

# Eli Lilly Group Pension Plan

## Trustee's Report and Financial Statements for the Year Ended 31 December 2024

Plan Registration Number: 1009992

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# Trustee and Advisers to the Plan

The Trustee of the Eli Lilly Group Pension Plan (the Plan) during the year under review was Eli Lilly Group Pension Trustees Limited (the Trustee) whose Directors are:

■ I Dane	Chair (Member-Nominated)
■ S Coles	Appointed 3 June 2024
■ K Hendrickse	
■ S Ingham	Resigned 26 February 2024
■ K Jackson	(Member-Nominated)
■ M Potter	
■ S Suri	(Member-Nominated)
■ T Fredborg	(Member-Nominated)
■ J Osman	(Employer-Nominated) Appointed 1 April 2025

The Independent Trustee is:

- The Law Debenture Pension Trust Corporation plc as represented by E Levy

The Secretary to the Trustee is:

- J Osman (Resigned 16 September 2024)
- Ross Trustees Services Limited (Appointed 16 September 2024)

The Trustee has the overall responsibility of ensuring that the Plan is administered in accordance with the Trust Deed and in the best interest of the members. To assist it with its duties, the Trustee appoints professional advisers who are listed below.

## Professional Advisers

The following professional advisers have been appointed by the Trustee:

- **Plan Actuary**  
Richard Gunton F.I.A  
Willis Towers Watson Limited
- **Plan Administrator**  
Gallagher Benefit Services
- **Auditor**  
Ernst & Young LLP
- **Bankers**  
National Westminster Bank plc
- **Legal Advisers**  
CMS Cameron McKenna Nabarro Olswang LLP  
Stephenson Harwood LLP

## **Professional Advisors (continued)**

### ■ **Investment Managers**

Adams Street Partners, LLC  
Crestline Investors, Inc.  
Russell Investments Group, LLC  
CBRE Global Investors (UK Funds) Limited  
Schroder Investment Management Limited  
Insight Investment Management Limited  
Aon Investments Limited (AIL)  
DIF Management B.V.  
DRC Savills Investment Management (DRC)  
ARES Management LP  
Walton Street Capital  
M&G Investments  
GreenOak Real Estate Advisors LLP  
Alcentra Limited  
Taconic Capital Advisors LP  
Kohlberg Kravis Roberts & Co. LP (KKR)  
CVC Capital Partners  
ICG Alternative Investment Ltd (appointed 25 October 2024)

### ■ **Investment Custodian**

Northern Trust

### ■ **Investment Consultant**

Redington Ltd

### ■ **Additional Voluntary Contribution Platform Provider**

Aegon UK plc

## **Further information**

Questions about the information in this report, or about the Plan in general, should be sent to:

Jake Churchill  
Ross Trustees Services Limited  
4th Floor Cannon Place  
78 Cannon Street  
London  
EC4N 6HL

# Trustee's Report

## Introduction

The Trustee of Eli Lilly Group Pension Plan ("the Plan") is pleased to present its report together with the financial statements for the year ended 31 December 2024.

The Plan is a defined benefit pension plan, established by an interim Trust Deed dated 17 September 1963 and is governed by a definitive Trust Deed dated 3 August 2016, with subsequent amendments.

In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Plan became a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006 and is registered for tax purposes with His Majesty's Revenue and Customs ('HMRC') and is therefore exempt from income tax and capital gains tax, except for certain withholding taxes relating to overseas investment income.

## Management of the Plan

The Occupational Pension Schemes (Member-Nominated Trustees and Directors) Regulations came into force on 6 April 2006 and prescribe the composition of Trustee Boards. Following a selection process involving members, the Trustee is complying with the legislation and has at least one third of Directors nominated by Members. The Member-Nominated Trustees are nominated to serve for a period of six years.

During the year under review and to the date of this report the Trustee of the Plan has been Eli Lilly Group Pension Trustees Limited whose Directors are shown on page 1 of this report.

The Member-Nominated Trustee Directors may be removed before the end of their six year term only by agreement of all the remaining Trustee Directors, although their appointment ceases if they cease to be members of the Plan. In accordance with the Trust Deed, the Principal Employer, Eli Lilly and Company Limited, has the power to appoint and remove the other Trustee Directors of the Plan.

During the year under review there were four Trustee meetings and one extraordinary Trustee meeting was also held.

Following an extensive and competitive tender process, the Trustee Board appointed Ross Trustees Services Limited (trading as Independent Governance Group, referred to as "IGG") to provide professional secretarial services to the Plan. This appointment was necessitated by the retirement of Julie Osman as previous secretary to the Plan, with IGG's appointment beginning from 22 July 2024.

Further information about the Plan is given in the explanatory booklets which are issued to all the relevant members.

## Principal Employer

The Plan is provided for all eligible employees of the Principal Employer, Eli Lilly and Company Limited (the Company or the Employer) whose registered address is Lilly House, Basingview, Basingstoke, RG21 4FA.

## Financial Development of the Plan

The accounts on pages 19 to 38 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the Plan decreased from £1,220,529,000 at 31 December 2023 to £1,077,992,000 at 31 December 2024.

## Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every plan is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request. The next formal actuarial valuation will be carried out at 1 January 2026.

The most recent actuarial valuation of the Plan was carried out as at 1 January 2023. This showed that on that date:

The value of the Technical Provisions was: £1,073.4 million

The value of the assets at 1 January 2023 was: £1,222.9 million

A funding update of the Plan was carried out as at 1 January 2024. This showed that on that date:

The value of the Technical Provisions was: £1,068.2 million

The value of the assets at 1 January 2024 was: £1,177.1 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

### Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

### Significant actuarial assumptions

**Discount rate:** determined with regard to the return from government fixed interest gilts of duration appropriate to the Plan's cashflows, with an allowance for an additional prudent margin at the valuation date to reflect the expected future investment return on the Plan's assets.

**Retail Price inflation (RPI):** based on the relative market yields at the valuation date on index-linked and fixed interest government bonds. The consumer price inflation (CPI) assumption is set with reference to the RPI assumption and with allowance for a prudent view of the expected long-term gap between RPI and CPI.

**Future salary:** determined following discussions with the Company about expectations for future salary growth, inclusive of promotional increases, over the long-term.

**Pension increases:** assumptions (in deferment and post-retirement) are set taking account of the relevant price inflation assumption and the formulae for calculating pension increases in respect of different periods of service, as set out in the Plan's Trust Deed and Rules.

**Mortality:** standard tables S3PMA\_L and S3PFA\_L with a scaling factor of 107% for males and 95% for females respectively, for pre-retirement and post-retirement. Future mortality improvements reflect the CMI 2022 core projection model with a 1.50% per annum long term trend rate for both males and females, a smoothing parameter of 7.0 and an initial addition to future mortality improvements (A) of 0.50% pa and default weights applied for 2020 (0%), 2021 (0%) and 2022 (25%) mortality experience.

### Transfer values

Transfer values paid during the year were calculated and verified in a manner required by the Regulations. None of the transfer values paid were less than the amounts required by the Regulations. There were no allowances made for discretionary benefits.

### Employer-related investments

There were no direct employer-related investments during the year. The Plan's members defined contribution savings are held in pooled investment vehicles managed by Aegon. Whilst there exists an indirect exposure to employer related investments via the investment in the funds, the exposure represents significantly less than 5% of the Plan's net investment portfolio (in the prior year the exposure also represented significantly less than 5% of net assets).

## Membership

The membership of the Plan at both the beginning and end of the year, as well as changes during the year, are set out below:

### Active Members

As at 1 January 2024		253
Adjustments to opening figure *		(2)
Leavers with deferred pensions	(5)	
Retirements	(15)	
		(20)
As at 31 December 2024		231

### Deferred Pensioners

As at 1 January 2024		2,821
Adjustments to opening figure *		(15)
New deferred pensioners	5	
Retirements	(85)	
Transfers out	(11)	
Deaths	(4)	
		(95)
As at 31 December 2024		2,711

### Pensioners

As at 1 January 2024		2,679
New pensioners	98	
New spouses pensions	30	
New dependants pensions	3	
Deaths in retirement	(63)	
Dependants Deaths	(4)	
Spouse Deaths	(34)	
		30
As at 31 December 2024		2,709

### Total Membership as at 31 December 2024

**5,651**

\* Adjustments relate to late notification of changes in the membership.

Pensioners include spouse and dependants receiving a pension upon the death of the member.

### Pension increases

At 1 April 2024, in accordance with the Trust Deed and Rules and statutory requirements increases were applied as follows: Pre 1988 Guaranteed Minimum Pension - nil; Post 1988 Guaranteed Minimum Pension – 3.0%; pre 1997 Excess Pension – nil; Pension earned between 1997-2005 – 5.0%; Pension earned post 2005 – 2.5%.

Deferred benefits were increased in accordance with the Trust Deed and Rules.

## **GMP equalisation**

In October 2018, the High Court determined that benefits provided to members of pension schemes which had contracted out of the State Earnings Related Pension Scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women.

In November 2020 a supplemental High Court ruling determined that transfers out of a scheme in respect of members who had contracted out of the state second pension must also be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 between men and women.

The Trustee has reviewed the implication of these rulings on the Plan and taken action as follows:

Over 2023, the Plan implemented GMP equalisation for the majority of its pensioner members, paying back payments of £1,573,000 to pensioners and £220,000 to past transferees. In 2024 an additional £460,000 was paid to current pensioners and £18,000 to past transferees. In 2025 it is expected that up to £100,000 will be paid to past transferees and an additional amount (to be determined) to the estates of members that died prior to GMP equalisation being implemented. Member communication and payment of these amounts will continue through 2025 to settle this liability. On the advice of the Plan Actuary a reserve for future pension payments to be made as a result of these rulings has been reflected in the calculation of Plan liabilities. In the Actuarial Report as at 1 January 2024, a reserve of 0.8% of Plan liabilities was recognised to reflect back payments made in 2023 and was maintained at 0.8% of Plan liabilities in the Actuarial Report as at 1 January 2025.

## **Virgin Media Case**

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of Section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met.

On July 25th 2024, the Court Of Appeal upheld the High Court's decision made in 2023. The Department of Work and Pensions (DWP) has been in discussions with the industry working group and it remains possible that, through regulations, the Secretary of State will act to enable the validation of amendments that may otherwise be void. The Trustee's legal adviser has advised that for as long as the DWP is actively considering this issue, there is no immediate need for action.

Whilst the industry awaits confirmation of DWP's position, the Trustee has taken steps to protect the Scheme from the risk that a potential claim relating to an adviser becomes time barred by the 15-year Longstop period provided by s14B Limitation Act 1980. This included carrying out a high-level review of Plan deeds approaching the 15 year time limit. The Plan's legal adviser confirmed these deeds were not at risk of being void due to failure to comply with Section 37.

On 5th June 2025 the Government announced that it was looking to introduce legislation to give affected pensions schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. The trustee continues to monitor industry development and will take any necessary action following the implementation of said legislation.

## **Trustee Knowledge and Understanding**

The Pensions Act 2004 requires trustees to have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational schemes and the investment of scheme assets. Trustees are also required to be conversant with their own scheme's policy documents. The Trustee received formal education in these matters during the year and all training undertaken is recorded. Training on these matters is provided by independent expert advisers.



## **Governance and Risk Management**

The Trustee has in place a business plan which sets out its objectives in areas such as administration, investment, funding and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustee run the Plan efficiently and serves as a useful reference document.

The Trustee has completed an Integrated Risk Management Review that considers all aspects of risk. It reviews actions to mitigate risk and progress on an ongoing basis. A detailed risk register is maintained and this is reviewed on a quarterly basis to identify any changes to risk or any new risks that may have emerged. Where considered appropriate steps are taken to mitigate risk.

Any concerns connected with the Plan should be referred to Jake Churchill, Ross Trustees Services Limited, who will try to resolve the problem as quickly as possible. The following bodies are also able to assist:

### **The Pensions Regulator**

The statutory body that regulates occupational pension schemes is The Pensions Regulator and can be contacted at:

Customer Support  
The Pensions Regulator  
Telecom House  
125-135 Preston Road  
Brighton BN1 6AF

Email: [report@tpr.gov.uk](mailto:report@tpr.gov.uk)

Website: [www.thepensionsregulator.gov.uk/en/contact-us/scheme-members-who-to-contact/report-concerns-about-your-workplace-pension](http://www.thepensionsregulator.gov.uk/en/contact-us/scheme-members-who-to-contact/report-concerns-about-your-workplace-pension)

Telephone: 0345 600 0707

### **Pension Tracing**

A pension tracing service is provided by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service  
The Pension Service  
Post Handling Site A  
Wolverhampton WV98 1AF

Website: [www.findpensioncontacts.service.gov.uk/](http://www.findpensioncontacts.service.gov.uk/)

Telephone 0800 731 0175

### **Money Helper**

Money Helper is a free service provided by the Money and Pensions Service, sponsored by the Department for Work and Pensions. It is available at any time to assist members and beneficiaries by providing pension information and guidance. They can be contacted at:

Money and Pensions Service  
Borough Hall  
138 Cauldwell Street  
Bedford MK42 9AB

Online enquiry: [www.moneyhelper.org.uk/en/contact-us/pensions-guidance](http://www.moneyhelper.org.uk/en/contact-us/pensions-guidance)

Website: [www.moneyhelper.org.uk/en](http://www.moneyhelper.org.uk/en)

Telephone: 0800 011 3797

### **Pensions Ombudsman**

The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf E14 4PU

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

Online complaint: [www.pensions-ombudsman.org.uk/making-complaint](http://www.pensions-ombudsman.org.uk/making-complaint)

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

Telephone: 0800 917 4487

# Summary of Contributions Payable in the Year Ended 31 December 2024

During the year ended 31 December 2024, the contributions payable to the Plan were as follows:

	2024 £'000
<b>Required by the Schedule of Contributions</b>	
Contributions from employer:	
Administration costs	-
	<hr/>
Total contributions required by the Schedule of Contributions	-
<b>Other contributions payable</b>	
Contributions from employer:	
Other	1,950
	<hr/>
<b>Total contributions per note 4 of the financial statements</b>	<u><u>1,950</u></u>

# Investment Report

## Investment Management

All investments have been managed during the year under review by the investment managers outlined on page 2.

Global equity markets posted strong returns, driven predominantly by the performance of the “Magnificent 7”, a group of large US technology companies.

The Bank of England, European Central Bank and Federal Reserve all cut interest rates multiple times in the second half of 2024. Following the UK Government Budget announcement in October 2024, long-term UK government bond yields rose meaningfully in Q4.

Global credit spreads generally tightened over the year. In Q4, the Plan made a new allocation to the ICG Total Credit Fund, funded by cash and a partial disinvestment from the Insight Liquid ABS mandate.

