VAILLANT GROUP PENSION SCHEME

Annual Report and Financial Statements to 5 April 2024

Pension Schemes Registry Registration Number 100777193

Vaillant Group Pension Scheme

Annual Report and Financial Statements

to 5th April 2024

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)
E Staniland	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

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 ADVISERS

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

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

BANKERS

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

LEGAL ADVISERS

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

APPOINTED CONSULTANTS

IC Select Limited (part of Independence Governance Group (IGG)) – Investment and Fiduciary Manager Oversight Consultants, Office 3, 92 Fountainbridge, Edinburgh, EH3 9QA

Gallagher PLC – Communications, Phoenix Court, Jacobs Well Lane, Wakefield, West Yorkshire, WF1 3NT

Buck Consultants Limited (now part of Gallagher PLC) - GMP Equalisation Project Consultant, 20 Wood Street, London, EC2V 7AF

AVC MANAGERS

Aviva Life & Pensions UK Limited

Coventry Building Society

TRUSTEES' REPORT

On behalf of the Trustees, I am pleased to present the Annual Report and Financial Statements for the year ended 5 April 2024.

The financial year saw strong performance of most growth assets as US economic data continue to remain strong, reducing fears of a recession. The U.K. economy was more anaemic, falling into recession in the second half of 2023 before rebounding in Q1 2024. Global inflation slowed over the financial year but remained elevated and above central banks' comfort levels. This has led to higher long term interest rate yield over the financial year and the U.K. was no exception.

Against this backdrop, the Scheme's deficit improved both from the strong performance of the growth assets as well as the rising interest rate environment given that the Scheme was not fully hedged on interest rates. Over the financial year, our fiduciary manager, SEI, enhanced the Scheme's risk management funds, improving its resilience such that it will be more prepared should events similar to the September 2022 gilt crisis be repeated. The Scheme also took advantage of the rising interest rate to increase the interest rates hedge back to 95%, the original target prior to the gilt crisis.

The Scheme's investment strategy remained well diversified and, together with SEI, our appointed fiduciary manager, we will continue to monitor the market environment and ensure the strategy remains appropriate.

The Scheme undertook its most recent formal triennial actuarial valuation as at 5 April 2022 and this estimated that pension benefits in the Scheme amounted to £744.9 million . The assets held by the Scheme at that point were £676.2 million (which was the value of assets at the time the valuation was completed), resulting in a shortfall of £68.7 million. This represented an increase in the funding level to 90.7%, compared to 84.0% 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 £61.2 million of contributions over the three years up to 5 April 2022. Whilst this represented positive news at the time, it is important to remember that valuation results are based on a snapshot as at the valuation date, and in this case, pre-date the impact of the September 2022 gilt crisis. As at 5 April 2023, the funding level was 82.5%.

In terms of the current position, the asset value of £455.3 million is the audited market value of the Scheme's assets at 5 April 2024, and reflects a decrease of £10.2 million since 5 April 2023. The additional reduction principally arises from a reduction in the monthly amount of deficit recovery plan contributions being paid from November 2023, resulting in a greater level of assets needing to be disinvested to meet the increasing levels of pension benefits being paid to members who are currently in receipt of their pensions. It is also important to view this reduction in the context of the Scheme's long-term liabilities, which fell significantly by £56.3 million to £492.8 million over the same reporting period, due to the high levels of hedging the Scheme has in place.

In essence, this means that the Scheme has seen a sizeable improvement in its funding levels, which have increased from 82.5% on 5 April 2023 to 92.3% on 5 April 2024, which is positive news and means the Scheme is now closer to its "expected path" to full funding.

As a reminder, the Scheme's "Risk Management" assets are held and designed to protect its long-term liabilities against sensitivities in interest and inflation rate changes, where the value of the liabilities rise and fall as a direct consequence of rate movements.

We call this investment approach "hedging" and, whilst this can have a negative effect on asset values when interest rates rise, the effects are positive when interest rates fall so that the value of assets increases as the cost of the Scheme's long-term liabilities increases.

The Scheme currently targets an interest rate "hedge" that sits within a range of 90-100%, with the aim to have 95% of the Scheme's long-term liabilities being protected against changes in interest rate movements. The purpose of the hedging strategy is to ensure that the resulting increase/decrease in the value of long-term liabilities that we experience as interest rates rise and fall, also see a corresponding increase/decrease in our "risk management" asset values. You will recall that the mini-budget from Liz Truss in Q4 2022 had a significant impact on our funding levels as hedging protection levels were negatively impacted in the immediate wake of the budget announcement, which resulted in a very rapid move by UK pension schemes to liquidate assets in order to meet cashflow demands and investment manager collateral calls. You will also recall that the Trustees worked very hard to restore the Scheme's hedging level back to the 95% through 2023, and this was successfully achieved by mid-year. As such, the Scheme now sits comfortably back within its 90-100% "hedging" level target.

The Trustees continue regularly to review and monitor the Scheme's hedging levels and associated risks, taking advice as appropriate from SEI in their capacity as investment adviser and fiduciary manager.

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 better to secure members' benefits. It is anticipated that this target will be reached by April 2034 (or shortly thereafter) at which time the intention will be to look at opportunities to either buy-out any remaining benefits with an insurance company, or to "run-on" the Scheme with minimal financial support from the Company being needed. This is only a target, and as such, 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 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 impact of COVID-19 and the market events of Q4 2022, 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 progressively to reduce risk in the investment portfolio as and when the Scheme is ahead of its expected target.

Investment changes

Following the mini-budget and the gilt sell off crisis that immediately ensued, our fiduciary manager SEI enhanced the resilience of their liability driven investment (LDI) funds – which are the funds we use to provide our “hedging” protections. As a result of these enhancements, the Scheme is more resilient to future interest rate shocks. The Scheme also took advantage of the rising interest rate to increase the interest rate hedge back to 95%, the original target prior to the gilt crisis.

With the conclusion of the triennial actuarial valuation and this having been submitted to the Pensions Regulator on 31st August 2023, SEI, in their capacity as our appointed fiduciary manager and investment adviser conducted a review of the Scheme’s investment strategy. The review may result in a small increase in our allocation towards “growth assets” in order to maintain our previously expected returns of gilts +2.8% per annum, although current indications and improvements in the Scheme’s funding level mean this is not necessary at the current time as we are still on track to achieve the long-term goal of being self-sufficient on a low dependency basis (meaning less reliance on contributions from the Company) by April 2034, based on a lower future expected level of return from our investment portfolio of gilts +2.6%. Members are reminded that SEI, in its role as fiduciary manager is active in using their discretion to take action on rebalancing the portfolio and making changes within asset classes including allocations to different specialist sub-managers to manage risk and take advantage of opportunities as they arise.

The Trustees will continue to evolve the investment strategy over time and are comfortable that the changes they have implemented within the last 18 months will 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, amongst other things, 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 December 2021.

