

IMPERIAL TOBACCO PENSION FUND
ANNUAL REPORT FOR THE YEAR ENDED
31 MARCH 2025

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IMPERIAL TOBACCO PENSION FUND

Trustee and Advisers to the Fund

<u>Trustee</u>	Imperial Tobacco Pension Trustees Limited
<u>Directors of the Trustee</u>	See page 2.
<u>Actuary</u>	Lorna Johns, Towers Watson Limited, from 02/10/2024 Tim Panter, Towers Watson Limited, resigned 02/10/2024
<u>Independent auditors</u>	RSM UK Audit LLP
<u>Legal adviser</u>	Osborne Clarke LLP
<u>Employer covenant adviser</u>	Towers Watson Limited
<u>Investment adviser</u>	Isio Group Limited
<u>Risk Transfer adviser</u>	Hymans Robertson LLP
<u>Investment managers</u>	AXA Investment Managers Paris Hayfin Capital Management LLP Legal & General Investment Management Limited M&G Investment Management Limited (to 31/12/2024)
<u>Annuity provider</u>	Standard Life (part of Phoenix Group)
<u>Investment custodian</u>	The Northern Trust Company
<u>Property managers</u>	DTZ Investment Management Limited PGIM Real Estate (UK) Limited
<u>Property valuers</u>	Jones Lang LaSalle Limited, Chartered Surveyors
<u>Additional Voluntary Contribution provider</u>	AEGON (to 10/02/2025) Legal & General Assurance Society Limited (from 10/02/2025)
<u>Defined Contribution Section provider</u>	AEGON (to 08/01/2025) Legal & General Assurance Society Limited (from 01/10/2024)
<u>Bankers</u>	The Royal Bank of Scotland PLC
<u>Name and address for enquiries</u>	Head of UK Pensions: R J A Egginton (from 01/05/2025), J Killick (to 30/04/2025) Pensions Manager: L J Callaghan Financial Controller: D J Lee Imperial Tobacco Pension Fund, PO Box 3242, Winterstoke Road, Bristol, BS3 9GY Email: pension.enquiries@impbrands.com Website : www.myimperialpension.com

The above appointments were those during the year to 31/03/2025 and to date of signing the financial statements.

TRUSTEE REPORT

Imperial Tobacco Pension Fund has a corporate Trustee, Imperial Tobacco Pension Trustees Limited, which has a number of Directors. These Directors are referred to as Trustees throughout this section.

The Trustee of Imperial Tobacco Pension Fund (the “Fund”) present their annual report together with The Chair’s Annual Governance Statement, the investment report, financial statements, summary of contributions, compliance statement and actuarial statements and certificate for the year ended 31 March 2025. The report provides information about the management of the Fund and details of activities during the year, including sections on directors, the Fund’s current financial position and the Statement of Trustee’s Responsibilities.

The Fund is the pension scheme for Imperial Tobacco Limited, the sponsoring employer, referred to in this Report as “the Company”, whose address is 121 Winterstoke Road, Bristol, BS3 2LL. The Fund is also the pension scheme for Imperial Brands PLC. Historically the Fund’s provision has been on a “Defined Benefit” basis, with pensions linked to members’ final salaries, but since 1 October 2010 provision for new entrants is on a “Defined Contribution” basis and since 1 October 2023 all active members’ benefits are on a “Defined Contribution” basis.

Trustees

The Board of directors of the Trustee comprises up to six persons nominated by the Company, plus one person nominated from the employee members of the Fund and two persons nominated from the pensioner and deferred pensioner members of the Fund. Provisions covering the appointment and removal of Trustee directors are contained in the Trustee articles of association. The three member-nominated directors are selected by a panel established by the Board of directors of the Trustee. Other than the three member-nominated directors, the powers of appointment and removal of directors are only exercisable by the Board of the Trustee but are subject to the consent of the Company. Member-nominated directors are appointed to serve a four-year term.

The directors of the Trustee during the year and up to the date of approval of the Annual Report were:-

Dalriada Trustees Limited, represented by T Lukic (Chair from 1 June 2025)
T Dunnage
K E Green-Mann
L M Hall
K Hill
J W King
R J Parker
M G Staunton (appointed 1 April 2025)
H F Clatworthy (resigned as a Trustee director and Chair on 31 May 2025)

The directors selected by pensioner and deferred pensioner members were K Hill and K E Green-Mann. Ms Green-Mann’s four-year term of office expired on 28 February 2025 and, following a request for nominations, she was selected unopposed to serve a further four-year term from 1 March 2025. The director selected from the employee members was R J Parker. H F Clatworthy resigned as a Company nominated director and as the Chair, after nine years in office, on 31 May 2025. The Board of Directors are very grateful for her service to the Fund. M G Staunton was appointed as Company nominated director on 1 April 2025. Dalriada Trustees Limited is a Company nominated independent director, represented by T Lukic and it was appointed as Chair from 1 June 2025. The Chair, the independent Trustee and the

member-nominated directors are paid for their services (2025: £190,000; 2024: £178,000 see Note 24, page 70).

The Secretary to the Trustee is R J A Egginton. He was appointed on 1 May 2025. J Killick resigned as Secretary to the Trustee on 30 April 2025. The Trustee Board meet quarterly to discuss current issues, reports prepared by the Pensions team, the Fund's advisors, investment performance and policy. Decisions are taken by a majority of the votes of those present with the Chair having a casting vote.

Investment Committee

The Investment Committee monitors the activities of the Fund's external investment managers on behalf of the Board and considers all matters relating to the Fund's investment strategy. The Committee is appointed by the Board and comprises three directors, namely the Chair, serving ex-officio, together currently with one member-nominated director and one Company-nominated director. The Head of UK Pensions, who is responsible for relationships with the Fund's investment managers on a day-to-day basis, acts as Secretary to the Committee and meetings are also attended by the Fund's external investment advisers. Members of the Committee at the year-end were H F Clatworthy, K Hill and Dalriada Trustees Limited, represented by T Lukic. M G Staunton was appointed to the Committee on 1 April 2025.

Four full meetings of the Committee were held in the year (2024: four full meetings, with two additional ad hoc meetings to consider investment matters between the full meetings).

Advisers

Written agreements are in place between the Trustee and each of the Fund's advisers, as listed on page 1, and also between the Trustee and the Company in relation to the administrative services provided to the Trustee by the Company's Pension Fund Office. The performance of the advisers is monitored on an on-going basis by the Trustee. Lorna Johns was appointed as Scheme Actuary on 2 October 2024, following the resignation of Tim Panter.

Membership

During the year the following changes, including the closure to DB accrual (see section on benefits), occurred in the membership of the Fund:

	<u>Defined Benefit Section</u>		<u>Deferred Pensioners</u>			
	<u>Pensioners</u>	<u>Dependants</u>	<u>Full</u>	<u>GMP</u>	<u>Over NRA</u>	<u>Total</u>
At 1 April 2024	10,577	2,597	1,845	1,016	9,047	25,082
New Dependants	-	175	-	-	-	175
Over normal retirement age (NRA)	59	-	(33)	(74)	107	59
Retirements	195	-	(100)	(95)	-	-
To Pension Payment	-	-	-	-	(59)	(59)
Deferrals	-	-	-	-	-	-
Deaths	(433)	(214)	(4)	(17)	(10)	(678)
Transfers Out	-	-	(10)	(4)	(4)	(18)
Full Commutations	(556)	(235)	(44)	(168)	(58)	(1,061)
At 31 March 2025	9,842	2,323	1,654	658	9,023	23,500

<u>Defined Contribution Section</u>	<u>Members</u>	<u>Deferred Pensioners</u>	
	<u>In Service</u>	<u>Full</u>	<u>Total</u>
At 1 April 2024	1,097	966	2,063
New Entrants	198	65	263
Retirements	-	(6)	(6)
Deferrals	(137)	137	-
Transfers Out	-	(51)	(51)
Deaths	-	-	-
Refunds	(3)	-	(3)
Withdrawals and refunds	-	(4)	(4)
At 31 March 2025	1,155	1,107	2,262

<u>Total Membership</u>	<u>2025</u>	<u>2024</u>
Members in service	1,155	1,097
Pensioners	12,165	13,174
Members entitled to deferred benefits	12,442	12,874
	25,762	27,145

The membership numbers shown in the Defined Benefit Section above include 9,023 (2024: 9,047) deferred members over normal retirement age who have not yet claimed their benefits. The vast majority of these are members with very small EPB pensions (8,227), which on payment would be fully commuted for a one-off lump sum. There are also 240 full deferred members and 556 GMP only members in this category. Some of the members in this category will be members that the Trustees have been unable to trace and others will be members who have decided not to draw their benefits on reaching their normal retirement age. Deferred pensioners with GMP only or EPBs are entitled to statutory benefits only having received refunds of their contributions on leaving service. GMP stands for Guaranteed Minimum Pension (under the Social Security Pensions Act 1975) and EPB stands for Equivalent Pension Benefit (under the National Insurance Act 1965).

The number of new entrants to the DC Section include members who were automatically enrolled but then opted-out within one month of joining. The opt-outs are either recorded as withdrawals or refunds where they were entitled to receive a refund of their contributions (less tax) on opting-out.

Pension Increases

Details of pension increases are shown in the Compliance Statement on page 74.

Transfer values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits (see Compliance Statement on page 74).

Report on Actuarial Liabilities for the defined benefit section

The most recent triennial actuarial valuation of the Fund was carried out at 31 March 2022, the results of which are set out in the Scheme Actuary's report dated 20 April 2023. As required by the Pensions Act 2004 (the "Act"), the Trustees formulated a Statement of Funding Principles ("SFP") relating to the Defined Benefits section, agreed with the Company, in connection with this valuation.

The Act requires that the outcome of an actuarial valuation must be communicated to members in a Summary Funding Statement. The following is an extract from the Statement issued to members in Summer 2024 in the annual report to members giving the results of the valuation as at 31 March 2024, compared with the position at the triennial valuation as at 31 March 2022. The triennial valuation as at 31 March 2025 will be made available before 30 June 2026.

Results of the 2024 valuation

The Fund has three different funding objectives: the first arises from UK pensions law and there are two additional objectives which are specific to this Fund.

1. Statutory funding objective. This assumes the Fund continues to operate as it does now. The objective is to have enough assets to pay for pensions built up to the valuation date. The assumptions used to calculate the statutory funding objective are required by law to be prudent.

2. Total service objective. This is similar to the statutory funding objective but the benefits accruing over the expected future service of current employed members are also taken into account.

3. Winding-up objective. This is for the Fund to have enough assets to cover the cost of securing benefits with an insurer if the Fund was discontinued, with deferred benefits granted to employed members.

The table below shows the results from the last actuarial valuation as at 31 March 2024, alongside the results for the previous valuations as at 31 March 2022 and 31 March 2023.

1. Statutory funding objective	2022	2023	2024
Assets	£4,338m	£2,890m	£2,661m
Technical Provisions	£3,671m	£2,639m	£2,444m
Funding level	118%	110%	109%

2. Total service objective	2022	2023	2024
Assets	£4,338m	£2,890m	£2,661m
Total service	£3,751m	£2,681m	£2,444m
Funding level	116%	108%	109%

3. Winding-up objective	2022	2023	2024
Assets	£4,338m	£2,890m	£2,661m
Winding-up cost	£4,177m	£2,941m	£2,711m
Funding level	104%	98%	98%

Development of the Fund's position over to 31 March 2024

Whilst the funding level on the winding up objective is slightly below 100%, the shortfall on this measure remains small and at a similar level to 31 March 2023. The funding level for the statutory funding objective reduced slightly over the year due to a fall in expected asset returns (relative to government bond returns) but there continues to be a strong surplus on the statutory funding objective and the total service objective. The total service objective improved slightly over the year due to the Fund closing to future accrual on 30 September 2023.

The Trustee Board believes that the strong funding position, together with the continuing commitment from the Company, means that members have a high degree of security for the benefits they have been promised. The funding level calculation will be updated as part of the 2025 triennial valuation

Company contributions and Contingent Funding Arrangement

Following the 2022 valuation the Company agreed to pay contributions which are dependent on the size of the winding up deficit. The dynamic contribution schedule means that annual deficit contribution will increase if the Fund falls into deficit on the winding up basis in future years and would be higher in years where the winding up deficit is higher, with contributions relating to ongoing accrual identified separately. The level at which contributions are made to an escrow account and the conditions for the release of any such escrow funds were agreed as part of the 2022 valuation. The £8.4m paid into an escrow account in October 2023 by the Company remains in the account.

Additional security is also in place which would provide supplementary funding under specific circumstances:

- Surety guarantees - with a total value of up to £120 million. These can be called upon by the Trustee Board in specified circumstances, such as the Company's liquidation.
- Increased contributions of three times the annual deficit contribution each year if the credit rating of Imperial Brands PLC falls below investment grade.
- The continuing formal parent company guarantee from Imperial Brands PLC.

The financial position of the Fund and contribution schedule will be reviewed at the next actuarial valuation, which will be carried out at 31 March 2025. In intervening years, the Trustee will obtain annual actuarial reports on developments affecting the Fund's funding position. The level of contributions will be reassessed as part of the 2025 triennial valuation.

Method

The actuarial method used in the calculation of the statutory funding objective (the 'SFO') is known as the Projected Unit Method.

The actuarial method to be used in connection with the total service objective (the 'TSO') is a form of what is known as the Aggregate Method.

The actuarial method to be used in connection with the winding-up objective (the 'WUO') is known as the Defined Accrued Benefit Method.

Significant actuarial assumptions

The assumptions used for the SFO, TSO and WUO bases will be different for members covered by the buy-in and those not covered. The assumptions set out below are in relation to those used to calculate liabilities for members not covered by the buy-in. The assumptions used to calculate the liability value, on all bases, of the benefits insured by the buy-in are the same as those used to calculate the asset value of the buy-in and are consistent with the premium paid for the buy-in contract, updated for any changes in market assumptions.

Discount interest rate:

SFO and TSO: For the 2022 actuarial valuation a gilt yield curve approach plus 0.6% for all members.

WUO: For the 2022 valuation a gilt yield curve approach for pensioners plus 0.3% and a gilt yield curve approach less 0.2% for all other members.

Future Consumer Price inflation:

SFO and TSO: For the 2022 actuarial valuation the assumed level of price inflation, as measured by the Consumer Prices Index (“CPI”) was derived using the RPI assumption less a margin (1.0% per annum up to 2030 and nil thereafter).

WUO: For the 2022 actuarial valuation the assumed level of price inflation, as measured by the Consumer Prices Index (“CPI”) was derived using the RPI assumption less a margin (0.7% per annum to 2030 and nil thereafter).

Future pension increases:

The assumptions for the 2022 actuarial valuation are set out in the table below:

	SFO and TSO	WUO
Fund increases relating to pre-2002 joiners	In line with RPI	In line with RPI plus a margin of 0.2%p.a.
Fund increases relating to post-2002 joiners	In line with RPI less 0.2% p.a.	In line with RPI

Future Retail Price inflation:

For the 2022 actuarial valuation the assumption of the long-term level of price inflation, as measured by the Retail Prices Index (“RPI”) was derived by looking at market expected rates of inflation across the whole curves as implied by the yield gap between the fixed-interest and index-linked Government bond yield curves.

Pensionable Pay increases:

For the 2022 valuation, in accordance with the views expressed by the Company, it was assumed that pensionable pay increased by 5% on average in December 2022 and will increase by CPI inflation thereafter with an allowance for some promotional pay increases.

Mortality rates:

For the 2022 valuation the pensioner mortality rate assumption was set according to the Fund's own recent mortality experience, also taking into account nationally compiled data, together with an allowance for continuing future improvements. Investigation of the Fund's mortality experience since the last valuation has shown the Fund has experienced higher death rates than the assumptions made at that time.

The Fund's most recent six years of experience, covering 2015 to 2022 but excluding 2020/2021, has been compared with the Self Administered Pension Schemes (SAPS) S3 tables, as published by the actuarial profession and based on the Continuous Mortality Investigation (CMI)_2019 improvements up to the mid point of the data, and a reasonably good fit has been found using the 'best fit' tables and 'best fit' multipliers for the pension population.

At the 2022 valuation a postcode mortality study was also undertaken and the results of the Fund experience and postcode analyses were combined to produce the base table assumptions. For pensioners a weighting of 75% has been applied to Fund experience and 25% to the postcode mortality results. For non-pensioners a weighting of 35% was applied to Fund experience and 65% to the postcode results. This results in the following tables:

Group	Base table	Multiplier
<u>Males</u>		
staff pensioner	SAPS S3 All Pensioner Male Amounts Middle	105%
staff non-pensioner	SAPS S3 All Pensioner Male Amounts Middle	102%
works pensioner	SAPS S3 All Pensioner Male Amounts Heavy	111%
works non-pensioner	SAPS S3 All Pensioner Male Amounts Heavy	99%
<u>Females</u>		
pensioner	SAPS S3 All Pensioner Female Amounts Heavy	113%
non-pensioner	SAPS S3 All Pensioner Female Amounts Heavy	98%
pensioner	SAPS S3 Dependant Female Amounts	101%
non-pensioner	SAPS S3 Dependant Female Amounts	94%

Future mortality improvements

SFO and TSO: For the 2022 actuarial valuation the CMI 2021 projection model has been adopted with a smoothing parameter of 7.0, a long-term annual rate of mortality improvement of 1.5% and an initial addition of 0.75% for Male Staff members, 0% for Male Works and 0.25% for Female members and dependants.

WUO: For this valuation future mortality improvements are assumed to be in line with the CMI 2019 projection model with a smoothing parameter of 7.5 and a long-term annual rate of mortality improvement of 1.5%, with an initial addition of 0.75% for Male Staff members, 0% for Male Works and 0.25% for Female members and dependants.

Next actuarial valuation

The next triennial actuarial valuation of the Fund will be carried out as at 31 March 2025 and will include a full assessment of long-term market expectations at that date. The results of the valuation will be available before 30 June 2026.

The Fund's actuarial statutory certificate is on page 76.

Preparation and Audit of Financial Statements

The Trustee confirms that the financial statements have been prepared and audited 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).

Changes in Benefits and Provisions

Between 1 October 2023 and 30 September 2027, the contributions for former active members of the DB section to the DC Section, are subsidised by the Company. The Company paid a one-off contribution for each individual in this group on 1 October 2023 and for certain members it paid the second instalment of an agreed additional contribution in October 2024, with one further instalment due in October 2025.

The Lifetime Allowance (LTA) was abolished at the start of the 2024-25 tax year and was replaced by the "Lump Sum Allowance" (LSA) and the "Lump Sum and Death Benefit Allowance" (LSDBA), which limits the amount of lump sum and lump sum death benefits that an individual could receive tax-free from registered pension schemes. Where a member has used up either or both of their lump sum allowances they are able to take a new form of payment instead – a taxable "pension commencement excess lump sum" (PCELS). The Rules of the Defined Benefit section were amended to permit payment of a PCELS.

The Rules of the Defined Contribution section were updated to allow employee members to effect a partial transfer of their DC pension pot. Such transfers are permitted, subject to certain operational limits.

Contributions

The Actuary's certificate regarding contributions from the Company and the members is on page 76 and the associated Schedule of Contributions is on page 77. No contributions were made to the Fund in the year to 31 March 2025 (2024 - £nil). As surplus as at 31 March 2023 was less than £50 million, an amount of £8,367,000 was credited to an escrow account (an Imperial Tobacco Limited account pledged to Imperial Tobacco Pension Trustees Limited) covering the cost of DB accrual in 2023.

Employer covenant

The Trustee monitors the Company's financial ability and legal obligation to support the Fund in a number of ways, including an independent review by Towers Watson Limited (“TWL”) every three years; ongoing dialogue with the Company; review of the Company's financial results and announcements and its credit rating provided by rating agencies. The independent assessment in 2022 concluded that the covenant was “strong” on the Pensions Regulator's scale. The Trustee considers the position is unchanged and will undertake a further independent assessment as part of the 2025 valuation.

Management and custody of investments

Defined Contribution Section

The Trustee provides members access to a number of individual funds via the DC Provider, Legal and General Assurance Society Limited ('L&G'). L&G was appointed in 2024 to replace AEGON.

The Trustee is required to designate a default investment arrangement into which members who do not make their own choice of investment have their monies invested. The Trustee has designated "target-dated" funds with L&G, the L&G Target Date Fund range aligned to members' target retirement age as the default investment arrangement for the Scheme.

There is a range of pooled investment funds which serve to meet the needs and risk tolerances of the members in the DC Section. The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different time horizons and attitudes to risk. The Trustee believes that members should be able to make their own investment decisions based on their individual circumstances. The Trustee provides suitable information for members so that they can make appropriate investment decisions.

Defined Benefit Section

Changes in investment arrangements during the year

In September 2022 and the following months in 2022 there were significant changes to investments linked to UK Government bonds as expectations of future interest rates and inflation rose. This was because of various factors, including the Government's 'mini-budget' at the end of September, which led to fluctuations across investment markets and the need at short notice for additional collateral in the Liability Driven Investment (LDI) strategy. To provide additional liquidity the Trustee entered into a revolving credit facility with a consortium of banks. It had taken out temporary loans (Note 20 to the Financial Statements) to provide additional collateral in the LDI portfolio. A loan balance of £30m at the start of the year was repaid in May 2024 from the receipt of dividends and distributions from the Fund's investments. Interest charges and loan related fees are included in Administrative Expenses (see Note 8 to the Accounts). The credit facility has not been extended.

Prior to September 2022 the LDI portfolio was 100% hedged on interest rates and inflation. With the need for additional collateral the hedge level was reduced. It was increased from 86% at the start of the year to the updated long-term target level of 92% by the year end. Having reached the hedging target, further investment in corporate bonds was made. The LDI portfolio has a collateral buffer that is in line with the Pensions Regulator's guidance on resilience standards.

The Trustee agreed to redeem its holding in M&G's secured finance fund. The phased redemption was completed by 31 December 2024.

Distribution of DB assets

A statement of the value of the Fund's DB investments at the year-end appears in the audited financial statements, which are incorporated in this Report (see page 43). The table below shows the distribution of the Fund's investments between the various asset classes in percentage terms, with any cash allocated to an asset class included as part of the Fund's exposure to that asset class.

Since May 2023 the Trustee has not set ranges around the asset allocation. The Trustee reviews the asset

allocation at regular Investment Committee meetings and considers whether adjustments are appropriate.

Details of the DB investment strategy are documented in the Statement of Investment Principles (SIP) adopted in September 2024. The SIP is available at: www.myimperialpension.com

<u>Asset Class</u>	31 March 2025	31 March 2024		
	Actual %	Actual %		
Cashflow-Driven Alternatives	30.4			37.4
Property	9.5	9.4		
Private (Illiquid)	5.2	12.4		
Debt	0.0		0.0	
Multi Asset Credit	8.3		8.2	
Secured Finance	7.4		7.4	
Ground Leases				
Bond-like assets	69.0			62.3
LDI (Index-linked)	20.0	17.3		
Corporate Bonds	3.6	0.0		
Bulk annuity policy	45.4	45.0		
Cash	0.6			0.3
	100.0			100.0

Investment managers

The Trustee maintain a policy of appointing specialist investment managers for particular asset classes. The managers during the year, together with the asset classes for which they are responsible and their effective dates of appointment, are as follows.

Type of mandate	Manager	Effective Date
Liability Driven Investments	Legal & General Investment Management Ltd.	25 January 2017
Corporate Bonds	Legal & General Investment Management Ltd.	28 November 2018
Cashflow-Driven Investments		
- Property	DTZ Investment Management Limited	1 August 1999
- Ground lease property	PGIM Real Estate (UK) Limited	8 September 2011
- Private debt	Hayfin Capital Management LLP M&G Investments	3 February 2017 1 March 2017, terminated 31 December 2024
- Secured Finance	AXA Investment Managers Paris	31 October 2018

Each above manager has full discretion to select investments for the Fund within the designated asset class subject to objectives and restrictions set out in the relevant Investment Management Agreement between the Trustee and the manager or, in the case of pooled funds in the relevant fund prospectus. The Trustee monitors the performance of each manager against an agreed benchmark on a quarterly basis.

Investment managers are remunerated on a fee basis, invoiced quarterly (page 43 and also Note 11 to the Financial Statements) or, in some cases, via deduction from the investment held. No investment managers are remunerated on a performance fee basis.

The Pension Fund Office (“PFO”) requests reports from the investment managers on their policies and procedures prepared in accordance with the framework for reporting known as AAF 01/20 issued by the Institute of Chartered Accountants in England and Wales (or its US equivalent). Where produced, the results of these reports are reviewed during the year received and any significant exceptions are reported to the Trustee, of which there were none during the year. Whilst investment managers are not required to provide these reports, most of them do so with the only exception being PGIM Real Estate (UK) Limited. Whilst Hayfin and M&G do not produce their own reports, they do submit those of their administrators.

The bulk purchase annuity policy with Standard Life (part of Phoenix Group) was entered into on 3 December 2021. The policy is for the benefit of the Fund as a whole and does not change the position of individual members who see no change as to how their pensions are provided. However, the policy receipts are dependent on the longevity of specific pensioner members.

Property

At the year-end the Fund held a portfolio of 20 (2024: 23) freehold and leasehold properties in the UK substantially let on both long and short term leases and subject to regular rent reviews. The distribution of the portfolio by sector comprised 20% invested in retail, 65% in industrial/warehouse, 15% in offices and nil in other properties (2024 split: 18%; 64%; 13%; 5%). The Fund also holds a portfolio of 22 (2024: 25) freehold ground leases in the UK. The properties are all valued quarterly by Jones Lang LaSalle. (See Note 14 to the Financial Statements).

Custody of investments

Custody arrangements are in place which, in the opinion of the Trustees, adequately safeguard the Fund’s assets.

The appointed global custodian for the securities held in the Fund’s segregated portfolios during the year was The Northern Trust Company. Securities are held in the names of the custodian or its sub-custodians or nominees. Comparisons are made between the monthly reports received from the investment managers and the custodian to confirm that the assets held by the custodian correspond with those reported by the managers. The custodian produces bi-annual reports on its policies and procedures. These are reviewed and tested by its auditors in accordance with the framework for reporting known as The Statement on Standards for Attestation Engagements No.16 (SSAE 16) – Reports on the Processing of Transactions by Service Organisations, issued by the American Institute of Certified Public Accountants.