The Plan continued to monitor its exposure to illiquid assets, with most of these mandates expected to reduce in size in the coming years as capital is distributed back to the Plan. As part of this, the Plan issued a divestment notice for the property funds held by CBRE in 2023. It is anticipated that the full redemption will take place by the end of 2027.

There is a degree of delegation of responsibility for investment decisions. The investment strategy is agreed by the Trustee after taking appropriate advice. The day-to-day management of the Plan's investment portfolio, which includes full discretion for selection of investment opportunities, is the responsibility of the investment managers.

## Analysis of Investments by Asset Class

The proportion of the Plan managed by each of the investment managers as at 31 December 2024 (excluding cash held in the Trustee's bank account) is shown below. Valuations are shown at the bid price where available.

Manager	Asset Class	Market Value £'000	% of total investments
Adams Street	Private equity	120,021	11.2
AIL	Multi-asset class pooled funds	165	-
Alcentra	Illiquid alternatives within a pooled fund	1,915	0.2
ARES	Illiquid alternatives within a pooled fund	47,329	4.4
CBRE	UK & Global property within a pooled fund	34,076	3.2
Crestline	Hedge fund	130	-
CVC	Illiquid alternatives within a pooled fund	21,648	2.0
DIF	Private equity	28,975	2.7
DRC	Illiquid alternatives within a pooled fund	6,965	0.6
GreenOak	Illiquid alternatives within a pooled fund	1,000	0.1
ICG	Multi-class Credit within a pooled fund	55,818	5.2
Insight	Liability driven investment within a pooled fund	169,811	15.8
Insight	Cash funds	1,809	0.2
Insight	UK Government bonds	399,659	37.2
Insight	UK Government index linked bonds	525,543	48.9
Insight	Swap contracts	17,623	1.6
Insight	Repurchase agreements	(510,577)	(47.5)
KKR	Illiquid alternatives within a pooled fund	36,415	3.4
M&G	Illiquid alternatives within a pooled fund	5,376	0.5
Russell	Forward foreign exchange contract	(1,184)	(0.1)
Schroders	Opportunistic credit within a pooled fund	11,839	1.1
Taconic Capital	Illiquid alternatives within a pooled fund	3,625	0.3
Walton Street	UK & European real estate debt within a pooled fund	13,499	1.3
Various	Cash deposits, income due and AVC investments	82,662	7.7
		<b>1,074,142</b>	<b>100.0</b>

## Review of investment performance

The Plan's investments returned -8.2% over the course of the year compared with the benchmark return calculated by the Custodian of -7.3%. The Plan's annual return over 3 and 5 years was -17.0% and -6.6% respectively compared to Custodian benchmark of -16.0% and -7.2% respectively.

The Trustee monitors the performance of both the assets and liabilities on a regular basis.

## Plan Allocation

The Plan assets are invested in the asset classes listed above. The Trustee has agreed that the illiquid assets will be allowed to run down over time and the Trustee will take advice on any opportunities to reduce this allocation in a pragmatic way. The Plan does not target a fixed allocation of assets to growth and matching assets but aims to achieve a return above gilts that helps it achieve its long term funding target.

## Investment Disclosures

The Trustee has produced a number of Investment Disclosures which are available on the Eli Lilly Group Pension Plan internet site <https://www.elilillygrouppensionplan.co.uk/> or on request.

- **Statement of Investment Principles (SIP)**

This has been produced in accordance with Section 35 of the Pension Act 1995. The main priority of the Trustee when considering the investment policy is to ensure that the promises made about members' pensions are fulfilled. The Trustee reviewed its asset allocation and has agreed with the Company that as the Plan's liability profile becomes increasingly mature and as the funding level improves the Trustee will seek to reduce risk whilst maintaining a degree of expected asset outperformance of the liabilities.

- **Engagement Policy Implementation Statement (EPIS)**

The Trustee has prepared an annual EPIS that describes how the Trustee has followed certain policies (including those relating to stewardship and the Trustee's voting behaviour) during the Plan year. The Trustee has included this statement in Appendix II.

- **Task Force on Climate-related Financial Disclosure (TCFD)**

The Trustee has prepared its third TCFD report that outlines:

- the Plan's governance around climate-related risks and opportunities,
- the actual and potential impacts of climate-related risks and opportunities on the Plan's strategy and financial planning,
- the processes used to identify, assess and manage climate-related risks and opportunities,
- the targets and metrics used to assess and manage relevant climate-related risks and opportunities

The Trustee has included this report in Appendix III.

## Investment management monitoring

- **The Trustee's policy in relation to its fund managers**

The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives. The Trustee receives regular reports and verbal updates on various items from its investment adviser including the investment strategy, performance and long-term position of the portfolio.

All assets are managed by fund managers with written contracts in place. The Trustee shares this document with the Plan's fund managers and requests that they review and confirm whether their approach is in alignment with it (as far as possible). The Trustee delegates all day-to-day decisions about the investments held by the fund managers, including the realisation of investments, to the fund managers.

There is typically no set duration for contracts with fund managers, although the continued appointment of all fund managers will be reviewed periodically. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

- **Environmental, Social and Governance ("ESG")**

When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Plans (Investment) Regulations 2005 (regulation 2(3)). This includes taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.

- **Environmental, Social and Governance (“ESG”) (continued)**

The Trustee recognises that ESG factors (including but not limited to climate risk) might be financially material over the Plan’s medium to long term time horizon (3-25 years) but will have varying levels of importance for different types of assets invested by the Plan. The Trustee expects that seeking manager’s alignment to this document (as far as possible); monitoring their engagement with companies in which they invest, including ESG monitoring in the evaluation of a manager’s capabilities; and following up with fund managers directly if concerns are identified is, in most cases, sufficient to guide fund managers to make decisions that align with the Trustee’s policies. The Trustees are supported in this work by the Plan’s investment adviser.

Non-financial matters including ethical views of beneficiaries and members are not ordinarily taken into account in the selection, retention and realisation of investments.

The Trustee requires its investment adviser and investment managers to communicate new and emerging risks arising from ESG considerations. This will inform the Trustee’s policy which will be reviewed periodically and kept up to date with industry practice.

- **Fund manager fees**

Fund managers are remunerated on an ad-valorem basis, a performance related basis or a mixture of the two. The level of remuneration paid to fund managers is reviewed regularly by the Trustee against market rates to ensure the fund managers’ interests are aligned with those of the Plan. In addition, fund managers may pay commissions to third parties on trades they undertake in the management of the assets and also incur other ad hoc costs.

- **Cost transparency**

The Trustee recognises the importance of monitoring the level of costs incurred in the management of its assets and the impact these can have on the value of the assets. Fees payable to external fund managers and costs related to the investment, management, custody and realisation of pooled fund assets will be kept under regular review.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager’s style and historic trends. Where the Trustee’s monitoring identifies a lack of consistency the mandate will be reviewed.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers’ fund holdings change over a year. The Plan’s investment consultant monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns. The Trustee recognises the Plan’s illiquid assets are expected to have low portfolio turnover, and due to their illiquid nature, the Trustee has less control over the portfolio turnover for those assets. The cashflow profile of the illiquid assets is regularly monitored by the Plan’s investment advisers, in the context of the overall strategy.

### **Stewardship of investments**

The Trustee recognises that good stewardship practices, including engagement and voting activities, are important as they help preserve and enhance asset owner value over the long term. The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long term financial value for the Plan and its beneficiaries.

To best channel its stewardship efforts, the Trustee has chosen to focus on key themes based on their likely financial materiality to the Plan and its members. Initially, climate change has been selected as the key focus area.

## **Stewardship of investments (continued)**

The Trustee expects investment managers to engage with issuers on relevant matters to maintain or enhance long-term value of the Plan's investments and limit negative externalities on the planet and society. This includes performance, strategy, risks, capital structure, conflicts of interest, and environmental, social or governance considerations.

The Trustee takes regular advice from its investment consultant as to the suitability of the Plan's appointed fund managers. This advice includes consideration of how the fund manager seeks to influence governance and good practices in the companies in which they invest and where applicable whether and how they exercise voting rights. If a manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager to encourage alignment with the Trustee's standards.

It is the expectation of the Trustee that the Plan's fund managers will actively monitor ESG risks within the Plan's investments, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate.

Supported by its investment consultant the Trustee reviews the stewardship activities of its fund managers on an annual basis, covering both engagement with companies in which they invest and voting actions. The Trustee will engage directly with the fund manager if concerns are raised. Concerns may include but are not limited to: lack of transparency, failure to exercise voting rights, failure to act on conflicts of interest, failure to consider risks related to ESG matters.

Where voting is concerned, the Trustee expects its fund managers to recall stock lending as necessary, in order to carry out voting actions. Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Plan's relevant investments which are exercised by the asset managers of the Plan, where applicable. The Plan Trustee monitors and discloses the voting records of its managers on an annual basis.

## **Custodial arrangements**

The Trustee has appointed Northern Trust as custodian of the Plan's assets excluding those held by Aegon. Separately to the Plan's assets, the Aegon AVC assets are also the custodian responsibility of Northern Trust. AIL assets are the custodian responsibility of Bank of New York Mellon.

The custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments.

The Trustee is responsible for ensuring the Plan's assets continue to be securely held and it reviews the custodial arrangements from time to time.

In the case of pooled fund investments, the Trustee has an agreement with each fund manager, and the manager has a separate agreement with the underlying custodian. In the case of segregated investments, the Trustee will have separate agreements with the fund manager and a custodian. The custodian is responsible for the safekeeping of the underlying assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

# Statement of Trustee's Responsibilities

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

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments 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 Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan 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 Plan by or on behalf of the employer and the active members of the Plan 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 Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan 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 the members.

The Trustee's report and investment report have been approved on behalf of the Trustee.

Signed on behalf of the Trustee:



# Independent Auditor's Report to the Trustee of the Eli Lilly Group Pension Plan

## Opinion

We have audited the financial statements of the Eli Lilly Group Pension Plan for the year ended 31 December 2024 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 26, including a summary of 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:

- give a true and fair view of the financial transactions of the Plan during the year ended 31 December 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's 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 Plan's ability to continue as a going concern for a period of 12 months from when the Plan's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Plan's ability to continue as a going concern.

## Other information

The other information comprises the information included in the annual report, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 the 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 Statement of Trustee's Responsibilities set out on page 14, the Trustee is responsible for the preparation of the 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 Plan'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 wind up the Plan 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.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Plan and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.
- We understood how the Plan is complying with these legal and regulatory frameworks by making enquiries of the Trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.
- We assessed the susceptibility of the Plan's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Plan has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. In our assessment, we also considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for its awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustee's minutes.
- The Plan is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Plan with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 Plan's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it 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 Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

# Independent Auditor's Statement about Contributions to the Trustee of the Eli Lilly Group Pension Plan

We have examined the summary of contributions to the Eli Lilly Group Pension Plan for the Plan year ended 31 December 2024 which is set out in the Trustee's Report on page 8.

In our opinion contributions for the Plan year ended 31 December 2024 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 Plan actuary on 18 December 2023.

## **Scope of work on Statement about Contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 8 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 Plan and the timing of those payments under the Schedule of Contributions.

## **Respective responsibilities of Trustee and the auditor**

As explained more fully in the Statement of Trustee's Responsibilities on page 14, the Plan's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Plan 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 Plan's Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement 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 Plan's Trustee those matters we are required to state to it 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 Plan's Trustee as a body, for our work, for this statement, or the opinions we have formed.

# Fund Account for the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
<b>Contributions &amp; benefits</b>			
Employer contributions		1,950	2,041
Total contributions	4	<u>1,950</u>	<u>2,041</u>
Other income	5	<u>4,904</u>	<u>65</u>
		<u>6,854</u>	<u>2,106</u>
Benefits paid or payable	6	(43,305)	(39,393)
Payments to and on account of leavers	7	(1,245)	(427)
Administrative expenses	8	<u>(1,184)</u>	<u>(1,237)</u>
		<u>(45,734)</u>	<u>(41,057)</u>
<b>Net withdrawals from dealings with Members</b>		(38,880)	(38,951)
<b>Returns on investments</b>			
Investment income	9	(7,405)	16,826
Change in market value of investments	10	(91,057)	(9,120)
Investment management expenses	11	<u>(5,195)</u>	<u>(3,932)</u>
Net returns on investments		<u>(103,657)</u>	<u>3,774</u>
<b>Net decrease in the Fund during the Year</b>		(142,537)	(35,177)
<b>Net assets of the Plan at 1 January</b>		1,220,529	1,255,706
<b>Net assets of the Plan at 31 December</b>		<u><u>1,077,992</u></u>	<u><u>1,220,529</u></u>

The notes on pages 21 to 38 form part of these financial statements.

# Statement of Net Assets (available for benefits) as at 31 December 2024

	Note	2024 £'000	2023 £'000
<b>Investment assets:</b>	10		
Pooled investment vehicles	13	558,605	600,595
Index linked securities		525,544	608,821
Fixed interest securities		485,686	551,047
Derivatives	14	57,272	110,751
Cash equivalents		1,809	5,723
AVC investments	15	39,094	36,305
Other investment balances	16	9,218	8,314
Amounts receivable under reverse repurchase agreements	17	99,196	4,450
Cash		34,351	39,889
		<u>1,810,775</u>	<u>1,965,895</u>
<b>Investment liabilities:</b>			
Bonds held for collateral	10	(86,027)	-
Derivatives	14	(40,833)	(127,623)
Amounts due under repurchase agreements	17	(609,773)	(621,372)
		<u>(736,633)</u>	<u>(748,995)</u>
<b>Total net investments</b>		1,074,142	1,216,900
Current assets	22	6,285	6,710
Current liabilities	23	(2,435)	(3,081)
<b>Net Assets of the Plan at 31 December</b>		<u>1,077,992</u>	<u>1,220,529</u>

The financial statements summarise the transactions of the Plan 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 Plan year. The actuarial position of the Plan, which takes into account such obligations, is dealt with in the Trustee's Report on page 4 and these financial statements should be read in conjunction with this report.

For and on behalf of the Trustee:

# Notes to the Financial Statements

## 1 General Information

The Eli Lilly Group Pension Plan (the “Plan”) is an occupational pension scheme established under trust. The Plan is provided for all eligible employees of the Principal Employer, Eli Lilly and Company Limited (the Company) whose registered address is Lilly House, Basingview, Basingstoke, RG21 4FA. The Plan is registered under Chapter 2, Part 4 of the Finance Act 2004.

### Basis of Preparation

The financial statements 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 financial statements are prepared on a going concern basis.

## 2 Identification of the financial statements

The Plan is established as a trust under English law. The address for enquiries to the Plan is listed on page 2.

## 3 Accounting Policies

The principal accounting policies of the Plan are set out below.

### a) Accruals concept

The financial statements have been prepared on an accruals basis.

### b) Currency

The Plan’s functional currency and presentational currency is pounds sterling (GBP).

### c) Valuation of investments

Investments are stated at fair value.