This Implementation Statement covers the year to 5 April 2024 and can be found at the end of this report as Appendix A. It is also available to view and download free of charge by visiting the Scheme website www.vaillantpensions.com

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 previous reports 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 that 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. Phase 1 was completed in Q4 2021 where most of our pensioners who had retired before 31 March 2021 had their benefits reviewed and where appropriate, adjusted to ensure that these had 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 continuing to work 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 Scheme into an external arrangement since 1990. This aspect of the project will likely be dealt with during 2025 and into 2026.

Meetings

The Trustees have continued to meet 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 annual ESG (Environment, Social and Governance) review were held virtually to keep down costs.

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 been required to convene during the year as all Scheme matters were 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 performance, investment strategy, portfolio changes, cashflow requirements and general matters relating to the funding of the Scheme, and is supported at each meeting by both Mercer Ltd as the appointed Actuary, and SEI as the investment adviser and 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 five occasions during the year, one meeting of which was dedicated to considering SEI performance in the lead up to the annual Performance Review Day in April 2023.

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

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 Trustee 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);
- 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; and
- New legislative and regulatory developments like Effective System of Governance and Task Force on Climate-Related Financial Disclosures and The Pensions Regulator's General code of practice

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

The Governance Risk and Audit Committee met five times during the year, one of those meetings being the Audit annual Review meeting.

Trustee meetings

In addition to the various committee and sub-group meetings, the full Trustee Board met on nine occasions throughout the year as follows;

- Quarterly Trustee Board meetings held in July 2023, September 2023, December 2023 and March 2024
- April 2023 – Annual Performance Review Day – SEI Performance
- November 2023 – Annual ESG Review Day
- Trustee Training Day held in January 2024.
- Extraordinary meetings – 2022 Actuarial Valuation calls held in May and August 2023.

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 Mr M Wilkins on 11 July 2023. 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 Mr Wilkins and very much look forward to working with him.

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.

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.

The Trustees look forward to working closely with the in-house team, the Company and our appointed advisers as we continue to develop the strategic plan for the Scheme on behalf of our Scheme members during 2025.

Mike Hampton - Chair 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 3 and 4 of this report.

Members and Pensioners

The number of members is shown below:

	5 April 2024	5 April 2023
Deferred pensioners	2,030	2,182
Pensioners	4,492 (including 1,052 spouse/dependants)*	4,473 (including 1,028 spouse/dependants)*
Total	**6,522**	**6,655**

*annuity policies are in place for 4 pensioner members (3 Reassure and 1 Aviva) (2023: 4 pensioner members – (3 Reassure, and 1 Aviva in 2023)

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 £53.35 million will be paid during this period. To date, £43.85 million has already been received up to 5 April 2024.

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 2024, the Scheme's net assets, including the investment assets at fair value and Additional Voluntary Contributions were £455.3 million (2023: £465.5 million), a decrease of £10.2 million during the year.

The additional reduction principally arises from a reduction in the monthly amount of deficit recovery plan contributions being paid from November 2023, resulting in a greater level of assets needing to be disinvested to meet the increasing levels of pension benefits being paid to members who are currently in receipt of their pensions. It is important to view this reduction in the context of the Scheme's long-term liabilities, which fell significantly by £56.3 million to £492.8 million over the same reporting period.

In essence, this means that the Scheme has seen a sizeable improvement in its funding levels, which have increased from 82.5% on 5 April 2023 to 92.3% on 5 April 2024, which is great news and means the Scheme is now closer to its "expected path" to full funding.

The Trustees continue to regularly review and monitor the Scheme's hedging levels and associated risks, taking advice as appropriate from SEI in their capacity as investment adviser and fiduciary manager.

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.

Further details regarding the Scheme's investments are given on pages 15 to 20. 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.

Details of the recent Virgin Media case are set out in note 23 to the financial statements.

The audited Financial Statements appear on pages 34 to 54 and the ‘Summary of Contributions’ appears on page 56 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 2024.

A statement of the Trustees’ responsibilities when preparing the Annual Report and Financial statements is given on pages 28 and 29. 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 2024

The Trustees have delegated the day-to-day investment decisions to SEI, who are regulated by the Financial Conduct Authority in the United Kingdom, 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 agreed a Statement of Investment Principles (SIP). This was last revised in December 2021 and is regularly reviewed by the Trustees with advice being taken from SEI in their capacity as investment adviser and fiduciary manager.

Copies of the Statement are available on request from the Scheme Administrator, and are available on our member website at www.vaillantpensions.com

As at the 5 April 2024, 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 total net assets (including investment assets placed with the investment managers) are as follows:

Investment Manager	Holding	Assets % (2024)	Assets £ (2024)	Assets % (2023)	Assets £ (2023)
Insight	Partially funded index-linked Gilts (2021-2030)	-	-	0.01	55,225
Insight	Partially funded index-linked Gilts (2031-2040)	-	-	0.83	3,884,522
Insight	Partially funded Gilts (2021-2030)	-	-	0.10	454,030
Insight	Partially funded Gilts (2031-2040)	-	-	0.60	2,789,588
Insight	Partially funded Gilts (2041-2050)	-	-	0.13	630,308
Insight	Partially funded Gilts (2051-2060) Partially funded Gilts (2041-2050)	-	-	0.25	1,179,999
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	European Loan	2.89	13,170,475	7.07	32,932,168
M&G	Secured Property Income	3.56	16,188,427	3.62	16,838,843
Aberdeen Standard Life	Long Lease Property	4.12	18,743,417	4.66	21,683,426
SEI	UK Ultra Long Gilts	18.41	83,811,943	6.24	29,031,996
SEI	UK Ultra Long Index- Linked Gilts	8.67	39,473,305	4.73	22,020,989
SEI	UK Credit	13.93	63,415,925	9.71	45,190,329
SEI	UK Long Duration Credit	10.32	46,980,012	8.54	39,752,526
SEI	Emerging Markets Debt (Hedged)	1.08	4,924,765	1.23	5,708,088
SEI	High Yield Fixed Income (Hedged)	1.82	8,303,647	1.19	5,556,724
SEI	Global Managed Volatility (Equity)	9.88	44,961,827	5.88	27,370,328
SEI	Factor Allocation Global Equity	7.96	36,213,565	3.87	18,011,943
SEI	Dynamic Asset Allocation (Equity)	1.32	5,990,824	1.02	4,740,270
SEI	Structured Credit (Alternatives)	3.57	16,265,076	2.81	13,068,930
SEI	Liquid Alternative Fund (Hedged)	0.12	563,620	2.21	10,289,034
SEI	Global Real Assets	4.94	22,493,130	4.58	21,301,151
SEI	Secured Income	3.81	17,360,851	3.22	14,975,989
SEI	Vista Fund	2.73	12,425,657	2.64	12,273,576
SEI	Cash	-	-	1.53	7,116,979
Cash and Creditors	Trustee Bank Account and VAT receivable	0.69	3,145,710	1.10	5,101,576
AVCs*		0.09	403,168	0.08	380,974
Other	Accrued dividends less accrued management expenses	0.09	428,904	1.04	4,867,073
Other	Audit fees recoverable	0.01	32,660	-	-
Total		**100.00**	**455,296,908**	**100.00**	**465,534,717**

**AVCs valuation as at 5 April 2024 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 fiduciary manager SEI, provides advice to the Trustees on the long-term investment strategy of the Scheme and, in addition, is responsible for managing the Scheme's assets according to the agreed investment policy. This includes fully delegated responsibility for the selection and monitoring of investment managers of pooled funds or within SEI's own multi-manager pooled funds.

