IMPERIAL TOBACCO PENSION FUND

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

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Pensions Scheme Registry
Registration Number 10019300

IMPERIAL TOBACCO PENSION FUND

Trustee and Advisers to the Fund

Trustee	Imperial Tobacco Pension Trustees Limited
Directors of the Trustee	See page 2.
Actuary	Tim Panter, Towers Watson Limited
Independent auditors	RSM UK Audit LLP (from 21 June 2022) PricewaterhouseCoopers LLP (resigned 20 June 2022)
Legal adviser	Osborne Clarke LLP
Investment adviser	Isio Group Limited
Risk Transfer adviser	Hymans Robertson LLP
Investment managers	Apollo Management International LLP (to 31 December 2022) AXA Investment Managers Paris Hayfin Capital Management LLP Legal & General Investment Management Limited M&G Investment Management Limited
Annuity provider	Standard Life (part of Phoenix Group)
Investment custodian	The Northern Trust Company
Property managers	DTZ Investment Management Limited PGIM Real Estate (UK) Limited
Property valuers	Jones Lang LaSalle Limited, Chartered Surveyors
Additional Voluntary Contribution (main provider)	AEGON
Defined Contribution Section provider	AEGON
Bankers	The Royal Bank of Scotland PLC
Name and address for enquiries	Head of UK Pensions: J Killick 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@uk.imptob.com Website : www.myimperialpension.com

The above appointments were those during the year to 31 March 2023 and to the date of signing the financial statements.

TRUSTEE'S 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 Trustees 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 2023. 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.

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 as follows:-

H F Clatworthy (Chair)
T Dunnage, appointed 01/06/2022
D J Fripp (Independent)
K E Green-Mann
L M Hall, appointed 01/06/2022
K Hill, re-appointed 01/03/2023
J W King
D M Lees, resigned 31/05/2022
S J Miller, resigned 30/04/2022
R Parker, appointed 01/09/2022
N S Welby, resigned 31/05/2022

The directors selected by pensioner and deferred pensioner members were K Hill and K E Green-Mann. In accordance with the paragraph above, K Hill was re-appointed for a further four-year period from 1 March 2023 following the selection process. The director selected from the employee members was S J Miller, who resigned on 30 April 2022 and, following a selection process, was replaced by R Parker on 1 September 2022. Company nominated directors D M Lees and N S Welby resigned on 31 May 2022 and were replaced by T Dunnage and L M Hall on 1 June 2022. The Chair, the independent Trustee and the member-nominated directors are paid for their services.

The Secretary to the Trustee is J Killick. 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 with one member-nominated director and one Company-nominated director. The Pensions Manager, 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, D J Fripp and K Hill.

There were no changes to the members of the Investment Committee during the year. Five full meetings of the Committee were held in the year (2022: five meetings), with nine additional ad hoc meetings to consider the Fund's response to the effects of market turbulence at the end of September 2022 and in the period to the end of 2022.

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 advisors is monitored on an on-going basis by the Trustee.

PricewaterhouseCoopers LLP (PwC) resigned as auditors on 20 June 2022. PwC have confirmed that there were no circumstances connected with their resignation which, in their opinion, significantly affect the interests of the members or prospective members of, or beneficiaries under, the Fund. Following a selection process, RSM UK Audit LLP was appointed on 21 June 2022 as the Fund's auditor, initially in respect of the financial statements for the year ending 31 March 2023.

Membership

During the year the following changes occurred in the membership of the Fund:

Defined Benefit Section	**Members**			**Deferred Pensioners**			
	In Service	**Pensioners**	**Dependants**	**Full**	**GMP**	**Over NRA**	**Total**
At 1 April 2022	254	10,885	2,878	2,029	1,683	9,280	27,009
New Dependants	-	-	229	-	-	-	229
Over normal retirement age (NRA)	-	151	-	(35)	(120)	157*	153
Retirements	-	286	-	(150)	(136)	-	-
To Pension Payment	(12)	12	-	-	-	(151)	(151)
Deferrals	(7)	-	-	7	-	-	-
Deaths	-	(590)	(258)	(9)	(6)	(14)	(877)
Transfers Out	-	-	-	(29)	(9)	(12)	(50)
Full Commutations	-	(1)-	(81)	(15)	(86)	(108)	(291)
Withdrawals	(2)	-	-	-	-	-	(2)
At 31 March 2023	233	10,743	2,768	1,798	1,326	9,152	26,020

*Includes two prior year adjustments.

Defined Contribution Section	**Members In Service**	**Deferred Pensioners Full**	**Total**
At 1 April 2022	644	821	1,465
New Entrants	266	-	266
Retirements	-	(5)	(5)
Deferrals	(112)	112	-
Transfers Out	(2)	(25)	(27)
Deaths	(1)	(1)	(2)
Withdrawals and refunds	(5)	(8)	(13)
At 31 March 2023	790	894	1,684

Total Membership	**2023**	**2022**
Members in service	1,023	898
Pensioners	13,511	13,763
Members entitled to deferred benefits	13,170	13,813
	27,704	28,474

The membership numbers shown in the Defined Benefit Section above include 9,152 (2022: 9,280) 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 (8,266), which on payment would be fully commuted for a one-off lump sum. There are also 248 full deferred members and 638 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 63.

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 63).

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 due to be issued to members in Summer 2023 giving the results of the valuation as at 31 March 2022, compared with the position at the triennial valuation as at 31 March 2019.

Results of the 2022 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 2022, alongside the results for the previous valuation as at 31 March 2019.

1. Statutory funding objective	**2022**	**2019**
Assets	£4,338m	£4,137m
Technical Provisions	£3,671m	£3,772m
Funding level	118%	110%

2. Total service objective	**2022**	**2019**
Assets	£4,338m	£4,137m
Total service	£3,751m	£3,917m
Funding level	116%	106%

3. Winding-up objective	**2022**	**2019**
Assets	£4,338m	£4,137m
Winding-up cost	£4,177m	£4,517m
Funding level	104%	92%

Development of the Fund's position since the 2019 valuation

The Trustee Board was pleased that the 31 March 2022 valuation showed improvements to the funding level on each of its funding objectives, with the Fund now in surplus on all three measures. The main factors contributing to the improvement in funding position are good investment returns and Company contributions totalling £200m.

In 2021, the Fund purchased a bulk purchase annuity (also known as a buy-in policy) which aims to insure broadly the Fund's liabilities associated with a representative group of pensioners, covering 60% of the Fund's pensioner liabilities. The favourable terms that were secured as part of this transaction also contributed to the improvement in the winding up funding position.

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.

Company contributions and Contingent Funding Arrangement

At the 2019 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 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. In line with this schedule, the Company paid £50m over the year ending 31 March 2022 but paid no contributions over the year to 31 March 2023 as there was a surplus on the winding up basis of more than £50m as at 31 March 2022.
The dynamic contribution schedule was retained following the 2022 valuation, with some refinements. In future any contributions payable will be separately identified as relating to ongoing accrual or deficit contributions. The level at which contributions are made to an escrow account was also revised following the 2022 valuation and the conditions for the release of any such escrow funds were agreed.

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 is expected to 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 next such report, which will have an effective date of 31 March 2023, must be completed by 31 March 2024.

The level of contributions will be reassessed at the next 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
Males		
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%
Females		
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.
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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 65.

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

During the year the Trustee updated the terms that apply to certain Defined Benefit members for the option for pensioners to give up some of their annual Fund pension in exchange for receiving potentially higher pension increases in the future.

In February 2023, the Company entered into a consultation with active members of the Defined Benefit section, proposing that future pension provision would be in the Defined Contribution Section of the Fund. This process is ongoing and the outcome regarding future benefits for active DB members has not been concluded.

Contributions

The Actuary's certificate regarding contributions from the Company and the members is on page 65 and the associated Schedule of Contributions is on page 66. As set out in the Report on Actuarial Liabilities above, no contributions were made to the Fund in the year to 31 March 2023. Taking into account the revised estimate of the winding-up deficit at 31 March 2021 the Company paid £50m in contributions in the year to 31 March 2022.

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 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.

Management and custody of investments

Defined Benefit Section

Changes in investment arrangements during the year

During the year the Trustee sold its holding in multi asset credit managed by Apollo. 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 meet the calls for additional capital, the Trustee disposed of its the corporate bond portfolio with Legal & General. In addition the Trustee borrowed funds from the Company on a temporary basis. The Company loans were repaid in full before the year end (Note 24 to the Financial Statements). To provide additional liquidity the Trustee entered into revolving credit facility with a consortium of banks. It has taken out temporary loans (Note 20 to the Financial Statements) to repay the Company and to provide additional collateral in the LDI portfolio. The bank loans will be repaid over the next twelve months 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).

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 to 50%. It was increased to a target of 73% by the year end. The LDI portfolio has a collateral buffer that is in line with the Pensions Regulator's guidance on resilience standards.

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 36). 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.

The table also shows the strategic benchmark distribution which has been adopted by the Trustees after deliberation on an appropriate asset allocation policy for the Fund. The strategic benchmark distribution is a guideline – practical considerations require that there is a reasonably wide permitted range around the central percentages shown and is documented in the Statement of Investment Principles (SIP), adopted in March 2022, with the inclusion of the bulk purchase annuity within Bond-like assets (see page 13). The benchmark distribution is reviewed by the Trustees at their regular Board meetings but it is expected to change only occasionally.

The SIP is available from June 2023 at www.myimperialpension.com

Asset Class	31 March 2023 Actual %		31 March 2023 Benchmark %		31 March 2022 Actual %		31 March 2022 Benchmark %	
Cashflow-Driven Alternatives		**42.3**		**29.0**		33.9		29.0
Property	**9.6**		**6.0**		7.6		6.0	
Private (Illiquid) Debt	**9.9**		**5.0**		6.4		5.0	
Multi Asset Credit	**0.0**		**3.5**		3.8		3.5	
Secured Finance	**13.7**		**8.5**		9.3		8.5	
Ground Leases	**9.1**		**6.0**		6.8		6.0	
Bond-like assets		**59.2**	**}**	**70.0**		65.2	}	70.0
LDI (Index-linked)	**16.8**		**}**		23.0		}	
Corporate Bonds	**0.0**		**}**		4.5		}	
Bulk annuity policy	**42.4**		**}**		37.7		}	
Cash		**(1.5)**		**1.0**		0.9		1.0
	100.0	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0	100.0

The Defined Benefit SIP was updated after the year end. The Trustees agreed that the target allocations for bonds and alternatives should be reset at least quarterly to reflect the impact of market movements and the return of capital from the alternative investments over time. Since the updated SIP was adopted there are no set ranges around the asset allocation. The Trustees reviews the asset allocation at regular Investment Committee meetings and considers whether adjustments are appropriate.