The fair value of the pooled investment vehicles units is stated at bid price for funds with bid/offer spreads or single or NAV where there are no bid/offer spreads, as provided by the investment managers.

The fair value of the private equity investments is estimated by the Trustee based on advice from the investment managers, in the absence of readily ascertainable fair values. The fair value is generally based on fair private equity balances reported by the underlying partnerships, subject to management review.

Investments in overseas currencies are translated into Sterling at the exchange rates ruling at the year end.

Purchases and sales of investments and income and expenditure from foreign currency holdings are translated into Sterling at the rate applicable on the date of the transaction. All exchange differences are dealt with in the Fund Account.

Index linked securities are valued at inflation adjusted prices. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.

### **3 Accounting Policies (continued)**

#### **c) Valuation of investments (continued)**

Exchange traded derivatives with positive values are included in the Statement of Net Assets as assets at bid price and those with negative values as liabilities at offer price.

Stock index futures are included in the Statement of Net Assets at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

Forward foreign exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

Swap positions are valued on a daily basis using independently validated proprietary swap pricing models. Interest is accrued monthly on a basis consistent with the terms of each contract.

Net receipts or payments on swap contracts are reported either within investment income where the economic purpose of the swap is income related, or within change in market value where the economic purpose of the swap is related to the assets and liabilities of the Plan. Realised gains and losses on closed contracts and unrealised gains or losses on open contracts are included within change in market value.

For repurchase agreements the Plan continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

For reverse repurchase agreements the Plan does not recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

The AVC investments include policies of assurance underwritten by Aegon. The market values of these policies of assurance are valued at the NAV price.

The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee but the Trustee has considered these to be immaterial relative to the Plan, and has taken the decision not to include them within the Plan's assets.

#### **d) Collateral**

Collateral received in the form of cash, where the Plan has contractual rights to receive the cash flows generated, is recognised as an asset in the Statement of Net Assets with a corresponding liability for its repayment. Non-cash collateral received is not recognised in the Statement of Net Assets unless the counterparty defaults on its obligations under the relevant agreement.

Cash and non-cash collateral pledged where the Plan retains the contractual rights to receive the cash flows generated is not derecognised from the Statement of Net Assets, unless the Plan defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the Statement of Net Assets within the appropriate asset classification.

#### **e) Contributions and Benefits**

Contributions and benefits are accounted for on an accruals basis.

Administration cost contributions and other contributions are accounted for in accordance with the agreed arrangements.

Income arising from annuity policies is included in investment income and the pensions paid are included in benefits payable.



### **3 Accounting Policies (continued)**

#### **e) Contributions and Benefits (continued)**

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the later of the date of retirement or leaving. Where tax liabilities are settled on behalf of members, for example where the lifetime allowance or annual allowance is exceeded, the tax due is accounted for on the same basis as the benefit.

Pensions in payment are accounted for in the period to which they relate.

#### **f) Transfer Values**

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer.

#### **g) Administrative Expenses**

Administrative and investment management expenses are accounted for on an accruals basis.

#### **h) Investment Income**

Dividends on securities are accounted for when the securities are quoted ex-dividend. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

Income from foreign currency holdings is translated into Sterling at the rate applicable on the date of the transaction.

Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis. Interest purchased and sold on investment transactions is reported in income in the Fund Account.

Income from pooled investment vehicles is accounted for when the security is quoted ex-dividend. Where income is retained and automatically reinvested by accumulation funds this income is reported within change in market value.

Investment income arising from the private equity investments is accounted for on an accruals basis.

Investment income arising from repurchase agreements is accounted for on an accruals basis.

#### 4 Contributions

	2024 £'000	2023 £'000
<b>Employer contributions</b>		
Administration costs	-	1,000
Other	1,950	1,041
	<u>1,950</u>	<u>2,041</u>

In accordance with the Schedule of Contributions certified by the Plan actuary on 30 October 2020, during the year ended 31 December 2023, a regular contribution of £1,000k was paid in the first quarter of each year by the Company to meet the administrative expenses in respect of the Plan. Other employer contributions include £57k paid by the Company to fund the PPF levy.

Following completion of the triennial actuarial valuation as at 1 January 2023, a revised Schedule of Contributions was certified by the Actuary on 18 December 2023. Under this Schedule there are no contributions due from the Employer. The payment of the flexible remuneration arrangements is not a requirement of the Schedule. A further £1,950k (2023: £984k), included in other employer contributions, was paid to the Plan as part of the flexible remuneration arrangements.

#### 5 Other income

	2024 £'000	2023 £'000
Claims on term insurance policies	80	-
Fees receivable	6	5
Bank interest	68	60
Other income	4,750	-
	<u>4,904</u>	<u>65</u>

#### 6 Benefits paid or payable

	2024 £'000	2023 £'000
Pensions	36,191	33,939
Commutation of pensions and lump sum retirement benefits	6,864	5,320
Purchase of annuities	60	-
Death benefits payable	116	66
Taxation where lifetime or annual allowance exceeded	74	68
	<u>43,305</u>	<u>39,393</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Plan in exchange for the Plan settling their tax liability.

**7 Payments to and on account of leavers**

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Individual transfers out to other schemes	1,245	427

Included within the 2024 total of £1,245k (2023: £427k) is an amount of £100k (2023: £118k) which represents an accrual to cover the correction of past transfers out relating to GMP equalisation.

**8 Administrative expenses**

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Administrative expenses	460	417
Actuarial fees	254	380
Audit fees	31	40
Legal fees	348	208
Trustee fees and expenses	36	45
PPF Levy	51	143
Bank charges	4	4
	<u>1,184</u>	<u>1,237</u>

**9 Investment income**

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Dividends from equities	(10)	(5)
Income from pooled investments	15,124	14,423
Income from index linked securities	4,624	5,619
Net interest on swaps	(21,896)	3,251
Income from fixed interest securities	19,428	19,119
Interest on cash deposits	2,183	1,780
Interest on cash equivalents	263	476
Interest expense from repurchase agreements	(26,525)	(27,514)
Gain/(Loss) on currency	(599)	(322)
Annuity income	3	(1)
	<u>(7,405)</u>	<u>16,826</u>

The negative 10k (2023: £5k) dividends from equities represent the difference between the tax recoverable amount as of December 2023 and December 2024. Due to increased investment in swaps, the total income has subsequently increased during 2024.

## 10 Reconciliation of investments

	Value at 1 January 2024	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2024
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	600,595	66,633	(123,998)	15,375	558,605
Index linked securities	608,821	106,684	(138,011)	(51,950)	525,544
Fixed interest securities	551,047	170,464	(243,921)	(77,931)	399,659
Derivatives	(16,872)	20,346	(6,440)	19,405	16,439
Cash equivalents	5,723	144,033	(147,947)	-	1,809
AVC investments	36,305	3,425	(4,680)	4,044	39,094
	<u>1,785,619</u>	<u>511,585</u>	<u>(664,997)</u>	<u>(91,057)</u>	<u>1,541,150</u>
Cash deposits	39,889				34,351
Repurchase agreements	(616,922)				(510,577)
Other investment balances	8,314				9,218
	<u>1,216,900</u>				<u>1,074,142</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and loss realized on the sale of investments during the year.

Where pooled investment income is generated by units and not distributed, it is retained within the managed fund and reflected in the market value of the units.

Indirect transaction costs are included in the cost of purchases and deducted from sale proceeds.

## 11 Investment management expenses

	2024	2023
	£'000	£'000
Administration, management and custody	<u>5,195</u>	<u>3,932</u>

The large increase in investment management expenses mainly relates to funds held by Insight Investment Management Limited.

## 12 Taxation

The Plan 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. The tax charge in the Fund Account represents irrecoverable withholding taxes arising on investment income.

### 13 Pooled investment vehicles

The Plan's investments in pooled investment vehicles at the year-end comprised:

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Hedge funds	130	201
Bonds	169,811	191,061
Property	34,076	66,166
Illiquid alternatives	205,427	169,255
Private equity	148,996	171,634
Insurance linked securities	6	72
Cash	159	2,206
	<u>558,605</u>	<u>600,595</u>

For the pooled funds held with AIL (included within insurance linked securities and cash within the above table), the Plan is the sole investor. The assets underlying this pooled investment vehicle at the year-end comprised:

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Investment assets - Insurance linked securities	6	72
Debtors	-	2
Cash and collateral balances	231	2,279
Total assets	<u>237</u>	<u>2,353</u>
Creditors	(72)	(75)
Net assets	<u>165</u>	<u>2,278</u>

The reduction in net asset value for the AIL fund is mainly due to Net redemptions totalling £2,120k throughout 2024.

### 14 Derivatives

#### Objectives and Policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Plan as follows:

**Swaps** – The nominal value of a swap contract is used to determine the value of swapped interest receipts and payments. The Plan has entered into swap contracts to match as far as possible the Plan's long-term liabilities, in particular in relation to their sensitivities to interest rate and inflation movements.

**Forward FX** – The Plan uses forward foreign exchange contracts to hedge against the risk of investing in foreign currency denominated assets whilst having the obligation to settle benefits in Sterling.

At the year-end the Plan had the following derivatives:

	<b>2024</b>		<b>2023</b>	
	<b>Asset</b>	<b>Liabilities</b>	<b>Asset</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
OTC Swaps	57,272	(39,649)	109,729	(127,623)
Forward FX contracts	-	(1,184)	1,022	-
	<u>57,272</u>	<u>(40,833)</u>	<u>110,751</u>	<u>(127,623)</u>

## 14 Derivatives (continued)

A summary of the Plan's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

### (i) OTC Swaps

Nature*	Duration	Counterparty**	Number of contracts	Nominal value £'000	Aggregate asset value £'000	Aggregate liability value £'000
IRS	< 10 years	BARDLN	1	1,524	16	-
IRS	10 to 20 years	BARDLN	1	7,695	-	(235)
IRS	20 to 40 years	BARDLN	1	6,709	-	(566)
IRS	40 to 60 years	BARDLN	1	2,059	1,100	-
IRS	< 10 years	CSIDLN	2	25,466	103	-
IRS	10 to 20 years	CSIDLN	2	24,790	6,470	(487)
IRS	20 to 40 years	CSIDLN	2	26,276	-	(4,025)
IRS	10 to 20 years	DEBDLN	1	13,570	810	-
IRS	20 to 40 years	DEBDLN	1	14,283	-	(1,312)
IRS	< 10 years	GSODLN	2	18,553	3,546	-
IRS	20 to 40 years	GSODLN	7	59,067	17,441	(757)
IRS	40 to 60 years	GSODLN	1	8,936	4,914	-
IRS	20 to 40 years	JPMEUR	2	37,482	199	(634)
IRS	40 to 60 years	JPMEUR	1	15,732	381	-
IRS	< 10 years	RBSDLN	1	13,302	-	(336)
IRS	10 to 20 years	RBSDLN	5	59,504	57	(382)
IRS	20 to 40 years	RBSDLN	3	59,194	1,149	(413)
IRS	40 to 60 years	RBSDLN	1	8,527	446	-
IRS	< 10 years	UBSDLN	7	41,282	4,030	(5,815)
IRS	10 to 20 years	UBSDLN	10	53,014	7,344	(5,682)
IRS	20 to 40 years	UBSDLN	5	24,338	1,917	(304)

## 14 Derivatives (continued)

### (i) OTC Swaps (continued)

Nature*	Duration	Counterparty**	Number of contracts	Nominal value £'000	Aggregate asset value £'000	Aggregate liability value £'000
INF	< 10 years	CSIDLN	1	5,197	704	-
INF	10 to 20 years	CSIDLN	7	21,535	1,407	(653)
INF	20 to 40 years	CSIDLN	4	10,146	53	(269)
INF	< 10 years	DEBDLN	3	16,492	66	-
INF	10 to 20 years	DEBDLN	2	11,368	21	-
INF	20 to 40 years	DEBDLN	4	5,813	8	(3)
INF	< 10 years	GSODLN	2	44,076	376	-
INF	10 to 20 years	GSODLN	2	12,223	-	(103)
INF	20 to 40 years	GSODLN	10	49,118	90	(647)
INF	40 to 60 years	GSODLN	1	7,360	-	(125)
INF	< 10 years	JPMEUR	1	6,557	-	(1,669)
INF	20 to 40 years	JPMEUR	4	18,494	-	(1,833)
INF	40 to 60 years	JPMEUR	1	4,717	-	(88)
INF	< 10 years	RBSDLN	10	76,975	642	(1,307)
INF	10 to 20 years	RBSDLN	11	39,960	305	(3,227)
INF	20 to 40 years	RBSDLN	12	51,883	1,649	(3,114)
INF	40 to 60 years	RBSDLN	2	5,726	450	(41)
INF	< 10 years	UBSDLN	5	8,218	1,035	-
INF	10 to 20 years	UBSDLN	9	11,994	543	(46)
INF	20 to 40 years	UBSDLN	7	9,018	-	(1,037)
AS	10 to 20 years	UBSDLN	2	7,041	-	(4,539)
					<b>57,272</b>	<b>(39,649)</b>

\* AS – Asset Swap; IRS – Interest Rate Swap; INF – Inflation Swap

\*\* BARDLN – Barclays; CSIDLN – Credit Suisse International; UBSDLN – UBS AG; DEBDLN – Deutsche Bank; GSODLN – Goldman Sachs; JPMEUR – JP Morgan; RBSDLN – Royal Bank of Scotland.

## 14 Derivatives (continued)

The counterparties had deposited £25,811k (2023: £6,057k) of cash collateral and £3,476k (2023: £9,796k) of UK Government bonds at the year-end, and the Plan had deposited £10,047k (2023: £32,112k) of UK Government bonds and £60k of cash at the year-end.

### (ii) Forward FX

Number of Contracts	Currency bought 000s	Currency sold 000s	Aggregate Asset £'000	Aggregate Liability £'000
4	GBP 58,861	USD (75,157)	-	(1,184)

All contracts expire within 3 months of the year ended in December 2024.

## 15 AVC investments

The Trustee holds assets which are separately invested from the main fund, in accordance with the members' wishes. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions or participate in the employer's special employer contribution arrangement. Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and the movements during the year. The total amount at the year-end is shown below:

	2024 £'000	2023 £'000
Aegon UK	39,094	36,305

## 16 Other investment balances

	2024 £'000	2023 £'000
Income receivable	7,510	7,958
Taxation receivable	275	285
Outstanding settlements	64	71
	<u>7,849</u>	<u>8,314</u>

## 17 Repurchase agreements

	2024 £'000	2023 £'000
Repurchase agreements	(609,773)	(621,372)
Reverse repurchase agreements	99,196	4,450
	<u>(510,577)</u>	<u>(616,922)</u>

At the year-end £465,700k (2023: £663,300k) of bonds reported in Plan assets are held by counterparties under repurchase agreements. In addition collateral of £47,910k (2023: £nil) in the form of bonds and cash has been pledged and £nil (2023: £48,150k) of collateral has been deposited in respect of the liability under the repurchase agreements.



