



THORNTONS PENSION SCHEME  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 MAY 2024  
**Scheme Registration Number: 10126689**

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Trustee

**Employer-nominated Trustee (Independent Trustee)**

Independent Trustee Services Limited (part of the Independent Governance Group Limited ("IGG"))

Principal Employer

Thorntons Limited (Company No.00174706)

Scheme Actuary

Matt Farraker, FIA (appointed 20 February 2024)

Mercer Limited

Kath Taylor, FIA (resigned 20 February 2024)

Mercer Limited

Independent Auditor

BDO LLP

Scheme Administrators

Aptia UK Limited (from 1 January 2024)

Mercer Limited (until 31 December 2023)

Scheme Investment Consultant

Mercer Limited

Investment Managers

BlackRock Investment Management (UK) Limited

Mercer Limited

Legal & General Assurance (Pensions Management) Limited

Hermes Investment Management Limited

Aviva Investors Pensions Limited

Investec Asset Management Limited

Investment Custodians

State Street Bank Luxembourg S.A.

State Street Custodial Services (Ireland) Limited

HSBC Securities Services

Bank of New York Mellon (International) Limited

Additional Voluntary Contribution (AVC) Providers

The Prudential Assurance Company Limited

Utmost Life and Pensions Limited

Bank

HSBC

Legal Advisers

Arendt & Medernach SA

Gowlings WLG (UK) LLP

Employer Covenant Adviser

Ernst & Young

Contact for further information and complaints about the Scheme

Enquiries about the Scheme generally and complaints:

Laura Foley

The Secretary to the Trustee of the Thorntons Pension Scheme

Independent Governance Group Limited

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Manchester

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## Introduction

The Trustee of the Thorntons Pension Scheme (the Scheme) is pleased to present their report together with the audited financial statements for the year ended 31 May 2024. The Scheme is a defined benefit scheme.

Full membership of the Scheme was closed to new employees who commenced service on or after 1 August 2002. Between 6 April 2009 and 5 April 2013, the date on which the Scheme was closed to future accrual, benefits accrued on a Career Average Revalued Earnings (CARE) basis.

## Constitution

The Scheme was established on 24 May 1967 and is governed by a definitive Trust Deed dated 25 April 2003 and a supplemental definitive Deed and Rules dated on 9 September 2009.

## Management of the Scheme

### Trustee

The Pensions Act 2004 provides for the appointment of Member nominated Trustee Directors. However, as all Directors of the Independent Trustee, Independent Trustee Services Limited (ITS), satisfy the independence conditions in the regulations, the Scheme is exempt from this requirement. The power to appoint and remove Trustee rests with the Principal Employer, Thorntons Limited.

The Directors of Independent Trustee Services Limited are:

A Bradshaw  
R Croft  
M Evans  
C Hardingham (appointed 17 June 2024)  
H Frisby  
H Kotecha  
A Livingstone  
J Lovell (resigned 21 December 2023)  
C Martin  
B Smith (resigned 27 May 2024)  
D Visavadia  
J Wood

The Trustee met formally once during the year on 6 November 2023.

### Statement of Trustee's Responsibilities

The Statement of Trustee's Responsibilities is set out on page 14 and forms part of this Trustee's Report.

### Governance and risk management

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

The Trustee also has a risk register which sets out the key risks to which the Scheme is subject along with the controls in place to mitigate these. This register is regularly reviewed and updated by the Trustee.

### Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with scheme documentation. In March 2024, the Pensions Regulator published their new General Code of Practice to assist trustees on these matters, combining ten existing codes and introducing new obligations not covered by the existing codes, intending to improve scheme governance and administration. The Trustee has agreed a training plan to enable it to meet these requirements.

## Principal Employer

The Scheme was provided for all eligible employees of the Principal Employer whose registered address is Thorntons Limited, 889 Greenford Road, Greenford, Middlesex, UB6 0HE.

## Pension Administrator

On 1 January 2024, the Mercer Limited UK pension administration business was acquired by Aptia UK Limited. As a result, Aptia UK Limited is now the pension administration service provider for the Scheme.

## Financial development

The financial statements on pages 18 to 30 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 fund increased from £79,167,879 at 31 May 2023 to £82,560,988 at 31 May 2024.

The increase shown above comprised net withdrawals from dealings with members of £496,338 together with net returns on investments of £3,889,447.

## Guarantee

To help secure the financial position of the Scheme the Company has entered into an agreement with the Trustee under which Ferrero International S.A. (Ferrero) - (Thorntons Limited's parent company) had agreed that, if the Company becomes insolvent or is unable to pay such amounts as required under the Schedule of Contributions, Ferrero will step in and pay those amounts instead, depending on the circumstances.

On 26 July 2022 the Trustee and Ferrero International S.A (Thorntons Limited's parent company) agreed an extension of the term of the guarantee to 30 June 2031 and to fix the value of the guarantee at £40m.

It is expected imminently that the guarantee will include an extension of the "Term" of the guarantee from 30 June 2031 to 30 June 2037.

## Report on actuarial liabilities

Under Section 222 of the Pensions Act 2004, every scheme 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 Principal Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

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The most recent full actuarial valuation of the Scheme was carried out as at 31 May 2023. The actuarial update at 31 May 2024 is shown for comparison

|  | 31 May 2023   | 31 May 2024   |
|--|---------------|---------------|
| The value of the Technical Provisions was: | £87.4 million | £87.0 million |
| The value of the assets at that date was:  | £78.9 million | £82.2 million |
| Funding level:                             | 90.0%         | 94.5%         |

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).

## Report on actuarial liabilities – continued

### Method

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

### Significant actuarial assumptions

| Principal actuarial assumptions for valuation as at 31 May 2023 |  |
|---|--|
| Investment return pre-retirement:                               | Gilt Yield curve plus 1.0% p.a.  |
| Investment return post-retirement:                              | Gilt Yield curve plus 0.5% p.a.  |
| Price inflation – Retail Prices Index:                          | RPI curve with no Inflation Risk Premium (IRP)   |
| Deferred revaluation:   | Aligned with RPI   |
| Pension increases in payment:                                   |  |
| Pre 97  | 0.00% p.a.   |
| Post 97   | RPI assumption with allowance for 5% cap using Jarrow-Yildirim inflation volatility model  |
| Mortality:  | S3PA tables ("middle" table for females) using year of birth with 117%/109% weighting for male/female non-pensioners and 115%/108% weighting for male/female pensioners, CMI 2022 projections model and a long-term improvement rate of 1.5% p.a. and a smoothing parameter of 7 |

The derivation of these key assumptions and an explanation of the other assumptions to be used in the calculation of the technical provisions are set out below.

| Derivation of actuarial assumptions for valuation as at 31 May 2023 |   |
|---|---|
| <b>Discount interest rate:</b>                                      | <p>The majority of benefits in a pension scheme are paid many years in the future. In the period before the benefits are paid, the Trustees invest the funds held by the scheme with the aim of achieving a return on those funds. When calculating how much money is needed now to make these benefit payments, it is appropriate to make allowance for the investment return that is expected to be earned on these funds. This is known as "discounting".</p> <p>The higher the investment return achieved, the less money needs to be set aside now to pay for benefits. The calculation reflects this by placing a lower value on the liabilities if the "discount rate" is higher.</p> <p>The Trustees' investment policy is to invest the funds held in respect of retired members in lower risk assets (which therefore have a lower expected return) than those held for members who are still some way from retirement. Therefore, the discount rate assumption is split into pre and post-retirement rates (with pre-retirement being higher).</p> |
| <b>Inflation:</b>   | <p>Pensions in payment typically increase in line with price inflation, subject to a cap. Salary growth is also normally linked to price inflation. A higher inflation assumption will, all other things being equal, lead to a higher value being placed on the liabilities.</p>   |
| <b>Life expectancy:</b>   | <p>Pensions are paid while the member (and potentially their spouse or partner) is alive. The longer people live, the greater is the cost of providing a pension. Allowing for longer life expectancy therefore increases the liabilities.</p>  |

## Scheme Actuary

With effect from 20 February 2024 Kath Taylor resigned as Scheme Actuary and Matt Farraker, FIA was appointed at the same time.

The following statement was received from Kath Taylor, FIA:

"Under Regulation 5(4) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 I have considered whether there are any circumstances connected with my resignation from the appointment which significantly affect the interests of current or prospective members and beneficiaries under the Scheme. I can confirm that I know of no such circumstances".

## Membership

The membership movements of the Scheme for the year are given below:

|                            | Deferreds  | Pensioners | Total        |
|----------------------------|------------|------------|--------------|
| At 1 June 2023             | 941        | 780        | 1,721        |
| Retirements                | (58)       | 58         | -            |
| Deaths                     | (3)        | (22)       | (25)         |
| Transfers out              | (3)        | -          | (3)          |
| Spouses and dependants     | -          | 10         | 10           |
| Pensions commuted for cash | -          | (7)        | (7)          |
| At 31 May 2024             | <u>877</u> | <u>819</u> | <u>1,696</u> |

Included within pensioners above is 54 (2023: 53) members receiving a pension upon the death of their spouse.

## Pension increases

Pensions in payment as at 1 May 2023 were increased in line with the Scheme rules. Pension arising from pensionable service completed post 6 April 1997 increases in line with Retail Prices Index up to a maximum of 5% per annum. During 2024 these pensions were increased by 5.0% (2023: 5.0%). Preserved pensions were increased in accordance with statutory guidelines. None of the pension increases were discretionary.

## Calculation of transfer values

Transfer values paid during the year were calculated and verified in the manner required by the Regulations made under Section 97 of the Pension Schemes Act 1993 and do not include discretionary benefits. None of the transfer values paid was less than the amount provided by the Regulations.

The cash equivalent transfer values have been calculated on the Trustee's transfer value basis. The Trustee is responsible for choosing the method and assumptions used to calculate transfer values, having taken advice from the Scheme Actuary. The cash equivalent transfer value calculations produced during the year have been reduced to reflect the funding position of the Scheme on the Trustee's transfer value basis. Therefore transfer payments made during the year were at less than the full cash equivalent.

Following improvements in the funding level of the Scheme together with the changes to the Guarantee provided by Ferrero Trading Lux S.A, the Trustee of the Scheme now provides transfer value quotations and pay CETVs in full. The Trustee must stress that the decision to remove the reduction applied to transfer value quotations can be withdrawn without prior notice to members.