UK properties and ground leases are held in the name of the Trustee or a nominee company wholly owned by the Trustee with all title documents for properties in England under the custody of the Fund’s solicitors, Osborne Clarke, and for properties in Scotland under the custody of Brodies LLP, solicitors in Scotland, as required by their law.

Investment performance

Over the year to 31 March 2025 most investment markets delivered positive performance but shifting economic dynamics, the evolving rate environment and geopolitical influences led to variations in performance across asset classes. Over the 12 month period, rising government bond yields led to a decrease in the value of DB pension scheme liabilities and liability driven investment assets. Investment grade and high yield credit delivered positive returns over the year, however high yield credit outperformed, due to its lower sensitivity to interest rates and stronger investor demand.

Global equities delivered mixed but positive returns over the year, with US markets climbing to record highs in Q4 2024 before retreating in Q1 2025 as trade tensions escalated and economic data weakened. Looking beyond equity investments, over 15 year index-linked gilts had a negative return of -15.3% while corporate bonds produced a positive return of 2.4%. Property markets improved amid economic recovery mainly on the commercial side, generating an overall return of 8.6%.

The Fund's credit mandates and balanced property mandate delivered robust performance over the year but this was offset by the negative returns posted by the Fund's liability driven investment portfolio. The Fund's total portfolio return was -3.8%, versus a benchmark return for the year of -3.7%.

The following table provides the Fund's investment performance over various periods to 31 March 2025.

Period to 31 March 2025	Fund return % p.a.	Benchmark return* % p.a.
1 year	-3.8	-3.7
3 years	-12.7	-11.6
5 years	-5.9	-6.5

* The benchmark return is the weighted average 'strategic target' which is based upon the TWL modelling analysis used to set the investment strategy. The 'strategic target' was updated from 31/12/2022 to reflect TWL's updated return assumptions for each asset class. The Trustee reviews the calculation methodology periodically.

The Trustee's primary objective for the DB Section is to invest the Fund's assets in an appropriate and secure manner such that members' benefit entitlements can be paid as and when they fall due. The investment strategy is set to achieve that objective, whilst also being mindful of the other risks identified in the Fund's Statement of Investment Principles. Performance is considered against a range of metrics, including the strategic return but also mindful of considerations such as liquidity.

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, the Trustee has produced two Statements of Investment Principles ("SIP"), one for the Defined Benefit section (updated in September 2024 with details of the collateral arrangement.) and one for the Defined Contribution section (updated in February 2025 for the change of provider), which give a full explanation of the Fund's investment strategy and investment management structure, together with an account of the risks to which the Fund is exposed and the Trustee's policies in relation to these risks. Copies of the SIP are available to members on request (see page 75) and online at www.myimperialpension.com The SIP for the Defined Contribution section is appended to this report (see page 83).

Environmental, Social and Corporate Governance

The Trustee have formalised its approach to environmental, social, and corporate governance (“ESG”) in an ESG Policy Statement. The Statement reviewed in June 2024, with no change. It covers the Trustees’ ESG beliefs and the policy on how ESG factors should be integrated in investment decision-making. The Statement is available to members upon request. The Trustee believe that environmental, social, and corporate governance factors can be financially material; identifying and mitigating these risks where possible forms part of the Trustee’s fiduciary duty.

The Trustee, with support from its investment consultant, produced its first Task Force on Climate-related Financial Disclosures (“TCFD”) report covering the period from 1 October 2022 to 31 March 2023. The most recent report for the year ended 31 March 2025 is available online at <https://myimperialpension.com/library/tcf-report-taskforce-on-climate-related-financial-disclosures-2025>. A climate delegation framework has been prepared, setting out the roles and responsibilities for managing climate-related risks and opportunities and climate risk has been included in the risk register.

Within each asset class, the Trustee delegates the day-to-day investment decision making to the investment managers e.g. holding a bond issued by a particular company or exposure to a particular sector. In appointing and reviewing the Fund’s investment managers, the Trustee, with the assistance of its investment consultant, considers the managers’ expertise, track record and stated policies and frameworks on ESG related issues.

The Fund’s investment managers should sign up and comply with common codes and practices such as the UNPRI and the UK Stewardship Code. If they do not sign up, they should provide a valid reason why. They should engage and collaborate with other market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, social issues, risk management and debtholder rights.

The Trustee will seek to understand each investment manager’s approach to engaging with portfolio companies and the effectiveness of these activities. Engaging with investment managers is an effective way of initiating change and ensuring better alignment with the Trustee’s ESG beliefs.

The Trustee have not set any investment restrictions on the appointed Investment Managers in relation to particular products or activities but may consider this in future where the Trustee feels that these investments will generate superior long-term returns and/or lower risk.

Employer-Related Investments

Details of the Fund’s investments in Imperial Brands PLC are disclosed in Note 23 to the Financial Statements, as follows:

There were no employer-related investment in the ordinary shares and corporate bonds of Imperial Brands PLC held directly by the Fund, or indirectly through pooled funds, at 31 March 2025. The value of self investment at 31 March 2025 was £1,007,000 in respect of administration costs due from the Company (see Note 20), representing 0.037% of the Fund’s Net Assets (2024: £1,515,000 representing 0.055%).

Statement of Trustee's Responsibilities

The Trustee's 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 ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund 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 a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund in the form of an Annual Report.

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

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the Imperial Tobacco Pension Fund website.

The Trustee is responsible under pensions legislation for preparing, maintaining, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Trustee is satisfied that these responsibilities have been properly carried out in respect of the year ended 31 March 2025.

The Trustee's report was approved by the Trustee and signed on its behalf by:

Dalriada Trustees Limited, represented by T Lukic – Chair
On behalf of the Imperial Tobacco Pension Trustees Limited Board

02/10/25

**THE CHAIR’S ANNUAL STATEMENT REGARDING GOVERNANCE OF THE
DEFINED CONTRIBUTION FUNDS IN THE IMPERIAL TOBACCO PENSION FUND
 (“the Fund”)**

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the Trustee to prepare an annual statement regarding governance, which must be included in the annual Trustee report and accounts and published online. These governance requirements apply to all defined contribution (“DC”) pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement covers the period from 1 April 2024 to 31 March 2025 (“the Fund Year”) and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. Changes to the defined contribution arrangements over the year
2. The default arrangement used to invest members’ funds and other funds members can select;
3. Net investment returns;
4. The charges and transaction costs borne by members (and illustrations of the cumulative effect of these costs and charges);
5. Processing of core financial transactions;
6. A value for members assessment; and
7. Trustee knowledge and understanding.

The Fund has two arrangements providing DC benefits to members:

- The Defined Contribution Section which was opened for new Fund entrants on 1 October 2010 (total value at 31 March 2025 £118,808,593). Since 1 October 2023 all active members have built up benefits in the Defined Contribution Section. The assets of the Defined Contribution section are managed by Legal and General Assurance Society Limited (“L&G”). L&G also administers the Defined Contribution Section (other administration services are provided by Imperial’s Pensions Fund Office (“PFO”)); and
- Defined Benefit Section members' Additional Voluntary Contributions (“AVCs”) which are also invested with L&G (value as at 31 March 2025, £2,735,699 is included in the total DC Section total value above).

Following the appointment of L&G, the Trustee agreed to offer defined benefit members access to the investment options in the Defined Contribution Section for the purposes of investing AVCs. These arrangements are considered as part of the Defined Contribution Section throughout this statement.

1.1. Changes to the defined contribution arrangements over the year

In 2024 the Trustee decided that it would undertake a further in-depth review of the default arrangement and the self-select funds. The assessment of the default arrangement was that it was fit for purpose but it was not reflective of the best-in-class arrangements available.

In considering what arrangements are appropriate for the Fund, the Trustee also considered the pros and cons of having a bespoke own design default (as was in place with Aegon) or a provider's own off the shelf default arrangement. The Trustee recognised that default arrangement design has evolved, with competitive charges available from providers, since the Fund's arrangement was put in place. In addition, providers offer interactive member experience from joining a pension scheme to retirement. The Trustee has concluded the review of the default arrangement and other funds.

As a result of the review the Trustee agreed to appoint L&G as investment and administration provider, replacing the incumbent, Aegon. From 1 October 2024 contributions from active members were paid to L&G and on 8 January 2025 the funds held by Aegon for active and deferred members of the Defined Contribution section were transferred to L&G. At the same time the Trustee also reviewed the arrangements for Defined Benefits members with AVC savings. It agreed to make the same arrangements with L&G available to those members. On 10 February 2025 the AVC funds for Defined Benefits members were transferred to L&G. The change for members provided members with access to more investment options, with lower charges. For members who had savings invested in the Aegon High Equity With-profits Fund the Trustee provided a one-off uplift payment in the value of the AVC benefits paid into the new L&G arrangement. This was in recognition that the With-profits Fund had the potential to grow through regular 'bonuses' and a final bonus that was paid out when the policy came to an end (including on transfer to L&G). The payment was provided to give more certainty that relevant members would be no worse off following the transfer to L&G.

2.1. The default arrangement

The Defined Contribution section is used as a Qualifying Scheme for auto-enrolment purposes.

When members are automatically enrolled into the Defined Contribution section, their retirement age is set as age 65 and contributions are invested in the default arrangement, which is the L&G PMC Target Date Funds 3 range of funds.

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default investment strategy and take account of the level of costs and the risk profile that are appropriate for the Fund's membership.

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in the 'Statement of Investment Principles' ("SIP"). The Fund's current SIP is included at the end of this statement. The SIP was updated in January 2025 to reflect the changes in the arrangements

in the Fund year and to include the Trustee's policy on investing in illiquid assets.

As mentioned above the investments were moved from Aegon to L&G during the year. Details of the default arrangement managed by Aegon that was in place for the first part of the year and have now been superseded are included in an annex to this statement. This section provides details of the current default arrangement managed by L&G.

The aims of the default fund are detailed in the SIP. Extracts are set out below:

- The fund aims to help investors build their real retirement income, whilst managing possible downside risk. The asset allocation of the Fund aims to be aligned with the members' chosen retirement goals in the run-up to retirement.
- The fund is part of a range of funds designed to help meet the needs of investors that share anticipated target retirement dates. The fund provides exposure to a range of different asset classes that may include equities, bonds, property, commodities, and listed infrastructure, private equity, private credit and global real estate companies, which may be actively or passively managed. The asset allocation of the fund is managed by LGIM and evolves over time. There are four investment phases; 'growth', 'steady growth', 'preparing for retirement' and 'retirement', depending on how close investors are to retirement. Over time, as investors move through the four phases, the proportion of riskier investments, such as equities is decreased and the proportion of less risky investments, such as government and corporate bonds is increased.

The L&G PMC Target Date Funds 3 adjust the way members' pension savings are invested as they move closer to retirement, spreading risk by investing in a range of asset classes throughout, and reducing investment risk as members approach retirement age.

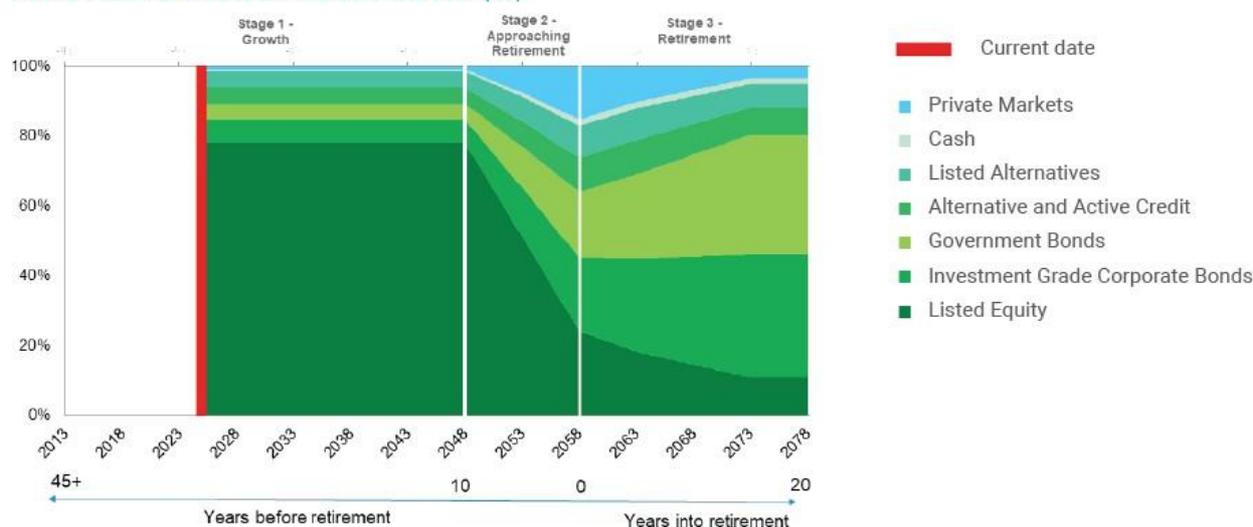
The aim of the L&G PMC Target Date Funds 3 is to provide opportunity for growth in the early years of investment by investing predominantly in equities. As retirement approaches, assets are switched to lower risk investments which have historically been less volatile, with the aim of protecting the value of the accumulated fund.

The chart below shows the structure of the L&G PMC Target Date Funds 3 2055-2060 'vintage', which is the fund a member would be put in if they had a target retirement date between 2055-2060. This means as at 31 March 2025 the member invested in this fund would be between 30 and 35 years. The member will stay invested in this vintage for their entire savings journey. The asset allocation shown is dynamic and is expected to evolve over time. Other target date fund 'vintages' may have a different asset allocation to the one shown below.

The chart also shows the asset allocation for members that choose to continue contributing or defer taking their pension beyond their normal retirement age ('Stage 3 – Retirement' in the chart). Please note that the Fund does not offer a drawdown facility so members will not be able to stay invested in the Fund while taking their pension benefits. To access retirement options such as lump sums and drawdown, members must transfer out to another arrangement. Members considering taking flexible income can access the Legal & General WorkSave

Mastertrust Pension Access Scheme or they can switch to another provider. Members can find out more about the Pension Access Scheme at www.legalandgeneral.com/imperialpas

FUND ALLOCATION BY ASSET CLASS (%)



Source: L&G

The Trustee is responsible for the Defined Contribution section's investment governance, which includes setting and monitoring the investment strategy for the default arrangement. The Investment Committee is responsible for monitoring and reviewing the investment performance and suitability of the fund range offered, including the default fund, for the defined contribution section.

2.2. The asset allocation of the default arrangement

The Trustee is required to disclose the full asset allocation of the default arrangements.

The table below shows the percentage of assets allocated in the default arrangement to specified asset classes for members of different ages (with a retirement age of 65) for the current default arrangement managed by L&G.

Table 1 Asset class	Strategic and Actual asset allocation as at 31 December 2024 (%)			
	25 years old	45 years old	55 years old	65 years old
Listed equities	78.0	78.0	44.2	14.1
Corporate bonds	6.6	6.6	17.6	28.9
Government bonds	4.5	4.5	11.3	14.6
Alternative & active credit	4.6	4.6	10.2	9.8
Listed alternatives	4.8	4.8	10.3	7.8
Cash	0.5	0.5	2.2	8.9
Private Markets	1.0	1.0	4.2	15.9

2.3. Specified performance based fees

Where a fee is calculated by reference to the returns from investments held by the Fund and is not calculated by reference to the value of the member's rights under the Fund, the Trustee must state the amount of any such performance-based fees in relation to each default arrangement.

During the Fund Year there were no such fees levied on the default arrangement and accordingly no assessment of the extent to which they represent good value has been carried out.

2.4. Review of the investment strategy and performance of the default arrangement

The Trustee undertakes a formal investment strategy review of the default arrangement at least every 3 years.

The last review concluded on 20 June 2024 and as a result the strategic changes detailed earlier in this statement were implemented. The next review is due in 2027.

The Investment Committee reviews the performance of the default arrangement against the benchmark(s) set by L&G on a quarterly basis. This review includes an analysis of the value of the funds invested in the default strategy and the self-select funds and of fund performance to check that the risk and return levels meet expectations. The relevant performance reviews carried out by the Investment Committee over the Fund Year concluded that the default arrangement with L&G was performing broadly both as expected and remains consistent with the aims and objectives set out in the SIP.

2.5. AVCS

The AVC arrangements do not have a default arrangement, as defined in the Occupational Pension Scheme (Investment) Regulations 2005 since they relate only to AVCs. Members have to choose which funds their AVCs are invested in.

3. Net Investment Returns

The Trustee is required to report the net investment returns for each default arrangement and for each non-default fund which members of the Fund are invested in. Net investment return refers to the return on a fund minus all member-borne transaction costs and charges.

The net investment returns reported here have been prepared having regard to statutory guidance. The guidance states that, for arrangements where the net returns vary with age, such as the L&G PMC Target Date Funds 3, net investment returns should be shown for a member aged 25, 45 and 55 at the start of the investment reporting period. For completeness, we have reported the net investment returns for all L&G PMC Target Date Funds 3 'vintages' held over the Fund Year.

Performance has been shown over 1 and 5-year periods where available. Some funds were launched less than 5 years ago, therefore 5-year returns are not available.

It is important to note that past performance is not a guarantee of future performance.

3.1 Defined Contribution section - default arrangement – L&G PMC Target Date Funds 3

Table 2 Age of member at the start of the investment reporting period	Net investment return to 31 December 2024	
	1 year (%)	5 years (% p.a.)
25	12.0	5.6
45	11.4	4.5
55	6.3	3.4

Source: L&G

3.2 Defined Contribution section – all L&G PMC Target Date Funds 3 and self select funds

Table 3 Fund name	Net investment return to 31 December 2024	
	1 year (%)	5 years (% p.a.)
L&G PMC 2070 - 2075 Target Date Fund 3	12.0%	Not available
L&G PMC 2065 - 2070 Target Date Fund 3	12.0%	5.7%
L&G PMC 2060 - 2065 Target Date Fund 3	11.6%	5.6%
L&G PMC 2055 - 2060 Target Date Fund 3	11.4%	5.6%
L&G PMC 2050 - 2055 Target Date Fund 3	11.3%	5.8%
L&G PMC 2045 - 2050 Target Date Fund 3	11.4%	5.4%
L&G PMC 2040 - 2045 Target Date Fund 3	11.4%	5.4%
L&G PMC 2035 - 2040 Target Date Fund 3	10%	4.20%
L&G PMC 2030 - 2035 Target Date Fund 3	6.3%	3.4%
L&G PMC 2025 - 2030 Target Date Fund 3	5.1%	2.7%
L&G PMC 2020 - 2025 Target Date Fund 3	4.5%	2.40%
L&G PMC 2015 - 2020 Target Date Fund 3	3.2%	1.3%
Legal & General Mastertrust Active Global Equity Fund	7.2%	4.2% since May 2021
Legal & General Mastertrust Positive Change Fund	4.2%	-3.5% since May 2021
Legal & General Mastertrust UK Smaller Companies Fund	9.2%	7.9%
Legal & General Mastertrust Active Diversified Growth Fund	6.6%	2.9%
Legal & General Mastertrust Emerging Markets Index Fund	11.9%	3.6%
Legal & General Mastertrust Global Fossil Fuel Exclusions Equity Index Fund	20.2%	10.5% since May 2021
Legal & General Mastertrust Future World Multi-Asset Fund	5.7%	3.4%
Legal & General Mastertrust Global Developed Index Equity Fund	19.8%	12.4%
Legal & General Mastertrust Global Real Estate Index Equity Fund	2.1%	0.8%
Legal & General Mastertrust Short Dated Bond Index Fund	4.8%	1.40%
Legal & General Mastertrust Smaller Companies Index Fund	14.9%	1.5% since March 2022

Table 3 Fund name	Net investment return to 31 December 2024	
L&G PMC AAA-AA-A Corporate Bond - All Stocks - Index Fund 3	0.9%	-1.6%
L&G PMC Cash Fund 3	5.2%	2.3%
L&G PMC Ethical Global Index Equity Fund 3	19.5%	12.6%
L&G PMC Future World Fund 3	12.8%	9.1%
L&G PMC Global Diversified Credit Fund 3	6.9%	2.9% since April 2022
L&G PMC HSBC Islamic Global Equity Index Fund 3	30.0%	16.9%
L&G PMC Janus Henderson Fixed Interest Monthly Income Fund 3	3.9%	0.2%
L&G PMC Multi-Asset Fund 3	5.7%	3.3%
L&G PMC Future World Annuity Aware Fund 3	-3.5%	-5.0%
L&G PMC Sustainable Property Fund 3	4.2%	3.1%
L&G PMC Retirement Income Multi-Asset Fund 3	4.6%	3.0%
L&G PMC CT Managed Equity 3	13.3%	7.7%
L&G PMC UK Index Equity Fund 3	9.3%	4.8%
L&G PMC World (Ex-UK) Equity Index Fund 3	19.9%	12.5%
L&G PMC Over 5 Year Index Linked Gilts Index 3	-11.0%	-8.2%
The Legal & General Annuity Lifestyle	N/A	N/A
The Legal & General Cash Lifestyle	N/A	N/A
The Legal & General Drawdown Lifestyle	N/A	N/A
L&G Annuity Lifestyle - MT Future World MAF	N/A	N/A
L&G Cash Lifestyle - MT Future World MAF	N/A	N/A
L&G Drawdown Lifestyle - MT Future World MAF	N/A	N/A

Source: L&G

Note: Given that new contributions were transferred to L&G on the 1 October 2024 and existing members were transferred on 8 January 2025, fund returns are indicative and not reflective of actual member experience.

3.2 AVCs

Members with AVCs have access to the fund range available to members of the DC section. For AVCs the net investment returns apply as shown in section 3.1.

4. Member-borne Charges and Transaction Costs

The Trustee must report the level of charges and costs borne by members through the investment funds during the Fund Year. These comprise:

- Charges – which represent the explicit costs associated with operating and managing a members' account or policy.
- Transaction costs, which are incurred when the fund manager buys and sells assets within investment funds. These are implicit and are reflected in the unit price of funds, or the

fund value quoted for With Profits funds.

The Trustee is also required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required following the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has taken account of the statutory guidance when compiling the information in this section, which uses the median fund value and the age of the youngest member in the Fund.

Except as stated below, all costs and expenses relating to DC benefits (including advisory costs) are borne by the Trustee and are not passed onto members.

4A.1. Defined Contribution Section

Members of the Defined Contribution section pay the following charges:

- an administration charge (the annual management charge (“AMC”)) which covers the cost of running their policy – this is met by cancelling units each month as shown on members' annual benefit statements and transaction history;
- a fund management charge (“FMC”) which covers the cost of managing the fund(s) in which members are invested, including any additional expenses disclosed by the fund manager. This is met by adjusting the unit price of the funds members invest in (so it's not shown separately on members' annual benefit statements or transaction history).

The Total Expense Ratio (“TER”) is the term used to describe the total of all explicit charges members pay. This is made up of the AMC and FMC.

Members also bear transaction costs.

The table below shows the explicit costs (the AMC and the FMC) and implicit costs (transaction costs) on funds held through the Defined Contribution section as at 31 December 2024. These have been provided by L&G.

The TER on the default arrangement (the L&G PMC Target Date Funds 3) is 0.19% p.a. which is well below the statutory charge cap of 0.75%.

Table 4 Fund name	AMC (%p.a.)	FMC (%p.a.)	Transaction costs (% p.a.)	Total costs and charges (% p.a.)
L&G PMC Target Date Funds 3 (the default arrangement)	0.04	0.15	0.00%	0.019%
Legal & General Mastertrust Active Global Equity Fund	0.04	0.67%	0.00%	0.71%
Legal & General Mastertrust Positive Change Fund	0.04	0.53%	0.00%	0.57%
Legal & General Mastertrust UK Smaller Companies Fund	0.04	0.22%	0.00%	0.26%

Table 4 Fund name	AMC (% p.a.)	FMC (% p.a.)	Transaction costs (% p.a.)	Total costs and charges (% p.a.)
Legal & General Mastertrust Active Diversified Growth Fund	0.04	0.85%	0.00%	0.89%
Legal & General Mastertrust Emerging Markets Index Fund	0.04	0.26%	0.00%	0.30%
Legal & General Mastertrust Global Fossil Fuel Exclusions Equity Index Fund	0.04	0.17%	0.00%	0.21%
Legal & General Mastertrust Future World Multi-Asset Fund	0.04	0.16%	0.00%	0.20%
Legal & General Mastertrust Global Developed Index Equity Fund	0.04	0.10%	0.00%	0.14%
Legal & General Mastertrust Global Real Estate Index Equity Fund	0.04	0.19%	0.00%	0.23%
Legal & General Mastertrust Short Dated Bond Index Fund	0.04	0.12%	0.01%	0.17%
Legal & General Mastertrust Smaller Companies Index Fund	0.04	0.52%	0.00%	0.56%
L&G PMC AAA-AA-A Corporate Bond - All Stocks - Index Fund 3	0.04	0.11%	0.07%	0.23%
L&G PMC Cash Fund 3	0.04	0.09%	0.08%	0.21%
L&G PMC Ethical Global Index Equity Fund 3	0.04	0.30%	0.00%	0.34%
L&G PMC Future World Fund 3	0.04	0.24%	0.00%	0.28%
L&G PMC Global Diversified Credit Fund 3	0.04	0.38%	0.00%	0.42%
L&G PMC HSBC Islamic Global Equity Index Fund 3	0.04	0.32%	0.06%	0.42%
L&G PMC Janus Henderson Fixed Interest Monthly Income Fund 3	0.04	0.66%	0.00%	0.70%
L&G PMC Multi-Asset Fund 3	0.04	0.13%	0.00%	0.17%
L&G PMC Future World Annuity Aware Fund 3	0.04	0.12%	0.07%	0.23%
L&G PMC Sustainable Property Fund 3	0.04	1.95%	0.10%	2.09%
L&G PMC Retirement Income Multi-Asset Fund 3	0.04	0.29%	0.00%	0.33%
L&G PMC CT Managed Equity 3	0.04	0.48%	0.00%	0.52%
L&G PMC UK Index Equity Fund 3	0.04	0.10%	0.00%	0.14%
L&G PMC World (Ex-UK) Equity Index Fund 3	0.04	0.12%	0.00%	0.16%
L&G PMC Over 5 Year Index Linked Gilts Index 3	0.04	0.08%	0.00%	0.12%
The Legal & General Annuity Lifestyle	0.04	N/A	N/A	N/A
The Legal & General Cash Lifestyle	0.04	N/A	N/A	N/A
The Legal & General Drawdown Lifestyle	0.04	N/A	N/A	N/A
L&G Annuity Lifestyle - MT Future World MAF	0.04	N/A	N/A	N/A
L&G Cash Lifestyle - MT Future World MAF	0.04	N/A	N/A	N/A
L&G Drawdown Lifestyle - MT Future World MAF	0.04	N/A	N/A	N/A

Note: Given that new contributions were transferred to L&G on the 1st October 2024 and existing members were transferred on 8th January 2025, fund charges and transaction costs are indicative and not reflective of actual member experience.