## 18 Fair value determination

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

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

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

<b>At 31 December 2024</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pooled investment vehicles	-	169,811	388,794	558,605
Index linked securities	-	525,544	-	525,544
Fixed interest securities	-	399,659	-	399,659
Derivatives	-	16,439	-	16,439
Cash equivalents	-	1,809	-	1,809
AVC investments	-	39,094	-	39,094
Cash deposits	34,351	-	-	34,351
Other investment balances	9,218	(510,577)	-	(501,359)
	<u>43,569</u>	<u>641,779</u>	<u>388,794</u>	<u>1,074,142</u>

<b>At 31 December 2023</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pooled investment vehicles	-	191,060	409,535	600,595
Index linked securities	-	608,821	-	608,821
Fixed interest securities	-	551,047	-	551,047
Derivatives	-	(16,872)	-	(16,872)
Cash equivalents	-	5,723	-	5,723
AVC investments	-	36,305	-	36,305
Cash deposits	39,889	-	-	39,889
Other investment balances	8,314	(616,922)	-	(608,608)
	<u>48,203</u>	<u>759,162</u>	<u>409,535</u>	<u>1,216,900</u>

## **19 Investment risk disclosures**

### **(a) Investment risks**

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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

**Market risk:** this 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 or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. Due to the complex and interrelated nature of the risks the Trustee considers the risks in a qualitative rather than quantitative way. The Trustee carries out a comprehensive review of risk at least every three years. On an ongoing basis the Trustee monitors risk quarterly by a review of the performance of the portfolio against the overall investment objectives and a review of the performance of the appointed investment managers against their specific investment benchmarks.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This includes information on the management of member DC savings but does not include information on legacy insurance policies as these are not considered significant in relation to the overall investments of the Plan.

### **(b) Defined benefit section**

#### **(i) Investment strategy**

The investment objective of the Defined Benefit Section (DB Section) is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Section payable under the Trust Deed and Rules as they fall due.

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).

#### **(ii) Credit risk**

The Plan is subject to credit risk because the Plan directly invests in bonds, OTC derivatives, has cash balances and enters into repurchase agreements activities. The Plan 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 Plan is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

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. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or Over The Counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The credit risk on OTC swaps and repurchase agreements is reduced by collateral arrangements (see note 14(i) and note 17). 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.

## 19 Investment risk disclosures (continued)

### (ii) Credit risk (continued)

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

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee has appointed pooled investment managers on the recommendation of its professional investment consultant and receive quarterly updates from its consultant on all managers used by the Plan.

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicle. The Trustee takes investment advice from its investment consultant when investing. Investment Management Agreements with each manager set out the agreed processes for managing the investment and also the agreed processes for managing counterparty risk. The Trustee receives regular reports from its investment consultant on the capabilities of each investment manager used by the Plan.

There was no variation from the above policies at year end.

With regards to the Plan's direct bond holdings, the Plan invests only in securities with at least investment grade credit rating as rated by S&P or Moody's. The following table analyses the Plan's portfolio of bonds, including those held indirectly, subject to credit risk by credit quality.

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Investment grade	749,866	937,698
Unrated	346,391	414,374
	<u>1,096,257</u>	<u>1,352,072</u>

#### Pooled investment vehicles:

The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Plan's investments across a number of pooled funds.

The Trustee, with the help of its advisers, carries out due diligence checks prior to the appointment of any new investment manager or fund, and monitors for changes to the operating environment of the existing pooled funds.

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

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Unit trusts	83,910	40,240
Open ended investment companies	169,811	191,061
Shares in limited partnerships	144,435	164,005
Property authorised investment funds	6,077	6,149
Société d'investissement à Capital Variable (SICAV)	-	5
Managed property funds	-	4,691
Limited company	5,376	5,574
Specialised Investment Funds (SIF)	-	17,236
Closed ended funds	28,975	27,809
Private equity limited partnerships	120,021	143,825
	<u>558,605</u>	<u>600,595</u>

## 19 Investment risk disclosures (continued)

### (ii) Credit risk (continued)

The Plan is indirectly exposed to credit risks arising from the underlying investments held by the pooled vehicles, for example where they invest in government bonds, corporate bonds, loans or other bond-like assets.

The managers of these pooled vehicles manage indirect credit risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each investment vehicle will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

### (iii) Currency risk

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Plan operates a 50% passive currency hedge on designated overseas investments. The Plan's net unhedged exposure to foreign currency at 31 December which was in accordance with the benchmark was:

	2024 £'000	2023 £'000
<b>Direct</b>		
USD	127,134	153,431
Euro	29,642	27,508
<b>Indirect</b>		
Pooled investment vehicles	551,640	558,451
	<u>708,416</u>	<u>739,390</u>

### (iv) Interest rate risk

The Plan is subject to interest rate risk because some of the Plan's investments are held in bonds, interest rate swaps, and cash. These assets are held to match the interest rate risk inherent in the Plan's liabilities. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. The following table analyses the Plan's portfolio subject to interest rate risk.

	2024 £'000	2023 £'000
<b>Direct</b>		
Bonds	399,658	551,047
Interest rate swaps	28,975	20,364
Cash	36,320	47,818
<b>Indirect</b>		
Pooled investment vehicles	225,628	191,061
	<u>690,581</u>	<u>810,290</u>

### (v) Other price risk

Other price risk arises principally in relation to the Plan's return seeking portfolio which at year end included private equity and other illiquid pooled fund assets. The Plan manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. The following table analyses the Plan's portfolio subject to other price risk.

	2024 £'000	2023 £'000
<b>Direct</b>		
Private equity	148,996	171,634
<b>Indirect</b>		
Pooled investment vehicles	191,304	120,664
	<u>340,300</u>	<u>292,298</u>

## **19 Investment risk disclosures (continued)**

### **(c) AVC section**

#### **(i) Investment strategy**

The Trustee's objective is to make available to members of the Plan an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and its employer, will provide a retirement amount with which the member can fund a pension commencement lump sum or by transferring the value of the investments to a third party provider, purchase a pension annuity or other type of retirement product. The SIP outlines the investment objectives and strategy for the AVC assets of the Plan.

All AVC investments are managed on the Aegon platform. Members are offered the choice of investing in one of the LifePath Capital Funds (Multi Asset Funds), or self-selecting from a range of funds offered.

LifePath Capital is a series of "target date" funds that provide broad diversification of investments and are designed to provide good long term growth whilst controlling risk at each stage of the member's working life.

Alternatively members may select from the following funds: Aegon BlackRock World Index (Equity Fund), Aegon BlackRock UK Equity Index (Equity Fund), Aegon BlackRock All Stocks UK Gilt Index (Fixed Income Fund), Aegon BlackRock Cash Fund (Cash Fund), Aegon BlackRock Market Advantage Fund (Multi Asset Fund) and Aegon LGIM Ethical Global Equity Index (Equity Fund).

The Trustee has an investment management agreement in place with Aegon that sets out the funds that may be offered. The day to day management of the underlying investments of the funds is the responsibility of the fund manager, including the direct management of credit and market risks.

The Trustee receives quarterly investment reports from Aegon and a quarterly report on the suitability of the funds offered as AVC investment choices from its investment consultant.

#### **(ii) Credit risk**

The AVC Section is subject to direct credit risk in relation through its holding in unit linked insurance funds.

Aegon is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the suitability of the funds offered for its members by receiving updates quarterly on investment manager ratings from its investment consultant. Periodically the Trustee also reviews the suitability of Aegon as a platform provider. In the event of default by Aegon the Plan is protected by the Financial Services Compensation Scheme.

Member level risk exposures will depend on the funds invested in by members.

The Trustee takes investment advice from its investment consultant when investing. An Investment Management Agreement with Aegon set out the agreed processes for managing the investment and also the agreed processes for managing counterparty risk. The Trustee receives regular reports from its investment consultant on the capabilities of Aegon.

## 19 Investment risk disclosures (continued)

### (c) AVC section (continued)

#### (ii) Credit risk (continued)

At the Plan year-end the funds were exposed to underlying credit risk.

Investments analysed by main asset class are as follows:

	2024 £'000	2023 £'000
Multi asset	33,314	30,581
Equities	3,961	3,709
Cash	1,501	1,606
Fixed income	318	409
	<hr/> 39,094 <hr/>	<hr/> 36,305 <hr/>

Blended multi asset funds give rise to risks over all four of the main risk categories.

#### (iii) Market risk

The Plan's AVC Section is subject to indirect currency, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Aegon.

The Equity Funds are exposed to currency and other price risks. The Fixed Income Fund is exposed to currency and interest rate risk. The Cash Fund is exposed to currency and interest rate risk. The Multi Asset Funds are exposed to currency risk, interest rate risk and other price risk.

## 20 Concentration of investment

The Plan holds the following investments which exceed 5% of the net assets of the Plan at 31 December 2024:

	2024 £'000	%	2023 £'000	%
Absolute Insight Liquid ABS II	169,811	15.8	191,061	15.7
ICG Total Credit Fund	55,818	5.2	-	-

## 21 Capital Commitments

The Plan has outstanding investment capital commitments in relation to private equity (Adams Street Partners), Infrastructure (DIF Management B.V.) and pooled illiquid alternative investments (ARES Management LP, DRC Capital LLP, Walton Street, CVC Capital Partners, Alcentra Limited, Schroders Focus II, Greenoak UK Secured Lending II LP, Taconic European Credit Dislocation Offshore Fund II L.P. and M&G Debt Investment Opportunities IV. Commitments contracted for the year end but not recognized as liabilities are as follows:

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Adams Street Partners	26,450	26,822
ARES Management LP	11,359	12,459
DIF Management B.V.	3,314	5,436
DRC Capital LLP	3,239	3,239
Schroders Focus II	2,062	2,026
Walton Street	13,989	16,482
CVC Credit Partners	8,895	4,941
Alcentra European Direct Lending Fund II	6,650	5,871
Greenoak UK Secured Lending II LP	2,132	2,582
Taconic European Credit Dislocation Offshore Fund II L.P.	1,089	1,070
M&G Debt Investment Opportunities IV	315	128
	<u>79,494</u>	<u>81,056</u>

## 22 Current assets

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Pensions paid in advance	2,485	2,417
VAT recoverable	119	239
Cash balances	3,676	4,045
Other Debtors	5	9
	<u>6,285</u>	<u>6,710</u>

## 23 Current liabilities

	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>
Benefits payable	821	1,244
Administrative expenses	168	249
Investment management expenses	1,346	1,467
GMP liabilities	100	118
Other creditors	-	3
	<u>2,435</u>	<u>3,081</u>

## **24 Related party transactions**

The Company pays the following expenses on behalf of the Plan:

- Life Assurance Premiums
- Certain other costs for actively employed Trustee Directors and support staff such as incidental travel and the cost of attendance at third party training.

In 2024 the Company reimbursed the Plan for the following:

- VAT recovered on behalf of the Plan.

Of the eight trustee directors at year end, five were active members of the Plan, two were pensioners and one was an Independent Trustee. The pensioner Trustee Directors receive benefits in accordance with the Plan rules and on the same terms as are normally granted to members.

## **25 Employer related investments**

There were no direct employer-related investments during the year (2023: none). The Plan's members defined contribution savings are held in pooled investment vehicles managed by Aegon. Whilst there exists an indirect exposure to employer related investments via the investment in the funds, the exposure represents significantly less than 5% of the Plan's net investment portfolio (in the prior year the exposure also represented significantly less than 5% of net assets).

## **26 Provisions**

### **GMP equalisation**

In October 2018, the High Court determined that benefits provided to members of pension schemes which had contracted out of the State Earnings Related Pension Scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women.

In November 2020 a supplemental High Court ruling determined that transfers out of a scheme in respect of members who had contracted out of the state second pension must also be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 between men and women.

The Trustee has reviewed the implication of these rulings on the Plan and taken action as follows:

In 2023, the Plan implemented GMP equalisation for the majority of its pensioner members and past transferees. In 2024 an additional £460,000 was paid to current pensioners and £18,000 to past transferees. In 2025 it is expected that up to £100,000 will be paid to past transferees and an additional amount (to be determined) to the estates of members that died prior to GMP equalisation being implemented. Member communication and payment of these amounts will continue through 2025 to settle this liability. On the advice of the Plan Actuary a reserve for future pension payments to be made as a result of these rulings has been reflected in the calculation of Plan liabilities. In the Actuarial Report as at 1 January 2024, a reserve of 0.8% of Plan liabilities was recognised to reflect back payments made in 2023 and was maintained at 0.8% of Plan liabilities in the Actuarial Report as at 1 January 2025.



## Appendix I

### Actuary's Certification of Schedule of Contributions

Scheme Name

Eli Lilly Group Pension Plan

#### Adequacy of Rates of Contributions

- 1 I hereby certify that, in my opinion, the rates of the contributions shown in the Schedule of Contributions dated and signed on 14 December 2023 are such that the Statutory Funding Objective could have been expected on 1 January 2023 to continue to be met for the period for which the Schedule is to be in force.

#### Adherence of the Statement of Funding Principles

- 2 I hereby certify that, in my opinion, the Schedule of Contributions is consistent with the Statement of Funding Principles dated 14 December 2023.

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the Statutory Funding Objective 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 wound up.

## Appendix II

### **Engagement Policy Implementation Statement ("EPIS") Eli Lilly Group Pension Plan (the "Plan")**

1<sup>st</sup> January 2024 – 31<sup>st</sup> December 2024

#### **Introduction**

Under regulatory requirements, the Plan is required to produce an annual Implementation Statement (the "Statement") setting out:

- a) How voting and engagement policies set out in the Statement of Investment Principles ("SIP") in respect of the Plan year from 1<sup>st</sup> January 2024 to 31<sup>st</sup> December 2024 have been followed and;
- b) A description of any voting behaviour by or on behalf of the Plan Trustee during the Plan year.

This Statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended, and the guidance published by the Pensions Regulator.

The document sets out at a high level how the Trustee's policy on stewardship and engagement has been implemented. Where relevant, the document describes the areas of the portfolio where stewardship and engagement are most likely to be financially material. Disclosed is also the Trustee's review of the outcomes of voting and engagement activity for managers, where applicable.

From 1 October 2022, further Department of Work and Pensions ("DWP") guidance on the reporting of stewardship activities through Implementation Statements came into effect. This Statement aligns with the latest guidance and with the DWP's updated stewardship expectations for the relevant period.

Overall, the Trustee is comfortable that the policies set out in the SIP have been properly adhered to over this period.

#### **Summary of SIP updates over the period**

The Trustee worked closely with its Investment Consultant over the early months of 2024 to streamline the SIP. The current version of the Plan's SIP can be found [here](#).

#### **The Trustee's policies on voting and engagement**

The Trustee recognises that good stewardship practices, including engagement and voting activities, are important as they help preserve and enhance asset owner value over the long term. The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests.