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustees have set the following primary objectives for SEI:

- To outperform gilts by 2.5% p.a. 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 9.6% 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 a 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). This remains a key ongoing discussion item between the Trustee board and 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 imply 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. To this end, a Memorandum of Understanding (MoU) was signed by both parties which provides some comfort that contributions will continue to be paid at the current rate beyond October 2025, should the 5 April 2025 actuarial valuation still show a deficit, and that contributions beyond October 2025 are likely to be needed.

SEI are also appointed to invest the Scheme's assets, in accordance with the Investment policy agreed, through:

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

SEI's objectives are:

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

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

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

High Level Asset Allocation

Category	Allowable Range	At 5 April 2024	Sub-category ranges
Return Enhancing Pool	**37%-57%**	48%	Equities: 19%-35% Alternatives: 12%-28%
Risk Matching Pool	**43%-63%**	52%	n/a

Interest and Inflation rate risk mitigation as at 5 April 2024

The Scheme sets out the target Interest and Inflation "hedge ratio range" it seeks to maintain, within its Statement of Investment Principles. The current "hedge ratio range" is 90%-100%. The table below sets out the actual "hedge" levels of protection that were in place on 5 April 2024.

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

The Trustees receive reports from their investment advisers on a quarterly basis showing actual performance by manager and fund. As the appointed Fiduciary Manager, SEI present to the Trustees 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 2024 was 3% compared to a benchmark of 4%.

New funds invested into after 5 April 2023 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	-7.27%	-7.27%	-38.28%	-38.28%	28.4%
	SEI UK Long Duration Credit Fund	4.75%	4.14%	-6.02%	-6.20%	10.4%
	SEI UK Credit Fund	8.15%	6.11%	2.49%	0.58%	13.9%
Return Enhancing (Equities)	SEI Global Managed Volatility Fund	11.22%	8.92%	6.66%	5.20%	9.9%
	SEI Factor Allocation Global Equity Fund	20.24%	20.60%	12.43%	11.48%	7.9%
	SEI Dynamic Asset Allocation Fund	18.78%	22.45%	13.13%	12.60%	1.3%
Return Enhancing (Alternatives)	M&G European Loan Fund	11.41%	5.06%	4.14%	1.78%	2.9%
	Aberdeen Standard Life Long Lease Property fund	-14.06%	-0.04%	-3.29%	-5.44%	4.1%
	M&G Secured Property Income Fund	0.95%	4.3%	-1.48%	6.47%	3.5%
	SEI Structured Credit Fund	20.12%	5.06%	12.03%	1.86%	3.5%
	SEI Liquid Alternative Fund	11.43%	5.06%	7.35%	1.80%	0.1%
	Global Real Assets	6.41%	6.41%	5.69%	5.69%	4.8%
	Secured Income	11.69%	5.06%	8.37%	4.33%	3.7%
	Vista Fund	-0.21%	5.06%	1.58%	4.33%	2.7%
Return Enhancing (Fixed Income)	SEI High Yield Fixed Income Fund	9.65%	10.27%	2.72%	2.59%	1.8%
	SEI Emerging Markets Debt Fund	9.07%	6.51%	0.00%	-1.18%	1.1%
Total						**100.0%**

Employer-related Investments

There were no directly held employer-related investments at the year-end (2023: none). There were no indirectly held employer-related investments at the year-end (2023: none).

Compliance Matters - including the Trustees' ESG Implementation Statement

Scheme governance

The Trustees retain direct responsibility for setting investment objectives, establishing risk and return targets and setting the Scheme's Strategic Asset Allocation. 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.

At the April 2022 valuation, the Trustees confirmed the long-term funding target (LTFT) agreed with the Company as part of the 2019 actuarial valuation negotiations through a Memorandum of Understanding (MOU). This essentially established a framework for aligning the Technical Provisions with the LTFT over time, with an anticipated end date of April 2034. 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, or at the very least continuing without the need for ongoing financial support from the Company (i.e. low dependency basis). 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.

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 other than M & G European Loans Fund, M & G Secured Property Income Fund, Aberdeen Standard Life Long-Lease Property Fund and Additional Voluntary Contributions insurance policies. The Additional Voluntary contributions other investments are in the form of insurance policies, where the master policy documents are held by the Trustees.

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 additional training on ESG at the November 2023 Board meeting, and 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). The Implementation Statement can be found as Appendix A at the end of this report. 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 2024) and how the policies on voting, stewardship and engagement have been followed. This statement covers the period 6 April 2023 to 5 April 2024, and is also available on the Scheme member website by visiting www.vaillantpensions.com

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. The Regulator wrote to the Trustees on 2nd May 2024 that they had assessed the valuation materials, and had no further questions about the valuation submission.

Additional Voluntary Contributions (AVCs)

The Trustees have AVC arrangements with Aviva (previously Friends Life) and Coventry Building Society. No AVC payments have been made since the Scheme's closure to future accrual with effect from 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. There are no plans to review AVC arrangements again until at least 2026.

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

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 £68.7 million calculated on an ongoing basis, representing a funding level of 90.7% 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 page 38, along with the actuary's certificate on page 30.

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). The MoU was agreed between the Trustees and the Company and contains more details about the Technical Provisions objective for 2025 (see further comments below).

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 the LTFT, 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 the LTFT (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

Actuarial Report as at 5th April 2024

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

The latest actuarial report was prepared as at 5th April 2024. Since the 2023 Annual Report was signed, there has also been a 5 April 2023 actuarial report and we have included details of this below too.

The 5 April 2024 position showed a strong improvement in the funding position of the Scheme over the last 12 months, estimating that the deficit has now reduced from £83.9 million at 5th April 2023 (equivalent to a funding level of 85%) to £37.9 million at 5th April 2024 (equivalent to a funding level of 92%).

Report date	**5 April 2024**	5 April 2023
Value of technical provisions	**£492.8m**	£549.1m
Value of assets available to meet technical provisions	**£454.9m**	£465.2m
As a percentage of technical provisions	**92%**	85%

Preparation for the next full triennial valuation as at 5th April 2025 will begin at the end of 2024 and the results of this valuation are expected towards the end of 2025. The results will be communicated to Scheme members through a Special Valuation Newsletter in due course.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees' responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

The Trustees are also responsible for the maintenance and integrity of the www.vaillantpensions.com 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.