Investment managers

The Trustees 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
- Multi-asset credit	Apollo Management International	31 March 2017 to 31 December 2022
- Private debt	Hayfin Capital Management LLP	3 February 2017
- Secured Finance	M&G Investments	1 March 2017
	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 Trustees and the manager or, in the case of pooled funds in the relevant fund prospectus. The Trustees 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 35 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 01/06 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 25 (2022: 26) 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 13% invested in retail, 60% in industrial/warehouse, 15% in offices and 12% in other properties (2022 split: 21%; 61%; 13%; 5%). The Fund also holds a portfolio of 27 (2022: 29) 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. These reports are reviewed by the Pension Fund Office and any significant exceptions reported to the Trustees, of which there were none in the year. Periodic reviews of the performance of the custodian are also carried out.

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

The year to 31 March 2023 was challenging for investment markets as we saw high volatility due to uncertainty from Ukraine, an energy crisis, inflationary pressure and rising interest rates. Gilt yields endured significant volatility due to the rate spikes and the fallout from the 'mini-budget' which resulted in a material fall in DB pension scheme liabilities and liability driven investment assets.

Major market indices saw mixed returns over the year. At a regional level, Europe was the strongest performing region, returning 8.7%. The UK markets also performed well, returning 2.9%, followed by the Japanese markets, returning 2.0%. The Asia Pacific ex Japan markets saw negative performance over the year, returning -3.0% (all in sterling unhedged terms). Looking beyond equity investments, over 15 year index-linked gilts achieved a negative return of -39.1% while corporate bonds experienced a negative return of -10.2%. Property markets have deteriorated, generating a return of -14.7%.

Against this backdrop, the majority of mandates in which the Fund invests performed negatively over the period. The Fund's total portfolio return was -29.2%, versus a benchmark return for the year of -27.9%. Rising gilt yields led to large falls in assets (and the Fund's liabilities, which the assets are expected to broadly match) particularly over the second and third quarters of 2022. Economic uncertainty continued with further falls in the final quarter of the year, with the Fund then achieving a positive return in the first quarter of 2023.

The following table provides the Fund's investment performance over various periods as at 31 March 2023.

Period	Fund return % p.a.	Benchmark return* % p.a.
1 year	-29.2	-27.9
3 years	-7.8	-9.3
5 years	-3.0	-3.6

* The benchmark return is a mixture of the weighted average underlying Fund benchmarks (from 31/03/2018 to 30/09/2018) and the 'strategic target' which is based upon the Willis Towers Watson ("WTW") modelling analysis used to set the investment strategy (from 01/10/2018 to 31/03/2023). The 'strategic target' was updated from 31/12/2022 to reflect WTW's updated return assumptions for each asset class. The Trustee reviews the calculation methodology regularly.

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 March 2022 for the bulk purchase annuity) and one for the Defined Contribution section (updated in March 2022 as two additional self-select funds were added to the range offered to members; a Shariah-compliant fund and a sustainable fund, with minor updates after the year-end), 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 63) and online at www.myimperialpension.com . The SIP for the Defined Contribution section is appended to this report (see page 72). The Defined Benefit SIP in force at the year-end did not reflect the Fund's investment principles after the changes made during the year in the multi-asset credit, corporate bond and LDI portfolios. It was updated after the year end to reflect those changes and the updated investment strategy following the 2022 valuation.

Environmental, Social and Corporate Governance

The Trustees have formalised it approach to environmental, social, and corporate governance ("ESG") in an ESG Policy Statement. The Statement was updated in May 2022 to incorporate amongst other things the recognition of climate change as a risk. The Statement should be read in conjunction with the Fund's DB and DC sections' Statement of Investment Principles ("SIP"). 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 Trustees believe that environmental, social, and corporate governance ("ESG") factors ESG factors can be financially material; identifying and mitigating these risks where possible forms part of the Trustee's fiduciary duty.

The Trustees, with support from its investment consultant, is currently producing an annual Task Force on Climate-related Financial Disclosures ("TCFD") report covering the period from 1 October 2022 to 31 March 2023. The report will be made available online at www.myimperialpension.com. Preparatory work has continued to meet the TCFD requirements. 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 Trustees 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 Trustees 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.

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 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 2023.

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

H F Clatworthy

H F Clatworthy - Chair
On behalf of the Board
Imperial Tobacco Pension Trustees Limited

Date: 11/07/23

The Chair's Annual Governance Statement

This statement has been prepared by the Trustees of the Imperial Tobacco Pension Fund ('ITPF' or the 'Fund') to demonstrate how the Fund has complied with the governance standards required by legislation and expected by the Pensions Regulator. The statement relates to the Defined Contribution Section (the 'DC Section') of the Fund and also, where appropriate, to the Additional Voluntary Contribution ('AVC') arrangements in the Defined Benefit ('DB') Section.
This statement covers the Fund year ended 31 March 2023.

Investment strategy and the default investment option

Introduction

The Trustees undertake a review, at least every three years, of both the default investment strategy and the funds underlying the default arrangement. They will undertake a more frequent review if there are significant changes to investment policies or as deemed appropriate.

The Trustees have prepared a Statement of Investment Principles covering the DC Section (the 'DC SIP'), a copy of which is appended to this report (page 72 and a copy is also available to members online at https://www.imperialbrandsplc.com/about-us/governance.html or on request to the Pension Fund Office – see page 63). The DC SIP governs their decisions about investments, including their aims, objectives and policies for the DC Section's default investment arrangement. In particular it covers the Trustees' investment policies on risk, return and environmental, social and corporate governance ('ESG') matters, and how the DC Section default investment strategy is intended to ensure that assets are invested in the best interests of members. The DC SIP is reviewed regularly by the Trustees, at least every three years and without delay after any significant change in investment policy. In March 2023 the SIP was reviewed and was updated, following consultation with the Company, after the year end for minor updates, including the policy for managing ESG factors.

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different time horizons for investing and different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their own individual circumstances. The Trustees main objective is therefore to make available a range of investment options to meet this purpose.

The Trustees also recognise that not all members wish to make an active investment choice that is tailored to their individual circumstances and would prefer to follow a 'default' investment strategy. The Trustees have therefore designated a default fund within the range of lifecycle funds on offer to members, described as the 'Variable Income' lifecycle strategy set out below.

The Trustees consider risk from a number of perspectives. Broadly, these are:

1) The risk that the investment return over a member's working life will not keep pace with inflation and will not therefore secure an adequate benefit at retirement;
2) The risk that investment market movements in the period immediately prior to retirement will lead to a substantial reduction in the level of pension which can be purchased;

3) The risk that relative market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit available;

4) The risk that the investment funds in which monies are invested under-perform;

5) The risk that the counterparty cannot meet its obligations;

6) The risk that the value in pounds sterling of monies invested change as result of fluctuating exchange rates.

The Trustees believe that the investment strategy outlined in this statement and the DC SIP is appropriate for managing the risks outlined above. It is noted however, that, due to the nature of the differing requirements of individual members it may not be possible to mitigate against all the risks outlined above. Significant risk areas are documented in the risk register, and these risks are monitored and reviewed regularly (at least annually) by the Trustees.

The default investment option

The default investment option targets an asset allocation which provides an appropriate retirement position for members wishing to take income drawdown or an annuity in retirement. In the years before retirement, the growth phase, the fund invests in a diversified range of assets with the aim of providing growth in real terms, then in the switching phase before retirement moving to less risky investments. The Trustees reviewed the default investment option in 2021(a triennial review) and again August 2022. Overall conclusion was that the default arrangement was fit for purpose. The factors leading to this assessment were that the growth phase could have a higher allocation to equities, more risk could be taken in the run up to retirement and the fees charged were high compared with other options. Other options were available and more off the shelf default arrangements were available than several years ago. The options for changing the default arrangement were also considered but making changes at a time of uncertain equity market conditions and with the current macroeconomic climate was not ideal so no action was considered necessary. The Trustee agreed that the default arrangement following a more diversified approach and having correspondingly lower return and lower risk was appropriate.

The Trustee reconsidered the findings of the review in March 2023 in light of the default arrangement’s performance over the year ending 31 December 2022. As well as performance against targets, another useful consideration is comparing performance against the peer group of “off-the-shelf” defaults at the major MTs (representing a significant amount of DC savings) and how that compared against the respective asset allocations. In this context, the default ranked 7th and 9th out of 13 comparators over the 3-year period for the growth and at-retirement phases, respectively. The default has faced a headwind over this period as its equity allocation was at the lower end. The Trustee agreed to remain in dialogue with the Company about its views and intentions for the DC section over the medium and long term.

Having recently added two additional self-select funds to the range offered in September 2021 (the ITPF Sustainable Global Equity Fund and the ITPF Islamic Global Equity Fund), as part of the strategic review in August 2022 the Trustee agreed that no further additions were needed to the self-select range at the current time.

The Trustees also carry out an annual review of both the DC Section and the AVC arrangements, the most recent being carried out in September 2022. The review included analysis of administration service levels and, where applicable, a comparison against other trust-based DC arrangements. While administration performance against SLA targets in the year to 30 June 2022 for the DC section (at 77%) was above that achieved across all of Aegon's clients (65%) it was well below the 95% service target. The main reasons for the poor performance were high staff turnover combined with increased volumes of calls to the helpline during and post the Covid-19 pandemic. Aegon had had a recruitment drive and had improved staff remuneration to try and help retain staff. The Trustee agreed to closely monitor the administration service levels and improvements were made in the latter half of 2022, with performance against SLA targets of 89% in quarter 3 and 90% in quarter 4. For financially critical items the performance with 98% and 96% in quarter 3 and quarter 4 respectively.

This annual governance review of the DC and AVC arrangements with Aegon concluded that, subject to closely monitoring Aegon's administration performance against the agreed service levels, Aegon remained a suitable provider. There were no significant concerns in relation to Aegon's arrangements in the areas covering its investment capability, its communication channels and content.

In addition, the Investment Committee of the Trustee Board monitors the investment performance of the DC section at its quarterly meetings. The Investment Committee provides the Trustees with a report on its activities and any recommendations arising after each meeting. The ITPF Global Equity Fund has tracked its benchmark within an appropriate tolerance range over all periods. Over longer periods, the ITPF DGF has underperformed relative to its benchmark, with both of the underlying managers (Insight and BlackRock) underperforming. Over the long term the ITPF DGF has lagged behind its objective, and the return has been significantly below that of global equities.

The table below shows performance of the lifestyle funds for periods ended 31 March 2023. More information on performance is given in the Appendix.
Past performance is net of fees for the main default funds and gross of fees for the underlying funds.