To best channel its stewardship efforts, the Trustee has chosen to focus on key themes based on their likely financial materiality to the Plan and its members. As a result, Climate Change has been selected as the key focus area.



## Engagement

The Trustee expects its fund managers to engage with issuers on relevant matters to maintain or enhance long-term value of the Plan's investments and limit negative externalities on the planet and society.

In September 2024, the Trustee met with Insight, the Plan's Liability Driven Investment ("LDI") and Asset-backed Securities ("ABS") manager, which holds a considerable proportion of the Plan's asset allocation. The Trustee engaged with Insight on the performance, investment approach, ESG integration and stewardship for both funds respectively. Overall, the Trustee was satisfied with the fund manager's activities and is comfortable with their approach to ESG and stewardship.

The Trustee delegates responsibility for engagement with individual issuers to the Plan's fund managers. The Trustee understands that engagements carried out by fund managers are likely to vary in nature by asset class. With that in mind, three engagement examples across the Plan's asset classes are provided in Appendix B, including discussions of how these align with the Trustee's chosen theme of Climate Change, and other broader ESG factors as relevant.

Within the growth assets, the Plan is largely invested in pooled funds, so the responsibility for voting and engagement is delegated to the Plan's fund managers. The Trustee's Investment Consultant also assessed the stewardship capabilities of its most material fund manager, Adams Street, and are comfortable with their current approach. The Trustee notes that Adams Street is a Private Equity manager, and their engagement activities are appropriate for the asset class.

The Trustee recognises the respective investment processes and illiquid nature of the Plan's illiquid assets may mean that stewardship is potentially less applicable or may have a less tangible financial benefit. The Trustee still expects that all their managers should open a dialogue to engage with issuers/companies they invest in should they identify concerns that are financially material.

As part of aligning to the DWP's stewardship expectations, the Trustee plans to consider both how to best assess the engagement activities of the Plan's managers and retain ownership of the stewardship process. The Trustee plans to engage with the Plan's fund managers where relevant as part of its manager monitoring, recognising that the Investment Consultant also monitors the Plan's fund managers.

## Additional Voluntary Contributions ("AVCs") – Aegon

The Plan's AVC arrangements are with Aegon, invested in a wide variety of managed funds. Due to the relatively small holdings of the AVCs, this Statement does not disclose the stewardship in relation to the AVC funds in detail. For more information on Aegon's responsible investment approach, please see their website which can be found [here](#).

## Significance of stewardship in appointment and monitoring of fund managers

When selecting and monitoring the Plan's fund managers, the Trustee considers a manager's ESG and stewardship capabilities. This information is provided by the Plan's Investment Consultant and through direct conversations with fund managers. Over the reporting year, the Trustee monitored the performance of the Plan's investments on a quarterly basis and received updates on important issues from the Plan's Investment Consultant. Where possible, the Plan's Investment Consultant works on behalf of the Trustee to monitor and improve the extent to which the Plan's managers consider ESG issues.

In October 2024, the Trustee agreed to invest in the ICG Total Credit Fund. As part of this process, the Trustee, via their Investment Consultant, considered the manager's ESG and stewardship capabilities, and were comfortable.

As part of aligning to the DWP's stewardship expectations, the Trustee plans to consider how to best assess the engagement activities of the Plan's managers and retain ownership of the stewardship process. The Trustee intends to have future engagements with the Plan's fund managers as part of its

manager monitoring, recognising that the Investment Consultant also monitors the Plan's managers.

## **Voting**

The Trustee expects its fund managers to recall lent stock as necessary, in order to carry out voting actions. Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Plan's relevant investments which are exercised by the fund managers of the Plan, where applicable.

The Trustee delegates responsibility for the exercise of rights (including voting rights) attaching to the investments of the Plan to the fund managers. Voting rights exist in the CBRE Property Fund and for one of the Plan's Illiquid Markets mandates. Please note, manager and company names have been anonymised throughout the document where requested by the manager.

Voting statistics for these two mandates, as well as a selection of significant votes cast on behalf of the Plan over the period are provided in Appendix A.



## Appendix A – Voting Statistics

Only two current investment mandates, CBRE Property Fund and an anonymised illiquid Markets Manager, hold any assets with voting rights. CBRE Investment Management manages indirect real estate strategies on behalf of separate accounts and pooled vehicles and will thereby exercise voting on any relevant issues that may arise. The anonymised illiquid markets manager has three underlying equity investments which are applicable for voting. The table below summarises the key voting statistics and significant votes for these two mandates.

Please note that, due to the nature of the holdings, neither of the below managers were able to provide significant votes related to the Plan’s stewardship priority of Climate Change. As such, we have selected votes based on either the size of the holding or the relevance to the Plan.

Table 1 – Key Voting Statistics

Key Voting Statistics (1 January 2024 – 31 December 2024)	Anonymised Illiquid Markets Manager	CBRE Property Fund
Number of equity holdings at period end	10	0
Value of Trustees’ Assets at period end	£2.7m	£37.3m
Number of meetings eligible to vote during the period	32	14
Number of resolutions eligible to vote during the period	18	25
% of resolutions voted	100%	100%
% of resolutions voted with management	100%	100%

Table 2 – Most Significant Votes

	Anonymised Illiquid Markets Manager	CBRE Property
Company	Company A	Company B
Date of vote	Q1 2024	Q4 2024
Summary of the resolution	Approval of business plan and in principle approval to launch the sale process subject to Q1	The resolution involved the sale of four high street retail units in Colchester for £2.6m, the sale of the Travelodge Hotel for £5m, and the novation of the Fund’s Portfolio Management

	EBITDA <sup>1</sup> being at or above £10m.	Agreement from Cordatus Partners Limited to Edmond de Rothschild Real Estate Investment Management.
Manager's vote	For	For
Outcome of the vote	Passed	Passed
Rationale for the voting decision	To allow for monetization for investors	N/A

## Appendix B – Engagement Examples

### Engagement

As per the Plan's SIP, the Trustee expects their fund managers to engage with issuers on relevant matters to maintain or enhance long-term value of the Plan's investments and limit negative externalities on the planet and society. This includes performance, strategy, risks, capital structure, conflicts of interest, and environmental, social or governance considerations.

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across all of the Plan's investments and is not restricted to equity investments. Below are three examples of engagement within the Plan's liquid credit and illiquid asset classes. To focus the examples of engagement to those that are most relevant to the Trustee, the examples from relevant managers were collected with a focus on those aligning to the Trustees' stewardship priority, Climate Change. Where this was not provided, the focus is on those with a broader ESG theme.

#### Manager: Anonymised Illiquid Credit Manager

**Company:** Portfolio company operating in the digital advertising services industry

**Background:** As part of their ESG engagement strategy and plan to transition to a more robust framework of Sustainability-Linked Loans ("SLLs") when lending to their borrowers, the manager encouraged the company to consider embedding ESG Key Performance Indicators ("KPIs") into their loan with the manager.

**Actions:** The manager was keen to improve the initial KPIs initially proposed by the company. As such, the manager proposed the following enhanced KPIs:

- **Climate Awareness KPI:** expanding this KPI to measure scope 1, 2, and 3 emissions, with a focus on scope 3. This will involve collaborating with upstream and downstream partners to gather data and enhance climate disclosure, ultimately aiming to reduce emissions.
- **Employee Engagement KPI:** including survey results and scores, understanding the methodology of the third-party provider, and detailing initiatives to improve employee wellbeing, training, and reduce turnover.

<sup>1</sup> Earnings before interest, taxes, depreciation, and amortisation.



- **ESG Awareness KPI:** requested details on the executives and senior management involved, the training content and providers, assessment methods, and future ESG training plans. This KPI will need to be updated in subsequent years to include other levels of the organization.

#### **Manager: Anonymised Liquid Credit Manager**

Company: Applies to all underlying companies within the portfolio.

Background: Recognising that climate change is one of the greatest challenges of our time, the manager has developed bespoke strategies to engage with the highest emitters within their portfolio on climate-related issues, such as coal exposure and carbon intensity performance.

Actions: The manager used their Net Zero Model to identify companies for engagement, with the goal of ensuring that at least 50% of financed emissions were either net zero, aligned with a net-zero pathway, or subject to engagement aimed at achieving net-zero alignment by 2023, and 70% of financed emissions by 2025. These were set as interim targets, aligning with the manager's net zero pledge. The manager also sets engagement objectives using tools such as the Net Zero Benchmark from Climate Action 100. Success is measured by improvements across the criteria of their Net Zero Model and is assessed on a case-by-case basis.

#### **Manager: CBRE**

Company: Specialist UK logistics funds

Background: CBRE IM continue to engage with the manager of a specialist UK logistics fund, on their ESG strategy, including on stabilised, refurbishment and development projects.

Actions: The example provided by CBRE detailed upon practical completion of a back-to-frame refurbishment of a logistics unit in the M25 market, a final embodied carbon report will be produced to determine the building's final upfront embodied carbon outcome. Once the asset is in operation, CBRE Investment Management will continue to engage with the manager, who will monitor and report its energy performance annually to ensure the asset is operating as efficiently as designed, and that its operational emissions remain low to align with the fund's 2040 Net Zero Carbon target.

**TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT**

Eli Lilly Group Pension Plan  
1 January 2024 – 31 December 2024

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**Executive Summary**

The Trustee of the Eli Lilly Group Pension Plan (the “Plan”) has prepared the following report in response to the requirements for pension schemes under the Department for Work and Pensions’ Climate Change Governance and Reporting Requirements (June 2021) and statutory guidance (October 2022), which build on the recommendations from the Taskforce on Climate-Related Financial Disclosures (“TCFD”).

This document is the Plan’s third annual report. It has been prepared by the Trustee for the year ended 31 December 2024.

This report sets out how the Trustee identifies and manages climate-related risks and opportunities in the context of its broader regulatory and fiduciary responsibilities to its members. This report also aligns to the most recent guidance published by The Pensions Regulator (“TPR”) which assessed climate-related reporting for reports published in 2023 and 2024 based on previous years’ reporting, with feedback for pension schemes to introduce in order to raise the industry standards.

The Trustee supports the recommendations set out by the TCFD, which have been adapted by the Department for Work and Pensions (“DWP”) for UK pension schemes, on the basis that they will allow the Trustee to assess, monitor and mitigate climate-related risks and opportunities on behalf of its members. The TCFD report explains how the Plan is currently aligning with each of the four pillars set out in the Occupational Pension Schemes (Climate Change and Governance Reporting) regulations (and in line with the recommendations of the TCFD). The Trustee believes that climate change is likely to be a financial risk that will affect all the Plan’s investments to some degree.



The four pillars covered in the report are set out below:

#### **Governance:**

The Trustee has developed its governance structure to gather information and form an assessment of the Plan's exposure to climate-related risks and opportunities, and its level of resilience. By seeking input from its appointed advisers, the Trustee will review and reflect upon its exposure to these risks on a regular basis, with the objective of safeguarding members' future benefits.

There have not been any notable changes to the Plan's governance structure during 2024. The Trustee will continue to receive training on climate-related risks and opportunities to help in its understanding of how climate change may impact the Plan.

#### **Strategy:**

In 2022, the Trustee explored physical and transition climate-related risks and opportunities, and viewed these were not a material threat to the Plan's sustainability. The Plan's managers identified a range of climate-related risks and opportunities, which differed by asset class. The diversification of the Plan's assets contributes to its overall level of expected resilience to these risks.

The analysis conducted in 2022 concluded that the Plan's funding level was resilient in the scenarios tested, albeit exhibiting higher volatility over the long term under the most severe downside scenario tested. Given there have not been significant changes in the Plan's funding and investment strategy over 2024, aside for a c.5% allocation to the ICG Total Credit Fund, and no major developments in industry methodology, the Trustee has not refreshed the analysis conducted in 2022.

The Trustee is aware of the regulatory requirement to refresh the Plan's scenario analysis (and methodology) at least every third year after the initial analysis to ensure it remains appropriate, and will therefore update the Plan's scenario analysis for the next iteration of this report, as at 31 December 2025, if suitable at the time.

The Trustee acknowledges the increasing scrutiny of current climate scenario methodologies, building on similar concerns that were raised in the previous TCFD Report, with further detail outlined later in the report.

#### **Risk Management:**

The Trustee recognises the Plan is exposed to climate-change-related risks. At the time of the Plan's first TCFD report in 2022, the majority of the Plan's material managers (six out of the nine managers) actively collaborated with the Trustee by providing detailed input on how they assess and manage climate-related risks and opportunities within their portfolios. The Trustee integrated this process into its ongoing risk management processes and will monitor developments over time.

The Trustee remains comfortable that the Plan's managers have sufficient processes in place to monitor climate-related risks and opportunities, and to manage these risks effectively. The Trustee is comfortable with the investment managers' consideration of climate change-related risks and opportunities. For example, during September 2024, the Trustee met with Insight, where ESG factors, including Climate Change, were key topics of discussions. Further, in October 2024, the Trustee agreed to invest in the ICG Total Credit Fund. As part of this process, the Trustee, via their Investment Consultant, considered the manager's ESG and stewardship capabilities, and were comfortable.

Over the Plan year, the Trustee also adopted Climate Change as a stewardship priority to help focus its stewardship efforts as detailed in the Plan's latest Statement of Investment Principles (the "SIP").



## Metrics and Targets:

Over 2023, the proportion of the portfolio for which the Trustee was able to gather carbon emissions data increased significantly to 67%, meaning the Plan had reached its target (set in 2022) of 61% data coverage by 2027.

As such, the Trustee reviewed the Plan's target at the November 2024 Trustee meeting. Whilst alternative targets were considered as part of the discussion, data coverage was deemed the most appropriate metric for the nature of the Plan's portfolio. This led to the Trustee's decision to **update the Plan's data coverage target to achieve 85% by 2029**, as supported by the Plan's Investment Consultant.

Following this update to the target, the proportion of the portfolio for which the Trustee was able to gather carbon emissions was **79%** over 2024, **meaning it has made good progress towards the five-year target of 85% by 2029**. Compared to the data coverage in the second TCFD Report of 67%, this has increased by 12%. This increase was largely driven by the provision of emissions and carbon footprint data from the Plan's private equity manager, following last year's report where no data was provided. Additionally, enhancements in data coverage across the Plan's wider mandates also contributed to this increase.

While the Plan's overall portfolio data coverage has improved, driven largely by enhanced carbon reporting capabilities among its managers, the Trustee recognises that progress towards the 85% target may be slower. This is largely due to the nature of the remaining assets, such as Asset-Backed Securities, for which managers currently face significant challenges in obtaining reliable emissions data. Additionally, the absence of a consistent, industry-wide carbon reporting standard for these asset classes further limits progress. The Trustee will continue to engage with managers and anticipates further improvements over time as industry methodologies become more standardised.