Approval

The general information included on pages 57 to 60 forms part of the Report of the Trustees. The Trustees Report on pages 5 to 29 is approved by the Trustees of the Vaillant Group Pension Scheme and signed on their behalf by:

Mike Hampton - Chair of the Trustees
Date: 9 October 2024

Mercer

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 2024, 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 within the Annual Report and Financial Statements, which comprise: the Statement of Net Assets (Available for Benefits) as at 5 April 2024; 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 of 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: 9/10/24

VAILLANT GROUP PENSION SCHEME
FUND ACCOUNT FOR THE YEAR ENDED
5 APRIL 2024

Note		5 April 2024 £	5 April 2023 £
3	Employer contributions	**21,850,000**	22,000,000
4	Other income	**434,669**	65,206
		22,284,669	22,065,206
5	Benefits paid or payable	**32,469,334**	31,335,585
6	Transfers out to other schemes	**161,770**	4,446,399
7	Administrative expenses	**43,450**	230,158
		32,674,554	36,012,142
	Net withdrawals from dealings with members	**(10,389,885)**	(13,946,936)
	Net returns on investments		
8	Investment income	**2,214,953**	11,902,027
9	Change in market value of investments	**(740,295)**	(207,256,100)
15	Investment management expenses	**(1,322,582)**	(1,869,422)
		152,076	(197,223,495)
	Net decrease in the fund during the year	**(10,237,809)**	(211,170,431)
	Opening net assets available for benefits	**465,534,717**	676,705,148
	Closing net assets available for benefits	**455,296,908**	465,534,717

The notes on pages 36 to 54 form part of these financial statements.

VAILLANT GROUP PENSION SCHEME
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 5 APRIL 2024

Note		5 April 2024 £	5 April 2023 £
	Investment assets		
9	Pooled investment vehicles	**451,286,466**	448,068,115
10	AVC Investments	**403,168**	380,974
	Cash	**-**	7,116,979
11	Other investment balances	**737,016**	5,102,584
	Total net investments	**452,426,650**	460,668,652
16	Current assets	**3,642,722**	5,504,292
17	Current liabilities	**(772,464)**	(638,227)
	Net current assets	**2,870,258**	4,866,065
	Net assets available for benefits	**455,296,908**	465,534,717

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 25 to 27 of the Report of the Trustees, and these financial statements should be read in conjunction with this report.

The financial statements on pages 34 to 54 were approved by the Trustees and signed on their behalf by:

MA Hampton **Chairman of the Trustees**	
E Staniland **Trustee**	

Date: 9 October 2024

The notes on pages 36 to 54 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

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 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the 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.

Benefits and payments to and on account of leavers

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 on 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 of investments.

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. 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.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

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 13). Explanation of the key assumptions underpinning the valuation of investments are included within Note 13.

		5 April 2024	*5 April 2023*
		£	£
3	**Employer Contributions**		
	Deficit Funding	**21,850,000**	22,000,000

Deficit funding contributions are being paid by the employer into the Scheme in accordance with a recovery plan dated 31 August 2023 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 (in equal monthly instalments) under the revised Schedule of Contributions as follows:

1 May 2022 – 30 April 2023	£22,000,000
1 May 2023 – 31 October 2023	£19,350,000
1 November 2023 – 31 October 2025	£12,000,000

The April 2023 deficit funding contribution of £1.833m due by 19 May 2023 was received early on 3 April 2023 and accounted for in the prior 2023 financial statements.

4 Other Income

	5 April 2024	5 April 2023
	£	£
Miscellaneous receipts	**324,519**	-
Bank interest received	**110,150**	-
AVC Funds disinvested	**-**	65,206
	434,669	65,206

5 Benefits Paid or Payable

	5 April 2024	5 April 2023
	£	£
Pensions	**29,005,488**	28,013,996
Commutation of pensions and lump sum retirement benefits	**3,446,541**	3,162,907
Lump sum death benefits	**17,305**	158,682
	32,469,334	31,335,585

6 Transfers out to other schemes

	5 April 2024	5 April 2023
	£	£
Individual transfers out to other schemes	**161,770**	4,446,399

7 Administrative expenses

	5 April 2024	5 April 2023
	£	£
Administration and processing	**10,790**	99,080
Audit fees*	**32,660**	66,393
Professional expenses for PIE advice	**-**	64,685
	43,450	230,158

*FY24 Audit fees will be recovered from the principal employer. The FY23 £66,393 audit fees total included £35,860 for the 2022 audit.

The administration and management of the Scheme is provided by the Principal Employer. The direct costs of employees involved in administration and management are not recharged to the Scheme. The Employer pays all other administrative expenses, except those noted above.

8 Investment income

	5 April 2024	5 April 2023
	£	£
Income from pooled investment vehicles	**2,172,158**	11,831,520
Interest on cash deposits	**42,343**	69,566
Annuity income	**452**	941
	2,214,953	11,902,027

During the year, the Scheme held units in the Aberdeen Standard Life Long Lease Property Fund, M&G Secure Property Income Fund, and M&G European Loan, the income from which are paid direct to the Trustees' bank account.

9 Investment assets

	Opening Value at 5 April 2023	Purchases at cost	Sales proceeds	Change in market value	Closing Value at 5 April 2024
	£	£	£	£	£
Pooled investment vehicles	448,068,115	155,928,309	(151,941,061)	(768,897)	**451,286,466**
AVC investments	380,974	-	(6,408)	28,602	**403,168**
	448,449,089	155,928,309	(151,947,469)	(740,295)	**451,689,634**
Cash	7,116,979			-	**-**
Other investment balances	5,102,584				**737,016**
Total investment assets	**460,668,652**			**(740,295)**	**452,426,650**

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 2024 (£)	Market Value at 5 April 2023 (£)
Bonds	**136,794,824**	129,139,835
LDI	**123,285,248**	158,374,790
Equities	**87,166,216**	50,122,541
Alternatives	**69,108,334**	71,908,680
Property	**34,931,844**	38,522,269
Total	**451,286,466**	**448,068,115**

Investment assets (continued)

10 AVC investments

	5 April 2024	5 April 2023
	£	£
Coventry Building Society	**29,539**	30,722
Trustee Bank Account *	**11,727**	11,156
Aviva Life & Pensions UK Limited	**361,902**	339,096
Total AVC assets	**403,168**	380,974

*AVC funds previously invested with Yorkshire Building Society were disinvested in 2012 as part of a general review of AVC providers. Two members who did not make an election as to where their disinvested AVC funds should be invested across the remaining AVC providers had their funds retained in the Trustee Bank account where interest has continued to be earned.

AVC Investments
All AVC's, which are all unit linked, are invested in policies which the Trustees hold with Aviva and Coventry Building Society. The AVC investments are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus. All member investments, except the two ex-Yorkshire Building Society policies, are entirely in unit linked funds or deposit funds; which are categorised as Level 1 and 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.

11 Other Investment balances

	5 April 2024	5 April 2003
	£	£
Accrued investment income receivable	**737,016**	5,102,584

12 Investment Risks

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.

12 Investment Risks (continued)

c) Other Price risk: – This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from credit risk, interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are outlined in the Statement of Investment Principles ("SIP") and implemented through the investment management agreements in place with the Scheme's fiduciary manager and investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

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

Investment Strategy

The investment overall 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.