To give an example in monetary terms, a member invested in one of the L&G PMC Target Date

Funds 3 with a fund value of £1,000 will pay an AMC of £0.40 a year (paid by cancelling units) plus a FMC of £1.50 a year, paid by adjusting the unit price. The costs of buying and selling assets in the L&G PMC Target Date Funds were between nil and 0.07% over the year to 31 December 2024. The unit price of the L&G PMC Target Date Funds took account of the costs of buying and selling assets in the Fund.

4A.2. AVCs

Members with AVCs have access to the fund range available to members of the DC section. For AVCs the same transaction costs and charges apply as shown in section 4A.1.

4B. Illustrations to show the cumulative effect of costs and charges

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided illustrations to show their cumulative effect on the value of typical Fund members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative example members, and are based on a number of assumptions about the future which are set out at the end of this section.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Fund they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements. The Fund does not offer members access to flexi-access drawdown therefore this option has not been taken into account in these illustrations.

4B.1. Defined Contribution section

For the Defined Contribution section, the Trustee has decided to illustrate an example member.

Current age is 22 and retirement age is 65. This is based on the age of the youngest person in the scheme.

Their current salary is £42,000 and will increase each year by 2.5%.

Future contributions paid will be 12% of your salary (£420 each month increasing by 2.5% each year in line with assumed salary increases).

The existing fund value is £25,044 which based on the median value of the total holdings within the scheme.

The Trustee has shown the Target Date Fund 2065-70 (as default investment for youngest member).

The Trustee has also included illustrations showing the L&G Cash Fund and L&G MT Positive Change Fund to show the asset classes with the lowest and highest assumed growth, and the L&G PMC Over 15 Year Index Linked Gilts Index 3 and L&G PMC Sustainable Property Fund 3 as

the funds with the lowest and highest charges over the reporting period.

The tables below illustrate the cumulative effect of the costs and charges after different time periods on members' projected retirement pots for the example member invested in the relevant funds. The projected retirement fund is shown in today's terms and so it already takes account of the effect of inflation between now and retirement.

Example member – For the youngest active member the estimated impact of charges on accumulated fund values is shown in the tables below.

Table 5 Age	L&G PMC 2065 - 2070 Target Date Fund 3			L&G Cash Fund			L&G MT Positive Change Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
23	£30,785	£30,714	£71	£29,892	£29,856	£36	£31,245	£31,075	£170
25	£42,372	£42,109	£263	£39,157	£39,032	£125	£44,100	£43,454	£646
27	£54,125	£53,601	£524	£47,872	£47,635	£237	£57,625	£56,305	£1,320
32	£84,442	£82,932	£1,510	£67,426	£66,824	£602	£94,926	£90,893	£4,033
42	£150,912	£145,706	£5,206	£98,251	£96,627	£1,624	£189,967	£174,338	£15,629
52	£229,113	£217,159	£11,954	£120,156	£117,241	£2,915	£326,373	£285,887	£40,486
62	£314,864	£292,560	£22,304	£135,197	£130,839	£4,358	£528,456	£440,193	£88,263
65	£337,164	£311,351	£25,813	£138,620	£133,813	£4,807	£606,971	£497,724	£109,247

Table 6 Age	L&G PMC Over 15 Year Index Linked Gilts Index 3			L&G PMC Sustainable Property Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
23	£31,245	£31,196	£49	£31,245	£30,674	£571
25	£44,100	£43,913	£187	£44,100	£41,963	£2,137
27	£57,625	£57,241	£384	£57,625	£53,310	£4,315
32	£94,926	£93,743	£1,183	£94,926	£82,101	£12,825
42	£189,967	£185,303	£4,664	£189,967	£142,884	£47,083
52	£326,373	£314,079	£12,294	£326,373	£210,783	£115,590
62	£528,456	£501,173	£27,283	£528,456	£289,530	£238,926
65	£606,971	£573,020	£33,951	£606,971	£315,893	£291,078

4B.2. AVCs

For the AVC arrangement, no members are currently paying contributions therefore we have decided to illustrate one example member as follows:

Table 7 Example Member	Current Age	Retirement Age	Current fund value (£)
Youngest member	41	65	20,800

In accordance with the guidance, we have produced illustrations to demonstrate the cumulative effect of the above costs and charges for the L&G PMC 2050 -2055 Target Date Fund 3 and the HSBC Islamic Global Equity Index Fund 3 and the MT Global Developed Index Equity Fund because these are the funds with the highest and lowest charges respectively

For the AVC example member, the estimated impact of charges on accumulated fund values is shown in the table below.

Table 8 Age	L&G PMC 2050 - 2055 Target Date Fund 3			L&G PMC HSBC Islamic Global Equity Index Fund 3			L&G MT Global Developed Index Equity Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
42	£21,368	£21,313	£55	£21,510	£21,420	£90	£21,510	£21,480	£30
44	£22,552	£22,376	£176	£23,004	£22,716	£288	£23,004	£22,908	£96
46	£23,800	£23,493	£307	£24,602	£24,091	£511	£24,602	£24,431	£171
51	£27,234	£26,535	£699	£29,099	£27,902	£1,197	£29,099	£28,695	£404
61	£35,376	£33,583	£1,793	£40,710	£37,430	£3,280	£40,710	£39,586	£1,124
65	£37,414	£35,150	£2,264	£46,562	£42,097	£4,465	£46,562	£45,023	£1,539

4B.4. Assumptions and Data for Illustrations

All fund values shown are estimates and are not guaranteed.

The projected fund values and the effect of charges on fund values is rounded to the nearest £10, except for smaller fund values where the effect of rounding would be disproportionate.

Fund values shown are in real terms and do not need to be reduced to allow for the effect of inflation. Inflation is assumed to be 2.5% p.a. consistent with the guidance.

For the example active members of the Defined Contribution section, contributions are assumed to continue until retirement and to increase by assumed earnings inflation of 2.5% p.a.

The transaction costs have been averaged over five years in line with statutory guidance to reduce the level of volatility. A floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

The projected growth rates and costs and charges used for the illustrations are shown in the table below. These are the same as the growth rates used by the providers for annual benefit statements. We have used a single growth rate for the Target Date Funds, irrespective of the length of time members have to retirement, consistent with L&G's practice for annual benefit statements.

Table 9 Fund	Total costs and charges ¹	Growth rate (gross of charges)
L&G PMC 2065 - 2070 Target Date Fund 3	0.25% p.a.	2.7% p.a.
L&G MT Positive Change Fund	0.59% p.a.	4.4% p.a.
L&G PMC Over 15 Year Index Linked Gilts Index 3	0.17% p.a.	4.4% p.a.
L&G PMC Sustainable Property Fund 3	1.99% p.a.	4.4% p.a.
L&G Cash Fund	0.13% p.a.	-0.5% p.a.

¹This is the TER plus the averaged transaction costs

5. Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Fund, transfers between different investments within the Fund and payments from the Fund to and in respect of members/beneficiaries.

5.1. Defined Contribution section

The bulk of the core financial transactions are undertaken on behalf of the Trustee by L&G. The Company is responsible for ensuring that contributions are paid to the Fund promptly. The Pension Fund Office monitors the contributions paid and investigates any anomalies. The Pension Fund Office reports service level agreement (“SLA”) performance to the Trustee. The Trustee monitors the allocation of contributions based upon the quarterly administration reports provided by L&G.

The Trustee has a SLA in place with L&G. This details a number of key administration processes to be performed and the target timescale within which each of these processes need to be completed. The SLA covers the accuracy and timeliness of all core financial transactions. Under the current SLA, L&G aims to complete investment of contributions within 24 hours, and all other core financial transactions within 5 working days.

L&G uses automated processes wherever possible, to avoid the need for manual intervention. However, there will always be some manual tasks and L&G has processes in place to ensure these are completed promptly and accurately. These processes include:

- Use of a standard operating procedure manual (this is a guide which is used by the administration team to ensure that repeat tasks are carried out in the same way each time).
- Quality / in-line checking of tasks by another individual.
- Quality sampling, where a number of cases per process and/or per member of staff are sampled to be checked by more senior or experienced members of staff, who are in turn subject to checks by another team.
- Daily monitoring of bank accounts and daily processing of both contribution files and cash allocation.
- Use of an internal Knowledge Management system, known as ‘AME’, which holds and links to all scheme specific information and processes via a page specific to each scheme. All requested updates are approved by the Client Directors who in turn review the pages annually to ensure consistency in the tasks their colleagues process.

L&G processed all of the core financial transactions within the SLA since its appointment.

The Trustee aims to have appropriate internal controls in place to minimise the risk of inaccurate or late payment of core financial transactions. Key processes include:

- As well as processes described above, the Trustee receives quarterly administration reports on compliance with agreed standards and timescales to help it monitor that the SLA’s of the Pension Fund Office and L&G are being met.
- L&G attends at least one Investment Committee meeting a year and maintains regular communication with the Scheme Secretary.

The Trustee is therefore satisfied that over the period since appointment:

- L&G was operating appropriate procedures, checks and controls.
- there have been no material administration errors in relation to processing core financial transactions.
- L&G was operating within the agreed SLAs the majority of the time; and the majority of core financial transactions have been processed promptly and accurately since appointment, with appropriate steps being taken to return to improve where this expectation has not been met.

5.2. AVCs

The AVCs are processed in the same manner as the DC section, noting that no new contributions are payable, and the relevant the findings in section 5.1 also apply.

6. Value for Members Assessment

The Administration Regulations require the Trustee to make an assessment of charges and transaction costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is currently no legal definition of "good value" or the process of determining this for scheme members. As part of the selection process for L&G as provider for the Defined Contribution section, the Trustee considered a range of factors to assess the suitability of L&G including its value. The Fund is not subject to the more detailed value for members assessment requirements, the Trustee has taken account of the relevant guidance and the Pensions Regulator's General Code of Practice when carrying out this assessment.

6.1. Costs and charges

Members pay the administration and investment costs of their policy in the Defined Contribution section or the AVC arrangement.

Defined Contribution section - the costs and charges have been identified as the AMC and FMC which make up the TER and transaction costs, as set out in section 4 of this statement. The Trustee's assessment when selecting L&G concluded that all short-listed providers were significantly cheaper than the previous default arrangement and L&G (and one other provider) were the cheapest. Although no benchmarking information is available for transaction costs, those reported for the Defined Contribution section over the period appear reasonable compared to costs we have seen reported for similar funds. L&G typically uses cash flows to manage and minimise transaction costs and the majority of investments in the Defined Contribution section are in the default Target Date Funds, using index-tracking funds which have lower transaction costs than more actively managed funds. The Trustee has arranged for AVC members' funds to be transferred to the same arrangement and on the same terms as the Defined Contribution section members so as to take advantage of the lower costs and charges (and other benefits) it provides.

The Trustee has considered the benefits of membership under the following categories: governance, investments, and non-investment criteria (provider profile, communication, administration, provider governance, at-retirement support and wider reward). These factors contribute to the assessment when considering overall value for members.

A summary of the assessment for both the DC section and AVCs benefit is set out below.

6.2. Governance

The Trustee believes that having robust processes and structures in place to support

effective management of risks and ensure members interests are protected should increase the likelihood of good outcomes for members.

The Trustee has a business plan which is reviewed regularly.

DC issues are included in the Fund's risk register, which is also reviewed regularly, and the Trustee and the Investment Committee take professional advice in respect of actuarial, legal and investment matters (the costs of which are not passed onto members).

The Trustee has a SLA in place with the Pension Fund Office and L&G and receives quarterly reporting on this. The Trustee also has appropriate internal controls in place to minimise the risk of inaccurate or late payment of contributions.

Defined Contribution section - the Trustee has governance processes in place for the Defined Contribution section whereby core financial transactions and other key governance factors are monitored quarterly.

The Trustee has a SLA in place with L&G. This covers a number of key administration processes to be performed, including all core financial transactions and the target timescale within which each of these processes needs to be completed. The Pension Fund Office receives quarterly reports from L&G that enable the Pension Fund Office to monitor and report to the Trustee that the SLA is being met, and to investigate any instances where the SLA is not met. L&G also attend regular meetings with the Pension Fund Office to discuss any issues and queries.

The Trustee's DC advisers review the suitability of the Defined Contribution section and L&G as a provider on an annual basis.

The Trustee undertook a review of board effectiveness and its governance and beliefs on 18 September 2024. There was consensus that the Board worked well, with directors from different disciplines contributing different knowledge, experience and perspectives.

The Trustee concluded it has suitable governance processes in place with the right structures in place to support effective management of risks.

6.3. Investments

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.

Defined Contribution section - the Trustee has chosen L&G's range of target date funds as the default arrangement, following advice from its professional advisers and analysis of the membership. A suitable range of alternative investment options on the risk / return spectrum is made available to members, including a Shariah-compliant fund and funds with ethical and environmental, social and governance biases.

The Statement of Investment Principles sets out the aims and objectives of the Defined

Contribution section default investment strategy and this is reviewed at least every three years.

The Investment Committee reviews investment performance after investment charges and transaction costs against the benchmarks set by L&G on quarterly basis. The investment performance reviews carried out since the appointment of L&G identified no major concerns in relation to the relevant investment objectives.

The Trustee undertakes a formal review of the investment strategy every three years. The last review which was completed on 24 June 2024. As a result of the review the Trustee agreed to appoint L&G as investment and administration provider, replacing the incumbent, Aegon. From 1 October 2024 contributions from active members were paid to L&G and on 8 January 2025 the funds held by Aegon for active and deferred members of the Defined Contribution section were transferred to L&G.

The Trustee has concluded that the processes it has in place to review and monitor investments are suitable.

6.4. Administration

The Trustee believes that good administration and record keeping play a crucial role in ensuring that the Fund operates efficiently and members receive the retirement benefits due to them.

The Trustee has service level agreements in place with L&G and the Pension Fund Office covering all aspects of administration undertaken and both service providers report performance against these on a quarterly basis. This enables the Trustee to monitor standards of administration on a regular basis and investigate any issues that arise. Since appointment, L&G met the SLA for all tasks 99.93% of the time.

L&G also reports on the time taken to respond to member enquiries and any member complaints received in its quarterly governance reports. L&G received no member complaints during the period.

Interfaces used to provide data to L&G include automatic validation of key member data. There is currently no specific action regarding data quality deemed necessary to be included within the Trustee's Business Plan although this is kept under review.

The Trustee has concluded that the processes it has in place to review and monitor administration are suitable and that members received good standards of administration service over the period.

6.5 Member communications

The Trustee believes that effective member communications and delivery of the right support and tools help members understand and have the potential to improve their retirement outcomes.

For the Defined Contribution section, the Trustee predominantly uses L&G's standard suite of communications that the Pension Fund Office reviews before issue to ensure it is suited to the Fund's membership. The Trustee also issues separate DB and DC newsletters to members each year.

The Fund is in line with many other schemes, providing most information to members online. Members of the Defined Contribution section and members who hold AVC funds have online access to their accounts via the L&G websites. The L&G website includes modelling tools and supporting information such as the member guide and investment guide for the Defined Contribution section and relevant sources of information are signposted to members. In addition, L&G has an app for members to have additional online access as well as their secure online access website. L&G also provides a helpline to members of the Defined Contribution section.

The Trustee held webinars for active members of the DC section when L&G was appointed and also after members' investments were transferred from Aegon to L&G. Over 550 active members (c47% of active members) attended the webinars.

The Trustee concluded that the Fund's communications available to members were appropriate and the level of engagement from active members is high.

6.6 Retirement support

The Trustee believes that retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement help members understand and improve retirement outcomes.

The Defined Contribution section allows members to access their funds as an uncrystallised fund pension lump sum (i.e. cash) or to take their entitlement to tax-free cash and use the remainder to buy an annuity. Members also have the opportunity to transfer their DC funds out of the Fund to a suitable arrangement, if they wish to draw income directly from their fund. For members considering taking flexible income the Trustee has signposted the availability of the L&G WorkSave Mastertrust Pension Access.

Members of the Defined Contribution section have access to L&G's scheme-specific website, which includes financial planning education materials and tools to support retirement decision making.

The Fund allows defined benefit section members with AVCs to use their AVCs as the first source of tax-free cash from the Fund rather than having to commute defined benefit pension. The Trustee believes this option is valued highly by members who have made AVCs. Pre-retirement communications clearly set out the options available to members (i.e. standard benefit option, maximum cash option or no cash option).

The Trustee has concluded that the retirement options available to members are appropriate for the Fund's current DC membership and in line with those currently

offered by similar schemes.

The Trustee's assessment for the year ended 31 March 2025 concluded that the charges and transaction costs borne by members of the Defined Contribution section and AVCs represented good value for members, taking account of the benefits of Fund membership.

7. TRUSTEE KNOWLEDGE AND UNDERSTANDING

Sections 247 and 248 of the Pensions Act 2004 set out the requirements for Trustees to have appropriate knowledge and understanding. These requirements are considered in the Pension Regulator's Code of Practice 7.

The comments in this section relate to the Fund as a whole and not solely the DC Section.

New Trustee Directors are required to complete a structured induction programme before taking up office, which may include a period of acting as an observer. Completion of the Pensions Regulator's Trustee Toolkit forms part of that induction.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up to date with relevant developments and review their own training needs. The Scheme Secretary, with the help of the Trustee's advisers, regularly considers training requirements and arranges for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate. Training is recorded in the Trustee Director's training logs. Trustee Directors have access to all scheme governance documents, including the Trust Deed and Rules, and policies through the Fund's online governance site, "Boards". The Trustees can refer to these during Board meetings. In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Fund and, where relevant, deciding individual member cases.

The Trustee has met the requirement for knowledge and understanding through:

- Maintaining an annual programme of bespoke Trustee training, which is delivered at a designated annual training day and within Trustee and sub-committee meetings where appropriate. The Trustees also had at the dedicated training session on 19 June 2024 (details below)
- Attendance at appropriate external webinars and events.
- Receiving updates (via ad hoc emails and quarterly newsletters) from its advisers about matters relevant to the DC Section and Fund as a whole. Representatives from the Trustees' actuaries, legal advisers and investment consultants attend all Trustee board meetings and are on hand to address any queries from the Trustees or explain the detail of potential issues. Additionally, representatives from the Trustees' Actuaries and investment consultants attend all Investment Committee meetings.
- Carrying out periodic effectiveness self-assessment reviews.
- As appropriate, completion of the relevant parts of the Pensions Regulator's Trustee Toolkit.

The Trustee Board contains a diverse range of experience and skills and includes an

independent professional trustee. Their combined knowledge and understanding, together with advice and support from their professional advisers enables them to properly exercise their duties as Trustees. When appointing new Trustees any gaps in the skills and experience of the Trustee Board as a whole is taken into consideration as part of the selection process.

During the period covered by this statement, the Trustee Directors' learning activities included the following matters:

Trustee training day			
Name	Area covered	Content type	Date
L&G funds and Target Date Funds	DC investment	Presentation and discussion	June 2024
LDI headroom and collateral	DB Investment	Ditto	June 2024
Risk	Risk management	Ditto	June 2024
Legal update	Pensions Law - Fiduciary duties, case law, code of practice	Ditto	June 2024
Cyber security	Information Security	Incident simulation	June 2024

Trustee Board meetings			
Name	Area covered	Content type	Date
GMP Equalisation	Scheme benefits	Paper presented at meeting	June 2024
DB funding code	Funding	Paper presented at meeting	September 2024
Budget update	Scheme benefits, including tax on benefits at death	Paper presented at meeting	December 2024

Taking account of actions taken individually and as a Trustee Board, together with advice available from its professional advisers, the Trustee considers that its Board has the necessary knowledge and understanding to properly exercise its functions as Trustee of the Fund.

7B. FEEDBACK

Members are encouraged to make their views on matters relating to the Fund known to the Trustee. Because of the size, nature and demographic of the Fund's membership, a range of different channels is available to members should they wish to share their views with the Trustee. They may contact the Trustee via the contact details (telephone number, email and postal address) in the annual report and the annual members' newsletter and on the Fund's website. Members may also give feedback when in contact with the Pension Fund Office and they are encouraged to give feedback in the annual members' newsletter. The Trustee keeps under review the level of engagement with members and the opportunities for feedback from members. The presence of a number of member-nominated Trustee Directors on the Trustee Board is also helpful in this regard.

Signed on behalf of the Trustee of the Imperial Tobacco Pension Fund by the Chair of the Trustee

Dalriada Trustees Limited, represented by T Lukic

Date: 02/10/25

ANNEX to the annual statement regarding governance of the Defined Contributions funds.

For part of the period covered by the statement, the default arrangement was managed by Aegon. This default arrangement is no longer available to members and no money has been invested in this arrangement since 8 January 2025. For compliance purposes information on the net investment returns for the Aegon default arrangement is shown here. We have not provided detail on the transaction costs for the historic default arrangement managed by Aegon, for detail on transaction costs for your current default, managed by L&G, please see main section of the statement.

The information available relates to the year ending 31 December 2024.

The default investment option has an asset allocation that initially aims to maximise returns, at an appropriate level of risk, for the majority of the members' working life before switching as retirement approaches into diversified funds, to target income drawdown. In the growth phase the default investment option invests in equities and other growth-seeking assets that will provide growth with some downside protection and some protection against inflation erosion. It then seeks to reduce investment risk, with potentially lower growth, as a member approaches retirement.

The funds used in the default investment option, the Variable Income Lifecycle are listed in the table below.

Fund	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
	1 year (% p.a.)	1 year (% p.a.)	3 years (% p.a.)	3 years (% p.a.)	5 years (% p.a.)	5 years (% p.a.)
ITPF Global Equity Fund	20.4	20.1	8.0	7.6	11.4	11.1
ITPF Diversified Growth Fund	8.3	9.3	2.1	7.6	3.4	6.2
ITPF Annuity Protection Fund	-3.9	-4.4	-8.9	-9.5	-4.7	-5.2
ITPF Cash Fund	5.5	5.1	3.8	3.7	2.3	2.2

Charges – the DC Section

Aegon impose charges on member's DC funds. Each fund carries a total charge known as the Total Expense Ratio (TER) which is expressed as a percentage of the fund value. The TER consists predominantly of the Annual Management Charge (AMC), which is Aegon's cost for administration and investment management, but also includes additional expenses such as custody costs, auditor fees and other operational expenses, excluding transaction costs. The TER is paid by the members and is reflected in the unit price of the funds.

The AMC and TER currently applicable to each of the Aegon funds in the Variable Income Lifecycle, the default investment option is shown in the table below:-

Aegon Investment Fund	Aegon AMC (% p.a.)	Total Expense Ratio (% p.a.)**
ITPF Diversified Growth Fund	0.67	0.95
ITPF Global Equity Fund	0.35	0.36
ITPF Annuity Protection Fund	0.32	0.36
ITPF Cash Fund	0.32	0.33

** as at 31 December 2024

As the default is a lifestyle approach, members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges varies from between 0.53% and 0.58% depending on how close members are to their target retirement date.

Net investment returns

For the arrangements where investment returns vary with age, such as the default strategy and the alternative lifestyle strategies, there is a requirement to show investment returns over various periods to the end of the Fund year for a member aged 25, 45 and 55 at the start of the period the returns are shown over. Below are the annualised net investment returns to 31 December 2024 for all strategies where lifestyling takes place.

Time period	1 year (%)	5 years (% p.a)
Age of member at beginning of period (years)		
	Variable Income Lifecycle - Default	
25, 45 and 55	14.3	7.4
	Secured Income Lifecycle	
25, 45 and 55	14.3	7.4
	Cash Lifecycle	
25, 45 and 55	14.3	7.4

Notes: Age-related returns for members in lifestyle strategies assume annual switching in the glidepath

Independent auditors' report to the Trustee of Imperial Tobacco Pension Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Imperial Tobacco Pension Fund for the year ended 31 March 2025 which comprise the Fund Account and Statement of Net Assets (Available for Benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Fund's Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Fund's Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Fund's Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 15, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Fund operates in and how the Fund is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected, or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgements and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP

Statutory Auditor
Chartered Accountants
10th Floor
103 Colmore Row
Birmingham
B3 3AG

Date: 02/10/25

IMPERIAL TOBACCO PENSION FUND
FUND ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2025

	Note	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Contributions and benefits							
Employer contributions		-	20,213	20,213	-	18,009	18,009
Employee contributions		-	200	200	268	-	268
Total contributions	2	-	20,413	20,413	268	18,009	18,277
Transfers In	3	-	1,982	1,982	-	138	138
Other income	4	-	-	-	-	-	-
		-	22,395	22,395	268	18,147	18,415
Benefits paid or payable	5	162,620	108	162,728	156,815	195	157,010
Payments to and on account of leavers	6	6	2	8	29	4	33
Transfers out to other Schemes	7	2,340	4,237	6,577	1,339	1,426	2,765
Administrative expenses	8	4,816	-	4,816	6,177	-	6,177
		169,782	4,347	174,129	164,360	1,625	165,985
Net (withdrawals) / additions from dealings with members		(169,782)	18,048	(151,734)	(164,092)	16,522	(147,570)
Returns on investments							
Investment income	9	179,295	-	179,295	144,226	-	144,226
Change in market value of investments	10	(283,280)	3,944	(279,336)	(206,377)	12,736	(193,641)
Investment management expenses	11	(2,968)	-	(2,968)	(2,875)	-	(2,875)
Net returns on investments		(106,953)	3,944	(103,009)	(65,026)	12,736	(52,290)
Net increase / (decrease) in the fund		(276,735)	21,992	(254,743)	(229,118)	29,258	(199,860)
Opening net assets		2,660,967	96,817	2,757,784	2,890,085	67,559	2,957,644
Closing net assets		2,384,232	118,809	2,503,041	2,660,967	96,817	2,757,784

The notes on pages 46 to 71 form part of these financial statements.