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	-4.0	-3.8	15.5	15.6	7.4	7.7
ITPF Diversified Growth Fund	-4.5	6.3	4.1	4.7	1.9	4.5
ITPF Annuity Protection Fund	-17.4	-18.6	-8.7	-9.4	-3.0	-3.4
ITPF Cash Fund	1.8	2.2	0.4	0.7	0.4	0.6

The performance for the self-select funds (net of fees) were:

Fund	Actual 1 Year (%)	Benchmark 1 Year (%)	Actual 3 Years (% p.a.)	Benchmark 3 Years (% p.a.)	Actual 5 years (% p.a.)	Benchmark 5 years (% p.a.)
ITPF Global Equity Fund	-4.0	-3.8	15.5	15.6	7.4	7.7
ITPF Diversified Growth Fund	-4.5	6.3	4.1	4.7	1.9	4.5
ITPF Overseas Equity Fund	-1.6	-1.1	16.2	16.6	10.8	11.0
ITPF UK Equity Fund	2.1	2.9	13.2	13.8	4.6	5.0
ITPF Annuity Protection Fund	-17.4	-18.6	-8.7	-9.4	-3.0	-3.4
ITPF Index Linked Gilt Fund	-30.7	-30.4	-9.5	-9.2	-4.4	-4.1
ITPF Cash Fund	1.8	2.2	0.4	0.7	0.4	0.6
ITPF Islamic Global Equity	-3.3	-2.9	n/a		n/a	
ITPF Sustainable Global Equity	-1.5	-1.2	n/a		n/a	

The Trustee updated the ESG policy in June 2022 to reflect the impact of climate change on investment risk. The ESG Policy, which is available to members on request. The Trustees monitored the Fund's investment against the policy on an ongoing basis, with the assistance of its investment consultant. It prepared an ESG impact assessment report, evaluating the investment mangers' approach to the management of ESG risks and opportunities. The DC Section meets traditional ESG criteria as it has scored strongly on most of the ESG assessment criteria at an aggregated level. However, it only partially meets climate-related criteria. The overall ESG score and category rating has increased since the assessment last year. The reasons for this include: A DGF manager (Insight) has improved its ESG capabilities, notably within their risk management processes and reporting capabilities and the investment manager has increased its ESG-related engagements within the passive equity fund range. The review did not include the ITPF Islamic Global Equity fund information from the underlying investment manager, HSBC, was not available at the time.

The AVC arrangements

In respect of the AVC arrangement the Trustees recognise that members who pay AVCs do so as a 'top up' to their DB section benefits. The Trustees also recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk. The Trustees believe that members should make their own investment decisions based on their own individual circumstances. The Trustees main objective is therefore to make available a range of investment options to meet this purpose. There is no default fund for the AVC arrangement.

In respect of the AVC arrangement the Trustees consider risk from a number of perspectives. Broadly, these are:

1) The risk that the investment return over a member's working life will not keep pace with inflation and will not therefore secure an adequate benefit at retirement;
2) The risk that investment market movements in the period immediately prior to retirement will lead to a substantial reduction in the level of pension which can be purchased;
3) The risk that relative market movements in the period immediately prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit available;
4) The risk that the investment funds in which monies are invested under-perform.

The Trustees believe that the investment strategy outlined below is appropriate for managing the risks outlined. It is noted however, that, due to the nature of the differing requirements of individual members it may not be possible to mitigate against all the risks outlined above.

The AVC arrangement for members of the DB Section of the Fund offers members a choice of five different investment options:

- A mixed fund,
- A UK equity index tracker fund,
- A global equity index tracker fund,
- An over 5-year index-linked gilt fund,
- A cash fund.

As mentioned in the previous section the Trustees carry out an annual review of the AVC arrangements, the most recent being carried out September 2022.

Monitoring core financial transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC Section of the Fund and the DB section AVC arrangements are processed promptly and accurately.

The DC Section

The Trustees regularly monitor the core financial transactions of the DC Section. These include the investment of contributions, transfers into and out of the Fund, investment switches and payments out of the Fund to and in respect of members.

This is achieved by the review of quarterly reporting from the DC Section's administrators (Aegon) and the monthly monitoring of contribution payments by Imperial's payroll teams. Aegon's quarterly reports cover various work tasks that include core financial transactions such as payment of retirement benefits, receipt of contributions, investment switches, transfers in and transfers out. Where the agreed service standards were not met, the Pension Fund Office (PFO) liaised with Aegon to ensure that steps were taken to improve the turnaround times. Additionally, both the PFO and, on an annual basis, Willis Towers Watson (WTW), AVC administration consultant, via their report to the Trustees, review performance of the DC Section's administrator (Aegon) against its Service Level Agreement. The Service Level Agreement includes expected timescales for the administrator to process transactions, including the investment of contributions and individual member transactions as well as the process by which they report areas where agreed service levels have not been met. No significant weaknesses were identified in the latest annual review in the processing of financial transactions.

Aegon has processes and controls in place covering core financial transactions that are carried out in accordance with a strict governance framework that complies with International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organisation". Checklists are used and reviewed to help ensure that all necessary information is received, and that information is complete and accurate and processed on a timely basis. This includes investment records and activities.

The Fund is compliant with the Code of Practice No. 5 on reporting late payments of contributions and with relevant legislation. The PFO monitors the date contributions are paid and contributions paid in the year were paid within 22 days of the end of the calendar month to which they apply as set out in the schedule of contributions. There was an isolated late contribution payment incident in February 2023 concerning 71 employees. There was no financial loss to members. The matter was not reportable to the Pensions Regulator.

Based on the above the Trustees are satisfied that during the Fund year the DC Section's administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA, that there have been no material administration errors in relation to processing core financial transactions; and all core financial transactions have been processed promptly and accurately during the Fund year. Furthermore, the Trustees are satisfied that the DC Section has adopted the standards of practice set out in the DC code and associated regulatory guidance.

The AVC arrangements

The report prepared by WTW in September 2022 considered the core financial transactions within the AVC arrangement with Aegon and the Trustees found that these were acceptable.

Charges and transaction costs

Charges – the DC Section

Aegon, the administrator, and the investment managers for the DC Section of the Fund, 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 is shown in the table below:-

Aegon Investment Fund	**Aegon AMC (% p.a.)**	**Total Expense Ratio (% p.a.)****
ITPF Diversified Growth Fund*	0.67	0.78
ITPF Global Equity Fund*	0.35	0.37
ITPF Overseas Equity Fund	0.32	0.33
ITPF UK Equity Fund	0.32	0.32
ITPF Annuity Protection Fund*	0.32	0.32
ITPF Index-Linked Gilt Fund	0.32	0.32
ITPF Cash Fund*	0.32	0.35
ITPF Islamic Global Equity	0.60	0.60
ITPF Sustainable Global Equity	0.43	0.43

* These funds are used in the Variable Income Lifecycle, the default investment option.

** as at 31 December 2022

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.

It is a legal requirement that total member-borne charges for default investment strategies within DC Schemes used for automatic enrolment are capped at 0.75% p.a. Aegon's AMC and TER across the mix of funds invested in the default arrangement is less than 0.75% p.a. and therefore complies with the charge cap.

The Trustees will review the costs associated with the DC Section (and the AVC arrangements of the DB Section) as they see appropriate, and at least annually, as part of the Fund's value for members assessment. The fees charged were acceptable, noting that the charged in the default arrangement were high compared with other options, such as other off the shelf arrangements but the Trustee believed that the bespoke default arrangement was appropriate for members with its diversified approach and glide path period.

Transaction costs – the DC Section

The Trustees are also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Fund's fund managers buy and sell assets within investment funds. The charges and transaction costs have been provided by Aegon, the platform provider, calculated on a methodology known as 'slippage cost'. This compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage cost methodology, as shown in the table below, can be negative as well as positive:

Aegon Investment Fund	Aegon Total transaction costs (% year to 31/12/2022)	Aegon Total transaction costs (% 5-year average year to 31/12/2022)
ITPF Diversified Growth Fund*	0.2978	0.3068
ITPF Global Equity Fund*	-0.0029	-0.0033
ITPF Overseas Equity Fund	0.0000	0.0132
ITPF UK Equity Fund	0.0664	0.0519
ITPF Annuity Protection Fund*	0.1075	0.0511
ITPF Index-Linked Gilt Fund	0.0000	0.0066
ITPF Cash Fund*	0.0146	0.0141
ITPF Islamic Global Equity	0.0070	n/a
ITPF Sustainable Global Equity	0.0284	n/a

* These funds are used in the Variable Income Lifecycle, the default investment option.

The effect of charges and transaction costs – the DC Section

A '£ and pence' illustration example for the DC Section is attached as an Appendix to this statement. This shows the cumulative effect over time of the charges and transaction costs on the value of a member's pension savings in the DC Section using a range of realistic and representative funds, pot sizes and contribution rates.

The Trustees confirm that the assumptions used by Aegon when preparing the attached '£ and pence' illustrations take account of the statutory guidance issued by the DWP (dated September 2018).

Investment returns – the DC Section

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) Amendment) Regulations 2021 introduces new requirements for trustees of DC pension schemes. From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information is provided in the Appendix and has taken account of statutory guidance when preparing this section of the statement.

Value for members – the DC Section

The Trustees believe that the DC Section of the Fund represents "good value for members" for the reasons outlined below.

The nature of the contribution structure on offer to members (including their ability to make contributions at a rate above 7% of pensionable salary, with 7% being the highest contribution rate which receives a 14% Company contribution, the range of investment funds available and the level of the TER applied by Aegon, together with the flexibility of options available to members on retirement are representative of good value. In addition, various tools are made available to members, such as a contribution and benefit modelling tool, via the Fund website operated by Aegon. Members are also able to view their retirement account online via the Aegon website.

The default investment option review in September 2022 considered developments in the defined contribution market more widely, including the performance of MT. The introduction of Master Trusts has seen much competition and associated lower charges for default arrangements. The Fund's default arrangement charges were higher than a typical Master Trust but were reasonable for the bespoke default strategy, with actively managed Diversified Growth Funds (DGF).

The Trustees assess the performance of the Fund's investment funds (after all charges) in the context of their investment objectives. This is completed through review of quarterly performance reports from the advisors and regular strategic reviews, such as was undertaken in September 2022. The Trustees have reviewed the performance of the managers against their objectives and are comfortable with their performance in light of the market backdrop.

The DC Section also provides members with death in service lump sum cover and, in the event of ill health, an income protection insurance. These benefits are insured and Imperial Tobacco Limited meets the cost of this insurance together with the other costs of operating the DC Section of the Fund including the fees of professional advisers to the Trustees.

All members of the DC Section (and the DB Section AVC arrangements) receive an annual statement setting out their contributions paid and the current value of their investment, together with a statutory money purchase illustration. Assessment of Aegon's communication capability by WTW was generally favourable, whilst the improvements made to the ESG proposition Aegon has been slower that its peers to establish the internal operational structures that are required to implement change and best practices.

Part of the annual review of DC providers ranked Aegon compared to its peer group of DC pension scheme providers. The 2022 review showed that Aegon's ranking had fallen one place in the ranking since the previous year, and was now 7th out of 9 providers. This review assessed a range of areas: administration, investment, communication and Aegon's business. Aegon's ranking had fallen in the areas of administration and its speed of implementation of changes in ESG governance.

The governance oversight of the DC section by the Trustees (including regular monitoring of performance, taking action to address poor performance, reviewing the investment strategy and risk management) adds comfort to members about the management of the DC arrangement.

Charges and value for members – the AVC arrangements

The AMC (which relates solely to investment costs) for the main AVC offering of the DB Section of the Fund with Aegon is 0.5%. There is no charge applied for the administration of these funds. The Trustees believe that overall the AVC offering for DB Section members represents good value for money, based on the range of investment funds on offer and the level of AMC applied by Aegon.