There is no allowance made for discretionary benefits when calculating transfer values.



## Investment management

### General

The overall investment policy of the Scheme is determined by the Trustee having taken advice from its advisers, Mercer Limited ("Mercer"). The Trustee is responsible for determining the investment strategy and manager appointments after taking appropriate advice from Mercer. The Trustee has delegated the day-to-day management of investment to professional investment managers. These managers undertake, within restrictions in their contractual documentation set by the Trustee, the day-to-day management of the asset portfolio, including the full discretion for stock selection.

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme's (Investment) Regulations 2005 and subsequent legislation.

Full information on these policies is outlined throughout the SIP, a copy of which is available at <https://www.weareigg.com/client-docs/thorntons/>. Further information is also summarised later in this report. In addition, the Trustee's Engagement Policy Implementation Statement on page 33 outlines how, in the opinion of the Trustee, the Trustee's engagement policy has been followed during the year.

## Investment Objectives and Policies

### Objectives

The Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee's primary objectives are as follows:

- To make sure that the Trustee can meet its obligations to the beneficiaries of the Scheme taking into account the funding level of the Scheme and the strength of covenant of the Employer.
- To pay due regard to the interests of the Employer regarding the size and incidence of its contribution payments.

The Trustee understands, following discussions with the Employer, that the Employer is willing to accept some degree of volatility in its contribution requirements in order to reduce the long-term cost of the Scheme's benefits.

### Financially Material Considerations

When setting objectives, investment strategy and choosing appropriate investments for the Scheme, the Trustee takes into account what it believes to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme. Specific considerations are detailed throughout the SIP.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades) and the Trustee takes this into account when setting its strategy. However, any future opportunities for the Trustee to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

The Trustee's strategic benchmark for the Scheme's assets has been determined using appropriate economic and financial assumptions, from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

### Non-Financial Matters

"Non financial matters" (which includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments. The Trustee would review this policy in response to significant member demand.

Investment management - continued

**Selection, Retention and Realisation of Investments**

The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Scheme's overall strategic allocation and consistent with the overall principles set out in this Statement.

The Trustee has implemented a policy to manage the Scheme's net cash in/out flow. Within investment manager portfolios, the investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments subject to the relevant appointment documentation and pooled fund prospectuses.

In addition the Trustee monitors the allocation between the appointed managers and between asset classes and will rebalance (or delegate this to individual investment managers) as appropriate.

**ESG, Stewardship and Climate Change**

The Trustee believes that financially material factors, including ESG factors, may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may apply over the Scheme's investment time horizon and increasingly may require explicit consideration.

The Scheme's assets are invested predominantly in pooled vehicles and the day-to-day management of the Scheme's assets has been delegated to investment managers, including the selection, retention and realisation of investments within their mandates. In doing so, the Trustee expects and encourages the investment managers to undertake engagement activities on relevant matters including ESG factors (including climate change considerations) and to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee engages with existing investment managers on these issues through (amongst other things) meetings and periodic correspondence. Managers who are regulated by the UK's Financial Conduct Authority are expected to report on their adherence to the UK Stewardship Code on an annual basis. This applies to both equity and debt investments, as appropriate, and covers a range of matters including an equity or debt issuer's performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

A proportion of the Scheme's assets are managed on a benchmark-tracking (or "passive") basis. As a result, the Trustee recognises that the choice of benchmark dictates the assets held by the Scheme's investment managers given passive mandates and that these managers have limited freedom to take account of factors that may be deemed to be financially material as part of stock selection decision-making. The Trustee accepts that the primary role of its passive managers is to deliver returns in line with the market and believes this approach is in line with the basis on which the current strategy has been set. The Trustee will periodically consider the appropriateness of the benchmark indices against which its passive managers aim to track, relative to viable alternative indices.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers, monitoring existing investment managers and retaining or withdrawing from investment managers. The relative importance of these factors compared to other factors will depend on the asset class being considered. Monitoring of the existing investment managers is undertaken on a regular basis and is based on Mercer's assessment of the degree to which ESG considerations are embedded into a manager's investment processes. This monitoring is documented at least annually and Mercer informs the Trustee of any changes to its ESG ratings of investment managers usually on a quarterly basis. The Trustee will challenge managers who it believes are taking insufficient account of ESG considerations in implementing their mandates. The Trustee will also monitor investment manager engagement activity (such as voting) at least annually.

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

The Trustee will not consider the ESG policies of Additional Voluntary Contributions (AVCs) providers and associated investment funds as these are a small proportion of total assets.

Investment management – continued

#### **Alignment of Investment Manager Objectives and Incentivisation**

Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels of outperformance and, in relation to passive management, suitable levels of "tracking error" against a relevant benchmark.

The Trustee seeks expert advice in relation to these appointments. This advice may consider factors such as the manager's idea generation, portfolio construction, implementation, business management, timeliness and quality of reporting, as well as the investment manager's approach to ESG and engagement activity, as they apply to the specific investment strategy being considered.

Where relevant, the Trustee specifies the investment objectives and guidelines in an Investment Management Agreement and sets these so that they are in line with the Trustee's specific investment requirements. In relation to pooled investment vehicles, the Trustee accepts that it has no ability to specify the risk profile and return targets of the manager other than through the choice of specific vehicles. They will therefore select vehicles that best align with the Trustee's own investment objectives and guidelines (as set out in relevant governing documents) and, once appointed, will review the appointment should there be any material changes in these terms.

The Trustee makes appointments with the view to them being long term (to the extent this is consistent with the Trustee's overall investment time horizon) and there is typically no set duration for the manager appointments. However, appointments can typically be terminated at relatively short notice.

For each appointment, retention is dependent upon the Trustee having ongoing confidence that the investment manager will achieve the mandated investment objective. The Trustee makes this assessment taking into account various factors which includes performance to date as well as an assessment of future prospects.

Investment managers are therefore incentivised both to achieve the mandated objectives, consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling basis. This encourages investment managers to take a suitably long term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.

#### **Performance Assessment and Fees**

The Trustee receives reporting on asset class and investment manager performance on a regular basis, via a combination of formal independent reports and periodic presentations from the investment managers. Investment returns (and their associated volatility) are measured on both an absolute basis and relative to one or more suitable benchmarks and targets.

As well as assessing investment returns the Trustee will consider a range of other factors, with the assistance of the investment advisor, when assessing investment managers, which may include:

- Personnel and business change;
- Portfolio characteristics (including risk and compatibility with objectives) and turnover;
- Voting and engagement activity;
- Service standards;
- Operational controls; and
- The advisor's assessment of ongoing prospects based on their research ratings.

The investment managers are remunerated by way of a fee calculated as a percentage of assets under management. In each case, the principal incentive is for the investment manager to retain their appointment (in full), by achieving their objectives, in order to continue to receive their fee in full. On some mandates, performance related fees may also be in operation. Performance related fees incentivise the manager to outperform their target as they take a share of the outperformance. The Trustee will consider introduction of performance related fees on a case by case basis where not in operation and would also consider requesting fee reductions. Investment managers are not remunerated based on portfolio turnover.

## Investment management – continued

### Portfolio Turnover Costs

Turnover costs arise from a) "ongoing" transactions within an investment manager's portfolio and b) "cashflow" costs incurred when investing in or realising assets from a mandate. The Trustee will now seek explicit reporting on ongoing costs for all appointed managers.

The Trustee has not historically monitored investment managers' ongoing transaction costs explicitly but has measured these implicitly through ongoing performance assessments which are net of these costs.

The Trustee does not monitor regular cashflow costs (but seeks to minimise them through ongoing cashflow policy). The Trustee monitors the costs of implementing strategic change via its investment consultant.

### Investment Strategy

The Trustee has agreed, based on expert advice from Mercer, an investment strategy that is consistent with the Trustee's funding and investment objectives.

During the year to 31 May 2024, the Trustee revised the Scheme's strategic asset allocations as outlined in the table below.

| Asset Class                           | Start of Year Strategic Allocation (%) | End of Year Strategic Allocation (%) |
|---------------------------------------|--|--------------------------------------|
| Equities                              | 19.5                                   | 17.0                                 |
| Emerging Market Debt                  | 4.5                                    | 5.5                                  |
| Property                              | 12.0                                   | 15.5                                 |
| Multi-Asset Credit                    | 7.0                                    | 10.0                                 |
| Investment Grade £ Bonds              | 15.0                                   | 7.0                                  |
| Liability Driven Investments ("LDI")* | 42.0                                   | 45.0                                 |
| <b>Total Scheme</b>                   | <b>100.0</b>                           | <b>100.0</b>                         |

\*LDI may include physical gilt and index-linked gilt holdings, as well as partially funded exposure to changes in interest rates and inflation through pooled vehicles with underlying exposure to derivative contracts including interest rate and inflation swaps, total return swaps and gilt repo. It may also include cash.

During 2024 the Trustee has also undertaken a detailed review of the Scheme's investment strategy. Further changes to de-risk the strategic asset allocation was implemented following the Scheme year-end, towards the end of July 2024. These included a reduced strategic allocation to equities, termination of the Scheme's corporate bond mandate with LGIM and an increased strategic allocation to LDI and associated target liability hedge ratios. The Scheme's current strategic asset allocations is:

| Asset Class                           | Current Strategic Allocation (%) |
|---------------------------------------|----------------------------------|
| Equities                              | 14.0                             |
| Emerging Market Debt                  | 5.5                              |
| Property                              | 15.5                             |
| Multi-Asset Credit                    | 10.0                             |
| Liability Driven Investments ("LDI")* | 55.0                             |
| <b>Total Scheme</b>                   | <b>100.0</b>                     |