IMPERIAL TOBACCO PENSION FUND
STATEMENT OF NET ASSETS
AVAILABLE FOR BENEFITS AS AT 31 MARCH 2025

	Note	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Investment assets							
Equities		2	-	2	2	-	2
Bonds		856,403	-	856,403	742,833	-	742,833
Property	14	392,919	-	392,919	440,900	-	440,900
Pooled investment Vehicles	15	319,230	118,809	438,039	551,068	96,817	647,885
Derivatives	10	118,399	-	118,399	51,161	-	51,161
Insurance policies	16	1,071,000	-	1,071,000	1,202,000	-	1,202,000
AVC investments	10	2,736	-	2,736	2,594	-	2,594
Cash	17	34,927	-	34,927	17,656	-	17,656
Other investment balances	17	18,167	-	18,167	35,455	-	35,455
Amounts receivable under reverse repurchase agreements	17	89,386	-	89,386	146,356	-	146,356
Total		2,903,169	118,809	3,021,978	3,190,025	96,817	3,286,842
Investment liabilities							
Derivatives	10	(109,670)	-	(109,670)	(37,959)	-	(37,959)
Other investment balances	17	(23,349)	-	(23,349)	(72,631)	-	(72,631)
Amounts due under repurchase agreements	17	(391,411)	-	(391,411)	(386,530)	-	(386,530)
Total		(524,430)	-	(524,430)	(497,120)	-	(497,120)
Total net investments	10	2,378,739	118,809	2,497,548	2,692,905	96,817	2,789,722
Current assets	20	9,374	-	9,374	2,313	-	2,313
Current liabilities	20	(3,881)	-	(3,881)	(34,251)	-	(34,251)
Net Current assets / (liabilities)		5,493	-	5,493	(31,938)	-	(31,938)
Total net assets		2,384,232	118,809	2,503,041	2,660,967	96,817	2,757,784

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which takes into account such obligations for the defined benefit section, is dealt with in the report on actuarial liabilities on pages 5 to 8 of the annual report, and these financial statements should be read in conjunction with this report.

The notes on pages 46 to 71 form part of these financial statements.

The financial statements on pages 43 to 71 were approved by the Trustee Directors of Imperial Tobacco Pension Trustees Limited on 02/10/25 and signed on their behalf by:

Dalriada Trustees Limited, represented by T Lukic
Chair

R J A Egginton
Secretary

IMPERIAL TOBACCO PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

General information

The Fund is an occupational pension scheme established under trust under English law. The Fund was established to provide retirement benefits to certain groups of employees within the Imperial Brands PLC group. The address of the Fund's principal office is PO Box 3242, Winterstoke Road, Bristol, BS3 9GY.

The Fund's defined benefit ("DB") section closed for all members in service on 30 September 2023 who were then transferred to the defined contribution ("DC") section, which is also open to new members and is used as an auto-enrolment scheme by the employers.

The Fund is a registered pension scheme in the United Kingdom under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Fund to receive preferential tax treatment.

Basis of Preparation of the Financial Statements

The individual financial statements of Imperial Tobacco Pension Fund 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").

The Trustee makes estimates and assumptions concerning the future in preparing the financial statements. Estimates are made by the Investment Managers in calculating the year end value of the Fund's investments in the Pooled Investment Vehicles and Property included in Level 3 of the fair value hierarchy as set out in Note 18. These estimates include property yields, rental values and discount rates. In addition estimates are made related to the valuation of the insurance policy. An explanation of the key assumptions underpinning the valuation of the insurance policy is included within note 16.

The Trustee has performed a going concern assessment. Amongst other things, its assessment took into account the Fund's funding position, cashflow forecasts, liquidity of assets and the Employer covenant. The Fund is expected to continue to operate into the foreseeable future. On this basis the Trustees consider the going concern basis appropriate.

1. ACCOUNTING POLICIES

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements:

(a) Contributions and benefits

Normal and additional voluntary contributions, both from members and employers, are generally accounted for on an accruals basis in the payroll period to which they relate. In the case of member contributions this is when deducted from pay. However, contributions

Accounting policies (continued)

in respect of members in the first 30 days following auto enrolment are accounted for when their right to opt-out has expired, unless remitted to the Fund earlier. All contributions payable under salary sacrifice arrangements are classified as employer contributions.

Members of the DB Section were entitled to make additional voluntary contributions to the Fund to secure extra benefits up to its closure on 30 September 2023. These additional voluntary contributions are included as contributions receivable in the Fund Account and the assets acquired with them are included in the Net Assets Statement.

Contributions from the Company and the members are payable in accordance with the current Schedule of Contributions. Special Company contributions may be payable in addition as certified by the Actuary – these are accounted for on the due dates set out in the Schedule of Contributions, or on receipt if earlier, with the agreement of the employer and the Trustee.

Pensions in payment are accounted for in the period to which they relate. Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement or death, as appropriate. Refunds and opt-outs are accounted for when the Trustee are notified of the member's decision to leave the Fund.

Where the Trustee agree or are required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Fund, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits (Note 5).

(b) Investment assets and liabilities

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities, otherwise the closing single price, single dealing price or most recent transaction price is used. The methods of determining fair value for the principal investment classes are:

- (i) Quoted investments are valued at their bid prices at the year-end in accordance with the "Financial Reports of Pension Schemes" (revised June 2018). Pooled funds, as advised by Investment Managers, are valued at bid price if both bid and offer prices are published, or, if single priced, at the closing single price. Bonds are valued using clean bid prices, excluding accrued interest (with such interest accounted for separately as a current asset).
- (ii) Freehold and leasehold property, and ground lease investments, are included at their open market value at the year-end as determined by independent valuers, in accordance with the Royal Institute of Chartered Surveyors (RICS) valuation standard and, where applicable, with reference to binding sale agreements. Sales and purchases are recognised on completion of contract. No depreciation is provided on freehold or leasehold properties or ground leases.

Accounting policies (continued)

- (iii) The contributions paid into the Defined Contribution Section during the year are invested in pooled funds and units in those funds are valued at the year-end market value by the provider, Legal & General Assurance Society Limited (“L&G”).
 - (iv) Derivative contracts are disclosed as a separate asset class and are valued at fair value, with assets valued at bid prices and liabilities at offer prices.
Futures are exchange traded and are valued at the difference between exchange settlement prices and inception prices.
Forward exchange contracts are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
Any initial and/or variation margin due to or from brokers is included within “cash and other investment balances”.
Interest rate and inflation linked swaps valuations are calculated using pricing models where inputs are based on market value. Derivatives payments and receipts are reported within purchases and sales in the reconciliation of net investments.
 - (v) Policies insuring the Fund’s liabilities associated with certain representative groups of certain members are included in these financial statements at the amount of the related obligation, determined by the Actuary using the Fund’s most recent valuation assumptions and methodology. Annuity valuations are provided by the Fund’s Actuary. Annuities are issued by Standard Life.
 - (vi) Other investments are included at the Trustee’s best estimate of Fair Value. The Fund continues to recognise assets delivered out under repurchase contracts to reflect its ongoing interest in those securities. Cash received from repurchase contracts is recognised as an investment asset, and an investment liability is recognised for the value of the repurchase obligation. Under reverse repurchase arrangements, the Fund does not recognise the collateral securities received as assets in its Financial Statements. The Fund does recognise the cash delivered to the counterparty as a receivable in the Financial Statements.
- (c) Transaction costs
Purchases and sales of investments and foreign currencies include the associated transaction costs such as fees, commissions, stamp duty and other fees and are accounted for on an accruals basis.
- (d) Foreign currency translation
The Fund’s functional currency and presentational currency is pounds sterling (GBP). Transactions and income denominated in foreign currencies are translated into sterling at the spot exchange rate at the date of transaction. Net assets denominated in foreign currencies are translated into sterling at the exchange rates ruling at the year-end. Realised and unrealised gains and losses resulting from movements in the currencies in which these net assets are denominated are dealt with as part of the change in market value of these investments.

Where forward contracts on foreign currencies have been entered into, any unrealised profits or losses on open contracts at the year-end, measured by the differences between the spot rates and the contract rates, are included in the change in market value together with any gains or losses realised during the year.

Accounting policies (continued)(e) Investment income and expenses

Dividend income is accrued from the date a stock is declared ex-dividend and includes withholding taxes but excludes any other taxes such as attributable tax credits, not payable wholly on behalf of the recipient. Interest earned on deposits backing futures and swaps contracts are disclosed separately within investment income. Accrued interest arising from transactions in bonds is accounted for as income. Rent from properties is accrued as earned under the terms of the lease. Interest on cash deposits is accrued on a daily basis.

Investment and administrative expenses are accounted for on an accruals basis. There are no performance-related fees paid to investment managers.

(f) Transfers from and to other plans

Transfer values represent the capital sums either receivable in respect of members from other pension funds of previous employers or payable to the pension funds of new employers for members who have left the Fund. They are accounted for on a cash basis or where Trustee has agreed to accept the liability in advance of receipt of funds on an accruals basis from the date of agreement.

2. CONTRIBUTIONS

	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Employer contributions						
Normal	-	18,008	18,008	-	13,475	13,475
Special	-	2,205	2,205	-	4,534	4,534
	-	20,213	20,213	-	18,009	18,009
Employee contributions						
Normal	-	-	-	212	-	212
Additional voluntary	-	200	200	56	-	56
	-	200	200	268	-	268
Total contributions	-	20,413	20,413	268	18,009	18,277

The Employer contribution in the year relating to the DB section was nil (2024: nil). The contribution payable is dependent on the size of any winding up deficit or surplus, based on an annual assessment, and the cost of ongoing accrual. The Company made a payment of £8,367,000 in October 2023 to an escrow account and the balance at 31 March 2025 of £8,614,000 remains in the account. The level at which contributions are made to an escrow account and the conditions for the release of any such escrow funds were agreed as part of the 2022 valuation. None of these conditions were met during the year. The annual contribution will be higher in the years where the winding up deficit is higher (see Schedule of Contributions, page 77). If the credit rating of Imperial Brands PLC falls below investment grade, the Employer deficit contributions will increase to three times the annual contribution due that year.

Included in employer contributions relating to the DC section was £7,133,000 (2024: £4,903,000) in respect of member contributions made via salary sacrifice arrangements. Special employer contributions of £2,205,000 (2024: £4,534,000) were paid into the DC accounts of certain active members who were in the DB section prior to 1 October 2023 as part of the agreed closure to DB accrual. Under the agreements relating to the DB closure, the special employee contributions are payable in three tranches, the first in October 2023 (50%) and then October 2024 (25%) and October 2025 (25%). There were no augmentation payments in the year (2024: nil).

3. TRANSFERS IN

	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Individual transfers in from other Plans	-	1,982	1,982	-	138	138
	-	1,982	1,982	-	138	138

There were no bulk transfers during the year (2024: nil).

4. OTHER INCOME

	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Receipts under insurance policies	-	-	-	-	-	-
	-	-	-	-	-	-

Income from the bulk purchase annuity policy with Standard Life is included as investment income (see Note 9).

5. BENEFITS PAID OR PAYABLE

	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Pensions	149,810	-	149,810	147,729	-	147,729
Commutation and lump sum benefits	12,759	108	12,867	8,907	94	9,001
Lump sum death benefits	-	-	-	-	101	101
Lifetime allowance charge and annual allowance charge paid on behalf of members	51	-	51	179	-	179
	162,620	108	162,728	156,815	195	157,010

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Refunds of contributions in respect of:						
Non-vested leavers	6	2	8	29	4	33
	6	2	8	29	4	33

7. TRANSFERS OUT TO OTHER SCHEMES

	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Individual transfers to other Schemes	2,340	4,237	6,577	1,339	1,426	2,765
	2,340	4,237	6,577	1,339	1,426	2,765

8. ADMINISTRATIVE EXPENSES

	2025 DB £'000	2025 DC £'000	2025 Total £'000	2024 DB £'000	2024 DC £'000	2024 Total £'000
Internal services						
Remuneration	1,070	-	1,070	511	-	511
Trustees fees and expenses	200	-	200	177	-	177
Computer software & hardware	229	-	229	197	-	197
Postage	80	-	80	87	-	87
Other	161	-	161	150	-	150
	1,740	-	1,740	1,122	-	1,122
External services						
Actuarial fees	875	-	875	683	-	683
Legal fees	290	-	290	235	-	235
Audit fees	87	-	87	81	-	81
Other	161	-	161	214	-	214
	1,413	-	1,413	1,213	-	1,213
Pension Protection Fund Levy	143	-	143	162	-	162
Loan fees and interest	1,520	-	1,520	3,680	-	3,680
	4,816	-	4,816	6,177	-	6,177

The administrative expenses of the DC Section are met by the Company.

9. INVESTMENT INCOME

	2025	2025	2025	2024	2024	2024
	DB	DC	Total	DB	DC	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Dividends from equities	(4)	-	(4)	(5)	-	(5)
Income from bonds	9,235	-	9,235	4,278	-	4,278
Net rents from properties	17,789	-	17,789	19,502	-	19,502
Income from alternatives	58,970	-	58,970	58,515	-	58,515
Interest on swaps	20,189	-	20,189	105	-	105
Income from insurance policies	103,198	-	103,198	82,975	-	82,975
Interest on cash deposits	1,975	-	1,975	3,044	-	3,044
Other	84	-	84	5	-	5
	211,436	-	211,436	168,419	-	168,419
Expense						
Interest on swaps	(13,949)	-	(13,949)	(16,944)	-	(16,944)
Net Interest on repurchase agreements	(17,479)	-	(17,479)	(6,605)	-	(6,605)
Other	(713)	-	(713)	(644)	-	(644)
	(32,141)	-	(32,141)	(24,193)	-	(24,193)
	179,295	-	179,295	144,226	-	144,226

The Fund invested in pooled funds which may distribute income. These include the Hayfin Direct Lending Fund II and III and the M&G Illiquid Credit Opportunities Fund II, which was terminated during the year. Income distributions received from pooled funds are included above.

Net rents from properties is stated after deducting £6,313,000 (2024: £5,370,000) of property related expenses (including disbursements / service charges).

Income includes receipts from an insurance policy (see Note 16).

10. RECONCILIATION OF NET INVESTMENTS

The table below shows the value of the investments of the Fund at the year-end and the transactions and changes in value during the year. All Investment Managers are registered in the UK.

	Market Value At 1/4/24 £'000	Purchases at cost and Derivative Payments £'000	Sales Proceeds And Derivative Receipts £'000	Change in Market Value £'000	Market Value At 31/3/25 £'000
<u>Defined benefit section</u>					
Equities	2	-	(11)	11	2
Bonds	742,833	408,370	(161,392)	(133,408)	856,403
Property	440,900	318	(55,694)	7,395	392,919
Pooled investment vehicles	551,068	-	(209,855)	(21,983)	319,230
Derivatives	13,202	82,365	(82,365)	(4,473)	8,729
Insurance policy	1,202,000	-	-	(131,000)	1,071,000
AVC investments	2,594	-	(36)	178	2,736
	<u>2,952,599</u>	<u>491,053</u>	<u>(509,353)</u>	<u>(283,280)</u>	<u>2,651,019</u>
Cash	17,656				34,927
Amounts receivable under reverse repurchase agreements	146,356				89,386
Amounts payable under repurchase agreements	(386,530)				(391,411)
Other investment balances	<u>(37,176)</u>				<u>(5,182)</u>
Total DB net investments	<u>2,692,905</u>				<u>2,378,739</u>
<u>Defined contribution section</u>					
Pooled investment vehicles	<u>96,817</u>	<u>22,395</u>	<u>(4,347)</u>	<u>3,944</u>	<u>118,809</u>

All the directly held securities are quoted on recognised exchanges and are therefore considered to be marketable over reasonably short time periods. Longer periods may be needed to realise direct property and ground lease investments. The pooled investment vehicles included private debt funds managed by Hayfin, with the M&G holding having been repaid during the year.

Reconciliation of net investments (continued)

The only investments, excluding UK government gilts, which exceeded 5% of the value of net assets were the following funds:

	<u>2025</u>		<u>2024</u>	
	<u>£'000</u>	<u>%</u>	<u>£'000</u>	<u>%</u>
Hayfin Illiquid Debt	n/a	n/a	207,864	7.54
AXA IM Global Secured Assets Fund I	195,802	7.82	219,122	7.95
DTZ Property	221,510	8.85	248,950	9.03
PGIM Ground Leases	171,409	6.85	191,950	6.96

Derivatives

DB Section only	<u>2025</u>	<u>2025</u>	<u>2025</u>	<u>2024</u>	<u>2024</u>	<u>2024</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Exchange traded						
Futures	83,363	(83,363)	-	-	-	-
Swaps	35,036	(26,307)	8,729	51,161	(37,959)	13,202
	118,399	(109,670)	8,729	51,161	(37,959)	13,202

Objectives and policies for holding derivativesGovernment Bond Futures

The Bond portfolio includes derivative contracts permitted by the SIP consisting of government bond futures. At the year-end these had a net value of £nil (2024: nil). These are entered into with the objective of reducing risk or facilitating efficient portfolio management with an acceptable level of risk.

Swaps

Swaps are entered into to help reduce the Fund's asset-liability risk arising from interest rates and inflation volatility.

The Fund had collateral, held by the Fund's custodian, of £6,000 in short term investments that has not been included in Net Assets at 31 March 2025 (2024: £7,672,000 in Government Bonds and short term investments).

The tables below analyse the derivative positions in more detail as is required by the "Financial Reports of Pension Schemes" (revised June 2018). The nominal amounts shown are the nominal values of the securities to which the derivatives contracts relate which, being subject to market movements, give a measure of the contracts' economic exposure.

Reconciliation of net investments (continued)

	<u>Expires within</u>	<u>Nominal Amount £'000</u>	<u>2025 Assets £'000</u>	<u>2025 Liabilities £'000</u>
<u>Government Bond futures</u>				
UK	3 months	666,000	61,065	(61,065)
Germany	3 months	55,000	5,858	(5,858)
USA	3 months	181,000	16,440	(16,440)
At 31 March 2025			<u>83,363</u>	<u>(83,363)</u>
<u>Swaps</u>				
Total return swaps				
- pay floating, receive fixed	0-10 years	271,024	22,349	-
- pay floating, receive fixed	0-10 years	338,800	-	(3,446)
- pay floating, receive fixed	10-20 years	44,000	7,403	-
- pay floating, receive fixed	10-20 years	31,200		(348)
- pay floating, receive fixed	>20 years	1,260	13	-
- pay floating, receive fixed	>20 years	1,459	-	(4)
Exchange cleared swaps				
- pay floating, receive fixed	0-10 years	341,590	766	-
-pay floating, receive fixed	0-10 years	615,277		(18,833)
-pay floating, receive fixed	10-20 years	8,000		(338)
- pay floating, receive fixed	>20 years	6,212	-	(3,338)
- pay floating, receive fixed	> 20 years	5,375	4,505	-
At 31 March 2025			<u>35,036</u>	<u>(26,307)</u>

The comparatives for 2024 are shown below.

	<u>Expires within</u>	<u>Nominal Amount £'000</u>	<u>2024 Assets £'000</u>	<u>2024 Liabilities £'000</u>
<u>Swaps</u>				
Total return swaps				
- pay floating, receive fixed	0-10 years	410,925	41,790	-
- pay floating, receive fixed	0-10 years	241,740	-	(4,131)
-pay floating, receive fixed	10-20 years	44,000	9,014	-
-pay floating, receive fixed	10-20 years	31,200	-	(1,306)
Exchange cleared swaps				
- pay floating, receive fixed	0-10 years	104,530	357	-
- pay floating, receive fixed	10-20 years	8,000	-	(821)
-pay floating, receive fixed	10-20 years	884,802	-	(31,701)
At 31 March 2024			<u>51,161</u>	<u>(37,959)</u>

Reconciliation of net investments (continued)Additional voluntary contributions (“AVCs”)

Accumulated AVCs invested separately under money purchase arrangements are reflected at market value. The Fund’s AVC provider, L&G (AEGON to 10 February 2025), offers a choice of investment options that mirrors the funds available in the DC Section. Since 1 October 2023 the AVC arrangement was closed to future contributions.

The movements during the year are summarised as follows:

	<u>£’000</u>
Value as at 1 April 2024	2,594
Purchases at cost	-
Transfers	-
Sales proceeds	(36)
Change in Market Value	<u>178</u>
Value as at 31 March 2025	<u>2,736</u>

Statements showing individual member fund values are issued annually to each member.

Defined Contribution (“DC”) Section

The DC Section of the Fund opened on 1 October 2010.

Investment strategy

When designing the investment strategy for the DC section of the Fund the Trustee took into account the following key considerations:-

- that members have differing investment needs and that these may change during the course of members’ working lives;
- that members have different time horizons and attitudes to risk;
- that members should make their own investment decisions based on their own individual circumstances; and
- that some members may not be comfortable making investment decisions and would prefer to follow a ‘default’ investment strategy.

For those members comfortable with making their own investment choices, appropriate to their own, individual, needs the Trustee has made available L&G’s self-select range, similar to the range available in the L&G Workplace Master Trust.

For members who do not wish to take an active role in their investment decisions the Trustee has selected the L&G Target Date Funds (TDF) as the default strategy for the Fund. The default TDF strategy aims to target an allocation which provides flexible retirement outcomes at retirement. The mix of assets within the fund changes over time to reflect the needs of Fund members as they approach and go beyond their target retirement date. During the growth phase, members will be invested primarily in equities, listed property and listed infrastructure with a small allocation to private markets alongside some diversification into fixed income assets. They aim to grow the value of members’ pension savings while members are a relatively long way from retirement. The strategy will then gradually reduce the level of risk members are exposed to as they get nearer to when they expect to retire.

For the DC section investments purchased by the Fund are allocated to provide benefits to the individual members on whose behalf the contributions were paid. All assets are designated to members. At 31 March 2025 there were 2,262 members in the DC section (2024: 2,063 members). Details of movements in the year are shown on page 4. Contributions are invested separately, in the investment funds offered by the Fund and accumulated contributions are reflected at market value.

The L&G holds the investment units on a pooled basis for the Trustee and allocates investment units to members.

Reconciliation of net investments – Defined contribution section (“DC”) (continued)

The movements during the year are summarised as follows:

	<u>2025</u>	<u>2024</u>
	<u>£'000</u>	<u>£'000</u>
Value as at 1 April	96,817	67,559
Contributions	20,413	18,009
Transfers In	1,982	138
Transfers Out	(4,237)	(1,426)
Pensions paid	(34)	-
Lump sums on retirement	(74)	(94)
Lump sum death benefits	-	(101)
Refund of contributions	(2)	(4)
Change in Market Value	<u>3,944</u>	<u>12,736</u>
Value as at 31 March	<u>118,809</u>	<u>96,817</u>

The day-to-day management of the underlying investments of the funds is the responsibility of L&G, including the direct management of the credit and market risks.

The risks disclosed here relate to the DC Section’s investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustee and therefore may face a different profile of risks as a result of their individual choices compared with the DC Section as a whole.

Credit risk

The DC Section is subject to direct credit risk in relation to L&G through its holding in pooled investment funds provided by L&G.

The legal nature of the pooled investment vehicle by type of arrangement is as follows:

	<u>2025</u>	<u>2024</u>
	<u>£'000</u>	<u>£'000</u>
Unit linked insurance contracts	<u>118,809</u>	<u>96,817</u>
	<u>118,809</u>	<u>96,817</u>

The Trustee holds a life insurance policy with L&G and all assets of the DC Section of the Scheme are invested in this policy. L&G assets are 'ring fenced' which means the funds are held separately from Legal & General's other assets. L&G is authorised and regulated by the Prudential Regulation Authority which requires it to hold enough capital with the aim of ensuring it remains solvent. L&G is also regulated by the Financial Conduct Authority and is required to comply with the regulations in place and enforced by the Financial Conduct Authority. In the unlikely event that L&G becomes insolvent, policyholders (the Trustee) have protection under the law setting out priorities for which claimants get paid first and under the Financial Services Compensation Scheme ('FSCS').

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

Reconciliation of net investments – Defined contribution section (“DC”) (continued)

At the year end the underlying funds, excluding the equity, property and cash funds, were exposed to indirect credit risk. Indirect credit risk is mitigated within funds through the managers’ own credit review control procedures.

Market risk

The Fund’s DC section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by L&G, who then manage these risks.

11. INVESTMENT MANAGEMENT EXPENSES

<u>Defined benefit</u>	<u>2025</u>	<u>2024</u>
Portfolio Management Fees	<u>£’000</u>	<u>£’000</u>
UK Property	1,003	1,064
Ground Leases	638	738
Index-Linked – Direct	503	364
Fixed Interest – Direct	<u>19</u>	<u>3</u>
	2,163	2,169
Custody Fees	90	45
Investment Adviser Fees	660	603
Property Valuation Fees	<u>55</u>	<u>58</u>
	<u>2,968</u>	<u>2,875</u>

Commissions and fees directly related to transactions are excluded (see Note 13), except in the case of UK property where the agency fees charged by the manager are included.

The investment expenses of the DC Section are charged as underlying management fees within the portfolio and included in the change in market value (Note 10).

12. TAXES ON INVESTMENT INCOME

The Fund is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. There were no tax charges in the Fund Account arising from irrecoverable withholding taxes on investment income.

13. INVESTMENT TRANSACTION COSTS

There were no direct transaction costs incurred in the purchase and sale of securities in the year (2024: nil). Indirect transaction costs, which cannot be quantified, include the bid-offer spread on investments, the market impact of transactions and costs incurred within pooled funds.

14. PROPERTY

	<u>2025</u> <u>DB</u> <u>£000</u>	<u>2025</u> <u>DC</u> <u>£000</u>	<u>2025</u> <u>Total</u> <u>£000</u>	<u>2024</u> <u>DB</u> <u>£000</u>	<u>2024</u> <u>DC</u> <u>£000</u>	<u>2024</u> <u>Total</u> <u>£000</u>
UK freehold property	203,510	-	203,510	230,950	-	230,950
UK leasehold property	18,000	-	18,000	18,000	-	18,000
UK ground lease Freehold property	171,409	-	171,409	191,950	-	191,950
	392,919	-	392,919	440,900	-	440,900

The Fund's investment in UK property comprises 20 properties (2024: 23 properties) in a segregated portfolio.