12 Investment Risks (continued)

High Level Asset Allocation

Category	Allowable Range	At 5 April 2024	Sub-category ranges
Return Enhancing Pool	**37-57%**	48%	Equities: 19-35% Alternatives: 12-28%
Risk Management Pool	**43-63%**	52%	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:

Interest and Inflation rate risk mitigation

The Scheme sets out the target Interest and Inflation "hedge ratio range" it seeks to maintain, within its Statement of Investment Principles. The current "hedge ratio range" is 90%-100%. The table below sets out the actual "hedge" levels of protection that were in place on 5 April 2024.

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

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 £294m (2023: £332m). 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.

12 Investment Risks (continued)

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 (so typically bonds with credit ratings of BB or above), although the manager does have some flexibility to invest up to 20% of the fund in non investment grade bonds in order to take advantage of certain opportunities, 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.

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.

Pooled Investment Vehicles (by legal nature)	**Market Value at 5 April 2024 (£)**	**Market Value at 5 April 2023 (£)**
Open ended investment company (UCITS compliant)	**211,354,185**	207,672,227
Open ended investment company (non UCITS compliant)	**158,948,853**	161,555,124
Unit Trust	**16,188,427**	16,838,843
Limited Liability Partnership	**46,051,584**	40,318,496
Unit Linked Insurance	**18,743,417**	21,683,426
Total	**451,286,466**	448,068,115

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.

12 Investment Risks (continued)

	Direct exposure	Indirect exposure	Hedging	**2024 Net exposure after hedging**	2023 Net exposure after hedging
Pounds sterling (GBP)	312,711,648	57,923,603		**370,635,251**	339,405,859
Euros (EUR)	30,578,601		(2,316,788)	**28,261,813**	19,233,169
US dollars (USD)	91,926,004		(50,483,700)	**41,442,304**	67,178,118
Japanese Yen (JPY)	3,591,183		(10,002)	**3,581,181**	6,785,674
Other currencies	25,472,496		(5,113,112)	**20,359,384**	22,265,091
Total	464,279,932	57,923,603	(57,923,602)	**464,279,933**	454,867,911
Unhedged foreign currency exposure				**20.17%**	25.38%

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 (2023: £288m).

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 48% of total Scheme assets (2023: 45%). The variance from target allocation is deemed within an acceptable range.

12 Investment Risks (continued)

Other matters

The Trustees, in conjunction with their advisers, continue to monitor the LDI situation closely, regularly reviewing hedging and leverage levels and general portfolio liquidity meaning the Trustees can meet collateral demands at short notice, quickly if necessary. They determine, discuss and agree any actions that are considered to be necessary. They monitoring the Scheme's investment portfolio closely through the funding and investment committee, the operational and potential funding impacts on the Scheme, and the covenant of the Employer.

The extent of any 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. Through the Scheme's Integrated Risk Management framework (IRM), the Trustees monitor the funding position closely to understand the impact of market changes on both the value of its long-term liabilities and also on its investments.

Despite the volatility 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.

13 Fair value hierarchy

Fair value determination
The fair value of financial investments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets that the entity can access at the measurement date
Level 2	Inputs (other than quoted prices) included within Level 1 that are observable for the instrument, either directly or indirectly
Level 3	Inputs which 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 2024		
		£	**£**	**£**	**£**
		Level 1	**Level 2**	**Level 3**	**Total**
M&G	Property			16,188,427	**16,188,427**
M&G	European Loan Fund		13,170,475		**13,170,475**
AB ST LIFE	Long Lease Property Fund			18,743,417	**18,743,417**
SEI	UK Credit Fund		63,415,925		**63,415,925**
SEI	UK Long Duration Credit Fund		46,980,012		**46,980,012**
SEI	UK Ultra Long Gilts Fund		83,811,943		**83,811,943**
SEI	UK Ultra Long Index Linked Gilts Fund		39,473,305		**39,473,305**
SEI	Emerging Markets Debt (Hedged)		4,924,765		**4,924,765**
SEI	High Yield Fixed Income (Hedged)		8,303,647		**8,303,647**
SEI	Global Managed Volatility (Equity)		44,961,827		**44,961,827**
SEI	Factor Allocation Global Equity		36,213,565		**36,213,565**
SEI	Dynamic Asset Allocation (Equity)		5,990,824		**5,990,824**

13 Fair value hierarchy (continued)

		5 April 2024 (continued)			
		£	**£**	**£**	**£**
		Level 1	**Level 2**	**Level 3**	**Total**
SEI	Structured Credit			16,265,076	**16,265,076**
SEI	Liquid Alternative (Hedged)		563,620		**563,620**
SEI	Global Real Assets			22,493,130	**22,493,130**
SEI	Secured Income			17,360,851	**17,360,851**
SEI	Vista Fund			12,425,657	**12,425,657**
SEI	Other investments balances	737,016			**737,016**
AVCs	AVC Investments	11,727	391,441		**403,168**
	Total investments	748,743	348,201,349	103,476,558	**452,426,650**

13 Fair value hierarchy (continued)

		5 April 2023			
		£	£	£	£
		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
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

13 Fair value hierarchy (continued)

		5 April 2023			
		£	**£**	**£**	**£**
		Level 1	**Level 2**	**Level 3**	**Total**
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	11,156	369,818		380,974
	Total investments	12,230,719	348,296,018	100,141,915	460,668,652

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 at fair values based on values estimated by the underlying fund managers using accepted valuation methodologies and use of market information 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 2024 or 5 April 2023.

14 Concentration of investments

Investments accounting for more than 5% of the net assets of the Scheme were:

	2024		2023	
	Value	**%**	Value	%
UK Credit Fund	**63,415,925**	**13.93**	45,190,329	9.71
UK Long Duration Credit Fund	**46,980,012**	**10.32**	39,752,526	8.54
UK Ultra Long Gilts Fund	**83,811,943**	**18.41**	29,031,996	6.24
UK Ultra Long Index Linked Gilts Fund	**39,473,305**	**8.67**	*	*
Global Managed Volatility (Equity)	**44,961,827**	**9.88**	27,370,328	5.88
Factor Allocation Global Equity	**36,213,565**	**7.95**	*	*
European Loan Fund	**	**	32,932,168	7.07
Fully Funded Gilts 2041-2050	-**	-**	26,937,096	5.79
Solutions Plus Funded Gilts 2061-2070	-**	-**	49,270,975	10.58

- * Not disclosed as that investment was not held last year
- ** Not disclosed as the 5 April 2024 value was below 5%.

15 Investment management expenses

	5 April 2024	5 April 2023
	£	£
BNY Mellon expenses - custody	**27,540**	49,400
Rebates received – performance measurement	**-**	(97,947)
SEI Investments (Europe) Limited – administration and management	**1,295,042**	1,917,969
	1,322,582	1,869,422

Investment transaction costs

Investment management expenses and fiduciary management fees are charged directly to the Scheme. Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation note 10. 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. Direct transaction costs incurred are analysed as follows:

	5 April 2024	5 April 2023
	£	£
Transaction costs – pooled investments disposal	**124,163**	10,925

16 Current assets

	5 April 2024	*5 April 2023*
	£	£
Cash balances	**3,581,444**	5,504,292
Audit fees recoverable from Vaillant Holdings	**32,660**	-
VAT receivable	**28,618**	-
	3,642,722	5,504,292

17 Current liabilities

	5 April 2024	5 April 2023
	£	£
Tax deducted from pensions	**426,487**	371,297
Investment management expenses accruals	**308,112**	235,511
Administrative expenses accruals	**32,660**	30,533
AVC Benefit control	**5,205**	886
	772,464	638,227

18 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 (2023: three), two of whom (2023: two) were in receipt of a pension from the Scheme, and one deferred member (2023: one) who are 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 without recharge to the Scheme. Trustees not currently employed by the Vaillant Group received fees of £65,240 (2023: £59,069) 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.