**Investment Performance to 30 June 2024 (being the closest date available to the Scheme year end)**

|   | 1 Year           |                    | Last 3 Years     |                    | Last 5 Years     |                    |
|---|------------------|--------------------|------------------|--------------------|------------------|--------------------|
|   | Fund<br>(% p.a.) | B'mark<br>(% p.a.) | Fund<br>(% p.a.) | B'mark<br>(% p.a.) | Fund<br>(% p.a.) | B'mark<br>(% p.a.) |
| <b>Total</b>                                | <b>2.6</b>       | <b>2.8</b>         | <b>(13.5)</b>    | <b>(13.5)</b>      | <b>(6.1)</b>     | <b>(6.0)</b>       |
| BlackRock (UK Equity)                       | 12.8             | 12.9               | 7.3              | 7.4                | 5.5              | 5.5                |
| BlackRock (World ex-UK Equity)              | 21.1             | 21.3               | 10.0             | 10.2               | 12.3             | 12.6               |
| BlackRock (World ex-UK Equity (95% Hedged)) | 21.6             | 21.7               | 7.8              | 8.2                | 11.8             | 12.4               |
| BlackRock (Low Volatility Equity)           | 9.8              | 9.2                | 6.0              | 5.7                | 5.3              | 5.0                |
| BlackRock (Emerging Market Equity)          | 12.5             | 13.2               | (2.8)            | (2.2)              | 2.8              | 3.2                |
| Ninety One (Emerging Market Debt)           | 5.9              | 4.9                | (1.3)            | (1.3)              | 0.3              | (0.4)              |
| 0Mercer (Multi-Asset Credit)                | 12.2             | 10.6               | 3.3              | 2.8                | 4.1              | 3.5                |
| 0Hermes (Property)                          | (2.4)            | (0.4)              | (0.1)            | 0.4                | 1.1              | 1.4                |
| 0Aviva (HLV Property)                       | 0.2              | (1.5)              | (1.6)            | (2.8)              | 1.8              | 0.2                |
| 0LGIM (Sterling Non-Gilts)                  | 9.7              | 9.2                | (8.9)            | (9.3)              | (2.9)            | (3.5)              |
| 0BlackRock (LDI inc-Cash)                   | (6.5)            | (6.4)              | (36.1)           | (32.4)             | (21.8)           | (19.1)             |

Figures shown are net of fees and are based on performance provided by the Investment Managers, Mercer estimates and Refinitiv Total Benchmark calculated using actual allocation from 31 March 2023 to 30 September 2023.

For periods to 30 June 2024, the Scheme performed in line with its composite benchmark over the three year period, and underperformed by 0.2% and 0.1% p.a. over one and five year periods, respectively.

## Asset Allocation

The following table provides more detail on the distribution of the Scheme's assets (excluding cash held in the Trustee bank account and AVC's) at the beginning of the year and the year end.

| Pooled investment vehicles               | Start Of Year<br>£m | End Of Year<br>£m | Start Of Year<br>% | End Of Year<br>% | Benchmark allocation<br>% |
|--|---------------------|-------------------|--------------------|------------------|---------------------------|
| BlackRock (Global Equity)                | 11.0                | 11.1              | 14.1               | 13.5             | 17.0                      |
| BlackRock (Global Low Volatility Equity) | 2.1                 | 2.2               | 2.7                | 2.7              |                           |
| BlackRock (Emerging Markets Equity)      | 1.5                 | 1.6               | 2.0                | 1.9              |                           |
| Investec (Emerging Markets Debt)         | 4.8                 | 5.2               | 6.1                | 6.3              | 5.5                       |
| Mercer (Multi-Asset Credit)              | 8.4                 | 9.5               | 10.7               | 11.6             | 10.0                      |
| Hermes (Property)                        | 4.4                 | 4.1               | 5.6                | 5.0              | 5.0                       |
| Aviva (HLV Property) <sup>1</sup>        | 8.9                 | 8.9               | 11.4               | 10.9             | 10.5                      |
| LGIM (Sterling Non-Gilts)                | 5.7                 | 6.2               | 7.3                | 7.5              | 7.0                       |
| BlackRock (LDI)                          | 31.4                | 30.4              | 40.1               | 37.1             | 45.0                      |
| BlackRock (Cash)                         | -                   | 2.9               | -                  | 3.5              |                           |
| <b>Total</b>                             | <b>78.2</b>         | <b>82.1</b>       | <b>100.0</b>       | <b>100.0</b>     | <b>100.0</b>              |

Source: Investment Managers and Mercer. Figures may not sum to total due to rounding.  
Valuations are based on Bid prices where available otherwise mid/single price values are used.

The Trustee invests in pooled investment vehicles, some of which make use of derivative contracts for efficient portfolio management purposes. For the LDI portfolio managed by BlackRock, significant use is made of derivative contracts for the purposes of protecting the Scheme against the interest and inflation rate risk inherent in the Scheme's liabilities in a capital-efficient way. BlackRock can utilise their range of Liability Matching Funds, which include leveraged gilt, index-linked gilt and inflation swap funds, in order to implement the Plan's target liability hedge ratio.

The Trustee regards most of the Scheme's investments as readily marketable, during normal market conditions. This is because:

- BlackRock, LGIM and Ninety One pooled investment vehicles are daily priced and traded;
- Mercer and Hermes pooled investment vehicles are monthly priced and traded; and
- The Aviva pooled investment vehicle is monthly priced, but only has annual redemptions.

## Custodial Arrangements

The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments.

As the Scheme is invested using pooled funds, the Trustee has no direct ownership of the underlying assets. The safekeeping of the assets within the pooled funds is performed by custodian banks specifically appointed by the managers to undertake this function and whose appointment is reviewed at regular intervals by the manager.

The current custodians appointed by the Scheme's investment managers are shown in the table below.

| Manager    | Custodian  |
|------------|--|
| BlackRock  | Bank of New York Mellon Europe                       |
| Ninety One | State Street   |
| Mercer     | State Street Custodial Services (Ireland) Limited    |
| Hermes     | NatWest Trustee and Depositary Services Limited      |
| Aviva      | RBC Fund Administration (CI) Limited now merged with |
|            | CACEIS Investor Services Bank                        |
| LGIM       | Citibank   |

Source: Investment Managers

The Trustee has directly appointed Bank of New York Mellon (International) Limited as custodian responsible for handling any movements between BlackRock pooled funds.

Cash held on behalf of the Scheme is held in an account with HSBC Bank.

#### Further information

Further information about the Scheme is given in the explanatory booklet, dated October 2009, which is issued to all members.

#### **Trustees' responsibilities in respect of the financial statements**

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

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

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

The Trustee is also responsible for making available certain other information about the Scheme 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 Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

#### **Trustees' responsibilities in respect of contributions**

The Trustees are responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.



## Independent Auditor's Report to the Trustee of Thorntons Pension Scheme

### Opinion on the financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 May 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.

We have audited the financial statements of Thorntons Pension Scheme ('the Scheme') for the year ended 31 May 2024 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – *Financial Reports of Pension Schemes* (revised 2018).

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

#### Independence

We are independent of the Scheme 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.

### 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 Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities 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 determine 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 Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee intends to wind up the Scheme or have 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.

#### *Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the Scheme's legal and regulatory frameworks, focusing on those which we determine to be the most significant, and how the Scheme complies with these.
- Enquiring of Trustee, and where appropriate, the administrators or consultants as to whether;
  - the Scheme is in compliance with laws and regulations that have a material effect on the financial statements;
  - they have knowledge of any actual, suspected or alleged fraud;
  - any reports have been made to the Pensions Regulator.

Based on our understanding of the Scheme, we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Acts 1995 and 2004 and those that relate to the reporting framework (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 and the Statement of Recommended Practice 'Financial Reports of Pensions Schemes' 2018 ('The SORP')); and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls by the Trustee and those involved in the preparation of the financial statements and underlying accounting records. We determined that the principal risk was related to the posting of inappropriate journals, which may act to conceal fraudulent activity.

Audit procedures performed to respond to the identified risks included, but were not limited to, the following:

- Testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- Enquiring of management and the Trustee with regard to actual and potential litigation and claims.
- Reviewing the disclosures in the financial statements and testing to supporting documentation to assess compliance with relevant laws and regulations, as detailed above.
- Reviewing minutes of meetings of the Trustee.
- Reviewing any significant correspondence with the Pensions Regulator.
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Scheme's Trustee, in accordance with Regulation 3 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 Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Scheme's Trustee, for our audit work, for this report, or for the opinions we have formed.

Fund Account

|   | Note | 2024<br>Total<br>£       | 2023<br>Total<br>£       |
|---|------|--------------------------|--------------------------|
| Employer contributions                                      | 4    | 3,833,332                | 4,749,996                |
| Other income  | 5    | 19,980                   | 9,563                    |
|   |      | <u>3,853,312</u>         | <u>4,759,559</u>         |
| Benefits paid or payable                                    | 6    | (3,741,369)              | (4,068,536)              |
| Payments to and on account of leavers                       | 7    | (44,848)                 | (159,929)                |
| Administrative expenses                                     | 8    | (563,433)                | (531,594)                |
|   |      | <u>(4,349,650)</u>       | <u>(4,760,059)</u>       |
| <b>Net withdrawals from dealings with members</b>           |      | <u>(496,338)</u>         | <u>(500)</u>             |
| <b>Returns on investments</b>                               |      |                          |                          |
| Investment income   | 9    | 3,095,367                | 875,637                  |
| Change in market value of investments                       | 10   | 784,601                  | (34,023,787)             |
| Investment management expenses                              | 11   | 9,479                    | (121,203)                |
| <b>Net returns on investments</b>                           |      | <u>3,889,447</u>         | <u>(33,269,353)</u>      |
| <b>Net increase/ (decrease) in the fund during the year</b> |      | <b>3,393,109</b>         | <b>(33,269,853)</b>      |
| <b>Net assets at 1 June</b>                                 |      | <b>79,167,879</b>        | <b>112,437,732</b>       |
| <b>Net assets at 31 May</b>                                 |      | <u><b>82,560,988</b></u> | <u><b>79,167,879</b></u> |

The notes on pages 20 to 30 form part of these financial statements.

Statement of Net Assets available for benefits

|                             | Note | 2024<br>Total<br>£ | 2023<br>Total<br>£ |
|-----------------------------|------|--------------------|--------------------|
| <b>Investment assets</b>    |      |                    |                    |
| Pooled investment vehicles  | 13   | <b>81,833,534</b>  | 78,195,337         |
| AVC investments             | 14   | <b>305,107</b>     | 290,111            |
| Cash                        | 15   | <b>10,054</b>      | 14,560             |
| Other investment balances   | 16   | <b>54,464</b>      | 54,464             |
| <b>Total investments</b>    | 10   | <b>82,203,159</b>  | 78,554,472         |
| <b>Current assets</b>       | 21   | <b>565,333</b>     | 898,968            |
| <b>Current liabilities</b>  | 22   | <b>(207,504)</b>   | (285,561)          |
| <b>Net assets at 31 May</b> |      | <b>82,560,988</b>  | 79,167,879         |

The financial statements summarise the transactions of the Scheme 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 Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 4 to 5 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 20 to 30 form part of these financial statements.