The Trustee was comfortable with the updated target, recognising that improved data coverage is an important initial step and will enable the Trustee to better assess the Plan's emissions profile. Additionally, as the Plan's asset allocation is expected to evolve over the coming years, particularly through the gradual reduction of the illiquid assets, the target of data coverage has been selected due to its applicability across a range of asset classes. This ensures it remains relevant and achievable, even as the portfolio composition is expected to change.

The Plan's managers have shown overall improvement in carbon emissions, data coverage, and SBTi reporting. Most notably, the SBTi alignment metric (defined below) for the Plan is now 20%, marking a significant improvement from the previous iteration of the TCFD Report, where no managers were able to provide this metric. This progress reflects an increase in the number of managers now capable of providing SBTi-aligned data. However, the Trustee does acknowledge that meaningful progress in portfolio alignment may increasingly depend on the evolution of the policy and regulatory landscape, as voluntary commitments alone may not be sufficient to drive the scale of change required, and may not be in companies' financial interests.

Moving forwards, the Trustee acknowledges key areas where they, supported by its Investment Consultant, should continue to engage with the managers to drive further progress. The Trustee will continue to engage with the four managers that were unable to supply emissions data for this analysis with the assistance of the Plan's advisers. However, given the nature of these assets, where some are also small residual allocations, the Trustee acknowledges there may be limitations in the abilities of these managers to provide improved data.

In relation to the Plan's assets, the Trustee measures the following four metrics:

- **Absolute emissions metric:** Total Greenhouse Gas ("GHG") Emissions (Scope 1,2 and Scope 3 emissions where available). It is an absolute measure of the carbon emissions associated with the Plan's investments.
- **Emissions intensity metric:** Carbon Footprint – i.e. total GHG emissions for the portfolio per million pounds<sup>1</sup> invested. An intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made.
- **Alignment Metric:** Science Based Target Initiative ("SBTi") portfolio alignment metric. The percentage of portfolio assets with declared Net-Zero or Paris-aligned targets validated by the SBTi.
- **Additional non-emissions-based metric:** Data Coverage (previously referred to as Data Quality). A measure of the proportion of the portfolio for which scope 1 and 2 emissions data has been obtained.

The following pages summarise the Trustee's current position with regards to the TCFD recommendations and those set out in the Regulations. The Trustee has been supported by its Investment Consultant, Redington (appointed in April 2023), in the production of its third TCFD report and collecting the data within it.

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<sup>1</sup> Carbon footprint data was obtained directly by managers and in some cases denominated in differing currencies and converted to GBP.



## Introduction

TCFD is an initiative that developed some best practice guidance for climate risk reporting. In accordance with the UK regulations set out in 2021, the Trustee is required to meet climate governance requirements and publish an annual TCFD-aligned report on its pension scheme's climate-related risks and opportunities<sup>2</sup>.

The Eli Lilly Group Pension Plan is a defined benefit pension plan which was closed to new entrants from 1 January 2010. As at 31 December 2024, the Plan was well funded, with assets of around £1bn. The Plan remains open to accrual and the current asset allocation reflects the Plan's long-term nature. The current asset allocation does not include public equities but has a relatively high allocation to illiquid assets (c.33%). Over the course of the next four years, the allocation to illiquid assets is expected to reduce as these investments return capital with all proceeds expected to be received by around 2033.

Better climate reporting should lead to better-informed decision-making on certain climate-related risks and opportunities. In addition, greater transparency around climate-related risks and opportunities should lead to more accountability and provide decision-useful information to investors and beneficiaries.

This report provides a summary of how the Plan is currently aligned to each of the four elements set out in the regulations (and in line with the recommendations of the TCFD). Details on these elements are below:

- **Governance:** The Plan's governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the Plan's investment and funding strategy.
- **Risk Management:** The processes used to identify, assess and manage climate-related risks and opportunities.
- **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

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<sup>2</sup> For brevity, where we refer in this report to the risks and opportunities relating to climate change, we mean this to cover both the risks arising from changes in the climate itself and the risks and opportunities presented by the anticipated transition of economies and society to a lower carbon future.

# 1. Governance

**Key Takeaway:**

**The Trustee is committed to meeting all requirements set out by relevant regulation.** The Trustee developed its governance structure in 2022 to gather information and form an assessment of the Plan’s exposure to climate-related risks, and its level of resilience. By seeking input from its appointed advisers, the Trustee will continue to review and reflect upon its exposure to these risks on a regular basis, with the objective of safeguarding members’ future benefits.

Over the Plan year, the Trustee has updated its stewardship policy within the SIP, and selected ‘Climate Change’ as a stewardship priority to focus stewardship efforts going forward.

## Role of the Trustee

The Trustee is responsible for oversight of all strategic matters related to the Plan. This includes approval of the governance and management framework relating to Environmental, Social and Governance (“ESG”) considerations and climate-related risks and opportunities. The Trustee will allocate sufficient time at meetings to fulfil its obligations in relation to climate change governance and reporting and will review its governance arrangements and processes periodically to ensure that this remains the case. The governance structure has not changed over the year and so the specific roles and responsibilities of the Trustee and the Plan’s advisers remain appropriate.

The Trustee discussed and agreed its overarching approach to managing climate change risk in 2022. Details are set out in the SIP which is reviewed every 3 years (or sooner in the event of a significant change in investment policy) by the Trustee. During 2024, the Trustee updated its stewardship policy within the Plan’s SIP to highlight Climate Change as the key focus area to best channel its stewardship efforts. Climate-related risks have been considered alongside other ESG factors through the Investment Consultant’s quarterly monitoring reports, as well as captured within the Plan’s governance reports.

## Time Horizons

In assessing the Plan’s climate change risk exposure and opportunities, the Trustee considers these over multiple time horizons (as required by the Regulations). In 2022, the Trustee decided that the most appropriate time horizons for the Plan are:

	Time Horizon	Rationale
Short term	0-3 years  Risk and opportunities are likely to be transition related	<p>This time horizon aligns with the three-year actuarial valuation cycle.</p> <p><u>Opportunities:</u> Changes in consumer behaviour positively impacting sectors more advanced in relation to climate-related issues.</p> <p><u>Risks:</u> Increases in carbon prices, increased regulation, changes in consumer behaviour negatively impacting sectors that are slower to react or impact of extreme weather events.</p>



<b>Medium Term</b>	3-10 years	This time horizon aligns with the Plan's expected full funding date and also demonstrates the importance of significant climate data improvements over the next decade to meet carbon emission reduction targets.
	Risk/opportunities include a mixture of physical and transition factors.	<u>Opportunities:</u> Same as short-term, and competitive pressures to react to changes in regulation and general economic environment.  <u>Risks:</u> Same as short-term.
<b>Long Term</b>	10-25 years	This time horizon helps the Trustee to better consider the potential impact of physical risks. The time frame is also helpful given the long-term nature of the Plan's investments.
	Risk/opportunities include a mixture of transition and physical factors that are more prominent than in the medium-term.	<u>Opportunities:</u> Same as medium-term.  <u>Risks:</u> Same as medium-term and may also include commodity scarcity and food price inflation.

This covers the period over which the Plan's member benefit payments to its members are projected to peak and will be reassessed over time.

Where appropriate, the Trustee will consider transition and physical climate-related risks and opportunities separately.

The Trustee seeks input from its advisers and the Plan's Sponsor on climate-related issues on an "as-needed" basis to ensure that it has the appropriate knowledge and understanding to support good decision-making. When seeking input from advisers or third parties on governance activities, the Trustee has, and will continue to, evaluate if such advisers are required to be challenged where necessary, to ensure the Trustee remains comfortable with the activities undertaken on its behalf. Additionally, the Trustee receives meeting material ahead of Trustee meetings, and focuses its time at meetings on a review of the material provided, as well as raising questions with advisers on this material.

The Trustee requires its advisers and investment managers to bring material climate-related risks and opportunities to its attention in a timely manner, and to have the appropriate knowledge to advise on climate-related matters.

The Trustee will publish this TCFD report in line with the requirements and timeline set out by the Reporting Regulations.

## Role of advisers

Investment Consultant: The Plan's Investment Consultant will provide strategic and practical support to assist the Trustee in managing climate-related risks and opportunities, including:

- Provision of training and relevant updates on climate-related issues such as scenario analysis and choosing appropriate metrics and targets.
  - All Trustee Directors complete the Pensions Regulator toolkit and new Trustee Directors attend the PLSA Trusteeship course. The Trustee has previously had a program of training on climate-related risks and opportunities, and regular training on



other matters is scheduled on the Trustee Business Plan based on training needs assessments carried out annually.

- Review of the appropriateness of the Plan's funding strategy model (asset, liabilities and covenant) under a range of climate change scenarios.
- Assessment of investment manager competency.
- Collection, scrutiny and consolidation of information from investment managers.
- Action planning and tracking where indicated.

**Plan Actuary:** The Plan Actuary will help the Trustee assess the potential impact of climate change risk on the actuarial liability assumptions underpinning the Plan's funding strategy, including, as appropriate, the strength of the covenant offered by the sponsoring employer.

**Covenant Adviser:** As and when covenant advice is required, the covenant adviser will take climate-related risks and opportunities into account when providing advice to the Trustee on the employer covenant.

#### **Monitoring climate-related risks and opportunities:**

- In February 2024, to best channel the Plan's stewardship efforts, the Trustee selected Climate Change as a key theme based on its likely financial materiality to the Plan.
- The Trustee requires investment managers to engage with issuers on relevant matters to maintain or enhance long-term value of the Plan's investments and limit negative externalities on the planet and society. This includes performance, strategy, risks, capital structure, conflicts of interest, and environmental, social or governance considerations.
- The Trustee expects the Plan's fund managers will actively monitor ESG risks within the investments, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate.
- Supported by its Investment Consultant, the Trustee reviews the stewardship activities of its fund managers on an annual basis, covering both engagement with companies in which they invest and voting actions. The Trustee will engage directly with the fund manager if concerns are raised. Concerns may include but are not limited to; lack of transparency, failure to exercise voting rights, failure to act on conflicts of interest, failure to consider risks related to ESG matters. The Trustee also engages with managers directly.
- Where voting is concerned, the Trustee requires its fund managers to recall stock lending as necessary, to carry out voting actions. Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Plan's relevant investments which are exercised by the asset managers of the Plan, where applicable. The Plan Trustee monitors and discloses the voting records of its managers on an annual basis.
- The Trustee will continue to monitor this and report on it through its Implementation Statement and ensure the policies within the SIP are followed and remain aligned with Trustees outlook on climate-related beliefs.
- The Trustee also monitors the risk objective regarding any significant ESG or climate-related development for the Trustee to be aware of on a quarterly basis.



## 2. Strategy

### Assessing climate-related risks and opportunities

Assessing the climate-related risks and opportunities the Plan is exposed to is key to understanding the impact climate change could have on the Plan in the future.

#### Key Takeaway:

Given there have not been any significant developments in the Plan's investment strategy or any material improvements in both the availability of relevant data or industry best practice in scenario modelling, the Trustee has concluded the analysis carried out in 2022 does not need to be updated.

Overall, climate-related risks were not viewed as a material threat to the Plan's sustainability. There were a range of climate-related risks identified by the Plan's managers, which differ by asset class. The diversification of the Plan's assets contributes to its overall level of resilience to these risks.

The Trustee is aware of the regulatory requirement to refresh the Plan's scenario analysis (and methodology) at least every third year after the initial analysis to ensure it remains appropriate, and will therefore update the Plan's scenario analysis for the next iteration of this report, as at 31 December 2025, if suitable at the time.

#### The results from 2022 are reproduced below:

The Trustee has carried out a qualitative risk assessment on each asset class the Plan is invested in. From this, the Trustee has identified which of the climate-related risks and opportunities could have a material impact on the Plan.

The Plan's investment portfolio is diversified across a range of different asset classes including liquid investments such as fixed income, and less liquid assets such as private equity.

#### Which investments were included?

The Trustee has focused its attention and time on the most relevant and significant risks. The Plan's investments in Liability Driven Investments (LDI) were excluded from its review as there is limited scope for the Trustee to mitigate the risk of investing in UK Government Bonds.

Non-material funds were also excluded, as were funds in wind down. Consequently, this review focused on 51% of Plan investments as at 31 December 2021. This covered five asset classes and nine investment managers as detailed in the following table.

	Fund Allocation at 31.12.2021	Investment Manager
Bond Funds	23%	Insight, M&G, Schroders
Equity	11%	MSIM (fully redeemed in 2022)
Private Equity	8%	Adams Street



Property	4%	CBRE
Infrastructure and Private Debt	5%	DIF, DRC, Ares
LDI	41%	Insight
Non-material funds	3%	CVC, KKR, AIL, Schroders, Walton Street, Green Oak, Alcentra, Taconic
Funds in wind down	1%	
Cash & Derivatives	4%	
<b>Total</b>	<b>100%</b>	

## Conclusions

Of the nine managers the Trustee requested information from (in 2022), three (Adams Street, Schroders, and Ares) did not complete the questionnaire. The Trustee notes this is not unusual given fund managers are adapting to the requirements in this area, and therefore anticipates there will be progress over time.

Accordingly, the Trustee asked its Investment Consultant to engage with the Plan's managers to encourage them to better support the Trustee in understanding climate risks in future. The Trustee takes regular advice from its Investment Consultant as to the suitability of the Plan's appointed fund managers, which includes considerations of ESG factors when reviewing the Plan's managers. The Trustee also considers managers' approaches to managing climate-related risks and opportunities when selecting managers and when monitoring their performance, supported by its Investment Consultant. Six managers completed the questionnaire which covered the following risk categories, ratings and time horizons.

- **Risk Categories:** In the analysis, the climate-related risks and opportunities have been categorised into physical and transitional risks.
  - Transitional Risks are associated with the transition towards a low-carbon economy. For example, shifts in policy, technology or supply and demand in certain sectors.
  - Physical risks are associated with the physical impacts of climate change on companies' operations. For example, extreme temperatures, floods, storms or wildfires.
- **Ratings:** The analysis uses a RAG rating system where:
  - Red denotes high level of financial exposure to a risk.
  - Amber denotes a medium level of financial exposure to a risk.

- Green denotes a low level of financial exposure to a risk.
- **Analysis time horizons:** As set out in the Governance section, the Trustee assess the climate-related risks and opportunities over multiple time horizons:
  - Short term: 0-3 years
  - Medium term: 3-10 years
  - Long term: 10-25 years

Based on the analysis completed, the Trustee identified:

- The managers who engaged provided insightful commentary on assessment of climate risks.
- There are no mandates where significant concerns were raised needing immediate action.
- There were significant differences in the way managers assessed climate risk, which may represent methodological rather than real differences in risk exposure.

The Plan remains in surplus on a technical provisions basis, and as at 1 January 2025, the Plan was c.100% funded on a solvency basis. Given the low level of reliance on the covenant in the near term, a detailed sponsor covenant assessment of climate risk impact on the Plan sponsor was not deemed proportionate.