19 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 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 and in note 23, the Scheme had no other contingent liabilities at the year-end (2023: none).

20 Capital commitments

There are no outstanding capital commitments as at 5 April 2024 (2023: Nil).

21 Employer-related Investments

There were no directly or indirectly held employer-related investments at the year-end (2023: none).

22 Subsequent events

There were no subsequent events requiring disclosure in the financial statements.

23 Virgin Media case

In June 2023, the High court handed down a decision in the Virgin Media Ltd versus NTL Pension Trustees II Ltd, which considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out pension scheme cannot be altered, in relation to post April 1997 service, unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. This decision was appealed to the Court of Appeal, and, in July 2024, the Court of Appeal upheld the decision of the High Court.

The case has the potential to cause significant issues in the pensions industry. The Trustees will investigate the possible implications on the Scheme of the above with its advisers but, it is not possible, at present, to estimate the potential impact, if any, on the Scheme.

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 schedules of contributions for the scheme year ended 5 April 2024 as reported in Vaillant Group Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the scheme actuary on 3 April 2020 and 31 August 2023.

We have examined Vaillant Group Pension Scheme's summary of contributions for the scheme year ended 5 April 2024 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 schedules 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: 9/10/24

SUMMARY OF CONTRIBUTIONS PAYABLE FOR YEAR ENDED 5TH APRIL 2024

	Employee £	Employer £
CONTRIBUTIONS REQUIRED BY THE SCHEDULES OF CONTRIBUTIONS		
Deficit funding	-	21,850,000
TOTAL (AS PER FUND ACCOUNT)	**-**	**21,850,000**

The Schedule of Contribution dated 3 April 2020 remained in force until the updated Schedule of Contributions dated 31 August 2023 was in place – this ensured contributions under the 3 April 2020 Schedule of Contributions continued to be paid until the updated and signed Schedule was put in place.

The April 2023 deficit funding contribution of £1.833m due by 19 May 2023 was received early on 3 April 2023 and accounted for in the prior 2023 financial statements.

Approved by the Trustees and signed on their behalf by:

MA Hampton Chairman of the Trustees	M A Hampton
Emma Staniland Trustee	E Staniland

Date: 9 October 2024

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.

Flexible Retirement Advice

To help with your decision making, **Vaillant Group are paying** for Origen to provide you with advice on your options at retirement. The advice they provide will be tailored to you and will be completely unbiased and entirely confidential. The amount they get paid by the Company is the same regardless of the decision you make.
More information about Origen and their advice service is available from the administration team on request. Alternatively, you can call the Vaillant Group helpline at Origen directly on **0800 470 0520**.

If you have your own adviser or prefer not to use Origen then you can do so. However, Vaillant will only pay for the advice provided by Origen.

Please make sure that your adviser is authorised by the Financial Conduct Authority (FCA). You can check this on their website www.fca.org.uk. For more help finding an advisor you could contact MoneyHelper at www.moneyhelper.org.uk

Vaillant will pay for advice with Origen once. If you decide you are not ready to retire yet, and go through the advice process again in the future then you will have to pay for the second session yourself (albeit at reduced rates negotiated by the Company).

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 2024, the appropriate percentage is taken to be the annual increase in the Consumer Prices Index (CPI) as at 30th September 2023, subject to a minimum of 0%. The 12-month CPI rate to 30th September 2023 was 6.7%.

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 2024 were credited to pensioners' bank accounts on 29th December 2023. Confirmation that the increases have been applied were communicated to all members in their January 2024 payslips, which were issued ahead of the first instalment of the 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.". No discretionary increases have been granted in the year to 5th April 2024.

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 2024.

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

<u>Implementation Statement</u>

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 2024) and how the policies on voting, stewardship and engagement have been followed. This statement covers the period 6 April 2023 to 5 April 2024, 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 proxy voting service 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. Both the Scheme and the Fiduciary Manager are signatories 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.
  - The number of companies engaged and the number of milestones achieved by engagement issue.
  - 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 priorities which for 2023/24 included priorities in each of the following categories:
  - Climate change
  - Sustainable Agriculture
  - Modern Slavery
  - Future of Work
  - Board Governance
- SEI's engagement efforts are primarily focused on public equities; however, many companies represented in their 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 2023 to 5 April 2024, across the Scheme's holdings[1] SEI voted as follows, including the percentage of overall votable items voted on:

Fund Name	**Global Managed Volatility**	**Factor Allocation Global Equity**	**Dynamic Asset Allocation**
ISIN	IE00B19H3542	IE00BDD7WJ18	IE00B5NNKL10
Number of Votable Meetings	515	776	690
Number of Votable Items	8052	13526	14698
% of Items Voted	92%	96%	91%
For	87%	87%	91%
Against	11%	9%	8%
Abstain/ Withheld/ Other	2%	4%	1%
% of votes with management	90%	89%	92%
% of votes against	10%	10%	7%
% of votes other	0%	1%	1%
Voting Against/Abstain by			
Capital Related	8%	11%	7%
Board/Directors/Governance	46%	46%	51%
Remuneration Related	16%	16%	24%
Shareholder Proposals	27%	17%	16%
Other	4%	11%	1%

[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:

- 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 2023/24 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	Dynamic Asset Allocation (<0.5%) Factor Allocation Global Equity (<0.5%)	Corporate Governance	Date: 24/05/2023 Outcome: For	Voted For the Shareholder Proposal Regarding 'Report on Working Conditions'. Amazon has faced scrutiny and exposure to a variety of risks on account of its worker health and safety. An analysis of work-related injury data from the Occupational Safety and Health Administration ("OSHA") showed that the Company's warehouse jobs can be more dangerous than comparable warehouses, as the Company has reported a higher rate of serious injury incidents that caused employees to miss or shift work duties more than other retail warehouses since 2017. Amazon has been fined in recent years for violating workplace safety laws by requiring warehouse employees to perform repetitive motions at a fast pace, increasing their risk of injury. This vote is considered significant because Amazon is a high-profile company and if the company does not provide appropriate working conditions it can face regulatory action, legal fines and reputational harm which are often reported in the media. Additionally, high turnover and problems attracting workers can lead to the erosion of shareholder value. The additional disclosure and independent audit report would likely allow employees to provide an honest