The financial statements on pages 18 to 30 were approved by the Trustee.

1. Identification of the financial statements

The Scheme is established as a trust under English law.

The Scheme was established to provide retirement benefits to certain groups of employees of Thorntons Limited. The address of the Scheme's principal office is 889 Greenford Road, Greenford, Middlesex, UB6 0HE.

The Scheme is a defined benefit scheme.

2. 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 102 (FRS 102) - The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (the SORP) (Revised 2018).

The Trustee has appointed Ernst & Young, who carried out a review of the Employer's covenant. Based on that review and particular that Group support via key intercompany arrangements remains in place and the guarantee provided to the Scheme is in place until 2031, the Trustee considers that Employer's ability to support the Scheme is sufficient to be viewed as a going concern.

3. Accounting policies

The principal accounting policies are set out below. Unless otherwise stated, they have been applied consistently year on year.

**3.1 Accruals concept**

The financial statements have been prepared on an accruals basis.

**3.2 Currency**

The Scheme's functional currency and presentational currency is Pounds Sterling (GBP).

**3.3 Contributions**

Employer deficit funding contributions are accounted for in the period to which they relate, in accordance with the Schedule of Contributions, or on receipt if earlier, with the agreement of the employer and Trustee.

Employer other contributions are accounted for in accordance with the agreement under which they are payable or, in the absence of an agreement, on a receipts basis.

**3.4 Transfers**

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is received or paid.

**3.5 Other income**

Income is accounted for in the period in which it falls due on an accruals basis.

**3.6 Payments to members**

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

Other benefits, and any associated tax liabilities, are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for on the later of the date of leaving, retirement or death and the date on which any option or notification is communicated to the Trustee. If there is no choice, they are accounted for on the date of retirement or leaving.

### 3.7 Administrative and other expenses

Administrative expenses are accounted for in the period in which they fall due on an accruals basis.

Investment management expenses are accounted for in the period in which they fall due on an accruals basis.

### 3.8 Investment income

Income from pooled investment vehicles is accounted for when declared by the investment manager.

### 3.9 Change in market value of investments

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

### 3.10 Valuation of investments

The market value of pooled investment vehicles held with Investec Asset Management Limited, Aviva Investors and Mercer Limited is based on the single unit price operating at the year end, as advised by the investment managers.

The market value of pooled investment vehicles held with BlackRock Advisors (UK) Limited, Legal & General Assurance (Pensions Management) Limited and Hermes Investment Management Limited Property Unit Trust is based on the bid price operating at the year end, as advised by the investment managers.

The AVC investments include policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, as advised by the AVC providers.

## 4. Contributions

|                                | <b>2024</b>             | 2023             |
|--------------------------------|-------------------------|------------------|
|                                | <b>Total</b>            | Total            |
|                                | <b>£</b>                | £                |
| <b>Employer contributions:</b> |                         |                  |
| Other                          | <b>125,001</b>          | -                |
| Deficit funding                | <b>3,708,331</b>        | 4,749,996        |
|                                | <b><u>3,833,332</u></b> | <u>4,749,996</u> |

In accordance with the Schedule of Contributions dated 26 August 2021 the employer shall pay £395,833 per month from 1 September 2021 to 30 June 2028.

In accordance with the latest Schedule of contributions dated 7 March 2024, the employer shall pay deficit funding contributions of £10,417 for March and April 2024 and then £125,000 per month from 1 May 2024 to 6 March 2029. In addition, the employer shall pay an amount of £41,667 per month from 1 March 2024 to cover the cost of any ongoing administrative and other expenses incurred by the Trustee.

## 5. Other income

|   | <b>2024</b>          | 2023         |
|---|----------------------|--------------|
|   | <b>Total</b>         | Total        |
|   | <b>£</b>             | £            |
| Interest on cash deposits held by the Trustee | <b><u>19,980</u></b> | <u>9,563</u> |

6. Benefits paid or payable

|  | <b>2024<br/>Total<br/>£</b> | <b>2023<br/>Total<br/>£</b> |
|--|-----------------------------|-----------------------------|
| Pensions   | <b>2,726,049</b>            | 2,490,854                   |
| Commutation of pensions and lump sum retirement benefits | <b>1,015,558</b>            | 1,539,942                   |
| Lump sum death benefits                                  | <b>(238)</b>                | 37,740                      |
|  | <b><u>3,741,369</u></b>     | <b><u>4,068,536</u></b>     |

7. Payments to and on account of leavers

|   | <b>2024<br/>Total<br/>£</b> | <b>2023<br/>Total<br/>£</b> |
|---|-----------------------------|-----------------------------|
| Individual transfers out to other schemes | <b><u>44,848</u></b>        | <b><u>159,929</u></b>       |

8. Administrative expenses

|                                   | <b>2024<br/>Total<br/>£</b> | <b>2023<br/>Total<br/>£</b> |
|-----------------------------------|-----------------------------|-----------------------------|
| Pension consultancy fees          | <b>320,858</b>              | 300,425                     |
| Administration fees               | <b>122,408</b>              | 143,075                     |
| Other Trustee's fees and expenses | <b>50,603</b>               | 34,599                      |
| Covenant fee                      | <b>45,070</b>               | 29,340                      |
| Audit fees                        | <b>23,538</b>               | 19,617                      |
| Legal fees                        | <b>296</b>                  | 3,878                       |
| Bank Charges                      | <b>660</b>                  | 660                         |
|                                   | <b><u>563,433</u></b>       | <b><u>531,594</u></b>       |

In accordance with the Schedule of Contributions the principal employer shall pay the levy to the Pension Protection Fund, no later than the month after an invoice has been submitted by the Trustee.

9. Investment income

|  | <b>2024<br/>Total<br/>£</b> | <b>2023<br/>Total<br/>£</b> |
|--|-----------------------------|-----------------------------|
| Income from pooled investment vehicles | <b>3,053,497</b>            | 848,260                     |
| Interest on cash deposits              | <b>41,870</b>               | 27,377                      |
|  | <b><u>3,095,367</u></b>     | <b><u>875,637</u></b>       |



## 10. Reconciliation of investments

|                            | Market value at<br>1 June<br>2023<br>£ | Cost of<br>investments<br>purchased<br>£ | Proceeds of<br>sales of<br>investments<br>£ | Change in<br>market value<br>£ | Market value at<br>31 May<br>2024<br>£ |
|----------------------------|--|--|---|--------------------------------|--|
| Pooled investment vehicles | 78,195,337                             | 6,266,868                                | (3,395,613)                                 | 766,942                        | <b>81,833,534</b>                      |
| AVC investments            | 290,111                                | -  | (2,663)                                     | 17,659                         | <b>305,107</b>                         |
|                            | <u>78,485,448</u>                      | <u>6,266,868</u>                         | <u>(3,398,276)</u>                          | <u>784,601</u>                 | <u><b>82,138,641</b></u>               |
| Cash                       | 14,560                                 |  |   | -                              | <b>10,054</b>                          |
| Other investment balances  | 54,464                                 |  |   | -                              | <b>54,464</b>                          |
|                            | <u>78,554,472</u>                      |  |   | <u>784,601</u>                 | <u><b>82,203,159</b></u>               |

### 10.1 Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. There are no direct transaction costs. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of transaction costs is not separately provided to the Scheme.

## 11. Investment management expenses

|   | <b>2024<br/>Total<br/>£</b> | 2023<br>Total<br>£ |
|---|-----------------------------|--------------------|
| Administration, management and custody fees | <b>15,443</b>               | 129,470            |
| Other investment management rebates         | <b>(24,922)</b>             | (8,267)            |
|   | <u><b>(9,479)</b></u>       | <u>121,203</u>     |

## 12. Taxation

The Scheme 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.

## 13. Pooled investment vehicles

|                    | <b>2024<br/>Total<br/>£</b> | 2023<br>Total<br>£ |
|--------------------|-----------------------------|--------------------|
| Bonds              | <b>44,533,633</b>           | 41,884,948         |
| Equities           | <b>14,857,686</b>           | 14,646,085         |
| Property           | <b>12,967,229</b>           | 13,271,830         |
| Multi-Asset Credit | <b>9,474,986</b>            | 8,392,474          |
|                    | <u><b>81,833,534</b></u>    | <u>78,195,337</u>  |

The Aviva Investors Pensions Limited, BlackRock Investment Management (UK) Limited and Hermes Investment Management Limited pooled investments are held in the name of the Scheme. Income generated by these units is distributed as shown in note 9.

The remaining pooled investments are held under managed fund policies in the name of the Trustee. Income generated by these units is not distributed, but retained within the managed funds and reflected in the market value of the units.

The companies managing the pooled investments are registered in the United Kingdom.

#### 14. AVC investments

The Trustee holds assets which are separately invested from the main fund in the form of individual policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 31 May each year, confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below:

|  | <b>2024<br/>Total<br/>£</b> | <b>2023<br/>Total<br/>£</b> |
|--|-----------------------------|-----------------------------|
| The Prudential Assurance Company Limited | <b>251,685</b>              | 237,798                     |
| Utmost Life and Pensions                 | <b>53,422</b>               | 52,313                      |
|  | <b><u>305,107</u></b>       | <u>290,111</u>              |

#### 15. Cash

|          | <b>Assets<br/>£</b> | <b>Liabilities<br/>£</b> | <b>2024<br/>£</b> | <b>Assets<br/>£</b> | <b>Liabilities<br/>£</b> | <b>2023<br/>£</b> |
|----------|---------------------|--------------------------|-------------------|---------------------|--------------------------|-------------------|
| Sterling | <b>10,054</b>       | -                        | <b>10,054</b>     | 14,560              | -                        | 14,560            |

#### 16. Other investment balances

|                                | <b>Assets<br/>£</b>  | <b>Liabilities<br/>£</b> | <b>2024<br/>£</b>    | <b>Assets<br/>£</b> | <b>Liabilities<br/>£</b> | <b>2023<br/>£</b> |
|--------------------------------|----------------------|--------------------------|----------------------|---------------------|--------------------------|-------------------|
| Investment income receivable   | <b>20,000</b>        | -                        | <b>20,000</b>        | 20,000              | -                        | 20,000            |
| Tax recoverable on investments | <b>34,464</b>        | -                        | <b>34,464</b>        | 34,464              | -                        | 34,464            |
|                                | <b><u>54,464</u></b> | -                        | <b><u>54,464</u></b> | <u>54,464</u>       | -                        | <u>54,464</u>     |