Following the completion of the Plan's triennial actuarial valuation as at 1 January 2023, the Trustee continues to work with its advisers to incorporate climate considerations into the assessment of the liabilities and covenant. This will also be considered leading into the next actuarial valuation, as at 1 January 2026.

## Portfolio resilience and scenario analysis

In 2022, the Trustee undertook climate change scenario analysis to better understand the impact climate change could have on the Plan's assets and liabilities.

### Key Takeaway:

Given there have not been significant changes in the Plan's investment strategy over 2024, aside from the c.5% allocation to the ICG Total Credit Fund, or developments in industry methodology over the year, the Trustee has not renewed the analysis conducted in 2022. This scenario analysis affirms that the Plan's funding level was resilient to the range of climate scenarios tested, albeit exhibiting higher volatility over the long term under the most severe downside scenario tested.

The analysis considered three climate change scenarios. Each scenario considers what might happen when transitioning (or not) to a low-carbon economy under different conditions. The Trustee has chosen these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. These scenarios were developed by Aon and are based on detailed assumptions. They are not a forecast, but rather represent a range of plausible outcomes. As such, they are illustrative and are subject to considerable uncertainty.

The scenario analysis considered the potential impact of climate change on the current strategic asset allocation (as at 31 December 2021) and liabilities (measured on the strategic liability basis) and, therefore, its funding position. Taking advice from its previous Investment Consultant, Aon, the Trustee considered a "base case" scenario against which the three climate change scenarios are compared.



Scenario (Degree warming)	Scenario Description
Base Case (~2°C – 2.5°C)	Emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net zero by 2050. Current pricing suggests that the market does not expect a bad climate change outcome – that is, the effects are not as damaging as first thought, and some progress is made to limit greenhouse gas emissions and global warming.
Worst case scenario: Disorderly transition (<4°C)	The world economy remains oriented towards improving near-term economic prospects, with companies and governments taking a "business as usual" approach. Eventually, market participants begin to fully grasp the implications of climate change and there is a growing realisation that current levels of action are inadequate. Market values price in high levels of economic damage and irreversible loss.
Best case scenario: Orderly transition (<2°C)	Increased public awareness of climate change risks galvanises opinion and leads to governments undertaking widespread action globally to aggressively mitigate and adapt to climate change. A high global greenhouse gas tax and carbon cap is introduced.

Source: Aon. Note: Degree warming is relative to pre-industrial levels by 2100.

### **Outcomes:**

Based on the climate scenario analysis, the Trustee identified that:

- The Plan's funding level was resilient in the scenarios tested, driven by the decision to reduce the allocation to equities, the diversification in the Plan's assets and the liability hedging in place.
- Under the most severe downside scenarios, the Plan remained fully funded in the long-term, albeit with higher volatility.

Since completing the above analysis for the Plan's first TCFD report as at 31 December 2022, the Trustee notes there has been a lack of global decarbonisation progress so far and there are policy headwinds going forward. Moreover, the Trustee is conscious that physical climate risks may materialise sooner than current models suggest, due to the slowing pace of progress towards the climate transition.

The Trustee acknowledges the increasing scrutiny of current climate scenario methodologies, building on concerns highlighted in the Plan's previous TCFD Report. In particular, current methodologies may not accurately reflect the threat climate change poses to the planet and society, such as overlooking climate tipping points and underestimating the likely implied temperature rise and physical impacts of climate change. Consequently, the analysis currently has limited reliability and usefulness as a decision-making tool. As such, the Trustee does not rely solely on this analysis to inform its strategic decision-making and considers qualitative assessments of risks alongside the scenario analysis output. The Trustee and its advisers will look to improve the scenario analysis in the future, appropriate to the Plan's investment strategy and industry wide methodology.



## 3. Risk Management

### Our process for identifying and assessing climate-related risks and opportunities

In 2022, the Trustee established a process to identify, assess and manage the climate-related risks and opportunities that are relevant to the Plan. This was part of the Plan's wider risk management framework and describes how the Trustee monitors the most significant risks to the Plan in its efforts to achieve appropriate outcomes for members. In the Plan's first TCFD report, there were two elements to the Trustee's approach to understanding and assessing the impact of these risks on the Plan's investments, which captured a qualitative assessment and quantitative analysis.

On review, the qualitative assessment remains appropriate to monitor the climate-related risks and opportunities on an annual basis rather than obtaining the quantitative information from managers on an annual basis. This approach considers the TPR guidance on how to improve reporting on climate-related risks and opportunities.

#### Key Takeaway:

The Trustee remains comfortable that the majority of the Plan's material managers have sufficient processes in place to monitor climate-related risks and opportunities, and to manage these risks effectively. The Trustee is comfortable with the investment managers' consideration of climate change-related risks and opportunities.

Over the Plan year, the Trustee has adopted Climate Change as a stewardship priority to help focus its stewardship efforts, as detailed in the latest SIP.

When prioritising the management of risks, the Trustee assessed the materiality of climate-related risks and opportunities relative to the impact and likelihood of other risks to the Plan. This helped the Trustee focus on the risks that pose the most significant impact when first considering the risk management processes. The Trustee recognises the long-term risks posed by climate change and has taken steps to integrate climate-related risks and opportunities into the Plan's risk management framework.

As discussed in section "2. Strategy", the Trustee recognises the Plan is exposed to climate change-related risks in the form of transition and physical risk. The Trustee considers the impact of these risks on all of the assets in which they invest via conducting and reviewing the results of climate-related stress tests on a periodic basis. Climate change is also included in the Plan's risk register and reviewed as part of the wider risk management framework.

The Trustee has previously prioritised the management of climate transition risks over physical risks, as it has judged that these pose the biggest potential for financial loss to the Plan in the short/medium term. This was achieved by monitoring the output of asset-side climate scenario analysis on a quarterly basis, and through engagement with the Plan's investment managers on their own approaches. However, as the likelihood of physical risks relating to climate change increase as global temperatures continue to rise, the Trustee expects that consideration of these risks – and the Fund's resilience to them – may become a more significant priority.

For all appointed investment managers, evaluation of ESG risk management, which includes climate-related risks and opportunities, is an explicit part of both the selection process and continued monitoring that the Trustee undertakes. The Trustee also relies on the manager research capabilities of its Investment Consultant to assess each manager's ability to effectively integrate climate-related risks and opportunities.



Active engagement with underlying companies in which the Plan is invested, specifically relating to climate-related risks and opportunities, is delegated to the Plan's investment managers. Engagement with the investment managers themselves is carried out on behalf of the Plan by the Investment Consultant which reports back at least annually to the Trustee. Given the Plan is invested in LDI and credit funds with Insight, the Trustee most recently met with the manager (alongside the Investment Consultant) in September 2024. ESG considerations and stewardship were discussed in detail at this meeting.

Further, in October 2024, the Trustee agreed to invest in the ICG Total Credit Fund. As part of this process, the Trustee, via their Investment Consultant, considered the manager's ESG and stewardship capabilities, and were comfortable.

The Trustee considered queries such as how ESG risks are integrated into the manager's counterparty approval process and how the manager considers incorporating ESG considerations into the LDI investment process. The Trustee concluded they were comfortable with Insight's consideration of climate change-related risks and opportunities.

The Trustee will continue to meet with the Plan's LDI manager on a regular basis. The Trustee's stewardship priorities will continue to be discussed and monitored.

In response to DWP's guidance, the Trustee updated its stewardship policy within the Plan's SIP in 2024. Within the updated stewardship policy, the Trustee chose to adopt a stewardship theme of Climate Change. The Trustee intends to use this theme as a lens to focus its monitoring and assessment of managers' stewardship activities. The Trustee recognises that it is useful to focus its efforts on this one theme as it aligns with its wider climate beliefs, while being manageable from a governance perspective. By holding investment managers to account for these activities (particularly focusing on Climate Change), the Trustee hopes to encourage better stewardship activities which will result in a reduction in climate change-related risk.

The Trustee will monitor risk management efforts through stewardship with the Plan's managers, where engagement with the managers' underlying companies will be reported in the Plan's annual Implementation Statement where Climate Change is a theme that is closely considered, and engagement examples are provided to support this.



## 4. Metrics and Targets

### Climate-related metrics

The Trustee uses some quantitative measures to help understand and monitor the Plan's exposure to climate-related risks and opportunities. The Trustee's choice of these measures, outlined on page 4, is aligned with the prescribed metrics required by the regulations governing the Plan.

**Key Takeaway:**

As at December 2024, the Plan's data coverage is 79%, positioning it well to achieve the updated target of 85% by 2029. The data for this report has been directly obtained from the Plan's managers.

Compared to the data coverage in the second TCFD Report of 67%, this has increased by 12%. This increase was largely driven by the provision of emission and carbon footprint data from the Plan's private equity holdings, following last year's report where no data was provided.

As the Plan has many illiquid assets, this data coverage figure is broadly aligned with expectations given the Plan's investment strategy and the complexity of the underlying investments. The Trustee will continue to monitor the Plan's emissions coverage and anticipates there will be improvements over time as industry methodology becomes more standardised.

The Trustee continues to receive these metrics on an annual basis from its Investment Consultant, with this being the third year of such reporting. The Trustee will periodically review its selection of metrics to ensure they remain appropriate for the Plan.

On review, the metrics the Trustee has chosen to report remain appropriate for the third report. However, given the Plan gathered carbon emissions for 67% of the portfolio in the last iteration of this report, and thereby surpassed its target of achieving 61% data coverage by 2027, the Trustee decided to review the Plan's target at the November 2024 Trustee meeting.

Although alternative targets were considered as part of the discussion, the Trustee decided to update the Plan's data coverage target to achieve 85% by 2029. The table below sets out the results of each of the chosen metrics broken down by broad asset class for inclusion into the Plan's third TCFD report. Please note, the data outlined below has been obtained from each of the Plan's managers directly, excluding residual assets. The data was requested as at 31 December 2024, however three of the Plan's managers were only able to provide data as at 31 December 2023, as their 2024 reporting had not yet been released.

As aggregating emissions to a portfolio level means combining different methodologies, the Trustee acknowledges that greater insight can be gained by looking at the year-on-year data at an asset class-level. As such, the below analysis is broken down by asset class and includes summary metric for the overall Plan, along with directional arrows indicating year-on-year change for comparison. Further, the Trustee notes the LDI manager has a separate carbon accounting methodology, which reflects the fact that corporate and sovereign economic activity or value need to be measured in different ways<sup>3</sup>.

As such, the Trustee recognises this should be considered separately and has reflected this within the table below. Moving forwards, the Trustee will continue to consider best practice when reviewing the data presented in this report.

<sup>3</sup> Corporate emissions are normalised using each entity's enterprise value, whereas sovereign emissions are based on a country's GDP, adjusted for purchasing power parity.

### Results of each of the Plan's metrics broken down by broad asset class:

	% of Assets <sup>4</sup>	Data Coverage (% coverage) <sup>5</sup>		Total GHG Emissions (tCO <sub>2</sub> e) <sup>6</sup>		Carbon Footprint (tCO <sub>2</sub> e/£m) <sup>7</sup>		SBTi Rating
		Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	
Property <sup>8</sup>	4%	67% ↓	67% ↓	34 ↓	325 ↓	0.9 ↓	8.7 ↑	46% ↑
Private Equity	12%	98% ↑	98% ↑	7,972 ↑	78,755 ↑	66 ↑	652 ↑	- →
Private Markets <sup>9</sup>	18%	71% →	60% ↑	11,630 ↓	13,379 ↓	81 ↓	95 ↓	2% ↑
Credit	22%	37% ↑	16% ↑	3,077 ↑	81,326 ↑	13.6 ↑	1,464 ↑	2% ↑
Cash and derivatives	2%	- →	- →	- →	- →	- →	- →	- →
LDI	43%	100% →	- →	170,571 ↓	- →	171 ↓	- →	- →
<b>Total portfolio</b>	<b>100%</b>	<b>79% ↑</b>	<b>29% ↑</b>	<b>193,284 ↓</b>	<b>173,784 ↓</b>	<b>101 ↓</b>	<b>750 ↓</b>	<b>20%<sup>10</sup> ↑</b>

Source: Plan's Managers

■ Favourable direction ■ Less favourable direction ■ No change

The arrows within the table provide a comparison of the results to the output as detailed in the Plan's second TCFD Report. For ease of comparison, the table below shows the data obtained for inclusion into the Plan's second TCFD report.

<sup>4</sup> As at 31 December 2024. Figures may not sum to 100% due to rounding.

<sup>5</sup> In the case of the Plan's illiquid mandates, some of the data received may be based on the managers' own estimations as well as emissions directly reported by underlying companies.

<sup>6</sup> Emissions data has not been scaled up where data coverage is <100%.

<sup>7</sup> Refers to % of portfolio where carbon data is available, either from investee company disclosures directly or indirectly via third party data providers. Carbon footprint data was obtained directly by managers and in some cases denominated in differing currencies and converted to GBP.

<sup>8</sup> Property emissions data is provided as at 31 December 2023.

<sup>9</sup> C.36% of private markets carbon emissions have been provided as at 31 December 2023.

<sup>10</sup> Please note, this figure does not include funds which were unable to provide SBTi data.



	% of Assets <sup>11</sup>	Data Coverage (%coverage) <sup>12</sup>		Total GHG Emissions (tCO2e) <sup>13</sup>		Carbon Footprint (tCO2e/£m) <sup>14</sup>		SBTi Rating
		Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	
Hedge Funds	0%	-	-	-	-	-	-	N/A
Property <sup>15</sup>	6%	89%	79%	490	554	7	8	
Private Equity	12%	-	-	-	-	-	-	
Private Markets <sup>16</sup>	17%	71%	45%	13,954	34,236	105	319	
Credit	16%	22%	-	472	-	3 <sup>17</sup>	-	
LDI <sup>18</sup>	46%	100%	-	207,204	-	179	-	N/A
Cash and derivatives	3%	-	-	-	-	-	-	N/A
<b>Total portfolio</b>	<b>100%</b>	<b>67%</b>	<b>13%</b>	<b>222,120</b>	<b>34,790</b>	<b>118</b>	<b>234</b>	<b>TBC</b>

Given **total GHG emissions** reported demonstrate the total share of direct and indirect emissions for which the Plan's assets are responsible (where data was available), it is impacted by the overall value of the assets. As such, while the metric is useful to monitor, the Trustee acknowledges it has less control over absolute emissions compared to carbon intensity. Relative to the Plan's second report, total GHG emissions fell, driven largely by a fall in the carbon emissions for the Plan's property and private market assets.

Over the year, the Plan's carbon footprint fell, following a notable reduction in the carbon footprint figures provided for the property and private market mandates. There has been a slight increase in the Plan's scope 1 & 2 and scope 3 carbon footprint for the credit allocation; this was largely driven by the recent investment into an additional multi-asset fund, for which the manager was able to provide carbon footprint analysis.