The Fund's investment in UK ground leases comprises 22 properties (2024: 25 properties) in a segregated portfolio.

The valuations above are based on information provided by the Fund's independent valuers in accordance with the Professional Standards, Valuation Technical and Performance Standards (VPS) and Valuation Applications contained in the current RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors and the RICS Valuation – Global Standards 2017 – UK national supplement as applicable (“the RICS Red Book”).

15. POOLED INVESTMENT VEHICLES

<u>By type</u>	<u>2025</u> <u>DB</u> <u>£000</u>	<u>2025</u> <u>DC</u> <u>£000</u>	<u>2025</u> <u>Total</u> <u>£000</u>	<u>2024</u> <u>DB</u> <u>£000</u>	<u>2024</u> <u>DC</u> <u>£000</u>	<u>2024</u> <u>Total</u> <u>£000</u>
Index linked gilts	-	-	-	-	78	78
Bonds	-	36	36	-	-	-
Equities	-	6,066	6,066	-	54,911	54,911
Multi asset funds	-	112,247	112,247	-	-	-
Global secured assets	195,802	-	195,802	219,122	-	219,122
Diversified growth	-	-	-	-	39,583	39,583
Illiquid debt	123,428	-	123,428	331,946	-	331,946
Cash	-	460	460	-	1,115	1,115
Annuity Protection	-	-	-	-	1,130	1,130
	319,230	118,809	438,039	551,068	96,817	647,885

16. INSURANCE POLICIES

The Fund has a bulk purchase annuity with Standard Life which provides annuity income (note 9) matching the pension liabilities for certain members. The Fund held the following bulk annuity insurance policy:

	<u>2025</u>	<u>2024</u>
	<u>£'000</u>	<u>£'000</u>
Standard Life	<u>1,071,000</u>	<u>1,202,000</u>
	<u>1,071,000</u>	<u>1,202,000</u>

The 31 March year end valuations have been calculated by the Scheme Actuary using detailed cashflows derived from individual member data. The starting position is based on the original price of the contract adjusted each day to allow for changes to market conditions.

The financial assumptions adopted for the valuation of the policy are as follows:

Financial assumptions	<u>31 March</u> <u>2025</u> <u>% p.a.</u>	<u>31 March</u> <u>2024</u> <u>% p.a.</u>
Discount rate	5.49%	4.74%
Price inflation (RPI)	3.44%	3.52%
Price inflation (CPI)	RPI less 0.7% to 31 January 2030, RPI thereafter.	RPI less 0.7% to 31 January 2030, RPI thereafter.
Pension increases:		
RPI minimum 0% p.a., maximum 15% p.a.	3.64%	3.72%
RPI minimum 0% p.a., maximum 10% p.a.	3.64%	3.72%
RPI minimum 0% p.a., maximum 5% p.a.	3.42%	3.50%
CPI minimum 0% p.a., maximum 3% p.a.	2.95%	2.97%

The assumptions shown are the average rates over the duration of the insured liabilities that are equivalent to using rates derived from the Towers Watson Limited yield curves.

Payments received under the policy during the year were treated as investment income (see note 9). During the year, the final settlement of the premium relating to the policy was agreed. This exercise gave rise to a payment by the insurer in year ending 31 March 2025. Any difference between the opening value of the policy and the closing value, other than due to adjustments to premium, is shown as a change in market value of the investment.

Following the data confirmation exercise the valuation has been updated and is calculated on the same basis as the method and principles agreed for the latest available triennial actuarial valuation of the winding-up liabilities, updated for changes in market conditions.

17. CASH AND OTHER NET INVESTMENT BALANCES

	<u>2025</u> <u>DB</u> <u>£000</u>	<u>2025</u> <u>DC</u> <u>£000</u>	<u>2025</u> <u>Total</u> <u>£000</u>	<u>2024</u> <u>DB</u> <u>£000</u>	<u>2024</u> <u>DC</u> <u>£000</u>	<u>2024</u> <u>Total</u> <u>£000</u>
Cash – sterling	34,241	-	34,241	17,624	-	17,624
Cash–foreign currency	686	-	686	32	-	32
Total cash	<u>34,927</u>	<u>-</u>	<u>34,927</u>	<u>17,656</u>	<u>-</u>	<u>17,656</u>
Accrued investment income	12,589	-	12,589	10,059	-	10,059
Rents receivable	5,578	-	5,578	4,173	-	4,173
Amounts due from brokers	-	-	-	21,223	-	21,223
	<u>18,167</u>	<u>-</u>	<u>18,167</u>	<u>35,455</u>	<u>-</u>	<u>35,455</u>
Rents received in advance	(5,343)	-	(5,343)	(4,430)	-	(4,430)
Amounts due to brokers	(18,006)	-	(18,006)	(68,201)	-	(68,201)
	<u>(23,349)</u>	<u>-</u>	<u>(23,349)</u>	<u>(72,631)</u>	<u>-</u>	<u>(72,631)</u>
Total other net investment balances	<u>(5,182)</u>	<u>-</u>	<u>(5,182)</u>	<u>(37,176)</u>	<u>-</u>	<u>(37,176)</u>
Repurchase and reverse repurchase agreements						
Amounts receivable under reverse repurchase agreements	89,386	-	89,386	146,356	-	146,356
Amounts payable under repurchase agreements	(391,411)	-	(391,411)	(386,530)	-	(386,530)
Total net repurchase and reverse repurchase agreements	<u>(302,025)</u>	<u>-</u>	<u>(302,025)</u>	<u>(240,174)</u>	<u>-</u>	<u>(240,174)</u>

Bonds with a fair value of £371,218,000 have been sold subject to repurchase contracts and therefore continue to be recognised in the financial statements (2024: £341,076,000). There are 4 (2024: 4) repurchase positions, with maturity dates between June 2025 to January 2026.

Bonds with a fair value of £92,569,000 received as collateral in respect of reverse repurchase agreements are not recognised in the financial statements (2024: £145,091,000) but the cash delivered to the counterparties is recognised as amounts receivable in the table above. There are 21 (2024: 17) reverse repurchase positions, with maturity dates between April 2025 to March 2026.

18. FAIR VALUE OF INVESTMENTS

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

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

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 value applies, valuation techniques are adopted and the vehicles are included in level 3 as appropriate. These assets are valued by the relevant investment manager using a mixture of internal and external market information for similar investments and by applying discounted cash flow methodology.

The Fund's investment assets and liabilities have been included at fair value within these categories as follows:

<u>Category</u>	<u>2025</u> <u>Level 1</u>	<u>2025</u> <u>Level 2</u>	<u>2025</u> <u>Level 3</u>	<u>2025</u> <u>Total</u>
<u>Defined benefit section</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Investment assets				
Equities	2	-	-	2
Bonds	-	856,403	-	856,403
Property	-	-	392,919	392,919
Pooled investment vehicles	-	-	319,230	319,230
Derivatives	-	118,399	-	118,399
Insurance policy	-	-	1,071,000	1,071,000
Other investment balances	18,167	-	-	18,167
AVC investments	-	2,736	-	2,736
Cash	34,927	-	-	34,927
Investment liabilities				
Derivatives	-	(109,670)	-	(109,670)
Repurchase and reverse repurchase agreements	-	(302,025)	-	(302,025)
Other investment balances	(23,349)	-	-	(23,349)
Total net investments	29,747	565,843	1,783,149	2,378,739
 Defined contribution section				
Investment assets				
Pooled investment vehicles	-	118,809	-	118,809
Total investments	-	118,809	-	118,809

The property valuation of £392,919,000 at 31 March 2025 was valued by the Fund's independent valuers in accordance with the Professional Standards, Valuation Technical and Performance Standards and Valuation Applications contained in the current RICS.

Valuation – Global Standards published by the Royal Institution of Chartered Surveyors and the RICS Valuation – Global Standards 2017 – UK national supplement as applicable (“the RICS Red Book”). There was no material valuation uncertainty statement attached to these valuations by the independent valuers.

Fair value of investments (continued)

Analysis for the prior year end is as follows:

<u>Category</u>	<u>2024</u> <u>Level 1</u> <u>£'000</u>	<u>2024</u> <u>Level 2</u> <u>£'000</u>	<u>2024</u> <u>Level 3</u> <u>£'000</u>	<u>2024</u> <u>Total</u> <u>£'000</u>
<u>Defined benefit section</u>				
Investment assets				
Equities	2	-	-	2
Bonds	-	742,833	-	742,833
Property	-	-	440,900	440,900
Pooled investment vehicles	-	-	551,068	551,068
Derivatives	-	51,161	-	51,161
Insurance policy	-	-	1,202,000	1,202,000
Other investments balances	35,455	-	-	35,455
AVC investments	-	2,594	-	2,594
Cash	17,656	-	-	17,656
Investment liabilities				
Derivatives	-	(37,959)	-	(37,959)
Repurchase and reverse repurchase agreements	-	(240,174)	-	(240,174)
Other investment balances	(72,631)	-	-	(72,631)
Total net investments	(19,518)	518,455	2,193,968	2,692,905
 <u>Defined contribution section</u>				
Investment assets				
Pooled investment vehicles	-	96,817	-	96,817
Total investments	-	96,817	-	96,817

19. INVESTMENT RISKS**Types of risk relating to investments**

FRS102 requires the disclosure of information in relation to certain investment risks.

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

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

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

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

Other price risk: this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate

Investment risks (continued)

risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment advisor. The Fund has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking account of the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

The following table summarises the extent to which the various classes of investments are affected by financial risks. The risk noted affects the asset class [S] significantly, [P] partially, [H] hardly/not at all.

	Credit risk	Market risk			2025	2024
		Currency	Interest rate	Other price	Value £'000	Value £'000
Defined benefit section						
Equities	H	P	H	S	2	2
Bonds	S	P	S	H	856,403	742,833
Property	P	H	H	S	392,919	440,900
Pooled investment vehicles: - direct	H	H	H	P	319,230	551,068
Pooled investment vehicles: - indirect	P	P	P	P		
Derivatives	P	P	P	P	8,729	13,202
Insurance policy	H	H	S	S	1,071,000	1,202,000
AVC investments	S	H	H	S	2,736	2,594
Cash deposits and other net investment (liabilities) / assets	S	P	H	H	(272,280)	(259,694)
Total DB Section investments					2,378,739	2,692,905
Defined contribution section						
Pooled investment vehicles: - direct	H	H	H	P	118,809	96,817
Pooled investment vehicles: - indirect	S	P	P	P		

Investment risks (continued)

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include: the AVC investments, as these are not considered significant in relation to the overall investments of the Fund; or the Defined Contribution Section, where risks are disclosed in the DC Section of Note 10.

Defined benefit section**Investment strategy**

The investment objective of the defined benefit section (DB Section) is to invest the Fund's assets in an appropriate and secure manner such that member's benefits are paid as and when they fall due. The aim is to maintain a portfolio which will generate investment returns in excess of the growth in liabilities which, together with any future contributions, will meet the funding objective of maintaining a funding level of at least 100% on a buy-out basis and increase liquidity over time.

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

The asset mix (see page 11) at 31 March 2025 was:

- 30.4% in alternative investments (including property).
- 69.6% in investments that are more likely to move in line with the long-term liabilities of the Fund, including a bulk annuity policy and cash.

Credit risk

The Fund is subject to credit risk because the Fund directly invests in bonds, over-the-counter ("OTC") derivatives and has cash balances. The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Fund is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table and the notes below which explain how the risk is managed and mitigated for the different classes:

DB investments exposed to credit risk	<u>2025</u>	<u>2024</u>
	<u>£'000</u>	<u>£'000</u>
Bonds	856,403	742,833
Property let to tenants	392,919	440,900
Pooled investment vehicles		
Other funds (direct risk only)	319,230	551,068
Derivatives – assets	118,399	51,161
Derivatives – liabilities	(109,670)	(37,959)
Insurance policy	1,071,000	1,202,000
Other investments		
AVC investments	2,736	2,594
Cash and other net investment assets	(272,280)	(259,694)
	<u>2,378,737</u>	<u>2,692,903</u>

Investment risks (continued)

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. Holdings may occasionally be downgraded to below sub-investment grade but continue to be held and monitored.

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see Derivatives Note 10). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

Cash is held within financial institutions which are at least investment grade credit rated.

Credit risk arising from rents due from tenants and leaseholders of the Fund's property portfolios is mitigated through the managers' skills and expertise, credit controls procedures and the use of rent deposits.

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 manager operates and diversification of investments amongst a number of pooled arrangements. The Trustee carry out due diligence checks on the appointment of new pooled investment managers and on an on-going basis monitor any changes on the operating environment of the pooled manager.

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

<u>Legal nature of the pooled arrangements</u>	<u>2025</u>	<u>2024</u>
	<u>£'000</u>	<u>£'000</u>
Open ended investment companies	-	124,082
Qualifying investor alternative investment fund	195,802	219,122
Limited liability partnerships	123,428	<u>207,864</u>
	<u>319,230</u>	<u>551,068</u>

Indirect credit risk is mitigated through diversification between managers and within funds through the managers' own credit control procedures.

The Fund is subject to credit risk due to holding a bulk annuity insurance policy which make payments to the Fund that closely match the pensions (and contingent pensions) being paid to a proportion of pensioners. These are held with an insurance company which, because of strict regulation, is considered to have a very low chance of default. The Trustee has been advised that, under current rules, the benefits provided by the bulk annuity contract would be covered by the Financial Services Compensation Scheme in the event of failure of the insurance company with which the policy is held.

Investment risks (continued)**Currency risk**

The Fund's exposure to currency risk is greatly reduced with no equity direct or pooled fund Managers.

The net currency exposure at the current and previous year-ends was:

	<u>2025</u>	<u>2024</u>
	<u>Net exposure</u>	<u>Net exposure</u>
	<u>£'000</u>	<u>£'000</u>
Pounds sterling (GBP)	746,163	609,357
Euros (EUR)	137	167
US dollars (USD)	91	27
Other currencies	94	78
Total	746,485	609,629
Unhedged foreign currency exposure	0.04%	0.04%

Interest rate risk

The Fund is subject to interest rate risk. Some of the Fund's investments are held in bulk annuity contracts, bonds, index-linked gilts and cash and fluctuate dependent on movements in interest rates. At the year-end the bulk annuity policy, bonds, index-linked gilts and cash portfolios represented 69.6% of the total investment portfolio (2024: 62.6%). The Trustee also notes that an increase or decrease in interest rates will impact on the Fund's benefit obligations. To the extent that assets are held in bulk annuity contracts, bonds, index-linked gilts and cash, this represents a broadly natural hedge against the risk in respect of movements in interest rates. The Trustee maintains a collateral buffer on its Liability Driven Investment portfolio. With normal market conditions this will cover any calls arising from normal market volatility and also market shocks.

Other price risk

The Trustee manages the exposure to overall price movements by having diversity in the portfolio of investments across various markets. Other price risk arises principally in relation to the Fund's cashflow driven alternative investments (including property) and, when used, return seeking portfolio which included equities held in pooled vehicles. At the year-end the cash-flow driven alternatives represented 30.4% of the total investment portfolio (2024: 37.4%).

20. CURRENT ASSETS AND CURRENT LIABILITIES**Defined benefit**

<u>CURRENT ASSETS</u>	<u>2025</u>	<u>2024</u>
	<u>£'000</u>	<u>£'000</u>
Amounts Due from the Company to the Fund	1,007	1,515
Prepaid Administrative Expenses	151	139
Cash Balances	<u>8,216</u>	<u>659</u>
Current Assets	<u>9,374</u>	<u>2,313</u>
<u>CURRENT LIABILITIES</u>	<u>2025</u>	<u>2024</u>
	<u>£'000</u>	<u>£'000</u>
Accrued lump sums	(44)	(55)
Unpresented Cheques	(28)	(123)
Bank Loans and interest	-	(30,329)
Trustee fees and expenses	-	-
Taxation Payable	(2649)	(2,238)
Accrued Investment Fees and Expenses	(580)	(767)
Accrued Administrative Expenses	(267)	(199)
VAT Payable	<u>(313)</u>	<u>(540)</u>
Current Liabilities	<u>(3,881)</u>	<u>(34,251)</u>

The £1,007,000 due from the Company (2024: £1,515,000 due from the Company) was in respect of pension payments made by the Fund on behalf of the Company and administration costs incurred in managing the Fund.

The short term Bank loans outstanding at the beginning of the year under a revolving credit facility with a consortium of Banks were repaid during the year (see page 10, changes in investment arrangements).

21. CAPITAL AND CONTRACTUAL COMMITMENTS

At 31 March 2025 the Fund had no contractual commitments (2024: £nil) and no other capital commitments (2024: £nil). It had no capital contractual obligations outstanding (2024: nil capital contractual obligations outstanding) and none for property purchases (2024: none).

The Fund had collateral, held by the Fund's custodian, of £6,000 in short term investments that has not been included in Net Assets at 31 March 2025 (2024: £7,672,000 in Government Bonds and short term investments).

The Fund had forward foreign currency exchange contracts at the year-end, as disclosed in Note 10.

22. CONTINGENT LIABILITIES

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. There was subsequent clarification in December 2020 of the treatment of transfers out. The Trustee is considering, with their advisors, the implication of these rulings on the Fund and the equalisation of guaranteed minimum pensions between men and women; in the context of the

Contingent Liabilities (continued)

rules of the Fund and the value of any liability. As soon as this review is finalised and any liability quantified, members will receive further updates and any impact on financial reporting will be considered by the Trustee (2024: no contingent liabilities). A notional allowance for the impact of GMP equalisation of 0.2% of the estimated value of the winding up liabilities has been included in the 2022 triennial actuarial valuation.

The Virgin Media Limited v NTL Pension Trustees II Limited decision, handed down by the High Court in June 2023, considered the implications of Section 37 of the Pension Schemes Act 1993. Section 37 only allowed the rules of contracted-out schemes in relation to contracted-out benefits to be altered where certain requirements were met.

The Trustees are aware that in July 2024 the Court of Appeal upheld the High Court's decision in the Virgin Media vs NTL Pension Trustees II Limited case. The decision puts into question the validity of any amendments made to the rules of a contracted-out pension scheme between 6 April 1997 and 5 April 2016, in so far as they relate to contracted-out benefits where the requirements of Section 37 were not met.

On 5 June 2025, the Government announced its intention to introduce legislation to give affected pension schemes the ability (if necessary) to retrospectively obtain written confirmation that historical benefit changes met necessary standards. Draft legislation was published on 1 September 2025. Based on a high-level review of the nature of the amendments made to the Fund rules during the period 6 April 1997 and 5 April 2016, and subject to seeing details of the final legislation, the Trustee does not expect the valuation of scheme liabilities to change materially.

23. SELF INVESTMENT

Self investment is in respect of administration costs due from the Company (see Note 20). There were no employer-related investment in the ordinary shares and corporate bonds of Imperial Brands PLC held directly by the Fund, or indirectly through pooled funds, at 31 March 2025. The value of self investment at 31 March 2025 was £1,007,000, representing 0.037% of the Fund's Net Assets (2024: £1,515,000 representing 0.055%).

24. RELATED PARTY TRANSACTIONS

Related party transactions and balances comprise:

Key management personnel

Contributions were made into the Fund by four directors (2024: four directors) in accordance with the Fund Rules. Pension benefits were paid to two directors (2024: two directors) in accordance with the provisions of the Trust Deed and Rules. In the year, five directors (2024: six directors) received payments from the Fund totalling £190,000 (2024: £178,000), disclosed as "Trustees fees and expenses" under Administrative Expenses in Note 8.

Employer and other related parties

The total administrative expenses of £4,816,000 (2024: £6,177,000), per note 8, included £1,252,000 (2024: £704,000) recharged to the Fund by the Company.

This does not include expenses of the DC Section which are paid by the Company.

Related Party Transactions (continued)

The Company made contributions (Note 2) of £20,213,000 to the Fund during the year (2024: £18,009,000).

Additional security is also in place with the Company which would provide supplementary funding under specific circumstances:

- Surety guarantees - with a total value of up to £120 million (2024: up to £120 million). These can be called upon by the Trustee Board in specified circumstances, such as the Company's liquidation. The costs associated with the Surety Guarantees are paid by the Company (page 6).
- Increased contributions of three times the annual deficit contribution each year if the credit rating of Imperial Brands PLC falls below investment grade.
- The continuing formal parent company guarantee from Imperial Brands PLC.

25. SUBSEQUENT EVENTS

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

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Imperial Tobacco Pension Fund

Statement about contributions payable under the schedule of contributions

We have examined the summary of contributions payable to the Imperial Tobacco Pension Fund on page 73, in respect of the Fund year ended 31 March 2025.

In our opinion contributions for the Fund year ended 31 March 2025 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Fund Actuary on 20 April 2023.

Scope of work on Statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 49 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and Auditor

As explained more fully on page 15 in the Statement of Trustees' Responsibilities, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the Schedules of Contributions.

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

Use of our statement

This statement is made solely to the Fund's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
10th Floor
103 Colmore Row
Birmingham
B3 3AG
Date: 02/10/25

IMPERIAL TOBACCO PENSION FUND
SUMMARY OF CONTRIBUTIONS PAYABLE
FOR THE YEAR ENDED 31 MARCH 2025

During the year the contributions payable to the Fund were as follows:

	<u>Employee</u> <u>£'000</u>	<u>Employer</u> <u>£'000</u>
Required by the schedule of contributions:		
DB Section - Normal Contributions	-	-
DC Section – Normal Contributions	-	18,008
– Special Contributions	-	2,205
	<hr/>	<hr/>
	-	20,213
 Other contributions payable:		
DC Section - Additional Voluntary Contributions	200	
Total contributions	<hr/> <u>200</u>	<hr/> <u>20,213</u>

Approved by the Trustee and signed on its behalf by:

Dalriada Trustees Limited, represented by T Lukic
Chair

Date: 02/10/25

IMPERIAL TOBACCO PENSION FUND **COMPLIANCE STATEMENT**

The Fund

The Fund was established under UK trust law in 1929 as a legal entity with its own assets that were, and continue to be, separate from those of the Company.

The Fund is a hybrid benefit pension scheme and is the main means of pension provision for the Company's UK employees, providing retirement benefits for members and benefits for dependants of deceased members.

Any request for further information relating to the Fund should be addressed to the Head of UK Pensions, Imperial Tobacco Pension Fund, PO Box 3242, Winterstoke Road, Bristol, BS3 9GY or email to Pension.enquiries@uk.imptob.com.

Tax Status

The Fund is a Registered Pension Scheme under Chapter 2, Part 4, of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Fund receive preferential tax treatment.

Membership

Membership of the Fund is voluntary.

Pension Increases

The Rules of the Defined Benefit section of the Fund provide that on 1 April each year that for members who joined the Fund prior to April 2002 ("pre-2002 members") part of the pension or deferred pension which exceeds the Guaranteed Minimum Pension ("GMP"), shall be increased by the lower of 10% and the increase in the Retail Prices Index in the year to the previous December. For members who joined the Fund on or after 1 April 2002 ("post-2002 members") the cap on increases is 5%. As from 1 April 2024 pensions and deferred pensions were increased by 5.16% for pre-2002 members and 5.00% for post-2002 members on the excess over GMP (2023: 10.00% for pre-2002 and 5.00% for post-2002 members). The increase is not discretionary. The increase did not apply to members who are only entitled to Equivalent Pension Benefits.

Transfer Values

Payments made in respect of members who exercise their rights to have transfer payments made to other pension arrangements reflect the value of their accrued benefits and are calculated in accordance with the provisions of the Pension Schemes Act 1993 using tables provided by the Actuary. There has been no recent custom or practice of awarding discretionary benefits to deferred pensioners, other than the Trustee allowing early payment of deferred pensions on neutral financial terms so no allowance is made for any discretionary benefits in the calculation of transfer values. Payments made during the year fully reflected the value of the members' accrued benefit rights.

Internal Dispute Resolution Procedure

The Internal Dispute Resolution Procedure provides a formal mechanism through which individuals can seek resolution of any complaint or dispute relating to the Fund. The Procedure covers disagreements between the Trustee and members, prospective members, widows, widowers and dependants. A copy of the Procedure is available on request from the Pensions Manager.

Additional compliance information

The following information can be found online on the Fund's website www.myimperialpension.com:

- Statements of Investment Principles.
- Implementation statement.
- Chair's statement.
- Taskforce on climate-related financial disclosures report.

Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Imperial Tobacco Pension Fund**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Fund's technical provisions as at 31 March 2022 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Fund and set out in the Statement of Funding Principles dated 20 April 2023.

T Panter

**Tim Panter
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, WTW
20 April 2023**

**Towers Watson Limited, a
WTW Company
3 Temple Quay
Temple Back
East Bristol
BS1 6DZ**



Imperial Tobacco Pension Fund

Schedule of Contributions

The contributions payable to the Imperial Tobacco Pension Fund ('the Fund') shall be as follows, subject to review from time to time as required under the Pensions Act 2004, or otherwise. This schedule replaces the schedule dated 30 June 2020 and covers a period from 20 April 2023 to 30 April 2028.

Defined Benefit Section

Contributions by or on behalf of Employed Members:

5% of Pensionable Pay for all employees who joined the Imperial Tobacco Pension Fund after 31 March 2002.

5% of Pensionable Pay in excess of 47/30ths of the Fund's Earnings Cap for all employees who joined the Fund post 31 May 1989 but who are not Post March 2002 members.

Nil for all other members.

Employed Members may also pay additional voluntary contributions.

Contributions by or on behalf of the Participating Company:

Subject to comments below, contributions to the Fund from 20 April 2023 onwards are set out in the table below and are dependent upon the size of the deficit or surplus on the winding up basis, including any funds in escrow but excluding any allowance for disinvestment costs, as assessed annually by the Fund Actuary each 31 March.

Winding up position at preceding 31 March	Annual deficit contribution	Contributions in respect of ongoing accrual
Deficit > £500m	£?Om	100% of Pensionable Pay
Deficit > £200m	£50m	100% of Pensionable Pay
Deficit > £100m	£35m	100% of Pensionable Pay
Deficit < £100m	£20m	100% of Pensionable Pay
Deficit < £50m	£20m paid to an escrow account	100% of Pensionable Pay to an escrow account
Surplus < £50m	0	100% of Pensionable Pay to an escrow account
Surplus > £50m	0	0

The annual assessment of the winding up deficit will be based on the Actuarial Report or initial valuation results as at the 31 March immediately prior to the start of the Fund year. This annual assessment will take into account any insurer pricing information obtained from the insurance market.