AVC Fund	Performance Annualised to 31 March						Total Transaction costs (% year to 31/12/22)
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark	
	1 Year	1 Year	3 Years	3 Years	5 years	5 years	
	(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)	(% p.a.)	
Global Equity	-2.4%	0.5%	13.9%	15.4%	7.6%	8.5%	0.027
UK tracker	1.5%	2.9%	12.8%	13.8%	3.9%	5.0%	0.102
Mixed	-4.6%	-4.5%	7.4%	7.5%	5.2%	3.8%	0.094
Index Linked Gilt	-30.3%	-30.4%	-11.1%	-9.2%	-4.9%	-4.1%	0.089
High equity WP*	-5.0%	n/a	3.0%	n/a	3.2%	n/a	0. 119
Cash	1.4%	2.2%	-0.1%	0.8%	-0.1%	0.7%	0.000

*the fund performance is to 28 February 2023. It offers a guarantee that the unit price will not fall if held to maturity.

Trustee Knowledge and Understanding

The law requires the Trustees to possess sufficient knowledge and understanding to enable them to properly exercise their functions as Trustees including that they must be conversant with the trust deed and rules of the Fund, the statement of investment principles, and any other fund administration policies or fund documents.

They must have appropriate knowledge and understanding of the law relating to pensions and trusts, and the principles relating to the funding of occupational pension schemes and investment of the assets of such schemes.

The Trustee has a TKU process in place which enables them, together with the collective advice available to them, to exercise their duties as the Trustee of the Fund. In particular, during the Fund Year, the Trustee has met the requirements of sections 247 and 248 of the 2004 Act (requirements 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. During the period covered by this statement, the Trustees received training in September 2022 from Aegon on the options available to members on retirement to better understand the arrangements and the support available to members. The Trustee also had training on the following topics at the dedicated training session on 14 June 2023: an update on regulatory developments (such as cyber security and the draft single code of practice).
- 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 sub-committee meetings.
- Carrying out effectiveness self-assessment reviews.
- As appropriate, completion of the relevant parts of the Pensions Regulator's Trustee Toolkit.

- The use of pensions based software for the purpose of meeting management that includes a document library which holds copies of all the DC Section's and Fund's key documents such as the Trust Deed & Rules (together with subsequent amending deeds), the DC SIP, actuarial valuation reports and annual reports. 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.
- Requiring newly appointed Trustees to undertake an induction process which includes external training courses, the provision of an induction documents pack and continuous training, including through attending Trustee board meetings and sub-committee meetings.

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

Member communication and engagement

The Trustees approved the focus for engagement with DC members. The aim was at increasing awareness of the main features of the DC section and the importance of paying higher contributions to generate good outcomes on retirement. Members of the DC section are sent an annual update from the Trustees (the "Pension Fund Report") with separate reports issued to members in the DB and DC sections of the Fund to provide content that is more relevant to members in the different sections. The Report is used as an opportunity to ask members to provide feedback on the DC section.

To help contributing members understand the importance of contribution rates and to promote the key features of the DC section a series of webinars took place in December 2022. These were well attended and had positive feedback from members. The webinars targeted segments of the membership: new joiners and those approaching retirement, with the content tailored to the group's needs. An additional seminar was arranged for the group of employees transferring from Nerudia Limited.

Statement of compliance

On behalf of the Trustee of the Imperial Tobacco Pension Fund, I confirm that the Trustees are comfortable that the Fund has met the minimum governance standards as defined in the Occupational Pension Scheme (Charges and Governance) Regulations 2015 during the period 1 April 2022 to 31 March 2023

H F Clatworthy
Chair
21 June 2023

Appendix to the Chair's statement

Example illustration

Purpose of this example illustration

This isn't a personal illustration; it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds you invest in over time.

Fund transactional charges and costs total (%)

	Variable Income Lifecycle (Default)	ITPF Cash	ITPF Global Equity	ITPF UK Equity	ITPF Diversified Growth
Growth	-1.30% to 2.95%	-1.30%	3.00%	3.00%	0.59%
AMC	0.32% to 0.67%	0.32%	0.32%	0.32%	0.67%
AAE	0.00%100.11%	0.03%	0.01%	0.00%	0.11%
TC	0.00% to 0.33%	0.01%	0.01%	0.05%	0.33%

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.
AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.
AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.
TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the average of the actual annual transaction costs for the period 01/01/2019 to 31/12/2022.

The impact of transactional costs and charges on fund values (£)

The **'Before Charges'** column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.
The **'After all charges'** column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

	Variable Income Lifecycle (Default)		ITPF Cash		ITPF Global Equity		ITPF UK Equity		ITPF Diversified Growth	
Years	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	26386	26209	25686	25602	26682	26599	26682	26592	26113	25850
3	37660	37010	35096	34797	38772	38456	38772	38428	36639	35682
5	49636	48345	44560	43988	51885	51236	51885	51179	47574	45695
10	82911	79217	68513	67004	89610	87606	89610	87432	76790	71564
15	121502	114122	92977	90187	135384	131091	135384	130720	108866	98717
20	166188	153635	118072	113676	190616	182814	190616	182145	144034	127272
25	217859	198406	143924	137610	256942	244063	256942	242967	182545	157355
30	277534	249169	170663	162130	336264	316313	336264	314626	224669	189100
35	346383	306757	198423	187379	430791	401250	430791	398770	270697	222653
40	420623	365786	227346	213501	543088	500804	543088	497278	320944	258167
44	482498	411451	257578	240645	676131	617180	676131	612297	375747	295808

About this illustration
Your current age is 21 and retirement age is 65. This is based on the age of the youngest person in the scheme.

Your current salary is £42,000 and will increase each year by 3.5%.

Future contributions paid will be 12% of your salary (£420 each month increasing by 3.5% each year in line with assumed salary increases).

The existing fund value is £23,000 which based on the median value of the total holdings within the scheme. We calculate this by listing the total holdings of each member in the scheme, from the lowest to the highest value and selecting the value in the middle.

We've shown the default Investment Option (Variable Income Lifecycle) that the majority of members invest in.

We've also shown the ITPF Cash and ITPF Global Equity funds to show the asset classes with the lowest and highest assumed growth, and the ITPF UK Equity and ITPF Diversified Growth funds as the funds with the lowest and highest charges.

Investment growth
The value of your investments will grow at a rate appropriate to the funds you're invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) you're invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and asset allocation of the funds.

If the growth rate we've used is:
- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

Investment returns

Investment returns – the DC Section

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) Amendment) Regulations 2021 introduces new requirements for trustees of DC pension schemes. From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. When preparing this section of the Statement the Trustees have taken account of the relevant statutory guidance.

Below are the annualised net investment returns to 31 March 2022 for all funds where no lifestyling takes place.

Fund Name	1 year (%)	5 years (% p.a)
ITPF Global Equity Fund	-4.0	7.4
ITPF Overseas Equity Fund	-1.6	10.8
ITPF UK Equity Fund	2.1	4.6
ITPF Islamic Global Equity	-3.3	n/a
ITPF Sustainable Global Equity	-1.5	n/a
ITPF Diversified Growth Fund	-4.5	1.9
ITPF Annuity Protection Fund	-17.4	-3.0
ITPF Index Linked Gilt Fund	-30.7	-4.4
ITPF Cash Fund	1.8	0.4

Source: Aegon, Isio calculations

Note: The ITPF Islamic Global Equity and the ITPF Sustainable Global Equity Fund do not have 5 year performance returns available as they were new funds in November 2021.

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 March 2023 for all strategies where lifestyling takes place.

Variable Income Lifecycle - Default

Time period	1 year (%) 31/03/2022 – 31/03/2023	5 years (% p.a) 31/03/2018 –31/03/2023
Age of member at beginning of period (years)		
25	-4.2	4.8
45	-4.2	4.8
55	-5.0	4.5

Secured Income Lifecycle

Time period	1 year (%) 31/03/2022 – 31/03/2023	5 years (% p.a) 31/03/2018 – 31/03/2023
Age of member at beginning of period (years)		
25	-4.2	4.8
45	-4.2	4.8
55	-7.5	3.8

Cash Lifecycle

Time period	1 year (%) 31/03/2022 – 31/03/2023	5 years (% p.a) 31/03/2018 – 31/03/2023
Age of member at beginning of period (years)		
25	-4.2	4.8
45	-4.2	4.8
55	-2.7	4.9

Source: Aegon, Isio calculations

Notes:

- Returns calculated as the annual geometric average
- 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

We have audited the financial statements of the Imperial Tobacco Pension Fund for the year ended 31 March 2023 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 Trust during the year ended 31 March 2023 , 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 documents, 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 trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Fund's trustees are 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 16, 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 Trust 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

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
10th Floor
103 Colmore Row
Birmingham
B3 3AG

Date: 13/07/23

IMPERIAL TOBACCO PENSION FUND
FUND ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 DB £'000	2023 DC £'000	2023 Total £'000	2022 DB £'000	2022 DC £'000	2022 Total £'000
Contributions and benefits							
Employer contributions		**-**	**8,215**	**8,215**	50,000	6,957	56,957
Employee contributions		**569**	**-**	**569**	626	-	626
Total contributions	**2**	**569**	**8,215**	**8,784**	50,626	6,957	57,583
Transfers In	**3**	**-**	**104**	**104**	-	42	42
Other income	**4**	**-**	**-**	**-**	1	-	1
		569	**8,319**	**8,888**	50,627	6,999	57,626
Benefits paid or payable	**5**	**151,427**	**352**	**151,779**	158,700	297	158,997
Payments to and on account of leavers	**6**	**35**	**3**	**38**	7	2	9
Transfers out to other Schemes	**7**	**45,308**	**1,398**	**46,706**	21,320	2,133	23,453
Administrative expenses	**8**	**6,573**	**-**	**6,573**	3,865	-	3,865
		203,343	**1,753**	**205,096**	183,892	2,432	186,324
Net (withdrawals) / additions from dealings with members		**(202,774)**	**6,566**	**(196,208)**	(133,265)	4,567	(128,698)
Returns on investments							
Investment income	**9**	**170,304**	**-**	**170,304**	126,208	-	126,208
Change in market value of investments	**10**	**(1,411,959)**	**(2,394)**	**(1,414,353)**	151,066	3,697	154,763
Investment management expenses	**11**	**(3,973)**	**-**	**(3,973)**	(4,683)	-	(4,683)
Net returns on investments		**(1,245,628)**	**(2,394)**	**(1,248,022)**	272,591	3,697	276,288
Net increase / (decrease) in the fund		**(1,448,402)**	**4,172**	**(1,444,230)**	139,326	8,264	147,590
Opening net assets		**4,338,487**	**63,387**	**4,401,874**	4,199,161	55,123	4,254,284
Closing net assets		**2,890,085**	**67,559**	**2,957,644**	4,338,487	63,387	4,401,874

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The notes on pages 37 to 60 form part of these financial statements.

