Liability Partnership	**40,318,496**	17,230,353
Unit Linked Insurance	**21,683,425**	28,863,603
Total	**448,068,115**	**668,767,757**

10 Investment assets (continued)

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.

* All AVC's are invested in policies which the Trustees hold with Aviva, Coventry Building Society and Yorkshire Building Society. All member investments are entirely in unit linked funds or deposit funds; all of which are categorised as Level 2 in the fair value hierarchy. Refer to the fair value determination section further below for an understanding of the fair value hierarchy levels.

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.

10 Investment assets (continued)

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).

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	At 5 April 2023	Sub-category ranges
Return Enhancing Pool	**37-57%**	45.2%	Equities: 19-35% Alternatives: 12-28%
Risk Management Pool	**43-63%**	54.8%	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 a Liability Driven Investment (LDI) Strategy to target a hedge ratio as shown below:

10 Investment assets (continued)

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)	**80%**
Inflation rate risk (effective % of inflation rate sensitivity in the liabilities that the Portfolio should match)	**95%**

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, Secured Income and Structured Credit investment vehicles. The value invested in the aforementioned funds at the year-end amounted to £332m (2022: £396m). Further details of how these risks are managed are provided below.

The Trustees bank account is held with a deposit taking bank who are subject to regulatory oversight. 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, Secured Income 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.

10 Investment assets (continued)

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.

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 £260m of total assets (2022: £316m).

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 45% of total Scheme assets (2022: 53%). The variance from target allocation is deemed within an acceptable range.

Other matters

During 2022/2023, 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 ongoing 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 and investment liabilities have been impacted. Through the Scheme's Integrated Risk Management framework (IRM), the Trustees closely monitor the funding position to understand the impact of market changes on both the value of its long-term liabilities and also on its investments.

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

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.
All investment assets and investment liabilities (not just financial instruments) are allocated a category in the fair value hierarchy using the above hierarchy categories as follows:

			5 April 2023		
		£	**£**	**£**	**£**
	Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
M&G	Property			16,838,843	**16,838,843**
M&G	European Loan Fund*		32,932,168		**32,932,168**
AB ST LIFE	Long Lease Property Fund			21,683,426	**21,683,426**
Insight	Fully Funded Index-linked Gilts 2051-2060		3,182,220		**3,182,220**
Insight	Fully Funded Index-linked Gilts 2061-2070		18,937,842		**18,937,842**
Insight	Fully Funded Gilts 2041-2050*		26,937,096		**26,937,096**
Insight	Solutions Plus Funded Gilts 2061-2070*		49,270,975		**49,270,975**
Insight	Partially funded Index-linked Gilts 2021-2030		55,225		**55,225**
Insight	Partially funded Index-linked Gilts 2031-2040		3,884,522		**3,884,522**
Insight	Partially funded Gilts 2021-2030		454,030		**454,030**
Insight	Partially funded Gilts 2031-2040		2,789,588		**2,789,588**
Insight	Partially funded Gilts 2041-2050		630,308		**630,308**
Insight	Partially funded Gilts 2051-2060		1,179,999		**1,179,999**

10 Investment Assets (continued)

			5 April 2023 (continued)		
		£	£	£	£
	Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
SEI	UK Credit Fund*		45,190,329		**45,190,329**
SEI	UK Long Duration Credit Fund *		39,752,526		**39,752,526**
SEI	UK Ultra Long Gilts Fund*		29,031,996		**29,031,996**
SEI	UK Ultra Long Index Linked Gilts Fund		22,020,989		**22,020,989**
SEI	Emerging Markets Debt (Hedged)		5,708,088		**5,708,088**
SEI	High Yield Fixed Income (Hedged)		5,556,724		**5,556,724**
SEI	Global Managed Volatility (Equity)*		27,370,328		**27,370,328**
SEI	Factor Allocation Global Equity		18,011,943		**18,011,943**
SEI	Dynamic Asset Allocation (Equity)		4,740,270		**4,740,270**
SEI	Structured Credit			13,068,930	**13,068,930**
SEI	Liquid Alternative (Hedged)		10,289,034		**10,289,034**
SEI	Global Real Assets			21,301,151	**21,301,151**
SEI	Secured Income			14,975,989	**14,975,989**
SEI	Vista Fund			12,273,576	**12,273,576**
SEI	Cash held by SEI	7,116,979			**7,116,979**
SEI	Other investment balances	5,102,584			**5,102,584**
AVCs	AVC Insurance policies			380,974	**380,974**
	Total investments	12,219,563	347,926,200	100,522,889	**460,668,652**