## 17. Fair value hierarchy

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

|         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities which the reporting entity can access at the assessment dates.  |
| Level 2 | Inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs which reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. |
| Level 3 | Unobservable inputs for the asset or liability. Unobservable inputs are inputs which reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.   |

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Scheme's investment assets fall within the above hierarchy as follows:

|                            | <b>2024</b>    | <b>2024</b>       | <b>2024</b>       | <b>2024</b>       |
|----------------------------|----------------|-------------------|-------------------|-------------------|
|                            | <b>Level 1</b> | <b>Level 2</b>    | <b>Level 3</b>    | <b>Total</b>      |
|                            | <b>£</b>       | <b>£</b>          | <b>£</b>          | <b>£</b>          |
| Pooled investment vehicles | -              | 68,866,305        | 12,967,229        | 81,833,534        |
| AVC investments            | -              | -                 | 305,107           | 305,107           |
| Cash                       | 10,054         | -                 | -                 | 10,054            |
| Other investment balances  | 54,464         | -                 | -                 | 54,464            |
|                            | <b>64,518</b>  | <b>68,866,305</b> | <b>13,272,336</b> | <b>82,203,159</b> |

Analysis for the prior year end is as follows:

|                            | <b>2023</b>    | <b>2023</b>       | <b>2023</b>       | <b>2023</b>       |
|----------------------------|----------------|-------------------|-------------------|-------------------|
|                            | <b>Level 1</b> | <b>Level 2</b>    | <b>Level 3</b>    | <b>Total</b>      |
|                            | <b>£</b>       | <b>£</b>          | <b>£</b>          | <b>£</b>          |
| Pooled investment vehicles | -              | 64,923,507        | 13,271,830        | 78,195,337        |
| AVC investments            | -              | -                 | 290,111           | 290,111           |
| Cash                       | 14,560         | -                 | -                 | 14,560            |
| Other investment balances  | 54,464         | -                 | -                 | 54,464            |
|                            | <b>69,024</b>  | <b>64,923,507</b> | <b>13,561,941</b> | <b>78,554,472</b> |

## 18. Investment risks

Financial Reporting Standard (FRS) 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. 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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

- **Currency risk:** this is the risk that the fair value of 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 of future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate 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 is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund that should be invested in the principal market sectors, the day to day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the investment manager. The Scheme has exposure to the above risks because of the investments made by the Trustee to implement the Scheme's investment strategy. The Trustee manages the Scheme's investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios. The investment objectives and risk limits of the Scheme are further detailed in the SIP and Summary of Investment Arrangements ("SIA").

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

### (i) Investment Strategy

The Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee's primary objectives are as follows:

- To make sure that the Trustee can meet its obligations to the beneficiaries of the Scheme taking into account the funding level of the Scheme and the strength of covenant of the Employer.
- To pay due regard to the interest of the Employer on the size and incidence of its contribution payments.

At the Scheme year-end the investment strategy was as follows:

- 17.0% of investments in global equities
- 5.5% in emerging market debt
- 15.5% in conventional property and long lease property
- 10.0% in multi-asset credit
- 52.0% in investment grade Sterling bonds and liability driven investments ("LDI")

During the Scheme year to 31 May 2024, the Trustee revised the Scheme's strategic asset allocations. Adjustments were made in response to significant transfer activity required during the LDI Crisis to provide collateral support to the Scheme's LDI portfolio.

During 2024 the Trustee has also undertaken a detailed review of the Scheme's investment strategy. Further changes to de-risk the strategic asset allocation was implemented following the Scheme year-end, towards the end of July 2024. These included a reduced strategic allocation to equities, termination of the Scheme's corporate bond mandate with LGIM and an increased strategic allocation to LDI and associated target liability hedge ratios.

18. Investment risks - continued

(ii) **Market Risk**

a. **Currency Risk**

Indirect currency risk arises from the Scheme's investment in sterling priced pooled investment vehicles that hold underlying investments denominated in foreign currency. To control this risk, approximately 50% of the Scheme's holdings of developed overseas equity exposure is hedged back to sterling using currency forward contracts.

b. **Interest Rate Risk**

The Scheme is subject to indirect interest rate risk because some of the Scheme's pooled investment vehicles hold underlying investments in bonds. The Trustee has considered this indirect interest rate risk in the context of the Scheme's investment strategy and uses indirect interest rate risk to control the interest rate risk inherent in the Scheme's liabilities.

At the year-end 48.1% (2023: 47.5%) of the Scheme's invested assets were exposed to indirect interest rate risk via its holdings of investment grade corporate bonds and LDI funds. Under this strategy, if interest rates fall, the value of these assets will rise (other things being equal) to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value (other things being equal), as will the actuarial liabilities because of an increase in the discount rate.

The Trustee has an exposure to growth fixed income assets via the underlying assets in the multi asset credit fund and the emerging markets debt fund. The interest rate exposure that these asset classes introduce is taken by the investment manager as part of its investment strategy to add value.

c. **Other Price Risk**

Indirect other price risk arises principally in relation to the Scheme's underlying holdings of equities, conventional property, long lease property, emerging markets debt and multi asset credit. At the year-end, these assets represented 50% of the total investment portfolio (2023: 52.5%). The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Within the LDI portfolio managed by BlackRock, there is also other price risk in relation to inflation. The allocation to the LDI portfolio at the year-end was 37.1% (2023: 40.1%)

18. Investment risks - continued

(iii) Credit Risk

The Scheme is exposed to indirect credit risk where its pooled funds hold underlying investments in debt instruments, including sovereign government bonds, corporate bonds and shorter term liquidity instruments. The value at year end amounted to 66.0% of total assets (2023: 64.3%).

The table below outlines the Scheme's exposure to these debt instruments at the start and end of the Scheme year.

| Investment Type  | 2024 (£m)   | 2023 (£m)   |
|--|-------------|-------------|
| Pooled investments vehicles (Sovereign bonds / LDI)  | 30.4        | 31.4        |
| Pooled investments vehicles (corporate bonds)  | 6.2         | 5.7         |
| Pooled investments vehicles (Other bonds – including emerging markets debt and multi-asset credit) | 14.6        | 13.2        |
| Pooled investments vehicles (liquidity funds)  | 2.9         | 0.0         |
| <b>Total</b>   | <b>54.1</b> | <b>50.3</b> |

Indirect credit risk arising from these investments is mitigated by the Trustee through the strategic allocation, ensuring adequate diversification (non LDI assets) and investing a significant proportion of the Scheme's credit exposure in funds which hold at least investment grade credit rated investments.

The Scheme also has a direct exposure to credit risk from all its pooled investment vehicles themselves. Pooled investment vehicles used by the Scheme comprise unit linked insurance contracts, authorised unit trusts and open-ended investment companies (OEICs). The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of each vehicle's legal structure and regulatory environment.

Direct credit risk arising from pooled investment vehicles structured as authorised unit trusts and open ended investment companies 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.

Direct credit risk arising from pooled investment vehicles structured as unit linked insurance contracts is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight. In the event of default by the insurer, the Scheme may be protected by the Financial Services Compensation Scheme ("FSCS") and may be able to make a claim for up to 100% of its policy value, although noting that compensation is not guaranteed. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

## 18. Investment risks - continued

The table below outlines the Scheme's pooled fund exposure by type of vehicle at the start and end of the Scheme year.

| Investment Type                 | 2024 (£ms)  | 2023 (£ms)  |
|---------------------------------|-------------|-------------|
| Unit Linked Insurance Contracts | 19.4        | 18.8        |
| Unit Trusts                     | 39.3        | 40.3        |
| Open Ended Investment Companies | 17.5        | 13.2        |
| Open Ended Unit Trust           | 5.6         | 5.9         |
| <b>Total</b>                    | <b>81.8</b> | <b>78.2</b> |

### Summary

The table below shows which of that stated risks, each asset class is exposed to:

|                          | Credit risk | Market risk              |                       |                     | 2024<br>£m | 2023<br>£m |
|--------------------------|-------------|--------------------------|-----------------------|---------------------|------------|------------|
|                          |             | Foreign<br>exchange risk | Interest rate<br>risk | Other price<br>risk |            |            |
| UK Equities              | ✓           |                          |                       | ✓                   | 0.8        | 0.8        |
| Overseas Equities        | ✓           | ✓                        |                       | ✓                   | 14.0       | 13.8       |
| Emerging Market Debt     | ✓           | ✓                        | ✓                     | ✓                   | 5.2        | 4.8        |
| Multi Asset Credit       | ✓           | ✓                        | ✓                     | ✓                   | 9.5        | 8.2        |
| Property                 | ✓           |                          |                       | ✓                   | 4.1        | 4.4        |
| HLV Property             | ✓           |                          |                       | ✓                   | 8.9        | 8.9        |
| Sterling Corporate Bonds | ✓           |                          | ✓                     | ✓                   | 6.2        | 5.7        |
| LDI inc cash             | ✓           |                          | ✓                     | ✓                   | 33.2       | 31.4       |

## 19. Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year end:

|   | 2024      |      | 2023      |      |
|---|-----------|------|-----------|------|
|   | £         | %    | £         | %    |
| Mercer Multi-Asset Credit Fund A15-0.4000-GBP | 9,474,986 | 11.5 | 8,392,474 | 10.6 |
| AVIVA - Lime Property Fund Unit Trust         | 8,901,235 | 10.8 | 8,906,986 | 11.3 |
| AQ LFE CCY HEDG WRLD EX-UK EQ S1              | 6,256,599 | 7.6  | N/A       | N/A  |
| LMF GBP 2040 IL GILT FLEX                     | 6,256,283 | 7.6  | 6,186,038 | 7.8  |
| L&G - Active Corp Bond Over 10 years          | 6,158,678 | 7.5  | 5,701,120 | 7.2  |
| LMF GBP 2032 IL GILT FLEX                     | 5,285,666 | 6.4  | 5,246,990 | 6.6  |
| Investec Fund Series Iv - Eme                 | 5,156,935 | 6.2  | 4,785,507 | 6.0  |
| LMF GBP 2050 IL GILT FLEX                     | 4,983,131 | 6.0  | 5,870,872 | 7.4  |
| BlackRock AL Ccy Hedg Wrld Ex-Uk Eq S1        | N/A       | N/A  | 6,346,733 | 8.0  |
| Hermes Property - Unit Trust                  | N/A       | N/A  | 4,364,844 | 5.5  |

## 20. Employer-related investments

There was no employer-related investment at any time during the year (2023: none).