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

Company Name	Held in Fund(s) (% size of holding)[2]	Theme	Date of Vote and Outcome	Vote Decision and Significance of vote
				assessment of their experiences and would provide some assurance to shareholders that the working conditions are being evaluated. Amazon has a high ESG risk rating.
ArcelorMittal SA	Dynamic Asset Allocation (<0.5%) Factor Allocation Global Equity (<0.5%)	Corporate Governance	Date: 02/05/2023 Outcome: Against	Voted Against the 'Ratification of Board Acts'. ArcelorMittal SA has had ongoing health and safety related incidents in recent years with a number of fatal accidents, resulting in fines and industrial action as well as negative media coverage. In 2022, ArcelorMittal reported 22 work-related deaths, five of which were caused by a methane explosion in ArcelorMittal's Karaganda coal mine in November 2022. This vote is deemed significant because there are substantial concerns regarding the oversight of health and safety matters at ArcelorMittal SA which the board is responsible. The continued occurrence of work site fatalities and other safety-related issues, indicates the Company may have failed to meaningfully address these issues in a way that satisfies shareholders' interests. The Company continues to be exposed to significant legal and reputational risk as a result of legal and regulatory proceedings and controversies it is involved in. It is therefore not in the shareholders' best interests to ratify the actions of the Company's directors under these circumstances. ArcelorMittal SA has a high ESG risk rating.
Axon Enterprise Inc	Dynamic Asset Allocation (<0.5%) Factor Allocation Global Equity (<0.5%)	Social Governance	Date: 31/05/2023 Outcome: Against	Voted For the 'Shareholder Proposal Regarding Discontinuation of Plans for a Remotely-Operated, Non-Lethal Taser Drone System'. After a number of mass shootings in the United States, Axon Enterprise Inc announced that it had begun the development of a non-lethal, remotely-operated TASER drone system as part of a long-term plan to stop mass shootings, particularly in schools. The lack of disclosure on ethical considerations and safety precautions pertaining to the launch of the TASER drone system is a concern. This vote is considered significant because the taser drone has had substantial media coverage on how effective it would be and failing to gain the support of stakeholders and local communities prior to launching this product could

Company Name	Held in Fund(s) (% size of holding)[2]	Theme	Date of Vote and Outcome	Vote Decision and Significance of vote
				present significant challenges for the Company. Axon Enterprise Inc has a severe ESG risk rating.
Exxon Mobil Corp.	Dynamic Asset Allocation (<0.5%) Global Managed Volatility (<0.5%) Factor Allocation Global Equity (<0.5%)	Environmental Incident	Date: 31/05/2023 Outcome: Against	Voted For the 'Shareholder Proposal Regarding Report of Guyanese Operations'. Exxon Mobil Corp. operates one of the largest oil fields discovered in the past decade, offshore of the South American country Guyana. Concerns were raised that the Company had disregarded safety-related issues and failed to adequately prepare for possible disasters in the region. This vote is considered significant because Exxon Mobil Corp's responsibility and potential liability with respect to its response to an oil spill are of concern to shareholders and an oil spill would have wider environmental and public impact. The production of a report evaluating the economic, human, and environmental impacts of a worst-case oil spill from its operations offshore of Guyana would help provide shareholders with reassurance that these matters were being handled in a way that served their best interests and would provide more insight into how it intends to mitigate safety-related risks. Exxon Mobil Corp. has a severe ESG risk rating.
Meta Platforms Inc	Dynamic Asset Allocation (<0.5%)	Social Governance	Date: 31/05/2023 Outcome: For	Voted For the 'Shareholder Proposal Regarding Targets and Report on Child Safety Impacts'. Meta Platforms Inc is the world's largest social media company with billions of children and teen users, and the Company's platforms, including Facebook, Instagram, Messenger, and WhatsApp, have been linked to numerous child safety impacts and social policy challenges. In 2021, nearly 29 million cases of online child sexual abuse material were reported, and nearly 27 million of those (92%) stemmed from the Company's platforms. This vote is deemed significant as Meta Platforms Inc is a high profile company and it has no publicly available, Company-wide child safety or harm reduction performance targets for shareholders and stakeholders to judge the effectiveness of the Company's policies and actions. Therefore, the adoption of metrics could help the shareholders evaluate the Company's

Company Name	Held in Fund(s) (% size of holding)[2]	Theme	Date of Vote and Outcome	Vote Decision and Significance of vote
				current actions and further mitigation of child safety cases on their platforms. Meta Platforms Inc has a high ESG risk rating.
Chevron Corp.	Dynamic Asset Allocation (<0.5%) Global Managed Volatility (<0.5%) Factor Allocation Global Equity (<0.5%)	Environmental Governance	Date: 31/05/2023 Outcome: For	Voted For the ‘Shareholder Proposal Regarding Recalculated Emissions Baseline’. Since 2016, Chevron Corp. reports a 4.7% reduction in its portfolio carbon intensity, but between 2017 and 2021, it sold more assets than any other American oil and gas company, and it is unclear how the Company accounts for these divestitures in its emissions reporting. Shareholders cannot determine whether the Company's reported GHG reductions are the result of operational improvements or of transferring emissions off its books. This vote is deemed significant as disclosure of a recalculated baseline emissions figure could provide useful context to shareholders concerning the Company's progress on its goals and climate targets and would ensure accuracy and comparability of emissions reporting. Chevron Corp. has a high ESG risk rating.
Tyson Foods, Inc.	Dynamic Asset Allocation (<0.5%)	Modern Slavery	Date: 08/02/2024 Outcome: For	Voted For the proposal to request ‘that Tyson Foods, Inc. commission an independent third-party audit assessing the effectiveness of its policies and practices to prevent illegal child labour. In March 2023, a Department of Labour (“DOL”) investigation found the use of illegal child labour in the Company's Arkansas and Tennessee facilities, where these children, employed by the Company's contractor Packers Sanitation Services Inc., worked during the night shifts and were exposed to dangerous chemicals and meat processing equipment like back saws and head splitters. This vote is deemed significant as shareholders remain concerned the illegal use of child labour poses significant financial, reputational, legal, and human rights risks throughout the Company’s value chain. An independent audit of child labour policies could help to protect shareholder interests, additionally regular reporting with progress and meaningful consultation with workers, suppliers, and other relevant stakeholders would enable the company to inform appropriate solutions and ensure compliance with federal child labour requirements.

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 their engagement priorities as described in section A.

Company Name	Held in Fund(s)	Theme	Objective	Description
ASM International NV	Dynamic Asset Allocation	Climate Change	Set a science-based target.	Through ongoing engagement, Columbia Threadneedle Investments reo© encouraged Dutch semiconductor manufacturer ASM International to set ambitious emissions reduction targets. While ASM International had previously set a net zero target, the company's Scope 3 emissions had not been included in carbon-footprinting or goal-setting. In its 2022 annual report, ASM International disclosed that it had completed a full assessment of its Scope 3 emissions and had submitted targets aligned to 1.5°C to the Science Based Targets Initiative (SBTi). The company is awaiting approval from SBTi, expected in the second half of 2023.
Southwest Airlines	Dynamic Asset Allocation	Climate Change	Set emissions reduction targets, publish a sustainable aviation fuel procurement policy, and address contrail emissions.	Columbia Threadneedle Investments reo© has been engaging with Southwest Airlines since the beginning of 2022, and the company has been receptive and open to dialogue on a number of climate-related issues. While Southwest Airlines had already set a target to reduce its emissions intensity by 20% by 2030, the company lags many industry peers that have set targets aligned with a below-2°C scenario. Much of the company's efforts will rely on incorporating sustainable aviation fuel (SAF) into its fuel mix, but it had not provided clarity on how ESG risks related to SAF use would be managed through procurement.