IMPERIAL TOBACCO PENSION FUND
STATEMENT OF NET ASSETS
AVAILABLE FOR BENEFITS AS AT 31 MARCH 2023

	Note	2023 DB £'000	2023 DC £'000	2023 Total £'000	2022 DB £'000	2022 DC £'000	2022 Total £'000
Investment assets							
Equities		**2**	**-**	**2**	2	-	2
Bonds		**482,931**	**-**	**482,931**	1,794,133	-	1,794,133
Property	**14**	**496,160**	**-**	**496,160**	616,825	-	616,825
Pooled investment Vehicles	**15**	**639,124**	**67,559**	**706,683**	843,975	63,387	907,362
Derivatives	**10**	**52,850**	**-**	**52,850**	135,279	-	135,279
Insurance policies	**16**	**1,279,000**	**-**	**1,279,000**	1,637,000	-	1,637,000
AVC investments	**10**	**2,597**	**-**	**2,597**	3,126	-	3,126
Cash	**17**	**205,934**	**-**	**205,934**	31,892	-	31,892
Other investment balances	**17**	**32,123**	**-**	**32,123**	13,207	-	13,207
Amounts receivable under reverse repurchase agreements	**17**	**316,189**	**-**	**316,189**	371,309	-	371,309
Total		**3,506,910**	**67,559**	**3,574,469**	5,446,748	63,387	5,510,135
Investment liabilities							
Derivatives	**10**	**(53,103)**	**-**	**(53,103)**	(103,520)	-	(103,520)
Other investment balances	**17**	**(4,410)**	**-**	**(4,410)**	(4,059)	-	(4,059)
Amounts due under repurchase agreements	**17**	**(471,334)**	**-**	**(471,334)**	(999,950)	-	(990,950)
Total		**(528,847)**	**-**	**(528,847)**	(1,107,529)	-	(1,107,529)
Total net investments	**10**	**2,978,063**	**67,559**	**3,045,622**	4,339,219	63,387	4,402,606
Current assets	**20**	**7,880**	**-**	**7,880**	6,624	-	6,624
Current liabilities	**20**	**(95,858)**	**-**	**(95,858)**	(7,356)	-	(7,356)
Net Current (liabilities) / assets		**(87,978)**	**-**	**(87,978)**	(732)	-	(732)
Total net assets		**2,890,085**	**67,559**	**2,957,644**	4,338,487	63,387	4,401,874

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 4 to 8 of the annual report, and these financial statements should be read in conjunction with this report.

The notes on pages 37 to 60 form part of these financial statements.

The financial statements on pages 35 to 60 were approved by the Trustees of Imperial Tobacco Pension Trustees Limited on 21 June 2023 and signed on their behalf by:

H F Clatworthy

H F Clatworthy
Chair Date: 11/07/23

J Killick
Secretary Date: 11/07/23

IMPERIAL TOBACCO PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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 has a defined benefit ("DB") section which is no longer open to new members but existing members continue to accrue benefits, and a defined contribution ("DC") section which is 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 are entitled to make additional voluntary contributions to the Fund to secure extra benefits. 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 fund and units in those funds are valued at the year-end market value by the provider, AEGON Pensions Limited.

(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. Net receipts or payments are reported within change in market value.

(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

	2023 DB £'000	**2023 DC £'000**	**2023 Total £'000**	2022 DB £'000	2022 DC £'000	2022 Total £'000
Employer contributions						
Normal	**-**	**8,215**	**8,215**	50,000	6,957	56,957
	-	**8,215**	**8,215**	50,000	6,957	56,957
Employee contributions						
Normal	**439**	**-**	**439**	485	-	485
Additional voluntary	**130**	**-**	**130**	141	-	141
	569	**-**	**569**	626	-	626
Total contributions	**569**	**8,215**	**8,784**	50,626	6,957	57,583

The Employer contribution in the year relating to the DB section was nil (2022: £50m). The contributions payable are dependent on the size of any winding up deficit or surplus, based on an annual assessment, and the cost of ongoing accrual. The annual contribution will be higher in the years where the winding up deficit is higher (see Schedule of Contributions, page 66). 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 £3,128,000 (2022: £2,710,000) in respect of member contributions made via salary sacrifice arrangements. There were no augmentation payments in the year (2022: nil).

3. TRANSFERS IN

	2023 DB £'000	**2023 DC £'000**	**2023 Total £'000**	2022 DB £'000	2022 DC £'000	2022 Total £'000
Individual transfers in from other Plans	**-**	**104**	**104**	-	42	42
	-	**104**	**104**	-	42	42

There were no bulk transfers during the year (2022: nil).

4. OTHER INCOME

	2023 DB £'000	2023 DC £'000	2023 Total £'000	2022 DB £'000	2022 DC £'000	2022 Total £'000
Receipts under insurance policies	-	-	-	1	-	1
	-	-	-	1	-	1

Income receipts under these legacy policies ceased during 2022.

5. BENEFITS PAID OR PAYABLE

	2023 DB £'000	2023 DC £'000	2023 Total £'000	2022 DB £'000	2022 DC £'000	2022 Total £'000
Pensions	**139,856**	**-**	**139,856**	136,774	-	136,774
Commutation and lump sum benefits	**10,960**	**99**	**11,059**	19,742	297	20,039
Lump sum death benefits	**-**	**253**	**253**	-	-	-
Lifetime allowance charge and annual allowance charge paid on behalf of members	**611**	**-**	**611**	2,184	-	2,184
	151,427	**352**	**151,779**	158,700	297	158,997

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023 DB £'000	2023 DC £'000	2023 Total £'000	2022 DB £'000	2022 DC £'000	2022 Total £'000
Refunds of contributions in respect of:						
Non-vested leavers	**35**	**3**	**38**	7	2	9
	35	**3**	**38**	7	2	9

7. TRANSFERS OUT TO OTHER SCHEMES

	2023 DB £'000	2023 DC £'000	2023 Total £'000	2022 DB £'000	2022 DC £'000	2022 Total £'000
Individual transfers to other Schemes	**45,308**	**1,398**	**46,706**	21,320	2,133	23,453
	45,308	**1,398**	**46,706**	21,320	2,133	23,453

8. ADMINISTRATIVE EXPENSES

	2023 DB £'000	**2023 DC £'000**	**2023 Total £'000**	2022 DB £'000	2022 DC £'000	2022 Total £'000
Internal services						
Remuneration	**832**	**-**	**832**	791	-	791
Trustees fees and expenses	**179**	**-**	**179**	204	-	204
Computer software & hardware	**229**	**-**	**229**	190	-	190
Postage	**94**	**-**	**94**	79	-	79
Other	**177**	**-**	**177**	167	-	167
	1,511	**-**	**1,511**	1,431	-	1,431
External services						
Actuarial fees	**1,051**	**-**	**1,051**	912	-	912
Legal fees	**419**	**-**	**419**	294	-	294
Audit fees	**74**	**-**	**74**	56	-	56
Other	**187**	**-**	**187**	1,007	-	1,007
	1,731	**-**	**1,731**	2,269	-	2,269
Pension Protection Fund Levy	**210**	**-**	**210**	165	-	165
Loan fees and interest	**3,121**	**-**	**3,121**	-	-	-
	6,573	**-**	**6,573**	3,865	-	3,865

Company and Bank loans were taken out during the year (see page 11, changes in investment arrangements) and the associated fees and interest are shown above.
The administrative expenses of the DC Section are met by the Company.

9. INVESTMENT INCOME

	2023 DB £'000	**2023 DC £'000**	**2023 Total £'000**	2022 DB £'000	2022 DC £'000	2022 Total £'000
Income						
Dividends from equities	**8**	**-**	**8**	(9)	-	(9)
Income from bonds	**9,289**	**-**	**9,289**	28,558	-	28,558
Net rents from properties	**23,851**	**-**	**23,851**	26,380	-	26,380
Income from alternatives	**54,950**	**-**	**54,950**	47,686	-	47,686
Interest on swaps	**1,282**	**-**	**1,282**	1,868	-	1,868
Income from insurance policies	**82,609**	**-**	**82,609**	26,829	-	26,829
Interest on cash deposits	**6,974**	**-**	**6,974**	(118)	-	(118)
Other	**3,028**	**-**	**3,028**	(990)	-	(990)
	181,991	**-**	**181,991**	130,204	-	130,204
Expense						
Interest on swaps	**(4,128)**	**-**	**(4,128)**	(1,722)	-	(1,722)
Net Interest on repurchase agreements	**(6,806)**	**-**	**(6,806)**	(1,695)	-	(1,695)
Other	**(753)**	**-**	**(753)**	(579)	-	(579)
	(11,687)	**-**	**(11,687)**	(3,996)	-	(3,996)
	170,304	**-**	**170,304**	126,208	-	126,208

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

Investment income (continued)

Net rents from properties is stated after deducting £4,046,000 (2022: £3,555,000) of property related expenses (including disbursements / service charges).

A full years income receipts were received from a new insurance policy, as commenced during 2022 (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 1/4/22 £'000	**Purchases at cost and Derivative Payments £'000**	**Sales Proceeds And Derivative Receipts £'000**	**Change in Market Value £'000**	**Market Value At 31/3/23 £'000**
Defined benefit section					
Equities	2	-	(39)	39	**2**
Bonds	1,794,133	426,743	(864,352)	(873,593)	**482,931**
Property	616,825	636	(16,800)	(104,501)	**496,160**
Pooled investment vehicles	843,975	16,446	(191,081)	(30,216)	**639,124**
Derivatives	31,759	805,658	(792,110)	(45,560)	**(253)**
Insurance policy	1,637,000	49	-	(358,049)	**1,279,000**
AVC investments	3,126	130	(580)	(79)	**2,597**
	4,926,820	1,249,662	(1,864,962)	(1,411,959)	**2,899,561**
Cash	31,892				**205,934**
Amounts receivable under reverse repurchase agreements	371,309				**316,189**
Amounts payable under repurchase agreements	(999,950)				**(471,334)**
Other investment balances	9,148				**27,713**
Total DB net investments	4,339,219				**2,978,063**
Defined contribution section					
Pooled investment vehicles	63,387	8,319	(1,753)	(2,394)	**67,559**

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 funds

Reconciliation of net investments (continued)

managed during the year by: Apollo (sold in December 2022), and private debts managed by Hayfin and M & G.

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

	2023 £'000	**%**	2022 £'000	%
Hayfin Illiquid Debt	**270,474**	**9.14**	279,566	6.35
AXA IM Global Secured Assets Fund I	**212,822**	**7.20**	221,086	5.02
M&G Illiquid Debt	**155,828**	**5.27**	-	-

Derivatives

DB Section only	**2023 Assets £000**	**2023 Liabilities £000**	**2023 Total £000**	2022 Assets £000	2022 Liabilities £000	2022 Total £000
Exchange traded						
Futures	**-**	**-**	**-**	43,423	(43,423)	-
Over-the-counter contracts						
Forward foreign currency	-	-	-	180	(1,069)	(889)
Swaps	**52,850**	**(53,103)**	**(253)**	91,676	(59,028)	32,648
	52,850	**(53,103)**	**(253)**	135,279	(103,520)	31,759

Objectives and policies for holding derivatives

Government Bond Futures

The Bond portfolio includes derivative contracts permitted by the SIP consisting of government bond futures. At the year-end there were none held (2022: net value was 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.