In line with the statutory guidance, this report also discloses scope 3 emissions. Since last year's report, data availability for scope 3 emissions has improved, leading to notable increases in both the scope 3 carbon footprint and emissions figures for the Plan. Please note, although LDI comprises a significant proportion of the Plan's total assets, the manager was unable to provide scope 3 emissions for gilts held within the LDI portfolio due to data constraints and a lack of data availability.

<sup>11</sup> As at 31 December 2023. Figures may not sum to 100% due to rounding.

<sup>12</sup> Please note, in the case of the Plan's illiquid mandates, some of the data received may be based on the managers' own estimations as well as emissions directly reported by underlying companies.

<sup>13</sup> Emissions data has not been scaled up where data coverage is <100%.

<sup>14</sup> Refers to % of portfolio where carbon data is available, either from investee company disclosures directly or indirectly via third party data providers. Carbon footprint data was obtained directly by managers and in some cases denominated in differing currencies and converted to GBP.

<sup>15</sup> 98% of the property emissions data is provided as at 31 December 2022. The remaining property allocation is a residual holding for which the manager was unable to provide data.

<sup>16</sup> 20% of private markets carbon emissions have been provided as at 31 December 2022.

<sup>17</sup> This figure has been estimated based on data provided by the Plan's ABS manager.

<sup>18</sup> LDI emissions reported represent combined gilts leveraged exposure.



The **SBTi portfolio alignment metric** for the Plan is 20%, marking a significant improvement from the previous iteration of the TCFD Report, where no managers were able to provide this metric. The Trustee was encouraged by this progress following notable efforts to engage with managers to provide this data over the year. For example, when considering the new manager for the multi-asset fund in late 2024, the Trustee emphasised the importance of a manager's ability to provide this metric, as reflected in the table above. As a result of this, the new multi-asset manager, ICG, were able to provide SBTi data, which contributed to this significant improvement.

Moving forwards, the Trustee will continue to engage with managers to further improve this metric. Over time, the proportion of the portfolio held in assets where data is unavailable is expected to decrease, and data quality should improve, leading to an expected improvement in the SBTi portfolio alignment objective. However, the Trustee notes that meaningful progress in portfolio alignment may increasingly depend on the evolution of the policy and regulatory landscape, as voluntary commitments alone may not be sufficient to drive the scale of change required, and may not be in companies' financial interests.

Of note, the Plan's LDI manager is unable to report on this metric as it focuses on corporate issues, rather than sovereign bonds which are held in the LDI portfolio. In light of this, although the Trustee cannot report an SBTi rating for the UK Government bond holdings within the LDI portfolio as SBTi does not assess countries, the UK Government's statutory net zero CO2 target has been assessed as "aligned with a global 1.5C scenario" by ASCOR<sup>19</sup>, the first public investor framework assessing sovereign bond issuers on climate change. Therefore, the Trustee deems the LDI portfolio, excluding cash and derivatives, to be aligned based on this assessment.

Given the Plan has several allocations to illiquid assets, it is important to note that due to the nature of these assets, it has proven difficult to obtain **data coverage** for these assets across the industry. This is the third time this analysis has been carried out for the Plan, and the expectation is that the output will evolve over time as data availability is expected to improve.

The Trustee uses the results to identify the climate-related risks and opportunities which are relevant to the Plan. These might include, for example, engaging with fund managers who have material carbon intensity levels or with other industry participants and updating investment guidelines for managers where the Trustee has discretion to make such changes and where this is consistent with the Trustee's wider fiduciary duty. This also allows the Trustee to continue to create real-world impact and engage with its managers, even as the composition of the portfolio changes over time.

The Trustee notes that there is no industry-wide standard on calculating some of these metrics and that different managers may use different methods and assumptions when providing data to the Trustee. These issues are common across the industry at the current time and highlight the importance of TCFD-aligned reporting to improve transparency. The Trustee anticipates that in the future, better information will be available from managers as the industry aligns to expectations and best practice standards.

Similar to last year, because not all the Plan's managers were able to provide all the requested data, the reported emissions metrics do not include all the Plan's GHG emissions. For managers that provided data with <100% data coverage, the GHG data has not been scaled to cover 100% of the portfolio, hence the metrics continue to show the Plan's GHG emissions to be lower than they really are.

The Trustee will continue to engage with its managers that were unable to supply emissions data for this analysis, with the assistance of the Plan's advisers, noting the nature of the Plan's assets may restrict the ability to obtain improved data. The Trustee also expects that, over time, industry-wide standards for climate-related data, particularly for illiquid mandates, will improve. This will be reflected in the coming years' reporting.

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<sup>19</sup> Assessing Sovereign Climate-related Opportunities and Risks ("ASCOR").



The Plan's Investment Consultant requested data from all the Plan's managers, of which 8 managers did not provide any information due to the nature of the holdings and the Plan's investment. This figure remains unchanged from last year.

## Climate-related target

The Trustee measures the following target, with more detail below:

- Targeting data coverage of the Plan's investments to be 85% of assets by 2029.

The data coverage for the reporting period is 79%. Compared to the data coverage target in the second TCFD Report of 67%, this has increased by 12%, largely driven by the provision of emissions and carbon footprint data from the Plan's private equity manager.

As the Plan has many illiquid assets, this data coverage figure is broadly aligned with expectations given the Plan's investment strategy and the complexity of the underlying investments. The Trustee will continue to monitor the Plan's emissions coverage and anticipates there will be improvements over time as industry methodology becomes more standardised.

### Key Takeaway:

The Plan has made good progress towards the five-year target set by the Trustee to achieve 85% data coverage by 2029. The Trustee will continue to engage with the Plan's managers to ensure data received is an accurate reflection of the data coverage.

In seeking to improve data coverage over the coming years, the Trustee will prioritise funds which are most material within the portfolio and, with the support of its advisers, engage with managers to assess if this target remains appropriate.

There are a few key reasons as to why the data coverage target has improved over this period which have been summarised below:

- Industry-wide improvements in the availability of data and in data coverage. For example, the Plan's private equity manager, who was unable to provide data for the previous iteration of this report, has provided data for 98% of assets.
- In 2024, 12 of the Plan's managers were able to provide the relevant data for this reporting period, compared to 10 for the previous iteration of this report.
- For some managers, the data coverage was provided as 100%, where a certain proportion was based on reported emissions, and the remainder as estimated emissions.

While the Plan's overall portfolio data coverage has improved, driven largely by enhanced carbon reporting capabilities among its managers, the Trustee recognises that progress towards the 85% target may be slower going forward. This is largely due to the nature of the remaining assets, such as Asset-Backed Securities, where the underlying data is complex with limited regulation on emissions reporting. As such, managers face significant challenges in obtaining reliable emissions data. Additionally, the absence of a consistent, industry-wide carbon reporting standard for these asset classes further limits progress. The Trustee will continue to engage with managers and anticipates further improvements over time as industry methodologies become more standardised.

Although there has been encouraging progress towards the target, the Trustee acknowledges that this positive trajectory is not guaranteed, and fluctuations in year-on-year data coverage can be seen.

The Trustee will continue to take the following steps to maintain the target, and revise the target where appropriate:

- Focus initially on improving the data coverage for asset classes which have the least data coverage i.e. credit and property.
- Engage with the most material managers regarding the data coverage they provide.



## Appendix A: Glossary of Terms

Source: Aon

Governance	refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders. <sup>20</sup> Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated. <sup>21</sup>
Strategy	refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates. <sup>22</sup>
Risk Management	refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks. <sup>23</sup>
Climate-related risk	refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations. <sup>24</sup>
Climate-related opportunity	refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates. <sup>25</sup>
Greenhouse gas emissions ("GHG") scope levels <sup>26</sup>	<p>Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.</p> <p>Scope 1 refers to all direct GHG emissions.</p> <p>Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.</p>

<sup>20</sup> A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.

<sup>21</sup> OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.

<sup>22</sup> TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

<sup>23</sup> Ibid

<sup>24</sup> Ibid

<sup>25</sup> Ibid

<sup>26</sup> World Resources Institute and World Business Council for Sustainable Development, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004.

Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.<sup>27</sup>

Value Chain	refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption). <sup>28</sup>
Climate Scenario Analysis	is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time. <sup>29</sup>
Net Zero	means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed. <sup>30</sup>

<sup>27</sup> PCC, *Climate Change 2014 Mitigation of Climate Change*, Cambridge University Press, 2014

<sup>28</sup> 3 TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017

<sup>29</sup> Ibid

<sup>30</sup> Energy Saving Trust, *What is net zero and how can we get there?* - Energy Saving Trust, October 2021



## Appendix B: Greenhouse gas emissions in more detail

Source: Aon







Greenhouse gases in the atmosphere, including water vapour, carbon dioxide, methane, and nitrous oxide, keep the Earth's surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes it even more effective at preventing heat from leaving the Earth's atmosphere.

Greenhouse gases are vital because they act like a blanket around the Earth making it the climate habitable. The problem is that human activity is making the blanket "thicker". For example, when we burn coal, oil, and natural gas we send huge amounts of carbon dioxide into the air. When we destroy forests, the carbon stored in the trees escapes to the atmosphere. Other basic activities, such as raising cattle and planting rice, emit methane, nitrous oxide, and other greenhouse gases.

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol<sup>31</sup> identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. Therefore, emissions are expressed as a carbon dioxide equivalent (CO<sub>2</sub>e). This enables the different gases to be compared on a like-for-like basis, relative to one unit of carbon dioxide.

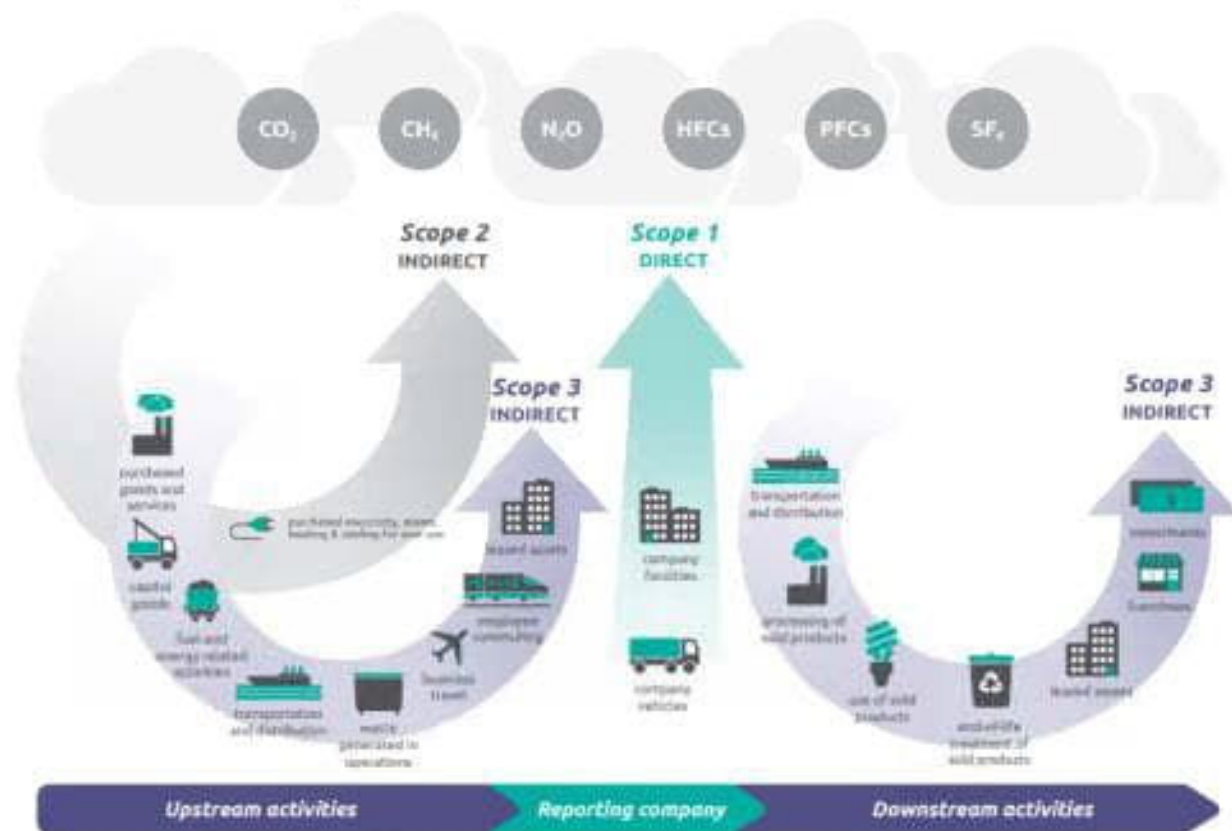
Six main greenhouse gases identified by the Kyoto Protocol

					
Carbon dioxide	Methane	Nitrous oxide	Hydro-fluorocarbons	Per-fluorocarbons	Sulphur hexafluoride
CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	PFCs	SF <sub>6</sub>

Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

<sup>31</sup> [https://unfccc.int/kyoto\\_protocol](https://unfccc.int/kyoto_protocol)

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, [Corporate value chain \(scope 3\) Accounting and Reporting Standard](#), 2011

## Appendix C: Climate scenario modelling assumptions

Source: Aon

### **Note to Trustees**

The purpose of this appendix is to conform to the DWP's statutory guidance, which states that Trustees must "Describe the key assumptions for the scenarios used and the key limitations of the modelling (for example, material simplifications or known under/over estimations)"

The purpose of the climate scenario modelling is to consider the impact of climate-related risks and opportunities on the Plan's assets and liabilities over the long-term. The scenario modelling assumes a deterministic projection of assets and liabilities on the Technical Provisions basis, using standard actuarial techniques to discount and project the Plan's expected future cashflows.

- i. It models the full yield curve as this allows for a more accurate treatment of the liabilities and more realistic modelling of the future distribution of interest rates and inflation.
- ii. The modelling parameters vary deterministically for each scenario.

The liability projections are approximate, but they are appropriate for this analysis. However, a full actuarial valuation carried out at the same date may produce a materially different result.

The scenario modelling focusses on the impact of climate change on the Plan's assets and liabilities. It does not consider the impact climate change could have on the covenant risk or mortality risk.

The scenario modelling reflects recent market conditions and current market views. The model may produce different results for the same strategy under different market conditions.

This report, and the work relating to it, complies with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' ('TAS 100'). The model complies with TAS 100.

### **Key Assumptions:**

	Temperature risk by 2100	Reach net zero by	Carbon price (2030/2050)	Introduction of environmental regulation
Base Case	+2-2.5C	2050	\$75/\$125	Fragmented Coordination
Disorderly transition	<3C	After 2050	\$65/\$340	Late and aggressive
Orderly transition	1.3C – 2C	2050	\$100/\$215	Coordinated