Annual deficit contributions will be made in two equal instalments over the Fund year, with the first payment being made before 31 October and the second payment being made before 31 March.

Contributions in respect of ongoing accrual will also be made in two instalments over the Fund year, with the first payment being made before 31 October and the second payment being made before 31 March. In the circumstance where new insurer market information is obtained by a joint Trustee and Company group prior to 31 January, then the Fund Actuary will revise the 31 March winding up deficit/surplus assessment to take into account the insurer pricing information received. This revised figure will be used



to set the overall deficit contribution level for the Fund year, and the March contribution will be calculated as the balance required.

If there has been a Step Up Rating Change (as defined below) which has not been followed by a Step Down Rating Change (as defined below) then in the situation where the annual assessment shows a deficit of less than £50m the required contributions will be paid into the Fund rather than into an escrow account.

Conditions for release of escrow funds to the Fund and to the Company are set out in the escrow agreement dated 20 April 2023.

Contingent change in the level of Company contributions:

In the event of a Step Up Rating Change or a Step Down Rating Change (as defined below) the following additional Company contributions are payable:

From the month following the date of a Step Up Rating Change, if any, additional deficit contributions to the Fund equal to one-sixth of the annual deficit contribution (payable by the end of each month).

Furthermore, in the event of a Step Down Rating Change following a Step Up Rating Change, these additional contributions will cease from the following month.

As an example, if a Step Up Rating Change occurs during October 2024 and a Step Down Rating Change occurs in March 2025 and the deficit at 31 March 2023 was assessed to be greater than £500m, there will be five monthly deficit payments of £11.667 million from November 2024 to March 2025, in addition to the deficit payments of £35 million due by 31 October 2024 and £35 million due by 31 March 2025.

The principles set out above will apply if multiple Step Up and Step Down rating changes apply in succession.

Should an additional deficit contribution be payable prior to the annual assessment of the deficit being completed for that Fund year then the additional deficit contribution will initially be based on the level of annual deficit contribution for the preceding Fund year. The level of additional deficit contribution will be updated on completion of the annual assessment, with adjustment to reflect any over/under payments made in the early part of the Fund year.

As an example, suppose that the annual deficit contribution for 2023/24 was £50m and the annual assessment at 31 March 2024 was completed on 31 May 2024 and showed that the 2024/25 annual deficit contribution would be £35m. In the situation where additional monthly deficit contributions were being made as a result of a Step Up Rating Change these would be calculated as £8.333 million a month in April 2024 and May 2024 (ie based on the 2023/24 annual contribution level). From 1 June 2024 they would be calculated as £5.833 million a month (ie based on the 2023/24 annual contribution level), with the June 2024 deficit contribution adjusted downwards by £5 million (to give £0.833 million) reflecting the overpayments in April and May.

Once the winding up deficit has been eliminated, as assessed by the Fund Actuary, the additional Company contributions described above cease. Company contributions based on the level of the deficit/surplus as set out in the table above will continue to be paid (ie contributions to cover the cost of accrual will be paid to the escrow account if the surplus is less than £50m).

Where "Rating Agency" means either Moody's Investors Service Limited ("Moody's") or S&P Global Ratings Europe Limited ("S&P") and "Rating Agencies" means both of them;

"Step Up Rating Change" means the first public announcement by either a Rating Agency or both Rating Agencies of a decrease in the solicited credit rating of Imperial Brands PLC's senior unsecured long-term debt to below Baa3 (in the case of Moody's) or to below BBB- (in the case of S&P); and

"Step Down Rating Change" means the first public announcement after a Step Up Rating Change by either a Rating Agency or both Rating Agencies of an increase in the solicited credit rating of Imperial Brands PLC's



senior unsecured long-term debt with the result that, following such public announcement(s), both Rating Agencies rate Imperial Brands PLC's senior unsecured long-term debt as Baa3 or higher (in the case of Moody's) and BBB- or higher (in the case of S&P)

Imperial Brands PLC shall use all reasonable efforts to maintain solicited credit ratings for its senior unsecured long-term debt from the Rating Agencies. If, notwithstanding such reasonable efforts, either Rating Agency fails to or ceases to assign a solicited credit rating to Imperial Brands PLC's senior unsecured long-term debt, Imperial Brands PLC shall use all reasonable efforts to obtain a solicited credit rating of its senior unsecured long-term debt from Fitch Ratings Limited (or its successor or such other rating agency as the Trustee may approve, such approval not to be unreasonably withheld or delayed), and references to Moody's or S&P, as the case may be, or the credit ratings thereof, shall be to such substitute rating agency or, as the case may be, the equivalent credit ratings thereof. In the event of both Rating Agencies failing to or ceasing to assign a solicited credit rating to Imperial Brands PLC's senior unsecured long-term debt, Imperial Brands PLC and the Trustee will endeavour to agree which credit rating agency or agencies will be substituted

Special Company contributions:

In addition, the Participating Company will make any special contributions to the Fund as may be appropriate in specific circumstances, in accordance with the trust deed and rules and as agreed by the Scheme Actuary.

Expenses

A reserve has been held in the Fund in respect of ongoing administrative expenses, including Pension Protection Fund levies which will be payable directly from the Fund. No contributions will be required from the Participating Company in respect of such expenses.



Defined Contribution Section

Contributions by or on behalf of Employed Members:

A minimum of 4% of Pensionable Pay, except for certain members where Imperial Tobacco Limited confirm an alternative rate of contribution which is at least at a level to ensure that the DC Section can be an 'Auto-enrolment Scheme'.

Employed Members may elect to pay additional contributions in excess of the minimum required.

The total percentage of Pensionable Pay elected by members must be a whole number and must not exceed 100% of Pensionable Pay.

References above to Pensionable Pay should be taken as referring to the aggregate of the member's Pensionable Pay and Pensionable Supplement in accordance with the Rules.

Contributions by or on behalf of the Participating Company:

8% of Pensionable Pay where the member has elected to pay 4% of Pensionable Pay.

10% of Pensionable Pay where the member has elected to pay 5% of Pensionable Pay.

12% of Pensionable Pay where the member has elected to pay 6% of Pensionable Pay.

14% of Pensionable Pay where the member has elected to pay 7% or more of Pensionable Pay.

For certain members, Imperial Tobacco Limited confirm an alternative rate of contribution which is at least at a level to ensure that the DC Section can be an 'Auto-enrolment Scheme'.

Special Company contributions

In addition, the Participating Company will make any special contributions to the DC Section as may be appropriate in specific circumstances, in accordance with the trust deed and rules, including payment of member contributions.

Salary sacrifice

Where a member has not opted out of the Defined Contribution salary sacrifice arrangement, no contribution is payable by the member. However, the Participating Company is required to make a payment on the member's behalf equal to the contribution that would have been paid by the member had he not joined the salary sacrifice arrangement. These contributions are due within the same timescale as member contributions.

Expenses

The Participating Company will meet all of the ongoing costs and expenses apportioned to the DC Section, including those required to meet the premiums associated with death in service benefits. Any costs or expenses that are not met directly by the Participating Company will be met by the Trustee and reimbursed by the Company.



Both sections

Payment dates

Contributions expressed as a percentage of Pensionable Pay shall be payable within 19 days, or 22 days if paid electronically, of the end of each calendar month to which they apply. However, the Participating Company will use its best endeavours to remit Employed Member contributions as soon as possible after each monthly payroll.

Agreed on behalf of
Imperial Tobacco Pension Trustees Limited:

Agreed on behalf of
Imperial Tobacco Limited:

Director:
Helen Clatworthy
Mrs

Director:
uavid Tillekeratne
Group FD

Date: 20 April 2023

Date: 20 April 2023



Actuarial Certificate

Schedule of Contributions

Actuarial certification for the purposes of regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme **Imperial Tobacco Pension Fund**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions (signed 20 April 2023) are such that the statutory funding objective could have been expected on the valuation date, 31 March 2022, to continue to be met for the period for which the schedule is in force

I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 20 April 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 Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

The sole purpose of this certificate is to provide the Trustees with the actuary's certification of the Schedule of Contributions as required under Section 227 of the Pensions Act 2004. The work is subject to and complies with the Financial Reporting Council's Technical Actuarial Standards 100: Principles for Technical Actuarial Work and 300: Pensions.

Tim Panter
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a WTW Company

3 Temple Quay
Temple Back East
Bristol
BS1 6DZ

Date 20 April 2023

Imperial Tobacco Pension Fund

Statement of Investment Principles – Defined Contribution Section

January 2025

1. Introduction

Imperial Tobacco Trustees Limited (“the Trustee”), as the Trustee of the Imperial Tobacco Pension Fund (the “Fund”), has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern the decisions about the Fund’s investments. The Trustee’s investment responsibilities are governed by the Fund’s Trust Deed and Rules.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written investment advice from its Investment Consultant Isio Group Limited (“Isio”). In addition, consultation has been undertaken with Imperial Tobacco Ltd (“the Sponsor”) in agreeing this Statement and changes to it, the Fund’s investment arrangements and, in particular on the Trustee’s objectives.

This Statement applies to the Defined Contribution (DC) Section only. There is a separate Statement for the Defined Benefits Section.

This Statement is available to Fund members on request and is published publicly at myimperialpension.com/library/.

The Trustee will monitor compliance with and review this Statement at least once every three years and will review it without delay if there are relevant, material changes to the investment arrangements, the Fund and/or the Sponsor. Any such review will be based on written expert investment advice and will be in consultation with the Sponsor.

For and on behalf of Imperial Tobacco Trustees Limited, as Trustee of the Imperial Tobacco Pension Fund

Signed

H F Clatworthy

Date 31 January 2025

Trustee Investment Objectives

In relation to the DC Section, the Trustee views its role as the following:

- To establish a default investment option appropriate for the needs of the membership.
- To make available a range of pooled investment funds which serve to meet the needs and risk tolerances of the members in a DC pension arrangement. The Trustee recognises that members of the Fund have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different time horizons and attitudes to risk. The Trustee believes that members should be able to make their own investment decisions based on their individual circumstances.

Fund Governance

The Trustee takes advice from its Investment Consultant and other professional advisers as appropriate. Fees for the Investment Consultant are based on an annually agreed retainer fee, with any work not covered by the retainer charged as a fixed fee or on a time costs basis as agreed in advance.

The Trustee is responsible for the investment of the Fund's assets and has ultimate control over the decisions on investment strategy. The Trustee decides what to delegate after considering whether it has the necessary internal skills, knowledge and professional support to make informed and effective decisions.

The Trustee is reviewing its current governance structure and continuing to develop an effective system of governance, in line with the applicable regulatory guidance. When considering governance, the Trustee recognises the benefits of dedicated oversight through establishing an Investment Committee. The Trustee has delegated certain investment powers to an Investment Committee with separate Terms of Reference. This governance structure is reviewed regularly.

Responsible Investment and Corporate Governance (Voting and Engagement)

The Trustee believes that environmental, social, and corporate governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The consideration of ESG matters (including climate factors) relating to the Fund's investments will be included within the effective system of governance.

The Trustee has given appointed Investment Managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in the selection and retention of new managers and monitoring existing Investment Managers. Monitoring is undertaken on a regular basis and is documented at least annually. In particular, the Trustee makes use of ratings provided by Isio, the Fund's Investment Consultant, to facilitate this.

A separate ESG Policy, which was last updated by the Trustee in June 2024, sets out the Trustee's ESG beliefs and clarifies how they will be incorporated into investment decision making.

The Trustee has not set any investment restrictions on the appointed Investment Managers in relation to particular products or activities but may consider this in future.

Investment Policies

The Trustee has made available a range of individual self-select fund options for investment in addition to the default investment option. When selecting the fund range, different demographics and needs of members are considered, such as the inclusion of a Shariah compliant fund for those with specific requirements. More details specifically related to the default investment option are provided in a separate section of this Statement.

The Trustee delegates the day-to-day investment decisions of the assets in the DC Section of the Fund to a range of Investment Managers through the DC service provider's (Legal & General) Platform. The Trustee is responsible for the selection, appointment, removal and monitoring of these external Investment Managers. The Trustee has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Fund's investments and that the managers are carrying out their work competently.

In considering appropriate investments for the Fund, the Trustee has obtained and considered the written advice of its Investment Consultant, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended) and subsequent legislation.

The Trustee's policies in relation to the Fund's investment management arrangements with the investment managers are set out in Appendix A.

In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets and therefore should be realisable based on member demand. It is the Trustee's policy to offer both active and passive management options to members, depending on asset class.

A range of asset classes has been made available, including developed market equities, money market investments, index-linked gilts, diversified growth funds and annuity protection funds. The Trustee also makes available Shariah-compliant and sustainable fund options.

Members can combine the investment funds in any proportion in order to determine the balance between different kinds of investments. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances.

In addition to the default, the Trustee has made available six different lifestyle investment options built to be suitable for a member who wishes to take either cash, an annuity (secured income) or follow income drawdown (variable income) at retirement. Three of the six offer members a more ESG focussed option, targeting the same three retirement outcomes listed above.

Policy on Illiquid assets

The Trustee considers all investment opportunities available to achieve best value for the Fund's members. This includes investment in illiquid assets such as private equity, private debt, infrastructure and real estate. The Trustee believes, subject to effective implementation, that these assets can add value to members' retirement savings.

The default arrangement for the Fund is structured as a range of Target Date Funds (TDFs) whose management is delegated to Legal & General Investment Management (LGIM) who have responsibility for the underlying asset allocation.

The default invests in illiquid assets as follows:

The amounts invested in illiquids during the growth phase differ depending on when a member expects to retire and how far the member is from retirement.

For members retiring before 2040, there is no exposure to illiquid assets in the growth phase. For members retiring after 2040, there is a c.1% allocation to the Private Markets Access Fund within the growth phase. This includes private equity, private debt, physical property, infrastructure and sustainable resources.

On the approach to retirement, members within the default investment strategy will hold illiquid assets via the Short Term Alternative Finance (STAF) fund, which holds private credit, and the Retirement Income Multi Asset (RIMA) fund, which holds private credit and physical property. Allocations to these two funds gradually increase during the years before retirement.

At the point of retirement, members will hold c.15% in illiquids, currently consisting of c.12.9% in private credit and c.2.4% in physical property (October 2024 data).

Legal & General will update these allocations over time. The Trustees will continue to engage with Legal & General's progress in this space and review the ongoing suitability for the Fund's members.

Managing and measuring risks

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
<p>Inflation Risk</p> <p>The real value (i.e. post inflation) value of members' accounts decreases.</p>	<p>The Trustee provides members with a range of funds, across various asset classes, with the majority expected to keep pace with inflation (with the exception of the money market and fixed interest bond funds).</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation</p>

Risk	How it is managed	How it is measured
<p>Pension Conversion Risk</p> <p>Member's investments do not match how they would like to use their pots in retirement.</p>	<p>The Trustee makes available a universal default in addition to six lifestyle strategies for DC members, each targeting either cash, drawdown or annuity.</p> <p>These lifestyle strategies increase the proportion of assets that more closely match the chosen retirement destination as members approach retirement. This aims to reduce the risk of a substantial fall in the purchasing power of their accumulated savings near retirement.</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).</p>
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>The Trustee provides members with a range of funds, across various asset classes. Members are able to set their own investment strategy in line with their risk tolerances.</p> <p>For the multi-asset funds which are targetting non-market benchmarks this is delegated to Investment Managers.</p>	<p>Monitors the performance of investment funds regularly.</p>
<p>Counterparty Risk</p> <p>A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Delegated to external Investment Managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Monitors the performance of investment funds regularly.</p>
<p>Currency Risk</p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies.</p> <p>The currency risk management is delegated to Investment Managers.</p> <p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Monitors the performance of investment funds regularly.</p> <p>Considers the movements in foreign currencies relative to pound sterling in performance reporting.</p>
<p>Operational Risk</p> <p>A lack of robust internal processes, people and systems.</p>	<p>The Investment Consultant's ratings for fund managers include consideration of management of operational risk.</p>	<p>Concerns regarding operational risk are raised by the Investment Consultant.</p>

Risk	How it is managed	How it is measured
<p>Liquidity Risk</p> <p>Assets may not be readily marketable when required.</p>	<p>The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Legal & General. Illiquid assets are accessed via a fund structure which is priced daily, with liquidity of the illiquid assets managed within this structure.</p>	<p>The pricing and dealing terms of the funds underlying the unit-linked insurance contract.</p>
<p>Valuation Risk</p> <p>The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.</p>	<p>The majority of Investment Managers invest solely in liquid quoted assets. However, there is exposure to illiquid assets within some of the funds.</p> <p>The management of valuation risk is delegated to the appointed Investment Managers.</p>	<p>The Trustee monitors performance of funds.</p>
<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Fund e.g. extreme weather events, poor governance.</p>	<p>The Trustee has given appointed Investment Managers full discretion in evaluating ESG factors.</p> <p>A separate ESG Policy sets out the Trustee's ESG beliefs and clarifies how they will be incorporated into investment decision making.</p> <p>The Trustee makes available a range of sustainable focussed funds in the self-select range.</p>	<p>The Trustee reviews its Investment Managers' policies and actions in relation to this regularly. The Trustee also relies on its investment advisor for additional analysis and insights in assessing financial materiality of risks.</p>
<p>Manager Skill / Alpha Risk</p> <p>Returns from active investment management may not meet expectations, leading to lower than expected returns to members.</p>	<p>The Trustee makes available a number of actively managed funds to DC members where they deem appropriate.</p> <p>The actively managed funds made available are reviewed by its Investment Consultant, based on forward-looking expectations of meeting objectives.</p>	<p>The Trustee considers the view of their Investment Consultant during the selection process.</p> <p>Trustee monitors performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective</p>

The above items are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their Selected Retirement Age. It is for this reason that a number of lifestyle options have been made available to members. In addition, member views, when expressed, relating to all financial and non-financial matters are considered.

DEFAULT INVESTMENT OPTION

The Trustee recognises that not all members wish to make an active choice that is tailored to their individual circumstances. The vast majority of DC Fund members do not make an active investment decision and are, therefore, invested in the default option. However, it is expected that a proportion of members will actively choose the default option because they feel it is most appropriate for them.

Following a review of the default investment strategy, and a subsequent review of the provider, the Trustees have appointed Legal & General as the provider. Legal & General's off-the-shelf default and self-select range are used by the Trustee. As part of this appointment the Trustee has selected the Legal & General Target Date Funds (TDF) as the default strategy for the Fund.

Aims and Objectives

The lifestyle strategy targeting a flexible retirement outcome has been chosen as the default investment option by the Trustee. This strategy initially aims to maximise returns, at an appropriate level of risk, for the majority of the members' working life before switching as retirement approaches into diversified funds, to target a flexible retirement outcome for members to decide how they would like to access their savings.

The lifestyle strategy's growth phase invests in equities and other growth-seeking assets that will provide growth with some downside protection and some protection against inflation erosion.

As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy which seeks to reduce investment risk as the member approaches retirement is appropriate.

An investment strategy that targets flexible outcomes at retirement reflects the fact that members may do a variety of different things at retirement. This is based on the Trustee's understanding of the Fund's membership profile. This does not mean that members have to take their benefits in a set format at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits through other, defined formats, have the option of switching to an alternative lifestyle strategy prior to retirement or choosing their own investment strategy. This default strategy is designed to provide flexibility to members at this stage.

The TDF structure allows members to invest in a specific fund vintage which is aligned with their target retirement date, and members can stay in that vintage for their entire savings journey. The underlying investments in each of the vintages change through time as members get closer to retirement.

Investment Policies

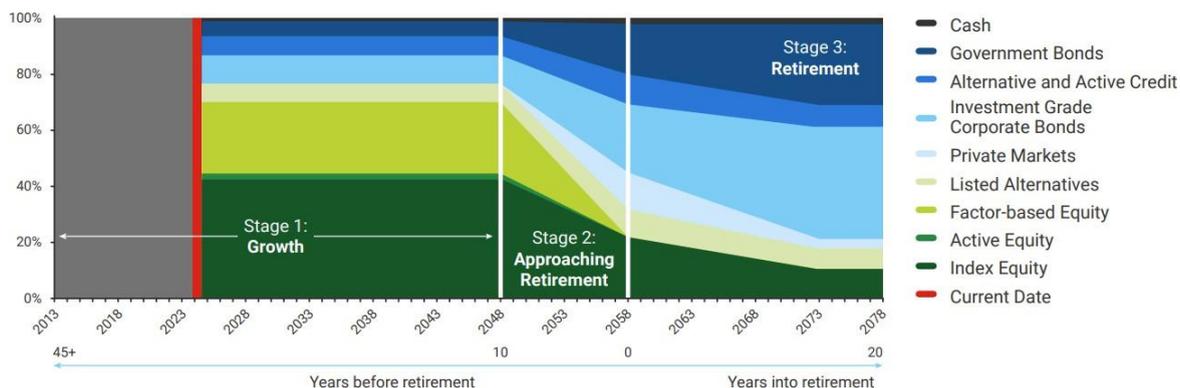
In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members. All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets and therefore should be realisable based on member demand. The default investment option includes both active and passive management, depending on asset class.

The default TDF strategy aims to target an allocation which provides flexible retirement outcomes at retirement. The mix of assets within the fund changes over time to reflect

the needs of scheme members as they approach and go beyond their target retirement date. During the growth phase, members will be invested primarily in equities, listed property and listed infrastructure with a small allocation to private markets alongside some diversification into fixed income assets. They aim to grow the value of members' pension savings while members are a relatively long way from retirement. The strategy will then gradually reduce the level of risk members are exposed to as they get nearer to when they expect to retire. The strategy will do this by moving some of the equity holdings into more fixed income assets such as corporate bonds. The assets at this stage aim to provide a modest return, whilst providing a lower overall risk.

The Target Date Funds are constructed using five-year cohorts, and members' savings are invested in the fund that matches most closely when they expect to retire. Therefore, a member with target retirement date of 2058, for example, will use the 2055-2060 Fund.

An illustration of the underlying funds within the L&G PMC 2055 – 2060 Target Date Fund is shown below (as at October 2024) which shows the various stages of the investment strategy.



When choosing the current default lifestyle strategy, the Trustee explicitly considered the trade-off between risk and expected returns. Risk was not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The default investment option allocates to a diversified strategic asset allocation consisting of traditional and alternative assets. The asset allocation is consistent with the expected amount of risk that is appropriate given the age of a member and their Selected Retirement Age.

The Trustee will continue to review the investment arrangement and ensure its ongoing suitability for the Fund's members. The last review of the default took place in 2023, with a provider review in 2024. The new default has been in place for all members since January 2025.

The Trustee has considered risks within the default from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
<p>Inflation Risk</p> <p>The real value (i.e. post inflation) value of members' accounts decreases.</p>	<p>During the growth phase of the default investment option the Trustee invests in a diversified range of assets which are likely to grow in real terms. The Trustee monitors the performance of the growth phase against the change in CPI.</p> <p>The default investment option invests in a diversified range of assets which are considered likely to grow in excess of inflation.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation</p>
<p>Pension Conversion Risk</p> <p>Member's investments do not match how they would like to use their pots in retirement.</p>	<p>The default investment option is a lifestyle strategy which targets flexible outcomes as a retirement destination.</p> <p>The Trustee believes that a strategy targeting flexible retirement provides optionality for members reflecting the fact that members can do a variety of things at retirement. More targeted lifestyles targeting specific benefits are available.</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation (the retirement destination).</p> <p>As part of the triennial default strategy review, the Trustee ensure the default destination remains appropriate.</p>
<p>Market Risk</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p> <p>For the diversified growth funds which are targeting non-market benchmarks this is delegated to Investment Managers.</p>	<p>Monitors the performance of the default investment strategy regularly.</p>
<p>Counterparty Risk</p> <p>A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>In line with the main DC section.</p> <p>Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p>	<p>Monitors the performance of the default investment strategy regularly.</p>

Risk	How it is managed	How it is measured
<p>Currency Risk</p> <p>The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>The allocations within the default investment option are a mixture of currency hedged and unhedged. The currency risk management is delegated to appointed Investment Managers.</p> <p>Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p>	<p>Monitors the performance of the default investment strategy regularly.</p> <p>Considers the movements in foreign currencies relative to pound sterling in performance monitoring.</p>
<p>Operational Risk</p> <p>A lack of robust internal processes, people and systems.</p>	<p>The Investment Consultant's ratings for fund managers within the default include consideration of management of operational risk.</p>	<p>In line with the main DC Section.</p>
<p>Liquidity Risk</p> <p>Assets may not be readily marketable when required.</p>	<p>The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from Legal & General. Illiquid assets are accessed via a fund structure which is priced daily, with liquidity of the illiquid assets managed within this structure.</p>	<p>In line with the main DC Section.</p>
<p>Valuation Risk</p> <p>The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.</p>	<p>The majority of the default invests solely in liquid quoted assets. However, within the default there is exposure to illiquid assets.</p> <p>The management of valuation risk is delegated to the appointed Investment Managers.</p>	<p>In line with the main DC Section.</p>
<p>Environmental, Social and Governance Risk</p> <p>ESG factors can have a significant effect on the performance of the investments held by the Fund e.g. extreme weather events, poor governance.</p>	<p>The Trustee has given appointed Investment Managers full discretion in evaluating ESG factors.</p> <p>A separate ESG Policy sets out the Trustee's ESG beliefs and clarifies how they will be incorporated into investment decision making.</p>	<p>The Trustee reviews its Investment Managers' policies and actions in relation to this regularly.</p>

Risk	How it is managed	How it is measured
<p>Manager Skill / Alpha Risk</p> <p>Returns from active investment management may not meet expectations, leading to lower than expected returns to members.</p>	<p>In line with the main DC Section.</p> <p>The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.</p>	<p>In line with the main DC Section.</p>

The above items listed in this section of this Statement are in relation to what the Trustee considers 'financially material considerations'. The appropriate time horizon for which to assess these considerations is the same as for the main DC Section.

Member views, when expressed, relating to all financial and non-financial matters are considered.