As at 31 March 2023 the Fund had collateral, held by the Fund's custodian, of £66,000 in Government Bonds and short term investments that has not been included in Net Assets at 31 March 2023 (2022: £62,000).

The tables below analyse the derivative positions in more detail as is required by the "Financial Reports of Pension Schemes" (revised June 2018). Government bond futures are exchange-traded derivatives. The nominal amounts shown are the nominal values of the securities to which

Reconciliation of net investments (continued)

the derivatives contracts relate which, being subject to market movements, give a measure of the contracts' economic exposure. For futures, positions are marked to market daily, and neutralised through margin accounts. Therefore the net exposure at the year-end was nil, with gains or losses during the year included in the change in market value.

	Expires within	**Nominal Amount £'000**	**2023 Assets £'000**	**2023 Liabilities £'000**
Swaps				
Total return swaps				
- pay floating, receive fixed	0-10 years	410,925	**42,998**	**-**
- pay floating, receive fixed	0-10 years	247,400	**-**	**(5,837)**
- pay floating, receive fixed	10-20 years	44,000	**9,692**	**-**
- pay floating, receive fixed	10-20 years	38,200	-	**(2,156)**
Exchange cleared swaps	0-10 years	104,530	**113**	-
- pay floating, receive fixed				
- pay floating, receive fixed	10-20 years	1,200	**47**	-
- pay floating, receive fixed	10-20 years	1,150,282	**-**	**(45,110)**
At 31 March 2023			**52,850**	**(53,103)**

The comparatives for 2022 are shown below.

	Expires within	Nominal Amount £'000	2022 Assets £'000	2022 Liabilities £'000
Government bond futures				
USA	3 months	43,423	43,423	(43,423)
At 31 March 2022			144,813	(144,813)
Swaps				
Total return swaps				
- pay floating, receive fixed	0-10 years	620,000	91,676	-
- pay floating, receive fixed	0-10 years	354,275	-	(49,293)
Exchange cleared swaps				
- pay floating, receive fixed	10-20 years	806,372	-	(9,735)
At 31 March 2021			91,676	(59,028)

Reconciliation of net investments (continued)

Foreign exchange forward contracts

The outstanding gains or losses on individual foreign exchange forward contracts are shown as assets or liabilities in the table of investments, while the movements during the year are shown net. A summary of the closing positions is as follows:

	2023	2022
	£'000	£'000
Foreign exchange forward contract positions at 31 March		
- Assets (per Investment Table, above)	**-**	180
- Liabilities (per Investment Table, above)	**-**	(1,069)
	-	(889)

Additional voluntary contributions ("AVCs")

Accumulated AVCs invested separately under money purchase arrangements are reflected at market value. The Fund's main AVC arrangement, which is open to new contributions, is through AEGON and offers a choice of investment options.

The movements during the year are summarised as follows:

	AEGON	**Total**
	£'000	**£'000**
Value as at 1 April 2022	3,126	**3,126**
Purchases at cost	130	**130**
Transfers	-	**-**
Sales proceeds	(580)	**(580)**
Change in Market Value	(79)	**(79)**
Value as at 31 March 2023	2,597	**2,597**

There were no additional voluntary contributions invested in the Fund during the year. Statements showing individual member fund values are issued annually to each member.

Reconciliation of net investments (continued)

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 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.

Based on these considerations the main objective of the investment strategy is to make available to members of the Fund an appropriate range of investment options which are designed to meet their investment needs and to generate income and capital growth, which together with contributions from members and their employer, will provide each member with an accumulated Retirement Account which may be used to provide them with benefits on retirement.

For those members comfortable with making their own investment choices, appropriate to their own, individual, needs the Trustee has made available seven fund offerings which they believe will be appropriate for members. These investment funds are provided by Aegon Pensions Limited ("AEGON") and have been 'white labelled' for the Fund. This means that they have been specifically created for members of the Fund and whilst they are invested in other funds available through AEGON's platform they have more beneficial pricing arrangements.

The funds available are:

- Multi Assets Funds: Diversified Growth
- Equity Funds: Global; Overseas; UK, Sustainable, Islamic.
- Fixed Income Funds: Annuity Protection; Index-linked gilts.
- Cash Fund

For members who do not wish to take an active role in their investment decisions the Trustee offers three lifecycle investment strategies and has designated the Variable Income lifecycle strategy as the default investment strategy. The aim of the lifecycle strategies is to provide members with a good long-term rate of investment return over the majority of their working lives, whilst moving a proportion of their pension savings into less volatile funds as retirement approaches. The Diversified Growth, Global Equity, Annuity Protection and Cash funds are used in varying degrees in the three different lifecycle strategies. Which lifecycle strategy a member chooses will largely depend on how they intend to draw their retirement benefits. The Variable Income lifecycle strategy has been designed for members wishing to transfer the value of their Retirement Account to an income drawdown policy, the Secured Income lifecycle strategy has been designed for members wishing to purchase an annuity and the Cash lifecycle strategy has been designed for members wishing to take their Retirement Account as a cash lump sum.

Assets 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 2023 there were 1,684 members in the DC section (2022: 1,465 members). Details of the movements in the year

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

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 movements during the year are summarised as follows:

	2023	2022
	£'000	£'000
Value as at 1 April	**63,387**	55,123
Contributions	**8,215**	6,957
Transfers In	**104**	42
Transfers Out	**(1,398)**	(2,133)
Lump sums on retirement	**(99)**	(297)
Lump sum death benefits	**(253)**	-
Refund of contributions	**(3)**	(2)
Change in Market Value	**(2,394)**	3,697
Value as at 31 March	**67,559**	63,387

The Trustee has an investment agreement in place with AEGON that sets out guidelines for the underlying investments held by the funds. The day-to-day management of the underlying investments of the funds is the responsibility of AEGON, 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 Section as a whole.

Credit risk

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

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

	2023	2022
	£'000	£'000
Open ended investment companies	**67,559**	63,387
	67,559	63,387

AEGON is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. In the event of default by AEGON, as a result of the Trustee's investment agreement with AEGON, members may be entitled to compensation (potentially, up to 90% of their fund value) from the Financial Services Compensation Scheme.

The DC section is also subject to indirect credit and market risk arising from the underlying investments held in white label 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 Multi Asset, Equity, Fixed Income and Cash funds were exposed to indirect credit risk. Indirect credit risk is mitigated within funds through the managers' own credit 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 AEGON, who then manage these risks.

11. INVESTMENT MANAGEMENT EXPENSES

Defined benefit	**2023**	2022
Portfolio Management Fees	**£'000**	£'000
UK Property	**1,239**	1,223
Ground Leases	**938**	1,020
Index-Linked – Direct	**934**	980
Fixed Interest – Direct	**135**	552
	3,246	3,775
Custody Fees	**63**	165
Investment Adviser Fees	**599**	674
Property Valuation Fees	**65**	69
	3,973	4,683

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 (2022: 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

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
UK freehold property	**251,445**	**-**	**251,445**	287,435	-	287,435
UK leasehold property	**18,525**	**-**	**18,525**	35,350	-	35,350
UK ground lease Freehold property	**226,190**	**-**	**226,190**	294,040	-	294,040
	496,160	**-**	**496,160**	616,825	-	616,825

The Fund's investment in UK property comprises 25 properties (2022: 26 properties) in a segregated portfolio.

The Fund's investment in UK ground leases comprises 27 properties (2022: 29 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

By type	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Index linked gilts	**-**	**77**	**77**	-	118	118
Equities	**-**	**37,520**	**37,520**	-	34,966	34,966
Global secured assets	**212,822**	**-**	**212,822**	221,086	-	221,086
Diversified growth	**-**	**28,383**	**28,383**	-	26,723	26,723
Multi-asset credit	**-**	**-**	**-**	163,131	-	163,131
Illiquid debt	**426,302**	**-**	**426,302**	459,758	-	459,758
Cash	**-**	**859**	**859**	-	804	804
Annuity Protection	**-**	**720**	**720**	-	776	776
	639,124	**67,559**	**706,683**	843,975	63,387	907,362

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:

	2023 £'000	2022 £'000
Standard Life	**1,279,000**	1,637,000
	1,279,000	1,637,000

Insurance policies (continued)

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	**31 March 2023 % p.a.**	31 March 2022 % p.a.
Discount rate	4.27%	2.23%
Price inflation (RPI)	3.64%	4.09%
Price inflation (CPI)	RPI less 0.7% to 31 January 2030, RPI thereafter.	RPI less 0.7% to January 2030, RPI thereafter.
Pension increases:		
RPI minimum 0% p.a., maximum 15% p.a.	3.84%	4.31%
RPI minimum 0% p.a., maximum 10% p.a.	3.84%	4.31%
RPI minimum 0% p.a., maximum 5% p.a.	3.62%	3.72%
CPI minimum 0% p.a., maximum 3% p.a.	2.96%	2.85%

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

Payments received under the policy during the year were treated as investment income (see note 9). As at 31 March 2023, the final settlement of the premium relating to the policy is subject to data confirmation. This exercise will give rise to a final settlement payment either by the Fund or the insurer in year ending 31 March 2024. 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.

After the data confirmation exercise the valuation will be updated and be 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

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Cash – sterling	**205,932**	**-**	**205,932**	15,617	-	15,617
Cash–foreign currency	**2**	**-**	**2**	16,275	-	16,275
Total cash	**205,934**	**-**	**205,934**	31,892	-	31,892
Accrued investment income	**8,421**	**-**	**8,421**	1,930	-	1,930
Rents receivable	**5,216**	**-**	**5,216**	11,232	-	11,232
Amounts due from brokers	**18,486**	**-**	**18,486**	45	-	45
	32,123	**-**	**32,123**	13,207	-	13,207
Rents received in advance	**(4,410)**	**-**	**(4,410)**	(3,864)	-	(3,864)
Amounts due to brokers	**-**	**-**	**-**	(195)	-	(195)
	(4,410)	**-**	**(4,410)**	(4,059)	-	(4,059)
Total other net investment balances	**27,713**	**-**	**27,713**	9,148	-	9,148

Repurchase and reverse repurchase agreements

	2023 DB £000	2023 DC £000	2023 Total £000	2022 DB £000	2022 DC £000	2022 Total £000
Amounts receivable under reverse repurchase agreements	**316,189**	**-**	**316,189**	371,309	-	371,309
Amounts payable under repurchase agreements	**(471,334)**	**-**	**(471,334)**	(999,950)	-	(999,950)
Total net repurchase and reverse repurchase agreements	**(155,145)**	**-**	**(155,145)**	(628,641)	-	(628,641)

Bonds with a fair value of £298,983,000 have been sold subject to repurchase contracts and therefore continue to be recognised in the financial statements (2022: £911,075,000). There are 8 (2022: 18) repurchase positions, with maturity dates between April 2023 to April 2024.