21. Current assets

|  | <b>2024</b>           | 2023                  |
|--|-----------------------|-----------------------|
|  | <b>Total</b>          | Total                 |
|  | <b>£</b>              | £                     |
| Contributions due from the employer in respect of: |                       |                       |
| - Employer   | <b>166,667</b>        | 395,833               |
| Cash deposits held                                 | <b>398,666</b>        | 503,135               |
|  | <b><u>565,333</u></b> | <b><u>898,968</u></b> |

The contributions due as at 31 May 2024 were received after the year end in accordance with the due date set out in the Schedule of Contributions.

Cash held on behalf of the Scheme is held in an account with HSBC Bank.

22. Current liabilities

|  | <b>2024</b>           | Reclassified<br>2023  |
|--|-----------------------|-----------------------|
|  | <b>Total</b>          | Total                 |
|  | <b>£</b>              | £                     |
| Lump sums on retirement payable        | <b>23,769</b>         | 69,140                |
| Death benefits payable                 | -                     | 19,770                |
| Refunds of contributions payable       | <b>1,144</b>          | 1,144                 |
| Taxation payable                       | <b>34,988</b>         | 31,018                |
| Administrative expenses payable        | <b>121,769</b>        | 134,376               |
| Investment management expenses payable | <b>25,834</b>         | 30,113                |
|  | <b><u>207,504</u></b> | <b><u>285,561</u></b> |

23. Related party transactions

**(a) Key management personnel of the Scheme or its parent (in aggregate)**

During the year fees totalling £50,603 (2023: £34,599) were payable to Independent Trustee Services Limited (ITS).

In addition to the above related party transactions, in accordance with the Schedules of Contributions the Principal Employer has paid the PPF levies on behalf of the Scheme.



## Independent Auditor's Statement about Contributions to the Trustee of Thorntons Pension Scheme

### Statement about contributions

We have examined the Summary of Contributions to Thorntons Pension Scheme ('the Scheme') for the year ended 31 May 2024 which is set out on page 29.

In our opinion, contributions for the year ended 31 May 2024, as reported in the Summary of Contributions and payable under the Schedules of Contributions, have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 26 August 2021 and 7 March 2024.

### 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 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

### Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer. The Trustee is also responsible for keeping records in respect of contributions received and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

### Auditor's responsibilities for the preparation of a Statement about Contributions

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

### Use of report

This statement is made solely to the Scheme's Trustee, 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 Scheme's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our audit work, for this statement, or for the opinions we have formed.

### BDO LLP

Statutory Auditor

Leeds

United Kingdom

Date: .....

BDO LLP is a limited partnership registered in England and Wales (with registered number OC305127).

Thorntons Pension Scheme

Annual Report for the year ended 31 May 2024

Summary of Contributions

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During the year ended 31 May 2024, the contributions payable to the Scheme by the Principal Employer were as follows:

|   | 2024<br>Total<br>£ |
|---|--------------------|
| Contributions payable under the Schedules of Contributions:   |                    |
| Employer contributions:   |                    |
| Other   | 125,001            |
| Deficit funding   | 3,708,331          |
| Contributions payable under the Schedules of Contributions (as reported on by the Scheme Auditor)<br>and reported in the financial statements | <u>3,833,332</u>   |

Approved by the Trustee and signed on their behalf by:

..... Hetal Kotecha - Director - Independent Governance Group

Date: .....

Certification of schedule of contributions

**Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 7 March 2024.

**Adherence to statement of funding principles**

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 7 March 2024.

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

**Signature**

Matt Farraker

**Scheme Actuary**

Matt Farraker

**Qualification**

Fellow of the Institute and Faculty of Actuaries

**Date of signing**

7 March 2024

**Name of employer**

Mercer Limited

**Address**

Belvedere  
12 Booth Street  
Manchester  
M2 4AW

## **Thorntons Pension Scheme (the “Scheme”)**

### **Engagement Policy Implementation Statement (the “Statement”) for the year to 31 May 2024**

#### **Introduction**

This Statement sets out how, and the extent to which, the stewardship (voting and engagement) policies set out in the Trustee's Statement of Investment Principles ('SIP') dated October 2023 have been followed during the year to 31 May 2024.

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.

#### **Investment Objectives of the Scheme**

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed.

The Trustee's primary objectives are as follows:

- To make sure that the Trustee can meet its obligations to the beneficiaries of the Scheme taking into account the funding level of the Scheme and the strength of covenant of the Employer; and
- To pay due regard to the interest of the Employer on the size and incidence of its contribution payments.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

The Trustee understands, following discussions with the Employer, that the Employer is willing to accept some degree of volatility in its contribution requirements in order to reduce the long-term cost of the Scheme's benefits.

## Policy on Environmental, Social and Governance ('ESG'), Stewardship and Climate Change

As set out in its SIP, the Trustee has agreed policies in relation to ESG factors, stewardship and climate change. In particular the SIP sets out the Trustee's policies with regard to:

- The exercise of the rights (including voting rights) attaching to the investments held by the Scheme.
- The undertaking of engagement activities with the issuers of the investments held by the Scheme.
- How to incentivise the Scheme's appointed investment managers to align their investment strategy and decisions with the Trustee's policies.
- How to incentivise the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity they invest in on the Trustee's behalf.
- How to incentivise the investment managers to engage with issuers of debt or equity that they invest in on the Trustee's behalf in order to improve the issuer's performance over the medium to long-term.
- How the method (and time horizon) of the evaluation of the investment managers' performances, and the managers' remunerations for asset management services, are aligned with the Trustee's policies.
- How the Trustee monitors portfolio turnover costs incurred by the investment managers, and how it defines and monitors targeted portfolio turnover or turnover range.
- The duration of the Trustee's arrangements with the investment managers.

## Engagement

Set out below is a summary of the work undertaken during the year by the Trustee relating to its stewardship policies and an assessment of how the Trustee's engagement and voting policies were implemented by its appointed investment managers during the year. **In the Trustee's opinion, the implementation of the Trustee's policies has been acceptable over the reporting year.**

- With the assistance of its investment consultant, Mercer Limited ("Mercer"), the Trustee reviewed the stewardship activity of its investment managers. This is with the exception of the Trustee's appointed Additional Voluntary Contributions providers, where the assets held form only a very small part of the Scheme's total invested assets.
- As part of these reviews, the Trustee considered Mercer's assessment of how each manager incorporates stewardship considerations into its investment processes, noting and discussing any changes to Mercer's assessments. Mercer summarises its assessment of each manager by means of an "ESG" rating, an ESG rating of 1 indicating that Mercer believes an investment manager is fully embedding stewardship matters into its investment process and a rating of 4 indicating that Mercer believes an investment manager takes little account of stewardship matters.
- All of the managers retained acceptable ESG ratings during the year, taking into account the asset class / investment structure for their mandate.
- The Trustee also received direct reporting from its investment managers on stewardship activity.
- The Trustee expects the investment managers to undertake stewardship in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis. All managers, at the Trustee's request, have recently confirmed their compliance with the principles of the UK Stewardship Code.

**Aviva** engaged with companies on a number of issues, including environmental issues such as climate change related topics, natural resource use, deforestation, and pollution and waste as well as social issues, namely public health, human and labour rights, and human capital management. Lastly, Aviva engaged with various companies on governance related topics such as board governance, leadership and remuneration.

An example of **Aviva's** engagement activity is outlined below:

- Aviva engaged with Imperial College London (White City) on climate change related topics, specifically performing a National Australian Built Environment Rating System & net zero due diligence audit (a process that evaluates the environmental performance of a building or tenancy (Nabers)). The assessment measures various aspects of sustainability, including energy efficiency, water usage, waste management, and indoor environment quality. Aviva Carried out a net zero due diligence audit of the tenant's demise and proposed recommendations for improvements. Aviva has also instructed BuroHappold to carry out a Nabers assessment of the building which will provide an accreditation for the asset, as well as propose any improvement measures.

**BlackRock** engaged with companies on a number of issues, including strategy, purpose, and financial resilience, board quality and effectiveness, incentives aligned with financial value creation, climate and natural capital and company impacts on people

An example of **BlackRock's** engagement activity is outlined below:

- BlackRock engaged with B2Gold Corp. (B2Gold), a Canadian mining company which operates gold mines in Mali, Namibia, and the Philippines. BIS (BlackRock Investment Stewardship) has held multi-year engagements (including in partnership with members of BlackRock's active portfolio management team) with B2Gold's corporate leadership, to better understand the company's approach to board composition and effectiveness, including the experiences and skillsets of its directors.
- At B2Gold's June 2021 AGM, BIS signalled concerns about the independence and composition of the company's board of directors by not supporting the election of six out of nine directors nominated by management. The long tenure of certain directors was a specific area of focus. BIS engaged with B2Gold's corporate leadership in 2022 to discuss these aforementioned issues. BlackRock was encouraged to learn about the company's planned actions to address shareholder feedback, including committing to meaningful board refreshment by 2023, and voted in support of management's recommendation on all items at the June 2022 AGM.
- At the June 2023 AGM, the board completed its refreshment process by nominating three new directors for election. Specifically, the board identified directors (including two female directors) with financial and professional expertise in the mining industry, and geographic experience in the African markets in which B2Gold operates. Based on these significant steps to enhance the board's composition, BIS supported all management recommendations at the June 2023 AGM.
- The election of directors at the June 2023 AGM received majority shareholder support. BIS acknowledged B2Gold's focus on improving the quality of the board and their receptiveness to shareholder feedback.

**Hermes** continued its focus on the most material drivers of long-term value, with a focus on four priority themes: climate change action, human rights, human capital and board effectiveness/ethical business culture. In addition, Hermes sought to expand its engagement on a number of increasingly important issues beyond these priorities. Biodiversity, digital rights and tax have become ever more important in the context of responsible investment and have been the focus of increased attention over the last year.