Member's Best Interests

Taking into account recent and accurate demographics of the Fund's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the default strategy outlined in this document is appropriate. These demographics include the split of membership across the following cohorts:

- Actives / Deferred
- Age profile
- How and when members access their benefits if such data is available

In order to ensure this remains appropriate the Trustee will undertake a review of the default investment option, at least triennially, or after significant changes to the Fund's demographic, if sooner. As referenced in Section 7.4, the Trustee has reviewed the default investment option.

Appendix A

The Trustee has the following policies in relation to the investment management arrangements for the Fund:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.</p>	<ul style="list-style-type: none"> The Fund is invested in pooled funds, there is no scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the Fund's strategic objective.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.</p>	<ul style="list-style-type: none"> The Trustee reviews the performance of all of the Fund's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. Investment manager fee rates are reviewed annually to ensure that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis. The investment managers are required to provide transaction cost information on an annual basis, on the slippage cost methodology, for disclosure to members within the annual Chair Statement.
<p>The duration of the Fund's arrangements with the investment managers</p>	<ul style="list-style-type: none"> The Fund invests in pooled funds, the duration of which is flexible, and the Trustee will from time-to-time consider the appropriateness of the fund range and whether they should continue to be held.
<p>Environmental, Social, Corporate Governance factors and the exercising of rights</p>	<ul style="list-style-type: none"> The Trustee receives information from their investment advisers on the investment managers' approaches to engagement. The Trustee will engage, via their investment adviser where appropriate, with investment managers and/or other relevant persons

	<p>about relevant matters at least annually. For example, if:</p> <ul style="list-style-type: none"> ○ The manager has not acted in accordance with their policies and frameworks. ○ The manager's stewardship policies and priorities are not in line with any policies the Trustee has set and any priorities in this area, when appropriate. <ul style="list-style-type: none"> ● Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.
<p>Performance, Strategy and Risk</p>	<ul style="list-style-type: none"> ● The Trustee receives a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which is considered at the Trustee and Investment Committee meetings. ● The Fund's investment managers are invited from time to time to present to the Investment Committee on their performance, strategy and risk exposures. ● Additional engagement with managers may be required if: <ul style="list-style-type: none"> ○ There are significant changes made to the investment strategy. ○ The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. ○ Underperformance vs the performance objective over the period that this objective applies.

Imperial Tobacco Pension Fund Implementation Statement June 2025

Background and Implementation Statement

Background

The Department for Work and Pensions (“DWP”) has increased regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (“ESG”) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their Statement of Investment Principles (“SIP”) and demonstrate adherence to these policies in an implementation statement.

Statement of Investment Principles (“SIP”)

The latest SIP can be found [here](#) and changes to the SIP are detailed further on the following pages.

Implementation Statement

This Implementation Statement is to provide evidence that the Fund continues to follow and act on the principles outlined in the SIP. This statement details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest
- voting behaviour covering the year up to 31 March 2025 for and on behalf of the Fund including, where available, the most significant votes cast by the Fund or on its behalf
- the policies in place to ensure the default strategy of the DC section remains in the best interest of its members.

Summary of key actions undertaken over the Fund's reporting year

- During the year, the Trustee regularly reviewed the position of the DB Section and potential options for further risk reduction. This included reviewing the LDI portfolio and monitoring cash inflow from illiquid assets.
- Over the reporting year, the Trustee reviewed and updated the hedge ratio target to 92% of the liability benchmark, which is intended to broadly reflect sensitivities in insurer pricing. As at 31 March 2025, the Fund's hedge ratio was 92%.
- As the portfolio hedge ratio aligned with the target hedge ratio, the IC agreed a priority list for investing available cashflow, with next steps being to increase the yield headroom and begin investing in corporate bonds. An initial investment in corporate bonds was made in the final quarter of the reporting year.
- The Trustee had agreed to terminate its Secured Income mandate held with M&G in September 2023, with redemptions paid out over four quarterly tranches following an initial waiting period. The final redemption was received in January 2025.
- During the reporting year, the Trustee undertook a review of the DC Section's platform provider and decided to change provider to Legal & General (L&G) from Aegon Asset Management. This was completed within the financial year with the transfer of accrued assets to L&G's off-the-shelf default solution taking place in January 2025.

Implementation Statement

This statement demonstrates that the Trustee of the Imperial Tobacco Pension Fund has adhered to its investment principles and its policies for managing financially-material considerations including ESG factors and climate change.

Signed T Lukic for Dalriada Trustees Limited

Position Chair

Date 02/10/25

Managing risks and policy actions

Trustee policies for managing risks

The Trustee has identified the following risks that it has considered in the Fund's SIP. These risks and the Trustee's policies are set out in the tables below.

The key actions the Trustee has taken over the accounting year to address some of these risks have been highlighted in the table.

Defined Benefit Section

Risk / Policy	Definition	Policy	Actions
Interest rate and inflation	The Fund suffers a financial loss through exposure to interest rate and inflation risks on its liabilities or through exposure to interest rate and inflation risks on its assets, which differ from those on the liabilities.	The Trustee uses LDI to hedge a portion of the interest rate and inflation exposure, reducing the risk.	The Trustee has a segregated LDI portfolio to provide a bespoke interest rate and inflation hedge that replicates the majority of the sensitivities of the Fund's liabilities to these risk factors. The Trustee considers the liquidity of the Fund's assets when setting the target hedge ratio.
Credit	Default on payments by issuers of corporate bonds and other debt assets the Fund holds or through reductions in the market values of those assets.	The Trustee diversifies this risk by investing in a range of credit opportunities.	The Trustee has sold its Secured Income mandate managed by M&G to increase liquidity. Credit risk remains elsewhere in the portfolio, and allocations to these assets are expected to fall gradually over time. The Trustee has reintroduced the segregated Buy & Maintain portfolio.
Longevity	The risk that life expectancy and actual survival rates exceed expectations or the Fund's pricing assumptions.	The Trustee considers the risks associated with longevity when implementing the investment policy.	The Fund previously purchased a bulk annuity policy which covers part of the Fund's overall longevity risk.
Concentration	Over-exposure to a single asset which suffers losses relative to the Fund's liabilities.	The Trustee has set an investment strategy that uses multiple asset types, strategies, regions and sectors to ensure diversification.	No action.

Currency	The Fund suffers a financial loss through exposure to currencies other than sterling.	The Investment Managers are responsible for hedging any currency risk to reduce the potential impact of overseas currency exposure on the performance of mandates with exposure outside of the UK.	No action.
Counterparty	The Fund suffers a financial loss as a result of the failure of a counterparty to meet its obligations to the Fund (or to a fund in which the Fund invests).	The Fund and the counterparty both post collateral to the other party on a daily basis to account for market movements in the value of derivatives held.	No action.
Manager	The risk associated with one manager having responsibility for all of the Fund's assets.	The Trustee reduces this risk by dividing the assets between a number of investment managers.	No action.
Custodian	A custodian defaults or fails in its safekeeping of the Fund's assets leading to a financial loss for the Fund.	The Trustee has a written agreement in place with the custodian to assure the physical security of the Fund's assets held by the custodian.	No action.
Liquidity	The Fund is unable to raise cash when it needs to without incurring excessive costs.	The Trustee considered the liquidity of the Fund's assets in the context of likely cash flow needs.	The Trustee has taken steps to increase liquidity over the year to help support the LDI portfolio and wider cashflow requirements.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can have a material impact on investment risk and return outcomes.	The Trustee has a separate policy for ESG factors, and this can be found later in this document.	<p>ESG actions undertaken:</p> <ul style="list-style-type: none"> The managers' ESG policies were reviewed and presented to the Investment Committee in a Sustainability Integration Assessment report. As part of the Task Force on Climate-related Financial Disclosure ("TCFD") requirements, the Trustee conducted a review of the DB and DC Section's climate-related metrics. <p>More details of the ESG policy and how it was implemented are presented later in this statement.</p>

Defined Contribution Section

Risk / Policy	Definition	Policy	Actions
Inflation Risk	The real value (i.e. post inflation) value of members' accounts decreases.	The Trustee offers a default option which invests in a diversified range of assets which are likely to grow in real terms. There are also self-select fund options available across a range of asset classes, with the majority expected to keep pace with inflation. Members can set their own investment allocations, in line with their requirements versus inflation.	The Trustee reviewed the ongoing suitability of the investment arrangements and agreed to appoint a new DC platform provider and implement a new well-diversified, default investment solution. This is now managed by L&G. The Trustee, along with their investment advisors, monitor this on an ongoing basis.
Pension Conversion Risk	Members' investments do not match how they would like to use their pots in retirement.	The Trustee makes available a universal default in addition to six lifestyle strategies for DC members, each targeting either cash, drawdown or annuity purchase at retirement. The default investment option is a lifestyle strategy which targets flexible access income drawdown as a retirement destination.	The Trustee, as part of the move to L&G, reviewed the range of lifestyle strategies available to ensure they reflected the varying needs of members.
Market Risk	The value of securities, including equities and interest-bearing assets, can go down as well as up.	The default investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	The Trustee monitored the performance of different markets and the impact on the fund performance throughout the year as part of their quarterly reporting and meeting structure.
Counterparty Risk	A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.	Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee.	No action.
Currency Risk	The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	Investment strategy is set with the intention of diversifying this risk to reach a level of risk deemed appropriate for the relevant members by the Trustee. Within the diversified growth funds the currency risk management is delegated to Investment Managers.	No action.
Operational Risk	A lack of robust internal processes, people and systems.	The Investment Consultant's ratings for fund managers include consideration of management of operational risk. Furthermore, L&G, who now manage the day-to-day management of the portfolio,	The Trustee monitors the fund managers as part of its quarterly Investment Committee meetings, with the Investment Consultant providing material and advice to assist in this process.

	have a rigorous manager due- diligence process.		
Liquidity Risk	Assets may not be readily marketable when required	The Trustee accesses daily dealt and daily priced pooled funds through a unit-linked insurance contract from L&G. Illiquid assets are accessed via a fund structure which is priced daily, with liquidity of the illiquid assets managed within this structure.	There is a small allocation to illiquids as part of the new default at L&G. The appropriateness of this was considered as part of their appointment. Managing liquidity within the portfolio is key and the Trustee has determined that L&G are able to manage this appropriately.
Valuation Risk	The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.	The investment strategy predominantly invests in liquid assets. However, there is exposure to illiquid assets within some of the funds. The diversified growth funds may hold illiquid assets. However, the management of valuation risk is delegated to Investment Managers.	There is a small allocation to illiquids as part of the new default at Legal & General. The appropriateness of this was considered as part of their appointment.
Environmental, Social and Governance Risk	ESG factors can have a significant effect on the performance of the investments held by the Fund e.g. extreme weather events, poor governance.	The Trustee has a separate policy for ESG factors, and this can be found later in this document. In addition, the Trustee has made available a range of sustainable focussed funds in the self-select range.	The Trustee reviewed the extent to which ESG is embedded within the processes of the investment managers as part of the continued review of the default carried out over the year as well as the platform review. In addition, the following ESG actions were undertaken: <ul style="list-style-type: none"> • The managers' ESG policies were reviewed and presented to the Investment Committee in a Sustainability Integration Assessment report. • As part of the Task Force on Climate-related Financial Disclosure ("TCFD") requirements, the Trustee conducted a review of the DB and DC Section's climate-related metrics. More details of the ESG policy and how it was implemented are presented later in this statement.
Manager Skill / Alpha Risk	Returns from active investment management may not meet expectations, leading to lower-than-	The Trustee makes use of a number of actively managed funds to DC members where they deem appropriate. The actively managed funds made available are reviewed by its Investment Consultant,	The Trustee monitors the performance and ratings of the active funds regularly throughout the year at the quarterly Trustee meetings.

	expected returns to members.	based on forward-looking expectations of meeting objectives.
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Changes to the SIP

DB SIP – updated in September 2024

The Trustee is reviewing its current governance structure and continuing to develop an effective system of governance, in line with the applicable regulatory guidance, and this is noted within the SIP. The consideration of ESG matters (including climate factors) relating to the Fund’s investments will be included within the effective system of governance.

The SIP has also been updated to include the collateral management policy which will be reviewed approximately annually, or more frequently following significant market movements.

DC SIP – updated in January 2025

Following a review of the default investment strategy and a subsequent review of the provider, the Trustee has appointed L&G as the DC platform provider going forward. The SIP was updated to reflect the Trustee’s beliefs and policies in relation to L&G’s off-the-shelf default solution (the Target Date Funds range).

The SIP has also been updated to reflect the Trustee’s beliefs on illiquid assets as, subject to effective implementation, the Trustee believes these assets can add value to members’ retirement savings. The default investment strategy allocates 1% to the Private Markets Access Fund within the growth stage for members retiring after 2040. Members within the default investment strategy approaching retirement also have an allocation to illiquid assets, via private credit and physical property.

In addition to the default, the Trustee has made available six different lifestyle investment options built to be suitable for a member who wishes to take either cash, an annuity (secured income) or follow income drawdown (variable income) at retirement. Three of the six offer members a more ESG focussed option, targeting the same three retirement outcomes listed above.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Trustee's policy with regards to ESG as a financially material risk. This section details the Trustee's ESG policy and how it is implemented, as well as the Trustee's ESG beliefs.

The Trustee agreed the ESG beliefs set out in the ESG Policy in December 2020. The policy was updated in 2022 to reflect climate related ESG beliefs as part of the TCFD requirements and was refined following review in 2023. The following information reflects the 2023 update of the Trustee's ESG Policy. The annual review of the ESG Policy took place following the Fund year end and no changes were implemented.

Rationale for the policy

The Fund is a large institutional investor, investing on behalf of its members. As part of the Trustee's fiduciary duty, which includes a comprehensive approach to risk management, it has been recognised that ESG factors, including, but not limited to, climate change, can be financially material. The Trustee recognises that there is a need for the Fund to be a long-term, responsible investor to achieve sustainable returns.

The Trustee believes that it should be a responsible steward of its assets and consider the wider impacts, where possible, of its investment decisions on the environment and society. Where possible, and in line with the beliefs set out in the Policy, positive ESG outcomes will be targeted within the investment portfolios.

Impact of the policy on investment decision making

The Trustee decides the Fund's investment strategy and asset allocation. This includes which asset classes the Fund should be invested in. In making any portfolio construction decisions, the Trustee will have regard for the policy.

Within each asset class, the Trustee delegates the day-to-day investment decision making to the investment managers e.g. holding a bond issued by a particular company or exposure to a particular sector. In appointing and reviewing the Fund's investment managers, the Trustee, with the assistance of its investment consultant, considers the managers' expertise, track record and stated policies and frameworks on ESG related issues. As part of the initial and ongoing due diligence of the Fund's investment managers, the Trustee assesses and monitors their considerations of ESG factors and how these are incorporated into their investment decision making.

In addition, the Trustee will consider opportunities that may arise from regulation on ESG factors or market dislocations and will receive training and updates periodically to update them on these trends and opportunities.

Implementing the policy

The Trustee will implement the policy through the following steps:

- i. The Trustee will continue to develop its understanding of ESG factors through annual training on ESG and keep themselves up to date on the latest sustainable investment opportunities.
- ii. The Trustee's ESG beliefs will be formally reviewed annually or more frequently if required by the Trustee.
- iii. The Trustee will incorporate ESG criteria as part of new manager selection exercises, with explicit consideration of ESG factors for any segregated mandates.

- iv. The Trustee, with support from its investment consultant, will undertake annual reviews of the investment managers' approach to integrating ESG factors.
- v. Following the initial review, actions will be identified where investment managers are misaligned with the Trustee's ESG beliefs. The investment consultant will engage with each manager on the Trustee's behalf to remedy these issues where possible.
- vi. The investment managers' stewardship and engagement activities will be monitored on an ongoing basis and the Trustee will seek to understand the effectiveness of these activities.
- vii. The Investment Committee will receive any relevant climate-related updates from the investment consultant and investment managers, potentially covering the investment managers' climate capabilities, progress on various climate workstreams and any relevant market or regulatory updates.
- viii. The Trustee, with support from its investment consultant, will produce an annual TCFD report.

Monitoring and reviewing the policy

The Trustee will monitor the Fund's assets against this policy on an ongoing basis, with the assistance of its investment consultant. The Trustee views the development of the policy as an ongoing process as approaches to integrating ESG factors continue to evolve over time. When reviewing the policy, the Trustee will take account of any significant developments in the market to assess whether they are taking a best practice approach.

The Trustee's ESG beliefs

The Trustee has formulated a set of ESG beliefs to help underpin overall investment decision making. The Trustee's ESG beliefs have been summarised below.

Risk Management	<ol style="list-style-type: none"> 1. ESG factors can be financially material; identifying and mitigating these risks where possible forms part of the Trustee's fiduciary duty. 2. Whilst the Trustee wishes to invest in managers and funds that exhibit best practice in terms of ESG integration, the Trustee will continue to maximise the risk / reward profile of any investment. Any positive tilts to ESG factors will be made where the Trustee feels that these investments will generate superior long-term returns and/or lower risk. 3. The Trustee will consider the ESG values and priority areas of the Sponsor. 4. The Trustee recognises that climate change risk poses significant investment risk that could become incrementally more severe over time.
Approach / Framework	<ol style="list-style-type: none"> 5. The Trustee will seek to understand how investment managers integrate ESG considerations into their investment decisions and include reference to ESG capabilities in future evaluation criteria when selecting new investment managers. 6. Specialist ESG fund/s will be offered in the self-select range in the DC section.
Voting & Engagement	<ol style="list-style-type: none"> 7. The Trustee will seek to understand each investment manager's approach to engaging with portfolio companies and the effectiveness of these activities. 8. Managers investing in companies' debt, as well as equity, have a responsibility to engage with the management of investee companies on ESG issues. 9. Engaging with investment managers is an effective way of initiating change and ensuring better alignment with the Trustee's ESG beliefs. There is a desire to engage with investment managers in the first instance rather than sell the Fund's holdings if issues are identified.
Reporting & Monitoring	<ol style="list-style-type: none"> 10. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training to develop and maintain an understanding of these factors. 11. Through the Trustee's regular reporting and ongoing due diligence of the Fund's investment managers, supported by its investment consultant, the Trustee will seek to monitor suitable ESG metrics to understand the impact of investments. 12. The Trustee will take advice from its investment consultant to set appropriate ESG targets for the Fund.

Collaboration

13. Investment managers should sign up and comply with common codes and practices such as the UN PRI and the UK Stewardship Code. If they do not sign up, they should provide a valid reason why.
14. Investment managers should engage and collaborate with other market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, social issues, risk management and debtholder rights.

ESG summary and engagement with the investment managers

Sustainability Integration Assessment results

In Q1 2025, Isio assessed the ESG processes of the Fund's investment managers. The results were reported back to the Investment Committee in the form of a Sustainability Integration Assessment.

The review was conducted in line with the Trustee's ESG beliefs and Isio gave each manager an overall ESG score and climate score, and rated them in each of the following areas:

- Risk Management
- Investment Approach/Framework
- Stewardship
- Reporting
- Collaboration

Using the results, Isio advised the Trustee on the potential engagement points, and progress against these points will be monitored over time.

A summary of Isio's view on each of the managers' ESG process, and the key engagement points, is outlined in the following table. Since the assessment, the Fund invested in a bespoke buy & maintain corporate bond mandate which was in its restructuring period at the end of the reporting year (i.e. the investment manager is using an initial three month period to build up the mandate gradually). As such, the mandate is not included in the table below but it aims to embed climate-aligned investment guidelines over the long term and will be reviewed formally in the next annual assessment.

Defined Benefit Section

Manager and Fund	ESG Summary	Actions identified
DTZ Property Portfolio	ESG integration is a key component of DTZ's investment process. The firm has a clear pathway in place in order to reach Net Zero by 2040 and encourages ESG-related improvements across their asset base through asset management plans to mitigate ESG risks. DTZ engage with ESG organisations and initiatives such as GRESB and provide quarterly reporting of ESG initiatives to boost EPC ratings and mitigate flood risks.	DTZ should introduce nature and/or biodiversity factors as explicit stewardship priorities. DTZ should look to provide evidence of engagement to enhance social and nature-based factors of the Fund's assets. DTZ should also aim to become a signatory of the 2020 UK Stewardship Code and Net Zero Asset Management Initiative.
AXA Secured Finance	AXA has firm-wide stewardship policies in place across climate, nature and social factors and has a mandatory ESG training programme for analysts and PM teams. Whilst positive at the firm-level, integration of ESG considerations at the mandate level	AXA should centralise ESG engagement across the firm to maximise impact. AXA should look to improve the Net Zero commitment coverage of assets.

	is weak. This is partly due to securitised assets offering limited data accessibility and potential for engagement and as the fund is outside of its investment period, material ESG improvements are unlikely.	AXA should provide examples and case studies where engagement has been taken to manage ESG risks.
Hayfin Private Debt	Whilst Hayfin has an established firm-wide ESG policy, integration of the policy and fund-level ESG objectives is severely limited in relation to the Private Debt vintages invested in by the Fund with no signs of improvement. This is mainly due to the vintages being past their investment periods.	<p>Hayfin should look to integrate ESG specialists within PM teams.</p> <p>Hayfin should consider aiming to achieve predefined measurable social impacts and outcomes.</p> <p>Hayfin should extend the exclusions with the funds to UNGC violators.</p>
PGIM Ground Lease Property	<p>The nature of the strategy means PGIM hold the assets at an “arms’ length”, resulting in limited influence over the management of ESG related issues.</p> <p>PGIM has a firm-wide ESG policy in place, however the portfolio does not have a separate ESG policy or quantifiable ESG objectives in place.</p> <p>PGIM collaborate with a number of external, global organisations and use Moody’s ESG solutions/EPC ratings to support monitoring of ESG risks.</p>	<p>PGIM should provide reporting of ESG metrics.</p> <p>PGIM should provide evidence where it has engaged on underlying assets to enhance value creation.</p> <p>PGIM should become a signatory of the Net Zero Asset Manager’s Initiative and consider producing white papers which support the favorable outcomes of ESG.</p>
LGIM LDI	<p>LGIM is actively committed to integrating ESG considerations into LDI funds via their Active ESG tool and counterparty engagements. Their dedicated ESG team plays a crucial role in responsible investment and stewardship, ensuring premium risk management through their proprietary tools.</p> <p>At a firm level, LGIM demonstrate a robust approach to ESG and stewardship and is a member or signatory to over 50 key ESG initiatives.</p>	<p>LGIM should consider expanding the approach to assessing green gilts to complement a relative value assessment in order to create positive externalities within the portfolio.</p> <p>LGIM should introduce a formal ESG training program for its employees with defined training priorities.</p>

The Defined Benefit Section of the Fund also holds a buy-in policy with Standard Life. The Trustee reviews monitoring on Standard Life’s ESG credentials on an approximately annual basis.

Defined Contribution Section

For this section, we are reporting on the funds which make up the DC Section's default investment strategy. We will continue to monitor update of the self-select options and may consider including popular self select funds in future reporting

Isio will be engaging with L&G on the Trustee's behalf, to review their ESG policies and set actions and priorities. Isio will report back to the Trustee on a periodic basis on any progress the investment managers have made against these proposed actions.

Manager and Fund	ESG Summary	Actions identified
L&G Target Date Funds (managed by LGIM)	<p>LGIM have strong firm-level policies, including a net zero by 2050 commitment, and have a strong approach to stewardship and collaboration.</p> <p>The fund range excludes companies involved in thermal coal mining agreeing to the Paris-aligned plan to phase out coal by 2040. LGIM can provide clear engagement examples and outcomes in line with the firm-level policies.</p>	<p>LGIM should look to introduce a formal ESG training program with defined priorities.</p> <p>LGIM should introduce strategy level quantifiable ESG objectives.</p> <p>LGIM should consider utilising ESG scorecards within private assets.</p> <p>LGIM should consider implementing nature-related objectives at the fund level.</p>

Engagement

As the Fund invests via fund managers, the managers provided details on their engagement activity including a summary of the engagements by category. The managers also provided examples of any significant ESG-related engagements where relevant.

Defined Benefit Section – 12 months to 31 March 2025 (unless stated otherwise)

Fund name	Engagement summary	Commentary
DTZ Property Portfolio	Total engagements: 167 Environmental: 167	DTZ operates a stakeholder engagement programme to engage with all stakeholders and ensure they are supportive of the ESG programme, procedures, and objectives DTZ have in place. An annual survey is distributed to tenants to gauge satisfaction and to understand their ESG needs. DTZ confirmed that 167 tenants were sent the annual customer satisfaction survey and 101 have responded, a moderate increase in responses from last year (75 responses from 167 tenants).
AXA Secured Finance	Total engagements: 15 (covering E, S and G)	AXA's engagement efforts focussed on Collateral Loan Obligation (CLO) managers to verify that their industry exclusions list aligns with AXA's exclusions list. If there is misalignment, AXA request confirmation of any exposure to the industries in AXA's exclusions list and engage with the manager to confirm that they will not invest in such industries anymore. Examples of significant engagements include: Golden Tree, Onex & Benefit Street Partners - Prior to investing in these CLOs, AXA discussed ESG stipulations in the documentation provided to ensure alignment with AXA's requirements. AXA pushed for an enhanced investment policy at the CLO transaction level in line with AXA's sector exclusion policy. As a result, the CLO managers agreed to align their ESG policies surrounding CLO transactions with AXA's requirements.
Hayfin Direct Lending fund II	Hayfin currently do not provide details of their engagement activity for DLF II.	Given DLF II ended its investment period in 2019 and Hayfin are only the lenders, Hayfin's ability for engagement is limited. However, they do take corporate engagement seriously and it is reflected in the other vintages in their funding/investment period.
Hayfin Direct Lending fund III	Lending fund III Total engagements: 2 Environmental: 2 Social: 0 Governance: 0 Other: 0	At a fund-level, Hayfin determines engagement objectives based on the unique challenges portfolio companies are facing on their ESG journeys. Engagement outcomes can be derived from Hayfin's individual efforts and collaborative efforts, depending on whether Hayfin is a majority or minority lender. Hayfin is typically able to engage more thoroughly with borrowers where it is the majority or sole lender.

Whilst DLF III's investment period has ended, it holds some assets that are also held within DLF IV, which reports under Article 8 of the SFDR. Engagements are therefore only covered under deals which overlap between DLF III and DLF IV.