Company Name	Held in Fund(s)	Theme	Objective	Description
				Additionally, the company had not been actively engaged in efforts to manage contrail emissions. In Columbia Threadneedle's meeting with Southwest in the first quarter of 2023, the company shared that it anticipated publishing enhanced climate targets in the near future, and updated investors that it had published the five criteria of its SAF policy that lays out which types of SAF the company will use. Additionally, Southwest has become a founding member of the Contrail Impact Task Force that is working to address contrail emissions in the industry. Columbia Threadneedle will continue to engage the company on these issues going forward.
Archer-Daniels-Midland	Global Managed Volatility Factor Allocation Global Equity Fund Dynamic Asset Allocation	Thematic engagement – Sustainable agriculture	Setting goals to eliminate deforestation	Archer-Daniels-Midland (ADM) is an American multinational food processing and commodities corporation that Sustainalytics has been engaging since 2021, focusing on biodiversity, deforestation, and pesticides & fertilizers. As one of the world's largest agricultural processors and food ingredient providers, ADM has an important role to play in setting sustainable industry standards. In May 2023, Sustainalytics held a call with the Chief Sustainability Officer of ADM, discussing their sustainability governance and progress in eliminating deforestation. ADM published its latest sustainability report the same month, outlining progress on the company's goal to eliminate deforestation from all of its supply chains by 2025. 86% of the soy supply chain and 62% of the palm supply chain are now third-party verified deforestation-free. ADM advised that they have conducted a risk assessment for other commodities, but have chosen to focus on soy and palm due to the associated deforestation and human rights risks. In the final year of the engagement, Sustainalytics will focus on management of land use impacts, biodiversity, and soil health in the company's agricultural supply chain.

Company Name	Held in Fund(s)	Theme	Objective	Description
Roche Holding AG	Global Managed Volatility Factor Allocation Global Equity Fund Dynamic Asset Allocation	Thematic engagement – Climate change	Set targets in alignment with the Science Based Targets initiative (SBTi) and increase disclosure	Roche is a Swiss multinational company and one of the world's largest pharmaceutical companies. Columbia Threadneedle Investments reo© has been engaging with Roche for many years on a number of environmental, social, and governance topics, with a strong focus on climate change. In a meeting in the second quarter, Roche shared their 2023 aspirations, including the prioritization of resource allocation towards long-term sustainability goals and the appointment of a Chief Sustainability Officer. Disclosure has been a significant focus of engagement efforts with the company, which recently announced plans to refine and further develop its reporting strategy. They plan to submit emission reduction targets to the Science Based Targets initiative before the end of 2023. However, at this time Roche is still not considering a particular demand to participate in the CDP survey. Columbia Threadneedle will continue to engage Roche on improving transparency and additional climate issues going forward.
RWE AG	Dynamic Asset Allocation	Thematic - Climate change	Engaging on the company's decarbonisation strategy	RWE is a German utility company engaged in the generation, transmission, and distribution of electricity and gas, and is one of the last European utility players with coal mine and power assets. RWE has emissions targets in place covering Scope 1, 2, and 3 emissions which have been validated as well-below 2°C-aligned and carbon neutral for 2040. They await verification for a new set of 1.5°C-aligned targets, recently submitted to the Science Based Targets initiative. As a result, the focus of engagement has been on their decarbonisation strategy. Recent discussions with the company have focused on RWE's coal phase-out timelines and end-of-life strategy for these assets, as well as their approach to hydrogen and carbon capture, usage, and storage. The climate component of their executive remuneration and progress on renewable targets have also been topics of discussion. RWE confirmed that they have agreed with the German government to a 2030 coal phase-out, an improvement from their original goal of 2038. The

Company Name	Held in Fund(s)	Theme	Objective	Description
				company is in the process of developing “green conversion” roadmaps for these assets. Engagement efforts have encouraged further disclosure on the end-of-life plans for the referenced assets. A meeting will take place in early 2024 to discuss progress on these disclosures.
Johnson & Johnson (J&J)	Dynamic Asset Allocation Factor Allocation Global Equity Global Managed Volatility	Global standards – Product quality and safety	Remedy deficiencies in the company’s quality management system	Johnson & Johnson is an American multinational pharmaceutical company that has been implicated repeated in quality and safety issues related to several of its offerings, including talc-based products. Sustainalytics has engaged with the company over the last five years to ensure that the lessons learned from the numerous product quality issues have been incorporated into company protocols and procedures to minimize the risk of future litigation. Over the years the company has improved its ESG disclosures on clinical trial data, quality management, and product stewardship. Reductions in both FDA activity against the company and subsequent product recalls suggest improved quality control. It is reported that J&J still faces a high number of lawsuits, so the potential for future litigation cannot be discounted. However, in August 2022 the company announced that it was discontinuing worldwide sales of talc-based products by the end of 2023. Considering improvements in product quality and safety management, and a lack of any new severe product quality and safety issues, Sustainalytics decided to resolve the case.
Corteva Inc.	Dynamic Asset Allocation	Thematic – Sustainable Agriculture	Encourage Corteva to embark on a transition towards more sustainable practices and develop holistic responses to the environmental challenges and contribute to a more sustainable trajectory for the future of food.	Corteva, a U.S.-based agricultural chemical company, is a leader in the development of new seed and crop chemicals products. Sustainalytics has been engaging with Corteva for the past year-and-a-half on its approach to sustainable food production, which includes climate-risk mitigation, biodiversity strategy, water consumption, and product development. The company recently embedded sustainability criteria into its product innovation process, including reducing greenhouse gas emissions, improving soil quality, and protecting biodiversity and ecosystems. Corteva noted that, in 2022, 100% of its new seed product

Company Name	Held in Fund(s)	Theme	Objective	Description
				offerings met this sustainable innovation criteria. It also has incorporated sales of sustainable crop protection products in its short-term incentive programs for executives, which should help encourage company managers to prioritize the sale of such items. In addition, Corteva has developed carbon intensity targets which it is in the process of having validated by the Science-Based Targets Initiative. During a fourth-quarter 2023 call, Sustainalytics reviewed Corteva's engagement with the Taskforce on Nature-related Financial Disclosures (TNFD) framework. Corteva noted that it currently is focusing on the "Locate" phase of the four-stage TNFD LEAP framework (Locate, Evaluate, Assess, Prepare), whereby the company has located its nature-related footprint and is prioritizing high-impact sites for further evaluation. Most recently, Corteva agreed to join the virtual roundtable on regenerative agriculture that Sustainalytics is planning for May 2024, to continue a dialogue around sustainable food production.