Bonds with a fair value of £307,442,000 received as collateral in respect of reverse repurchase agreements is not recognised in the financial statements (2022: £365,345,000) but the cash delivered to the counterparties is recognised as amounts receivable in the table above. There are 8 (2022: four) reverse repurchase positions, with maturity dates between April 2023 to April 2024.

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:

Category Defined benefit section	2023 Level 1 £'000	2023 Level 2 £'000	2023 Level 3 £'000	2023 Total '£000
Investment assets				
Equities	2	-	-	2
Bonds	-	482,931	-	482,931
Property	-	-	496,160	496,160
Pooled investment vehicles	-	-	639,124	639,124
Derivatives	-	52,850	-	52,850
Insurance policy	-	-	1,279,000	1,279,000
Other investment balances	32,123	-	-	32,123
AVC investments	-	2,597	-	2,597
Cash	205,934	-	-	205,934
Investment liabilities				
Derivatives	-	(53,103)	-	(53,103)
Repurchase and reverse repurchase agreements	-	(155,145)	-	(155,145)
Other investment balances	(4,410)	-	-	(4,410)
Total net investments	233,649	330,130	2,414,284	2,978,063
Defined contribution section				
Investment assets				
Pooled investment vehicles	-	67,559	-	67,559
Total investments	-	67,559	-	67,559

The property valuation of £496,160,000 at 31 March 2023 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:

Category	2022 Level 1 £'000	2022 Level 2 £'000	2022 Level 3 £'000	2022 Total £'000
Defined benefit section				
Investment assets				
Equities	2	-	-	2
Bonds	1,612,391	181,742	-	1,794,133
Property	-	-	616,825	616,825
Pooled investment vehicles	-	-	843,975	843,975
Derivatives	43,423	91,856	-	135,279
Insurance policy	-	-	1,637,000	1,637,000
Other investments balances	13,207	-	-	13,207
AVC investments	-	3,126	-	3,126
Cash	31,892	-	-	31,892
Investment liabilities				
Derivatives	(43,423)	(60,097)	-	(103,520)
Repurchase and reverse repurchase agreements	-	(628,641)	-	(628,641)
Other investment balances	(4,059)	-	-	(4,059)
Total net investments	1,653,433	(412,014)	3,097,800	4,339,219
Defined contribution section				
Investment assets				
Pooled investment vehicles	-	63,387	-	63,387
Total investments	-	63,387	-	63,387

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.

		Market risk			**2023**	2022
	Credit risk	**Currency**	**Interest rate**	**Other price**	**Value £'000**	Value £'000
Defined benefit section						
Equities	H	P	H	S	**2**	2
Bonds	S	P	S	H	**482,931**	1,794,133
Property	P	H	H	S	**496,160**	616,825
Pooled investment vehicles: - direct	H	H	H	P	**}**	}
Pooled investment vehicles: - indirect	P	P	P	P	**} } 639,124**	} } 843,975
Derivatives	P	P	P	P	**(253)**	31,759
Insurance policy	H	H	S	S	**1,279,000**	1,637,000
AVC investments	S	H	H	S	**2,597**	3,126
Cash deposits and other net investment (liabilities) / assets	S	P	H	H	**78,502**	(587,601)
Total DB Section investments					**2,978,063**	4,339,219
Defined contribution section						
Pooled investment vehicles: - direct	H	H	H	P	**}**	}
Pooled investment vehicles: - indirect	S	P	P	P	**} } 67,559**	} } 63,387

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 an 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.

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 current strategy (see page 10) is to hold:

- 29.0% in alternative investments (including property).
- 71.0% in investments that are more likely to move in line with the long term liabilities of the Fund, including a bulk annuity policy, corporate bonds 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	**2023**	2022
	£'000	£'000
Bonds	**482,931**	1,794,133
Property let to tenants	**496,160**	616,825
Pooled investment vehicles		
Other funds (direct risk only)	**639,124**	843,975
Derivatives – assets	**52,850**	135,279
Derivatives – liabilities	**(53,103)**	(103,520)
Insurance policy	**1,279,000**	1,637,000
Other investments		
AVC investments	**2,597**	3,126
Cash and other net investment assets	**78,502**	(587,601)
	2,978,061	4,339,217

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 thought 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:

Legal nature of the pooled arrangements	**2023**	2022
	£’000	£’000
Open ended investment companies	**155,828**	180,192
Qualifying investor alternative investment fund	**212,822**	221,086
Mutual fund	**-**	163,131
Limited liability partnerships	**270,474**	279,566
	639,124	843,975

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:

	2023 Net exposure £'000	2022 Net exposure £'000
Pounds sterling (GBP)	**625,791**	1,572,216
Euros (EUR)	**168**	172
US dollars (USD)	**4**	516
Other currencies	**75**	77
Total	**626,038**	1,572,981
Unhedged foreign currency exposure	**0.04%**	0.05%

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. The Trustee had set a benchmark for total investment in bond-like assets of 70.0% (2022: 70.0%) of the total investment portfolio. At the year-end the bulk annuity policy, bonds, index-linked gilts and cash portfolios represented 57.7% of the total investment portfolio (2022: 66.1%). 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. It was not sufficient for the extreme in rate movements following the 'mini-budget' in September 2022.

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. The Trustee has set a target allocation of 29.0% (2022: 29.0%) of investments held in cash-flow driven alternatives. At the year-end the cash-flow driven alternatives represented 42.3% of the total investment portfolio (2022: 33.9%).

20. CURRENT ASSETS AND CURRENT LIABILITIES

Defined benefit

CURRENT ASSETS	**2023**	2022
	£'000	£'000
Amounts Due from the Company to the Fund	**1,062**	1,293
Prepaid Administrative Expenses	**123**	118
Cash Balances	**6,695**	5,213
Current Assets	**7,880**	6,624

CURRENT LIABILITIES	**2023**	2022
	£'000	£'000
Accrued lump sums	**(156)**	(262)
Unpresented Cheques	**(738)**	(2,284)
Bank Loans and interest	**(90,490)**	-
Trustee fees and expenses	**(29)**	(29)
Taxation Payable	**(1,959)**	(2,525)
Accrued Investment Fees and Expenses	**(1,179)**	(1,558)
Accrued Administrative Expenses	**(390)**	(188)
VAT Payable	**(917)**	(510)
Current Liabilities	**(95,858)**	(7,356)

The £1,062,000 due from the Company (2022: £1,293,000 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.

Short term Bank loans of three months, with accrued interest, were outstanding at the year-end under a revolving credit facility with a consortium of Banks to be repaid over the next 12 months (see page 11, changes in investment arrangements).

21. CAPITAL AND CONTRACTUAL COMMITMENTS

At 31 March 2023 the Fund had no contractual commitments (2022: £29,862,000 in an illiquid debt pooled fund) and no other capital commitments (2022: £nil). It had no capital contractual obligations outstanding (2022: nil capital contractual obligations outstanding) and none for property purchases (2022: none).

The Fund had collateral, held by the Fund's custodian, of £66,000 in Government Bonds and short term investments that has not been included in Net Assets at 31 March 2023 (2022: £62,000).

The Fund had no 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 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 (2022: 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.

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 by the Fund indirectly through pooled funds at 31 March 2023. The value of self investment at 31 March 2023 was £1,062,000, representing 0.036% of the Fund's Net Assets (2022: £1,293,000 representing 0.029%).

24. RELATED PARTY TRANSACTIONS

Related party transactions and balances comprise:

Key management personnel
Contributions were made into the Fund by seven directors (2022: four directors) in accordance with the Fund Rules. Pension benefits were paid to two directors (2022: two directors) in accordance with the provisions of the Trust Deed and Rules. In the year, six directors (2022: five directors) received payments from the Fund totalling £164,000 (2022: £192,000), disclosed as "Trustees fees and expenses" under Administrative Expenses in Note 8.

Employer and other related parties
The total Administrative expenses of £6,573,000 (2022: £3,865,000), per note 8, included £974,000 (2022: £943,000) recharged to the Fund by the Company.

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

The costs associated with the Surety Guarantees (page 6) are paid by the Company.

The Company made contributions (Note 2) of £8,215,000 to the Fund during the year (2022: £56,957,000).

To help manage the impact on the LDI portfolio of the Government's 'mini-budget' in September 2022 the Trustee borrowed from the Company £200m in October 2022. This was repaid in two £70m tranches, in November 2022 and February 2023 and £60m in March 2023.

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 62, in respect of the Fund year ended 31 March 2023.

In our opinion contributions for the Fund year ended 31 March 2023 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Fund Actuary on 30 June 2020.

Scope of work on Statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 40 have in all material respects been paid at least in accordance with the Schedule 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 Schedule 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 Schedule of Contributions.

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

Use of our 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: 13/07/23

IMPERIAL TOBACCO PENSION FUND
SUMMARY OF CONTRIBUTIONS PAYABLE
FOR THE YEAR ENDED 31 MARCH 2023

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

	Employee £'000	Employer £'000
Required by the schedule of contributions:		
DB Section - Normal Contributions	439	-
DC Section – Normal Contributions	-	8,215
	439	**8,215**
Other contributions payable:		
DB Section - Additional Voluntary Contributions	**130**	-
Total contributions	**569**	**8,215**

Approved by the Trustee and signed on its behalf by:

H F Clatworthy

H F Clatworthy
Chair

Date: 11/07/23

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 mixed 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 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 2022 pensions and deferred pensions were increased by 7.55% for pre-2002 members and 5.00% for post-2002 members on the excess over GMP (2021: 1.20% for both pre- 2002 and 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:

Statement 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 2019 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Fund and set out in the Statement of Funding Principles dated 30 June 2020.

T Panter

Tim Panter
Fellow of the Institute and Faculty of Actuaries

30 June 2020

Towers Watson Limited, a Willis Towers Watson 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 2017 and covers a period from 30 June 2020 to 31 March 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 1 April 2020 onwards are set out in the table below and are dependent upon the size of the deficit on the winding up basis as assessed annually by the Fund Actuary each 31 March.

Winding up deficit at preceding 31 March	Annual contribution £m
> £500m	85
> £200m	65
> £100m	50
< £100m	35
Surplus of less than £50m	Contributions to cover the cost of accrual on the winding up basis will be paid to an escrow account
Surplus of over £50m	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.
- For the Fund year 2020/21, a contribution of £32.5m is payable before 31 October 2020. The balance of the annual contribution is payable before 31 March 2021. In the circumstance where new insurer market information is obtained by the joint Trustee and Company group prior to 31 January 2021, then the Fund Actuary will revise the 31 March 2020 winding up deficit assessment, to take into account the insurer pricing information received. This revised figure will be used to set the overall contribution level for 2020/21, and the March 2021 contribution will be calculated as the balance required.
- From 1 April 2021 onwards the annual contribution 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. The same mechanism for revising the winding up deficit assessment taking into account insurer pricing applies per the bullet point above.