Examples of significant engagements include:

Looping – Hayfin has incorporated an ESG-linked margin ratchet into the company's loan agreement, requiring annual evaluation and reporting on three key performance indicators (KPI): a 5% year-on-year reduction in single-use plastic consumption, measurable improvement in the borrower's Employee Net Promoter Score (eNPS*), and the establishment of a carbon footprint analysis framework to drive subsequent progress in reducing the company's carbon footprint.

*An eNPS score is an employee satisfaction rating that is achieved through employee surveys

PGIM Ground Lease Property Portfolio	PGIM currently do not provide details of their engagement activity for the Ground Lease Property portfolio.	The nature of the Ground Lease Property portfolio means that PGIM hold the assets at an "arm's length", resulting in limited influence over the management of ESG-related issues. PGIM would be able to engage with the leaseholder in the event of discussing an asset management deal but there have been no instances of this across the portfolio during the reporting year.
LGIM LDI	Total engagements: 37 Environmental: 21 Social: 1 Governance: 11 Other: 4	The Fund's LDI portfolio has a counterparty panel of 16. Over the reporting period in question LGIM engaged with 14 of 16 counterparties. A breakdown of these engagements by topic areas can be seen to the left. LGIM also engage with governments and regulators regarding LDI matters, including topics such as RPI reform, the pension scheme exemption for derivative clearing and green gilt issuance.

Defined Contribution Section – 12 months to 31 March 2025

For this section, we are reporting on the funds which make up the default strategy and which captures c.94% of the DC Section's assets at the end of the reporting year. As the Fund invests via fund managers, the managers provided details on their engagement activity including a summary of the engagements by category. The managers also provided examples of any significant ESG-related engagements where relevant.

For this section, we are reporting on the funds which make up the default strategy and which capture c.94% of the DC Section's assets at the end of the reporting year. As the Fund invests via fund managers, the managers provided details on their engagement activity including a summary of the engagements by category. The managers also provided examples of any significant ESG-related engagements where relevant.

Fund name	Engagement summary	Commentary
Target Date Fund 3 2015-2020	Total Engagements: 3,538 Environmental: 2,807 Social: 636 Governance: 454 Other: 702	<p>Engagement with companies is completed at a firm wide level rather than on a fund basis.</p> <p>LGIM has a dedicated ESG team who dictate the extent of voting and engagement activities for underlying funds/investments.</p> <p>LGIM have provided firmwide engagement policy reports that set out their engagement priorities. Their stewardship priorities are built on six 'super themes' covering ESG. These 'super themes' are Climate, Nature, People, Health, Governance and Digitisation.</p> <p>Their voting policies are reviewed annually and take into account feedback from clients.</p> <p>Engagement company: Nestle Engagement example (Health):</p> <p>In the fourth quarter of 2022 LGIM co-signed, with peers, letters to twelve food and beverage manufacturers, under the leadership of ShareAction's Healthy Markets Initiative. Nestle was among the companies LGIM wrote to. In the individual tailored letters, they encourage the companies to do more in several areas. These include, for example, transparency around their nutrition strategy, demonstrating progress on their nutrition strategy, committing to disclosures around the proportion of the company's portfolio and sales associated with healthy food and drinks products (using government-endorsed nutrient-profiling models), and setting targets to increase the proportion of these sales. LGIM also praised companies for the positive steps taken so far.</p> <p>Following the letter, together with the Healthy Markets Initiative, LGIM met with Nestle several times in 2023 to discuss concerns, particularly regarding their definition of "healthy" products, and their plans not just to monitor but also actively to increase their sales of healthier products. Levels of individual typically engaged with include professions such as general counsel and company secretary, and executive director.</p> <p>In late 2022, Nestle announced that they would report on their global portfolio using the nutrient profiling system Health Star Rating (HSR). As a member of ShareAction's healthy markets initiative, LGIM were pleased to see this development. Nestle announced on 28 September 2023 that <u>they aim "to grow the sales of their more nutritious products"</u></p>

	<p>by CHF20-25 billion by 2030. This represents about 50% growth over 2022 sales.”</p> <p>The target applies to Nestlé products with a Health Star Rating (HSR) of 3.5 stars or more, together with its specialized nutrition products, including baby foods, vitamin and mineral supplements and medical nutrition. These already account for close to 60% of the company's food and beverage sales.</p> <p>While they acknowledge that a target has been set, LGIM's main concerns are as follows:</p>	<ul style="list-style-type: none"> • Nestlé's new target is broadly in line with the company's current overall growth guidance, meaning if sales of unhealthier products increase in line with this guidance, there would be no improvement linked to consumer health and diets • Some of the products counted as 'nutritious' by Nestlé are outside the scope of government-endorsed nutrient profile models (including commercial baby foods and coffee). By increasing sales of out-of-scope products classified by Nestlé as nutritious, the company could meet its target without having any positive impact on public health. <p>Reflecting their shared concerns with ShareAction, they agreed in early 2024 to co-file a shareholder resolution with several other investors at Nestlé's AGM, calling on the company to:</p> <ul style="list-style-type: none"> • Set key performance indicators (KPIs) regarding the absolute and proportional sales figures for food and beverage products according to their healthfulness, as defined by a government-endorsed Nutrient Profiling Model.
<p>Target Date Fund 3 2020-2025</p>	<p>Total Engagements: 3,562 Environmental: 2,826 Social: 639 Governance: 455 Other: 710</p>	<p>Engagement company: Volkswagen AG Engagement example (Human Rights):</p> <p>LGIM engaged with Volkswagen AG in late 2022 after MSCI first flagged Volkswagen with regards to controversy around its presence in Xinjiang in China, which led to scrutiny by the press and third parties. Initially, the focus of LGIM's engagement was to stress the importance of the issue to the company in relation to its access to the bond market. Since the audit and resolving the MSCI controversy, their approach has shifted towards finding a solution that draws a line under the issue. LGIM have had regular engagement with the company ranging from the investor relations team up to the chief financial officer.</p> <p>In meetings over 2024, Volkswagen has indicated that it has been working on various solutions to resolve this issue. In November, the company announced that its stake in the plant in Xinjiang had been sold to their joint venture partner. This removes responsibility from Volkswagen, which should de-risk the company's exposure to the region in future. Operationally this divestment is not expected to have any negative impact on the company's strategic direction. It is unlikely that LGIM will need to engage further on this topic in future given this solution has been reached. In their discussions with the company, it has indicated that discussions with important stakeholders such as LGIM have helped indicate the urgency of the matter to senior management and to achieve a resolution.</p>

Target Date Fund 3 2025-30	Total Engagements: 3,562 Environmental: 2,826 Social: 639 Governance: 455 Other: 710	Please see above.
Target Date Fund 3 2030-2035	Total Engagements: 3,562 Environmental: 2,826 Social: 639 Governance: 455 Other: 710	Please see above.
Target Date Fund 3 2035-2040	Total Engagements: 3,389 Environmental: 2,863 Social: 617 Governance: 429 Other: 694	<p>Engagement company: Shell PLC</p> <p>Engagement example (Environment):</p> <p>LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under their Climate Impact Pledge, they publish their minimum expectations for companies in these 20 climate-critical sectors. Accordingly, they expect the company to meet their minimum expectations as set out in their relevant Climate Impact Pledge sector guides; companies failing to do so may be subject to voting sanctions (and/ or divestment sanctions, for companies selected for in-depth engagement).</p> <p>LGIM's current objectives for their engagement with Shell are:</p> <ul style="list-style-type: none"> - Demonstration of alignment to Shell's 1.5C objectives through enhanced disclosure of scenarios and assumptions - Enhanced disclosure across the company's value chain (scope 3) to demonstrate agility when (if) markets are pivoting (against a range of inputs and scenarios) - Enhanced lobbying disclosure (specifically in regions where hydrocarbon exposure is expected to remain material) - Remuneration: KPIs linked to progress made towards a balanced multi-energy transition including elements like biofuels, EV charging, CCS and hydrogen - Disclosure and application of responsible divestment standards in asset sale process <p>Having voted against the company's Energy Transition Strategy in 2021, 2022 and 2023, LGIM assessed the plan put forward in their 2024 AGM very carefully against their published expectations.</p> <p>LGIM have met with Shell eleven times in 2024 to discuss their approach to the climate transition (with reference to LGIM's objectives, which set out where they believe they are falling short). Levels of individual typically engaged with include the Chair and the Head of Investor Relations.</p> <p>LGIM acknowledge the substantive progress the company has made in respect of climate-related disclosure over recent years, and LGIM view positively the commitments to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, and the company's pledge not to pursue frontier exploration activities beyond 2025.</p> <p>Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and liquified natural gas business this decade, LGIM</p>

	<p>expect Shell to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050.</p> <p>LGIM therefore voted against the company's Energy Transition Strategy in their 2024 AGM.</p>	
<p>Target Date Fund 3 2040- 2045</p>	<p>Total Engagements: 3,389 Environmental: 2,683 Social: 617 Governance: 429 Other: 694</p>	<p>Engagement company: Apple Engagement example (Governance):</p> <p>LGIM believe that AI should drive long-term innovation, productivity and value creation. To secure these gains, they believe investors must engage with companies and policymakers on baseline expectations for governance, risk management and transparency.</p> <p>Apple is among several companies that have outsized influence on the integration of AI into the economy. LGIM believe companies like Apple should be transparent in their uses of AI and their risk management processes. Apple discloses very little about its approach to managing AI risk, and is behind its peers on disclosure of policies and guidelines.</p> <p>The objective of this engagement is for Apple to improve its transparency, governance and risk management regarding its development and use of AI, in line with their expectations published in 2023.</p> <p>LGIM met with Apple in 2024, ahead of the Apple AGM, in order to discuss a shareholder resolution that had been filed, asking them to produce a transparency report on the company's use of AI in its business operations and disclose any ethical guidelines that the company has adopted regarding the company's use of AI technology. LGIM wanted to understand how Apple is approaching these issues and supported this shareholder resolution at the company's AGM and pre-declared their vote, given the significance of this topic and Apple's position as a market leader in the tech industry. Subsequently, they met with Apple a second time for a detailed discussion of governance of AI and risk management at the company.</p> <p>Levels of individual typically engaged with include senior counsel and the head of investor relations.</p> <p>Since then, Apple has published responsible AI principles in the months following the AGM.</p>
<p>Target Date Fund 3 2045- 2050</p>	<p>Total Engagements: 3,389 Environmental: 2,683 Social: 617 Governance: 429 Other: 694</p>	<p>Engagement company: JP Morgan Chase & Co Engagement example (Environment):</p> <p>LGIM believe banks have a prominent role to play in financing the global transition to net zero. As one of the world's leading financial institutions with an extensive financial geographical footprint, including in emerging markets, JPMorgan's commitments to green financing have a big potential impact across many emitting sectors. They have therefore selected the bank as one of their 'in depth' engagement companies under LGIM's Climate Impact Pledge.</p> <p>JPMorgan has made commitments to set targets to transition to net zero greenhouse gas emissions by 2050 or sooner, and to set interim targets for 2030, consistent with a 1.5C</p>

trajectory. Under LGIM's Climate Impact Pledge, they have had in-depth discussions with JPMorgan on their coal policy, their scope 3 emissions and the sectors to which their 1.5 degree alignment applies.

In November 2024, JPMorgan published their recent climate report, which includes targets on nine sectors, based on the IEA NZE50 scenario, including updated targets on oil & gas and energy mix and absolute emissions disclosures to augment intensity target ranges. LGIM welcome the tightened targets and additional sectors. Following the update to its emissions targets, LGIM are focussing their discussions on the company's sustainable finance strategy in helping to finance the transition to net zero.

In 2024, LGIM met with them four times. Levels of individual typically engaged with include the executive director of the ESG Investor Relations team and the head of sustainability reporting and policy, and members of their Centre for Carbon Transition team.

In terms of the objectives, the company has disclosed a discussion on its energy supply ratio, which provides information on the bank's financing mix. LGIM continue to discuss methodologies around this strategy and consider this objective to be 'in progress'.

LGIM will continue their engagement on both climate and governance matters over the coming year.

Target Date
Fund 3 2050-
2055

Total Engagements: 3,389
Environmental: 2,683
Social: 617
Governance: 429
Other: 694

Engagement company: Toyota Motor Corp Engagement example (Governance):

As a longstanding member of the Asian Corporate Governance Association network ('ACGA') Japan Working Group, LGIM engages with Japanese companies, including Toyota Motor Corporation, to improve their corporate governance and sustainability practices.

Recently, the company has been implicated in a few controversies regarding the quality and safety of products at its subsidiaries, and the governance of group companies has also been questioned.

Toyota is one of the world's largest and most influential companies. They have long pushed their multi-pathway strategy of decarbonisation, incorporating a mixture of vehicle types - hybrids, EVs, fuel cell. These will have important roles in transitioning to net zero transportation. In certain regions that are making rapid progress towards EVs, Toyota have received negative press on their lobbying practices. LGIM have been clear in their engagement that Toyota should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment.

In addition to a number of email exchanges, LGIM met with the company three times in 2024. Levels of individual typically engaged with include the Head of Investor Relations

	<p>and the Finance Director.</p> <p>Their voting at the company's recent AGM reflects their ongoing concerns about independence on the board and diversity. Reasons for their vote against the re-election of the Chair included accountability for a lack of transparency regarding advisory roles of the former CEO, responsibility for certification irregularities and, on the topic of climate change, a vote sanction under LGIM's Climate Impact Pledge due to apparent misalignment of the company's stated ambitions and its forward-looking strategy. LGIM also supported a shareholder proposal requesting greater transparency regarding climate lobbying activities.</p> <p>LGIM will continue to engage with the company on corporate governance and are pleased with the progress Toyota is making on lobbying disclosures and are encouraged that they are responding proactively to investor feedback.</p>
Target Date Fund 3 2055-2060	<p>Total Engagements: 3,389 Please see above.</p> <p>Environmental: 2,683</p> <p>Social: 617</p> <p>Governance: 429</p> <p>Other: 694</p>
Target Date Fund 3 2060-2065	<p>Total Engagements: 3,389 Please see above.</p> <p>Environmental: 2,683</p> <p>Social: 617</p> <p>Governance: 429</p> <p>Other: 694</p>
Target Date Fund 3 2065-2070	<p>Total Engagements: 3,389 Please see above.</p> <p>Environmental: 2,683</p> <p>Social: 617</p> <p>Governance: 429</p> <p>Other: 694</p>
Target Date Fund 3 2070-2075	<p>Total Engagements: 3,389 Please see above.</p> <p>Environmental: 2,683</p> <p>Social: 617</p> <p>Governance: 429</p> <p>Other: 694</p>

Note: L&G have confirmed that as their ICSWG (Investment Consultants Sustainability Working Group) guides are only produced on a calendar year basis, they are not able to provide engagement data for the scheme year end. The engagement data therefore covers the period from 31 December 2023 to 31 December 2024. Given that engagements are often ongoing and across multiple years, we believe that the engagements outlined above are still relevant. Furthermore, given the overlap of funds within the different target date vintages, there are engagements that hold true for multiple vintages.

Voting

DB Section

Given the DB Section does not have any equity investments, there are no voting actions to report.

DC Section

For this section, we are reporting on the funds which make up the default strategy and which captures c.94% of the DC Section's assets.

As the Fund invests in pooled funds managed by fund managers, where applicable each manager has provided details on their voting actions, including a summary of the activity covering the reporting year up to 31 March 2025. The managers were also asked for examples of any significant votes.

The Trustee has adopted the managers' definition of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant.

Description of voting processes

Legal and General Investment Management (LGIM)

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all clients. Their voting policies are reviewed annually and take into account feedback from clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration in develop their voting and engagement policies and help to define strategic priorities in the years ahead.

Decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents. Each member of their team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Fund name	Voting summary	Examples of most significant votes
Target Date Fund 3 2015-2020	Meetings eligible to vote on: 10,467 Resolutions eligible to vote on: 106,186 Proposals voted: 99.8% For votes: 77.3% Against votes: 21.9% Abstain votes: 0.8% Use of proxy voter: Yes (ISS's ProxyExchange) Votes contrary to the proxy advisor: 13.7%	Canon, Inc - <i>Date of vote: March 28, 2025</i> - <i>Reasoning for significant vote: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</i> - <i>Approx. holding size: 0.01%</i> - <i>Summary of resolution: Elect Director Mitarai, Fujio</i> - <i>Manager vote: Against</i> - <i>Vote against management, was intent communicated ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</i> - <i>Voting rationale: A vote against is applied due to the lack of meaningful diversity on the board.</i> - <i>Outcome of vote: n/a</i>

<p>Target Date Fund 3 2020-2025</p>	<p>Meetings eligible to vote on: 10,534 Resolutions eligible to vote on: 106,571 Proposal voted: 99.8% For votes: 77.2% Against votes: 22.0% Abstain votes: 0.8% Use of proxy voter: Yes (ISS's ProxyExchange) Votes contrary to the proxy advisor: 13.7%</p>	<p>Microsoft Corporation</p> <ul style="list-style-type: none"> - Date of vote: December 10, 2024 - Reasoning for significant vote: This shareholder resolution is considered significant due to the relatively high level of support received. - Approx. holding size: 0.18% - Summary of resolution: Report on AI Data Sourcing Accountability - Manager vote: For - Vote against management, was intent communicated ahead of the vote: n/a - Voting rationale: LGIM believes a vote for this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models - Outcome of vote: Fail
<p>Target Date Fund 3 2025-30</p>	<p>Meetings eligible to vote on: 10,534 Resolutions eligible to vote on: 106,571 Proposal voted: 99.8% For votes: 77.2% Against votes: 22.0% Abstain votes: 0.8% Use of proxy voter: Yes (ISS's ProxyExchange) Votes contrary to the proxy advisor: 13.7%</p>	<p>Westpac Banking Corporation</p> <ul style="list-style-type: none"> - Date of vote: December 13, 2024 - Reasoning for significant vote: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf. - Approx. holding size: 0.05% - Summary of resolution: Elect Margaret Seale as Director - Manager vote: For - Vote against management, was intent communicated ahead of the vote: n/a - Voting rationale: A vote in favour is applied despite the proportion of women on the Board having fallen below one-third of board members as at the 2024 AGM. However, support is warranted given the Company exceeded its goal of 40% female directors by the 2024 year-end, with some recent board changes at the AGM throwing it out of kilter. LGIM expect companies to increase female participation both on the board and in leadership positions over time and will monitor Westpac's performance in this regard. - Outcome of vote: Pass
<p>Target Date Fund 3 2030-35</p>	<p>Meetings eligible to vote on: 10,534 Resolutions eligible to vote on: 106,571 Proposal voted: 99.8% For votes: 77.2% Against votes: 22.0%</p>	<p>BHP Group Limited</p> <ul style="list-style-type: none"> - Date of vote: October 30, 2024 - Reasoning for significant vote: This shareholder resolution is considered significant due to the relatively high level of support received. - Approx. holding size: 0.16% - Summary of resolution: Approve Climate Transition Action Plan

	<p>Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange)</p> <p>Votes contrary to the proxy advisor: 13.7%</p>	<ul style="list-style-type: none"> - <i>Manager vote: For resolution</i> - <i>Vote against management, was intent communicated ahead of the vote: n/a</i> - <i>Voting rationale: LGIM believes it is clear that BHP has made significant strides in carrying out its core role in the transition in a sustainable manner and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with their framework for assessing mining company transition plans. Therefore, LGIM will be supporting BHPs CTAP.</i> - <i>Outcome of vote: n/a</i>
Target Date Fund 3 2035-2040	<p>Meetings eligible to vote on: 9,687</p> <p>Resolutions eligible to vote on: 97,761</p> <p>Proposal voted: 99.8%</p> <p>For votes: 76.9%</p> <p>Against votes: 22.3%</p> <p>Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange)</p> <p>Votes contrary to the proxy advisor: 14.0%</p>	<p>Starbucks Corporation</p> <ul style="list-style-type: none"> - <i>Date of vote: March 12, 2025</i> - <i>Reasoning for significant vote: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</i> - <i>Approx. holding size: 0.14%</i> - <i>Summary of resolution: Elect Director Jorgen Vig Knudstorp</i> - <i>Manager vote: Against</i> - <i>Vote against management, was intent communicated ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management</i> - <i>Voting rationale: A vote against is applied as LGIM expects a company to have at least one-third of women on the board. LGIM also expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.</i> - <i>Outcome of vote: n/a</i>
Target Date Fund 3 2040-2045	<p>Meetings eligible to vote on: 9,687</p> <p>Resolutions eligible to vote on: 97,761</p> <p>Proposal voted: 99.8%</p> <p>For votes: 76.9%</p> <p>Against votes: 22.3%</p> <p>Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange)</p> <p>Votes contrary to the proxy advisor: 14.0%</p>	<p>Analog Devices, Inc.</p> <ul style="list-style-type: none"> - <i>Date of vote: March 12, 2025</i> - <i>Reasoning for significant vote: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.</i> - <i>Approx. holding size: 0.13%</i> - <i>Summary of resolution: Elect Director Vincent Roche</i> - <i>Manager vote: Against</i> - <i>Vote against management, was intent communicated ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</i> - <i>Voting rationale: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.</i> - <i>Outcome of vote: Pass</i>

<p>Target Date Fund 3 2045-2050</p>	<p>Meetings eligible to vote on: 9,687</p> <p>Resolutions eligible to vote on: 97,761</p> <p>Proposal voted: 99.8% For votes: 76.9% Against votes: 22.3% Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange)</p> <p>Votes contrary to the proxy advisor: 14.0%</p>	<p>Applied Materials, Inc.</p> <ul style="list-style-type: none"> - Date of vote: March 6, 2025 - Reasoning for significant vote: LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf. - Approx. holding size: 0.18% - Summary of resolution: Elect Director Judy Bruner - Manager vote: Against - Vote against management, was intent communicated ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. - Voting rationale: A vote against is applied as LGIM expects a company to have at least one-third of women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. - Outcome of vote: n/a
<p>Target Date Fund 3 2050-2055</p>	<p>Meetings eligible to vote on: 9,687</p> <p>Resolutions eligible to vote on: 97,761</p> <p>Proposal voted: 99.8% For votes: 76.9% Against votes: 22.3% Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange)</p> <p>Votes contrary to the proxy advisor: 14.0%</p>	<p>Medtronic Plc</p> <ul style="list-style-type: none"> - Date of vote: October 17, 2024 - Reasoning for significant vote: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO. - Approx. holding size: 0.12% - Summary of resolution: - Manager vote: Against - Vote against management, was intent communicated ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. - Voting rationale: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. - Outcome of vote: n/a
<p>Target Date Fund 3 2055-2060</p>	<p>Meetings eligible to vote on: 9,687</p> <p>Resolutions eligible to vote on: 97,761</p> <p>Proposal voted: 99.8% For votes: 76.9% Against votes: 22.3% Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange)</p>	<p>The Procter & Gamble Company</p> <ul style="list-style-type: none"> - Date of vote: October 8, 2024 - Reasoning for significant vote: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO. - Approx. holding size: 0.43% - Summary of resolution: Elect Director Jon R. Moeller - Manager vote: Against - Vote against management, was intent communicated ahead of the vote: LGIM publicly

	Votes contrary to the proxy advisor: 14.0%	<p><i>communicates its vote instructions on its website with the rationale for all votes against management.</i></p> <ul style="list-style-type: none"> - <i>Voting rationale: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.</i> - <i>Outcome of vote: Pass</i>
Target Date Fund 3 2060-2065	<p>Meetings eligible to vote on: 9,687</p> <p>Resolutions eligible to vote on: 97,761</p> <p>Proposal voted: 99.8% For votes: 76.9%</p> <p>Against votes: 22.3% Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange)</p> <p>Votes contrary to the proxy advisor: 14.0%</p>	<p>Cisco Systems, Inc.</p> <ul style="list-style-type: none"> - <i>Date of vote: December 9, 2024</i> - <i>Reasoning for significant vote: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.</i> - <i>Approx. holding size: 0.34%</i> - <i>Summary of resolution: Elect Director Charles H. Robbins</i> - <i>Manager vote: Against</i> - <i>Vote against management, was intent communicated ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</i> - <i>Voting rationale: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.</i> - <i>Outcome of vote: Pass</i>
Target Date Fund 3 2065-2070	<p>Meetings eligible to vote on: 9,687</p> <p>Resolutions eligible to vote on: 97,761</p> <p>Proposal voted: 99.8% For votes: 76.9%</p> <p>Against votes: 22.3% Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange)</p> <p>Votes contrary to the proxy advisor: 14.0%</p>	<p>Oracle Corporation</p> <ul style="list-style-type: none"> - <i>Date of vote: November 14, 2024</i> - <i>Reasoning for significant vote: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</i> - <i>Approx. holding size: 0.21%</i> - <i>Summary of resolution: Elect Director Bruce R. Chizen</i> - <i>Manager vote: Against</i> - <i>Vote against management, was intent communicated ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</i> - <i>Voting rationale: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.</i>

	<p><i>Board mandates: A vote against is applied because LGIM have concerns regarding the time commitment required to manage all board positions and how this may impact their ability to remain informed and effectively contribute to board discussions. Withhold votes are warranted for incumbent Governance Committee members Jeffrey Berg, Bruce Chizen, Leon Panetta, and William Parrett for the substantial pledging activity and significant concerns regarding risk oversight.</i></p> <p><i>Outcome of vote: n/a</i></p>
<p>Target Date Fund 3 2070-2075</p>	<p>Accenture plc</p> <p>Meetings eligible to vote on: 9,687</p> <p>Resolutions eligible to vote on: 97,761</p> <p>Proposal voted: 99.8%</p> <p>For votes: 76.9%</p> <p>Against votes: 22.3%</p> <p>Abstain votes: 0.8%</p> <p>Use of proxy voter: Yes (ISS's ProxyExchange) Votes contrary to the proxy advisor: 14.0%</p> <p>- Date of vote: February 6, 2025</p> <p>- Reasoning for significant vote: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.</p> <p>- Approx. holding size: 0.22%</p> <p>- Summary of resolution: Elect Director Julie Sweet</p> <p>- Manager vote: Against</p> <p>- Vote against management, was intent communicated ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.</p> <p>- Voting rationale: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.</p> <p>- Outcome of vote: Pass</p>

Proxy voting:

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is only to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.