An example of **Hermes'** engagement activity is outlined below:

- Hermes has been engaging with Credicorp on the development of an ESG due-diligence framework since 2018. Although at that time some of Credicorp's subsidiaries had their own procedures to incorporate environmental, social and governance factors into lending decision-making, Hermes asked Credicorp to develop a group-wide ESG due-diligence framework, to be implemented across the subsidiaries, ensuring consistency and adherence to international best practice.
- The manager has had several meetings with management, including the CEO and head of sustainability, the board and external consultants between 2018 and 2023, at the request of Credicorp. During these calls, Hermes emphasised the importance of developing a structured approach to incorporate ESG factors in the assessment of loan applications and to provide input into its development, based on practices adopted by global and regional financial services groups. The manager provided feedback to technical teams, management and the board at various steps in the development of the due diligence framework. Based on the experience of some of Credicorp's peers, Hermes highlighted the role of the "tone from the top", training and incentives in embedding ESG factors into the decision-making process.
- In a meeting with the CEO in June 2023, Hermes explored details around client scoring, assessment methodology, risk mitigation and culture change to enable the embedding of ESG factors into the lending operations. The company confirmed that the ESG risk management and due diligence framework was being rolled out across the group, with clients being scored according to their ESG risk based on general and sectoral questionnaires.

**LGIM** engaged with companies on a wide variety of issues related to the ESG metric. The top five engagement topics were climate change, remuneration, strategy, board composition and climate mitigation.

An example of **LGIM's** engagement activity is outlined below:

- LGIM engaged with APA, Australia's largest energy infrastructure business. Under LGIM's Climate Impact Pledge campaign, the manager has been engaging with the company directly since 2022; as one of LGIM's selected 'dial mover' companies, it believes it has the scale and influence across its industry and value chain for its actions to have positive reverberations beyond its direct corporate sphere. In LGIM's engagements with them, which are guided by its qualitative assessment criteria as set out in LGIM's multi-utilities sector guide, in terms of 'red lines' the company was identified as lagging LGIM's expectations on climate-related lobbying activities.
- In early 2022, LGIM set out its expectations for management-proposed 'Say on Climate' votes and the criteria it considers in assessing whether to support them. The manager expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of Scope 1, 2 and material Scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
- As a consequence, when APA Group brought its climate transition plan to a vote, LGIM was unable to support it: although the plan presented Scope 1 and 2 goals for the medium and long term on a path to achieving net zero emissions by 2050, no Scope 3 targets were included. The company noted that these would be finalised no later than 2025.
- LGIM initiated engagement with the company after this vote and met with them for the first time in early 2023 as part of its Climate Impact Pledge engagement. LGIM has continued to build the relationship, setting out its expectations as per its net zero guide and working with the company to understand the hurdles it faces and the challenges to meeting these expectations.

- LGIM was very pleased that, in its meeting with them in early 2024, APA confirmed that they will include a Scope 3 goal in the 2025 refresh of their Climate Transition Plan, and they outlined their proposed Scope 3 reduction pathway. The company noted that feedback from the 20% of investors, including LGIM, who voted against their proposed Climate Transition Plan in 2022, had solidified their decision to commit to a Scope 3 target.
- This demonstrates the effect of LGIM's engagement strategy, fully aligned with its voting policy, to encourage progress towards decarbonisation. LGIM looks forward to continuing its engagement with the company on their decarbonisation pathway and journey to net zero.

**Ninety One** engaged with companies on a number of issues, including social issues such as conduct, culture and ethics, and human capital management (e.g. inclusion & diversity, employee terms, safety), as well as environmental issues, namely climate change, natural resource use and impact and pollution and waste. Additionally, the company also engaged with companies on governance issues such as remuneration, board effectiveness and diversity.

An example of **Ninety One's** engagement activity is outlined below:

- Ninety One is currently co-leading the Climate Action 100+ group to improve carbon disclosures and environmental practices at Oil and Gas company Petróleos Mexicanos (PEMEX). As part of its collaborative engagement efforts leading the Climate Action 100+ group, Ninety One had a call with Pemex (Mexican state-owned petroleum company) in the lead up to the publication of its Sustainability Plan, which focuses on 2030-2050. Ninety One has also co-led an email dialogue with Pemex to chase the publication of the Sustainability Plan, which was due at the end of 2023. Ninety One was informed the administration was working on its conclusion in January in conjunction with a consulting firm and Sustainability Committee and then would deliver it to the Board of Directors for approval. Ninety One will continue to chase this publication.
- Pemex's strategy to optimise field gas usage by the end of 2024 now includes more transparent disclosures, and it will continue to report through CDP (Carbon Disclosure Project). For the first time, Pemex will be disclosing information under the Task Force on Climate-Related Financial Disclosures (TCFD) framework. The manager questioned short-term goals and alignment with the 1.5-degree pathway, reporting disclosures, and potential green/sustainable bond issuance. Ninety One will assess the Sustainability Plan when it is published in the near future.

**Mercer** manages a **Multi-Asset Credit** mandate for the Scheme. This fund is managed as a fund of funds and engagement with underlying companies is undertaken by the appointed sub-investment managers.

An example of engagement activity undertaken by **an underlying manager** is listed below:

- **CQS** takes a three-pronged approach to engagement, this includes targeted engagement programmes, day-to-day engagement as part of the research function and collaborative engagement. This engagement demonstrates the combination of collaborative engagement and targeted engagement. This can be mapped to UN SDG 13.
- As part of the 2023 CDP Non-Disclosure Campaign, which CQS was a public supporter of, CQS sent a letter to Douglas on behalf of 288 investors representing US\$29 trillion in assets to encourage them to complete the CDP Climate questionnaire. They did not respond.
- CQS arranged a 1-1 meeting with them at the JP Morgan conference to directly engage with them further. The manager wanted to understand why they did not respond to the letter CQS sent, any progress they had made in relation to the carbon-related targets for net zero and staff turnover levels.
- The company told the manager they would not complete the CDP Climate questionnaire but would continue to evolve their ESG strategy so they can be in a position to complete the questionnaire in the future. The firm currently has targets to reduce 50% of scope 1 and 2 carbon emissions by 2025 using a 2019 baseline. They also informed CQS of plans to include scope 3 emissions in targets and get third party validation from the Science Based Targets initiative. However, these plans are still in the development stage so the manager will continue to push and closely monitor. Douglas company



confirmed that they had a turnover rate of 24% across all 26 countries for FY20/21 and they are preparing an updated ESG report which will provide data for the current FY and previous. This will enable comparability between their turnover rates. They highlighted that comparable data from peers is difficult to obtain so comparing against previous years for the firm is most appropriate at the moment.

- Although they haven't responded to the CDP and do not yet have net zero targets in place, this engagement has given CQS confidence that they are on the right track to developing a strong ESG framework and it hopes to see this reflected in their next report and future disclosures.

### **Voting Activity**

As the Scheme was invested solely in pooled funds over the year, the Trustee accepts it has no legal right to the votes available under these arrangements. Given these arrangements, the Trustee does not use the direct services of a proxy voter.

However, as noted above, the Trustee expects the managers to exercise voting rights and undertake stewardship activity that is consistent with the Trustee's stewardship policies.

The Trustee expects the investment managers to provide a summary of their voting activity at least annually. This is reviewed by the Trustee, with the assistance of Mercer, to ensure that voting activity by the managers was in line with the Trustee's policy.

This section sets out a summary of voting activity and the "most significant" votes cast, as defined by the Trustee, in respect of holdings in the pooled funds for which voting is possible (i.e. all funds which include equity holdings).

The Trustees stewardship priorities are as follows:

- **Climate Change ("E");**
- **Human Rights ("S"); and**
- **Diversity, Equity and Inclusion ("G").**

To be deemed a "most significant" vote, a vote must be in relation to one of the Trustee's stewardship priorities, as well as be in respect of a holding that makes up 4% or more of the investment fund. The Trustee did not inform managers of what it considered to be the most significant votes in advance of voting.

The voting rights attached to the Scheme's investments related to its equity holdings during the year. These holdings are managed by BlackRock in the following passively managed pooled funds:

- Aquila Life UK Equity Index Fund;
- Aquila Life World (ex UK) Equity Index Fund;
- Aquila Life Currency Hedged World (ex UK) Equity Index Fund;
- Aquila Life Global Minimum Volatility Fund; and
- BlackRock Emerging Markets Index Sub-Fund.

BlackRock uses the BlackRock Investment Stewardship ("BIS") team to formulate its voting policy. Voting decisions are made by members of the team with input from investment colleagues (as required) and in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. The BIS team subscribes to research from the proxy advisory firms Institutional Shareholder Services and Glass Lewis. There

is therefore indirect use of proxy voters by the Trustee. However, BlackRock does not simply follow any single proxy research firm's voting recommendations and uses several other inputs, including a company's own disclosures and BlackRock's record of past engagements, in its voting and engagement analysis.

Information on voting activity has been provided by BlackRock and is summarised below, including commentary provided by them on the most significant votes, as determined by the Trustee, that have been undertaken on the Trustee's behalf during the Scheme year.

Process for determining the most-significant votes

BlackRock Investment Stewardship prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which BlackRock invests on behalf of their clients. BlackRock undertake year-round engagements with its clients to understand their focus areas and expectations to help inform these priorities. The themes identified are reflected in BlackRock's "Global Principles", market-specific voting guidelines and engagement priorities. These underpin their stewardship activities and form the benchmark against which the sustainable long-term financial performance of investee companies is looked at.