- Where the annual assessment reveals a surplus of less than £50 million, the Fund Actuary will assess the cost of accrual on assumptions consistent with the winding up basis. Company contributions will be payable at that level, payable in two equal instalments (the first payable before 31 October and the second payable before the following 31 March). These contributions will be paid to an escrow account. If the subsequent annual assessment reveals a surplus then the monies held in the escrow account will be returned to the Company. If the subsequent annual assessment reveals a deficit then the monies held in the escrow account capped at the level of the assessed deficit will be paid into the Fund, with any balance being retained in the escrow account. The amount of the deficit revealed by this subsequent annual assessment will then be adjusted by the monies paid into the Fund from the escrow account for the purposes of assessing the Company contributions payable in the following Fund year. Company contributions to the escrow account will be capped at the level which would take the total amount in the escrow account to £50m.

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 contributions to the Fund equal to one-sixth of the annual 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 2021 and a Step Down Rating Change occurs in March 2022 and the deficit at 31 March 2021 was assessed to be greater than £500m, there will be five monthly payments of £14.167 million from November 2021 to March 2022, in addition to the payments of £42.5 million due by 31 October 2021 and £42.5 million due by 31 March 2022.
- The principles set out above will apply if multiple Step Up and Step Down rating changes apply in succession.
- Should an additional contribution be payable prior to the annual assessment of the deficit being completed for that Fund year then the additional contribution will initially be based on the level of annual contribution for the preceding Fund year. The level of additional 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 contribution for 2020/21 was £65m and the annual assessment at 31 March 2021 was completed on 31 May 2021 and showed that the 2021/22 annual contribution would be £50m. In the situation where additional monthly contributions were being made as a result of a Step Up Rating Change these would be calculated as £10.833 million a month in April 2021 and May 2021 (ie based on the 2020/21 annual contribution level). From 1 June 2021 they would be calculated as £8.333 million a month (ie based on the 2021/22 annual contribution level), with the June 2021 contribution adjusted downwards by £5 million (to give £3.333 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'.

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:	Director/Secretary:...................................... J. Downing Director
Date: 30 June 2020	Date: 30 June 2020

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 30 June 2020) are such that the statutory funding objective could have been expected on the valuation date, 31 March 2019, 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 30 June 2020.

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

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 Willis Towers Watson Company

3 Temple Quay
Temple Back East
Bristol
BS1 6DZ

Date: 30 June 2020

Imperial Tobacco Pension Fund

Statement of Investment Principles – Defined Contribution Section

May 2023

1. Introduction

1.1 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.

1.2 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.

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

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

1.5 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 **HF Clatworthy** **Date** **30 May 2023**

2. Trustee Investment Objectives

2.1 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.

3. Fund Governance

3.1 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.

3.2 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.

3.3 The Trustee has delegated certain investment powers to an Investment Committee with separate Terms of Reference.

4. Responsible Investment and Corporate Governance (Voting and Engagement)

4.1 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.

4.2 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.

4.3 The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in 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.

4.4 A separate ESG Policy, which was last updated by the Trustee in June 2022, sets out the Trustee's ESG beliefs and clarifies how they will be incorporated into investment decision making.

4.5 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.

5. Investment Policies

5.1 The Trustee has made available a range of individual self-select fund options for investment in addition to the default investment option. All of the funds allocated to within the default investment option are also available as self-select options. More details specifically related to the default investment option are provided in a separate section of this Statement.

5.2 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 (Aegon) 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.

5.3 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).

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

5.5 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.

5.6 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.

5.7 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.

5.8 In addition, the Trustee has made available three 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. The lifestyle switching periods commence eight years before a member's Selected Retirement Age in the Fund.

5.9 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
Inflation Risk The real value (i.e. post inflation) value of members' accounts decreases.	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). Members are able to set their own investment allocations, in line with their risk tolerances.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation
Pension Conversion Risk Member's investments do not match how they would like to use their pots in retirement.	The Trustee makes available three lifestyle strategies for DC members, each targeting either cash, drawdown or annuity. 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.	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).
Market Risk The value of securities, including equities and interest bearing assets, can go down as well as up.	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. For the multi-asset funds which are targetting non-market benchmarks this is delegated to Investment Managers.	Monitors the performance of investment funds regularly.
Counterparty Risk A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.	Delegated to external Investment Managers. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitors the performance of investment funds regularly.
Currency Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	The Trustee provides diversified investment options that invest in local as well as overseas markets and currencies. Delegated to Investment Managers. Members are able to set their own investment allocations, in line with their risk tolerances.	Monitors the performance of investment funds regularly. Considers the movements in foreign currencies relative to pound sterling in performance reporting.

Risk	How it is managed	How it is measured
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.	Concerns regarding operational risk are raised by the Investment Consultant.
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 Aegon.	The pricing and dealing terms of the funds underlying the unit-linked insurance contract.
Valuation Risk The value of an illiquid asset is based on a valuer’s opinion, realised value upon sale may differ from this valuation.	Some multi-asset managers may hold illiquid assets. In such cases, the management of valuation risk is delegated to the external Investment Manager. The majority of Investment Managers invest solely in liquid quoted assets.	The Trustee monitors performance of funds.
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 given appointed Investment Managers full discretion in evaluating ESG factors. A separate ESG Policy sets out the Trustee’s ESG beliefs and clarifies how they will be incorporated into investment decision making. The Trustee makes available a sustainable global equity fund in the self-select range.	The Trustee reviews its Investment Managers’ policies and actions in relation to this regularly.
Manager Skill / Alpha Risk Returns from active investment management may not meet expectations, leading to lower than expected returns to members.	The Trustee makes available a number of actively managed funds to DC members where they deem appropriate. The actively managed funds made available are highly rated by its Investment Consultant, based on forward-looking expectations of meeting objectives.	The Trustee considers the ratings of investment strategies from their Investment Consultant during the selection process. Trustee monitors performance and rating of funds on an ongoing basis relative to the fund’s benchmark and stated targets/objective

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.

6. Aims and Objectives

6.1 The lifestyle strategy targeting variable income drawdown 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 income drawdown.

6.2 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.

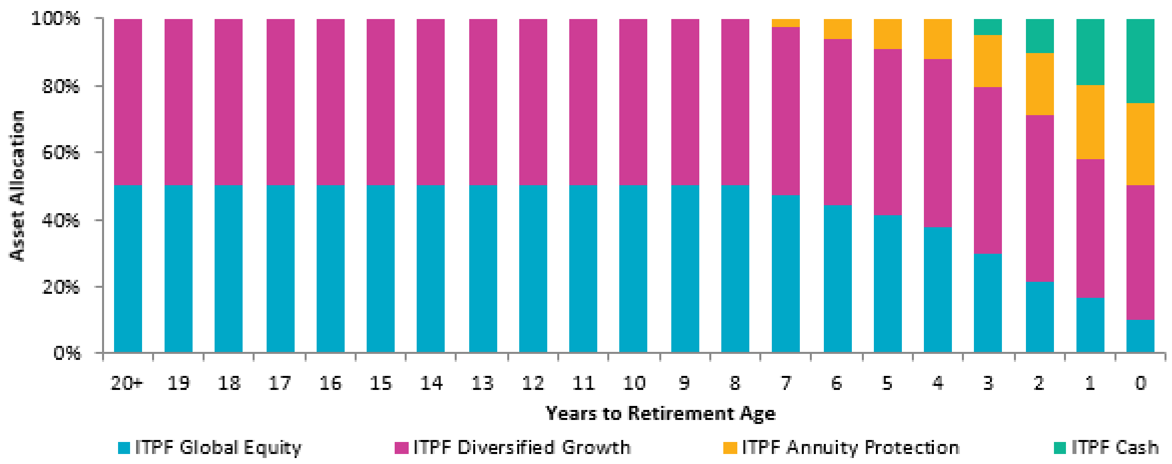
6.3 As a member's pot grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustee believes that a default strategy which seeks to reduce investment risk as the member approaches retirement is appropriate.

6.4 An investment strategy that targets income drawdown at retirement is likely to meet a typical member's requirements for income in 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 this 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 formats have the option of switching to an alternative lifestyle strategy prior to retirement or choosing their own investment strategy.

7. Investment Policies

7.1 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.

7.2 The default variable income lifestyle strategy aims to target an allocation which provides an appropriate retirement position for members wishing to take income drawdown in retirement. The target allocation consists of 30% cash, with the assumption that the average member opting for drawdown will want 25% tax free cash at retirement and then sufficient cash thereafter to meet the first year's expected income requirements. In addition, 50% is allocated to diversified growth assets, with the intention that this is the growth engine for the drawdown portfolio (with lower volatility than an explicit equity allocation given the path dependency issues associated with regular withdrawals). Finally, there is a 20% allocation to a Pre-Retirement Fund as a more defensive allocation as well as being an on-going source of liquidity. The strategy is as follows:



7.3 When designing 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.

7.4 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
Inflation Risk The real value (i.e. post inflation) value of members' accounts decreases.	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. The default investment options invests in a diversified range of assets which are considered likely to grow in excess fo inflation.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation
Pension Conversion Risk Member's investments do not match how they would like to use their pots in retirement.	The default investment option is a lifestyle strategy which targets flexible access income drawdown as a retirement destination. The Trustee believes that a strategy targeting drawdown minimises the overall pension conversion risk for the relevant members accessing pots in a different manner (annuity or drawdown).	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). As part of the triennial default strategy review, the Trustee ensure the default destination remains appropriate.

Risk	How it is managed	How it is measured
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. For the diversified growth funds which are targeting non-market benchmarks this is delegated to Investment Managers.	Monitors the performance of the default investment strategy regularly.
Counterparty Risk A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.	In line with the main DC section. 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.	Monitors the performance of the default investment strategy regularly.
Currency Risk The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.	The equity allocation of the default investment option is invested in a fund without a currency hedge. Within the diversified growth funds the currency risk management is delegated to Investment Managers. 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.	Monitors the performance of the default investment strategy regularly. Considers the movements in foreign currencies relative to pound sterling in performance monitoring.
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 given appointed Investment Managers full discretion in evaluating ESG factors. A separate ESG Policy sets out the Trustee's ESG beliefs and clarifies how they will be incorporated into investment decision making.	The Trustee reviews its Investment Managers' policies and actions in relation to this regularly.

Risk	How it is managed	How it is measured
Manager Skill / Alpha Risk Returns from active investment management may not meet expectations, leading to lower than expected returns to members.	In line with the main DC Section. 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.	In line with the main DC Section.

7.5 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.

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

8. Member's Best Interests

8.1 Taking into account the 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.

8.2 In order to ensure this remains appropriate the Trustee will undertake a review the default investment option, at least triennially, or after significant changes to the Fund's demographic, if sooner.

Appendix A

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

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.	• 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.
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.	• 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.
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.	• 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.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• 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.
The duration of the Fund's arrangements with the investment managers	• 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.
Environmental, Social, Corporate Governance factors and the exercising of rights	• 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

	about relevant matters at least annually. For example if:
	    o The manager has not acted in accordance with their policies and frameworks.
	    o 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.
	• 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.

Performance, Strategy and Risk	• 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:
	    o There are significant changes made to the investment strategy.
	    o The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations.
	    o Underperformance vs the performance objective over the period that this objective applies.