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

10 Investment Assets (continued)

			5 April 2022		
		£	£	£	£
	Fair Value Hierarchy	**Level 1**	**Level 2**	**Level 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		11,927,630		11,927,630
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

10 Investment Assets (continued)

		5 April 2022			
		£	**£**	**£**	**£**
	Fair Value Hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
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
AVCs	AVC insurance policies			467,018	467,018
SEI	Other investments balances net	933,849			933,849
Blackrock/SEI	Sterling Liquidity (Cash)	2,902,093			2,902,093
	Total investments	3,835,942	597,737,867	68,594,815	670,168,624

10 Investment Assets (continued)

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 2023 or 5 April 2022.

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.

11	**Current assets**	***5 April 2023***	***5 April 2022***
		£	*£*
	Cash balances	**5,504,292**	7,311,534
	Contribution Equivalent Premium Scheme	**-**	1,536
		5,504,292	7,313,070

12	**Investment management expenses**	***£***	*£*
	BNY Mellon expenses	**49,400**	35,361
	Rebates received	**(97,947)**	-
	SEI Investments (Europe) Limited	**1,917,969**	1,975,162
		1,869,422	2,010,523

Investment management expenses and fiduciary management fees are charged directly to the Scheme. Investment transaction costs of £10,925 (2022: £2,223) were levied on equities and offset against sales proceeds.

13	**Current liabilities**	**£**	£
	PAYE	**371,297**	361,460
	Investment management expenses accruals	**235,511**	395,819
	Administrative expenses accruals	**30,533**	-
	AVC Benefit control	**886**	19,267
		638,227	776,546

14 Related party transactions

Related party transactions and balances comprise:

Key management personnel

During the Scheme year, three of the Trustees are members of the Scheme (2022: three), two of whom (2022: two) were in receipt of a pension from the Scheme, and one deferred member (2022: one) who is yet to start receiving benefits.

Employer and other related parties

With the exception of the expenses included in notes 8 and 12, all other expenses were met by the Principal employer. Trustees not currently employed by the Vaillant Group received fees of £59,069 (2022: £54,250) 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 5 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 retired after 5 April 2021, as well as the deferred members and those who have transferred-out from the Scheme into an external arrangement since 1990. This aspect of the project will be dealt with in 2024/2025.

Except as noted above, the Scheme has no other contingent liabilities at the year-end (2022: none).

16 Capital commitments

There are no outstanding capital commitments as at 5 April 2023 (2022: Nil).

17 Employer-related Investments

There were no directly or indirectly held employer-related investments at the year-end (2022: 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 2023 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 2023 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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 3/11/23

SUMMARY OF CONTRIBUTIONS PAYABLE FOR YEAR ENDED 5TH APRIL 2023

	Employee £	Employer £
CONTRIBUTIONS REQUIRED BY THE SCHEDULE OF CONTRIBUTIONS		
Deficit contributions	-	**22,000,000**
TOTAL (AS PER FUND ACCOUNT)	**-**	**22,000,000**

The Schedule of Contribution is dated 3 April 2020.

Approved by the Trustees and signed on their behalf by:

MA Hampton Chairman of the Trustees	M A Hampton
Steve Adams Trustee	S Adams

Date: 3 November 2023

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

Pensions in Payment

Rule G1:01 of the Trust Deed and Rules states that "a pension in the course of payment shall 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 2023, the appropriate percentage is taken to be the annual increase in the Consumer Prices Index (CPI) as at 30th September 2022, subject to a minimum of 0%. The 12-month CPI rate to 30th September 2022 was 10.1%.

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

a) 3%
b) 5%
c) 5%.

Pension payments at the increased rate due on 1st January 2023 were credited to pensioners' bank accounts on 30th December 2022. Confirmation that the increases have been applied were communicated to all members in their January 2023 payslips, which we issued 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." There were no such additional increases awarded.

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 the year to 5th April 2023.

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