### Aquila Life UK Equity Index Fund

A summary of the voting undertaken over the year to 31 May 2024 is provided below:

- BlackRock has voted in 1016 meetings of 1053 eligible meetings. In these meetings, there were a total of 14,336 votable proposals.
- BlackRock has voted on 96.5% of resolutions where they were eligible to vote. In around 93% of these votes for proposals BlackRock has indicated their support to the companies' management, while voting against management in around 3% of the proposals. \*

| Holding details   | Resolution details   | How the manager voted | Reason for manager's vote and next steps   | Outcome of the vote | Why vote is Significant  |
|---|--|-----------------------|--|---------------------|--|
| <b>Company name:</b><br>HSBC Holdings Plc<br><br><b>Approximate size of holding as at date of the vote:</b><br>5.4% | <b>Summary of resolution:</b><br><br>Instruct the Board to align pension inequality with their commitment to reduce the gender pay gap, by removing the impact of state deduction from the members of the post 1974 Midland Section of the HSBC Bank (UK) Pension Scheme<br><br><b>Date of vote:</b><br>03/05/2024 | Against               | Proposal is not in shareholders' best interests.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. | Fail                | The Trustee has deemed votes related to <b>Diversity, Equity and Inclusion</b> and the approximate size of the holding at more than 4% to be a significant vote. |
| <b>Company name:</b><br>Shell Plc   | <b>Summary of resolution:</b>  | For                   | There is no voting reason as the vote was in line with management recommendation.  | Pass                | The Trustee has deemed votes related to <b>Climate Change</b>  |

|   |   |         |   |      |   |
|---|---|---------|---|------|---|
| <b>Approximate size of holding as at date of the vote:</b><br>7.6%  | Approve the Shell Energy Transition Strategy<br><br><b>Date of vote:</b><br>21/05/2023  |         |   |      | and the approximate size of the holding at more than 4% to be a significant vote.   |
| <b>Company name:</b><br>Shell Plc<br><br><b>Approximate size of holding as at date of the vote:</b><br>7.6% | <b>Summary of resolution:</b><br>Advise Shell to align its medium-term emissions reduction targets covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement<br><br><b>Date of vote:</b><br>19/05/2023 | Against | The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. | Fail | The Trustee has deemed votes related to <b>Climate Change</b> and the approximate size of the holding at more than 4% to be a significant vote. |

|  |   |     |   |      |   |
|--|---|-----|---|------|---|
| <b>Company name:</b><br>Shell Plc<br><br><b>Approximate size of holding as at date of the vote:</b><br>7.6%    | <b>Summary of resolution:</b><br>Approve the Shell Energy Transition Strategy<br><br><b>Date of vote:</b><br>21/05/2023 | For | There is no voting reason as the vote was in line with management recommendation. | Pass | The Trustee has deemed votes related to <b>Climate Change</b> and the approximate size of the holding at more than 4% to be a significant vote. |
| <b>Company name:</b><br>Unilever Plc<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.2% | <b>Summary of resolution:</b><br>Approve Climate Transition Action Plan<br><br><b>Date of vote:</b><br>01/05/2023       | For | There is no voting reason as the vote was in line with management recommendation. | Pass | The Trustee has deemed votes related to <b>Climate Change</b> and the approximate size of the holding at more than 4% to be a significant vote. |

### Aquila Life World (ex UK) Equity Index Fund & Aquila Life Currency Hedged World (ex UK) Equity Index Fund

*Same voting statistics apply for the Aquila Life Currency Hedged World (ex UK) Equity Index Fund.*

A summary of the voting undertaken over the year to 31 May 2024 is provided below:

- BlackRock has voted in 2086 meetings of 2102 eligible meetings. In these meetings, there were a total of 25,892 votable proposals.
- BlackRock has voted on 99% of resolutions where they were eligible to vote. In around 93% of these votes for proposals BlackRock has indicated their support to the companies' management, while voting against management in around 6% of the proposals\*.

| Holding details  | Resolution details   | How the manager voted | Reason for manager's vote and next steps   | Outcome of the vote | Why vote is Significant  |
|--|--|-----------------------|--|---------------------|--|
| <b>Company name:</b><br>Apple Inc.<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.6% | <b>Summary of resolution:</b><br>Report on risks of omitting viewpoint and ideological diversity from EEO Policy<br><br><b>Date of vote:</b><br>28/02/2024 | Against               | The company already provides sufficient disclosure and/or reporting regarding its diversity and inclusion initiatives.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. | Fail                | The Trustee has deemed votes related to <b>Diversity, Equity and Inclusion</b> and the approximate size of the holding at more than 4% to be a significant vote. |

|   |   |         |   |      |  |
|---|---|---------|---|------|--|
| <b>Company name:</b><br>Apple Inc.<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.6%            | <b>Summary of resolution:</b><br>Report on median gender/racial pay gap<br><br><b>Date of vote:</b><br>28/02/2024   | Against | The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.     | Fail | The Trustee has deemed votes related to <b>Diversity, Equity and Inclusion</b> and the approximate size of the holding at more than 4% to be a significant vote. |
| <b>Company name:</b><br>Apple Inc.<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.6%            | <b>Summary of resolution:</b><br>Report on congruency of Company's privacy and human rights policies with its actions<br><br><b>Date of vote:</b><br>28/02/2024 | Against | The Company already maintains significant privacy- and human rights-related disclosures and policies, as well as board oversight of this issue.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. | Fail | The Trustee has deemed votes related to <b>Human Rights</b> and the approximate size of the holding at more than 4% to be a significant vote.                    |
| <b>Company name:</b><br>Microsoft Corporation<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.8% | <b>Summary of resolution:</b><br>Report on gender-based compensation and benefits inequities<br><br><b>Date of vote:</b><br>07/12/2023                          | Against | Company already has policies in place to address these issues.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting.  | Fail | The Trustee has deemed votes related to <b>Diversity, Equity and Inclusion</b> and the approximate size of the holding at more than 4% to be a significant vote. |

|   |   |         |  |      |   |
|---|---|---------|--|------|---|
| <b>Company name:</b><br>Microsoft Corporation<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.8% | <b>Summary of resolution:</b><br>Report on climate risk in retirement plan options<br><br><b>Date of vote:</b><br>07/12/2023                                | Against | Company already has policies in place to address these issues.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. | Fail | The Trustee has deemed votes related to <b>Climate Change</b> and the approximate size of the holding at more than 4% to be a significant vote. |
| <b>Company name:</b><br>Microsoft Corporation<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.8% | <b>Summary of resolution:</b><br>Report on risks of operating in countries with significant human rights concerns<br><br><b>Date of vote:</b><br>07/12/2023 | Against | Company already has policies in place to address these issues.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. | Fail | The Trustee has deemed votes related to <b>Human Rights</b> and the approximate size of the holding at more than 4% to be a significant vote.   |



### Aquila Life Global Minimum Volatility Fund

A summary of the voting undertaken over the year to 31 May 2024 is provided below:

- BlackRock has voted in 338 meetings of 340 eligible meetings. In these meetings, there were a total of 4,809 votable proposals.
- BlackRock has voted on 99% of resolutions where they were eligible to vote. In around 96% of these votes for proposals BlackRock has indicated their support to the companies' management, while voting against management in around 3% of the proposals.\*

In the absence of any votes that meet the Trustee's criteria of 'significant vote', the table below outlines 3 votes that do not fully meet the Trustee's criteria.

| Holding details   | Resolution details   | How the manager voted | Reason for manager's vote and next steps  | Outcome of the vote | Why vote is Significant   |
|---|--|-----------------------|---|---------------------|---|
| <b>Company name:</b><br>PepsiCo, Inc.<br><br><b>Approximate size of holding as at date of the vote:</b><br>1.3% | <b>Summary of resolution:</b><br><br>Report on risks created by the Company's diversity, equity, and inclusion efforts<br><br><b>Date of vote:</b><br>01/05/2024 | Against               | The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. | Fail                | This vote does not meet the Trustee's criteria of 'significant vote' as the size of the holding is not at least 4%. However, the vote relates to <b>Diversity, Equity and Inclusion</b> , which is one of the Trustee's stewardship priorities. |

|   |   |         |  |   |  |
|---|---|---------|--|---|--|
| <b>Company name:</b><br>Microsoft Corporation<br><br><b>Approximate size of holding as at date of the vote:</b><br>0.7% | <b>Summary of resolution:</b><br>Report on risks of operating in countries with significant human rights concerns<br><br><b>Date of vote:</b><br>07/12/2023 | Against | Company already has policies in place to address these issues.<br><br>BlackRock endeavours to communicate to companies when intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. | The manager did not disclose the outcome of the vote. | This vote does not meet the Trustee's criteria of 'significant vote' as the size of the holding is not at least 4%. However, the vote relates to <b>Human Rights</b> , which is one of the Trustee's stewardship priorities.   |
| <b>Company name:</b><br>Glencore Plc<br><br><b>Approximate size of holding as at date of the vote:</b><br>0.2%          | <b>Summary of resolution:</b><br>Approve 2024-2026 Climate Action Transition Plan<br><br><b>Date of vote:</b><br>29/05/2024                                 | For     | There is no voting reason as the vote was in line with management recommendation.  | Pass  | This vote does not meet the Trustee's criteria of 'significant vote' as the size of the holding is not at least 4%. However, the vote relates to <b>Climate Change</b> , which is one of the Trustee's stewardship priorities. |

### BlackRock Emerging Markets Index Sub-Fund

A summary of the voting undertaken over the year to 31 May 2024 is provided below:

- BlackRock has voted in 2765 meetings of 2790 eligible meetings. In these meetings, there were a total of 21,934 votable proposals.
- BlackRock has voted on 99.1% of resolutions where they were eligible to vote. In around 86% of these votes for proposals BlackRock has indicated their support to the companies' management, while voting against management in around 13% of the proposals.\*

In the absence of any votes that meet the Trustee's criteria of 'significant vote', the table below outlines 3 votes that do not fully meet the Trustee's criteria.

| Holding details  | Resolution details   | How the manager voted | Reason for manager's vote and next steps  | Outcome of the vote | Why vote is Significant   |
|--|--|-----------------------|---|---------------------|---|
| <b>Company name:</b><br>Taiwan Semiconductor Manufacturing Co., Ltd.<br><br><b>Approximate size of holding as at date of the vote:</b><br>6.9% | <b>Summary of resolution:</b><br>Approve Business Operations Report and Financial Statements<br><br><b>Date of vote:</b><br>06/06/2023 | For                   | There is no voting reason as the vote was in line with management recommendation. | Pass                | The Trustee has not deemed this vote significant as it does not relate to its stewardship priorities. However, the size of the holding is higher than 4%. |

|  |   |     |   |      |   |
|--|---|-----|---|------|---|
| <b>Company name:</b><br>Tencent Holdings Limited<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.0% | <b>Summary of resolution:</b><br>Authorise board to fix remuneration of directors<br><br><b>Date of vote:</b><br>14/05/2024 | For | There is no voting reason as the vote was in line with management recommendation. | Pass | The Trustee has not deemed this vote significant as it does not relate to its stewardship priorities. However, the size of the holding is 4%. |
| <b>Company name:</b><br>Tencent Holdings Limited<br><br><b>Approximate size of holding as at date of the vote:</b><br>4.0% | <b>Summary of resolution:</b><br>Authorise repurchase of issued share capital<br><br><b>Date of vote:</b><br>14/05/2024     | For | There is no voting reason as the vote was in line with management recommendation. | Pass | The Trustee has not deemed this vote significant as it does not relate to its stewardship priorities. However, the size of the holding is 4%. |

*\* Note: Instructions of Do Not Vote are not considered voted. Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.*