Invensys Pension Scheme

Trustee's Annual Report
& Financial Statements 2023

Scheme Registration Number: 10143856

Contents

Chair's review

Welcome to our Annual Report for the year ended 31 March 2023.

Our main purpose as a Trustee Board is to ensure that the pensions promised to the members are paid as they fall due. Our work therefore aims to ensure that the Scheme remains appropriately funded in the future and that potential risks are carefully managed. We aim to maintain high standards of administration and governance in the operation of the Scheme at all times.

Review of the Year

It has been another busy year for the Board and the Executive team, and I set out below the key areas of focus; more detail on these areas can be found in the rest of this Annual Report.

Market conditions

The invasion of Ukraine by Russia in February 2022 triggered increases in the price of oil, gas and other commodities including food. These increases added to the inflationary pressures that were already arising as economies recovered from the effect of increased demand post COVID-19 restrictions.

During the year UK inflation hit levels not seen for over 30 years. In order to control inflation, the Bank of England and other central banks have repeatedly increased interest rates from the very low levels seen in recent years.

Whilst the increases in fuel and commodity costs have started to reverse, there is evidence that relatively high inflation will persist for some time, particularly with labour shortages driving up the cost of employment.

This combination of high inflation and high interest rates inevitably affects pension schemes, and us all as individuals.

The Scheme is complex with many different categories of benefit with different rules regarding increases. According to the rules of the Scheme, most of our Pensioner Members are entitled to receive inflationary increases but these increases (as with many other UK schemes) generally have caps on the annual pension increase set between 2.5% and 5%. In addition, some Pensioner Members have chosen a higher initial pension in exchange for lower future increases.

Impacts of market changes on the Scheme

The Scheme holds assets in order to meet the pension liabilities which will be paid out over the lives of the members. As a mature scheme (i.e. a closed scheme with no further member contributions, and with a relatively short period over which the majority of pension payments need to be made) we have to be very careful about the risks we take in our investment strategy. We have spent many years designing an investment strategy that whilst it is still focussed on delivering an element of enhanced future returns, it also recognises that we cannot afford to lose too much capital. Our focus has been to ensure that the inevitable risks in the market do not cause the liabilities to be underfunded, i.e. to avoid a deficit between the value of the assets and the value of the liabilities.

The relatively low risk strategy that we have adopted means that during difficult times we maintain most of our capital and in boom times we don't make as much return as some other pension schemes. This has worked well for the Scheme over the very volatile periods in the last 10 years. The Scheme's funding level has remained in a relatively narrow range with assets between 97% and 104% of liabilities.

You will see in the detail that we currently have an asset/liability funding level of 104%, so future pension liabilities are well funded. You will also see that the absolute value of assets has fallen by a substantial amount. This is caused by the higher market interest rates at 31 March 2023 leading to a lower valuation of our assets – it is not an indication of a reduction in the cash those assets will generate if they are held until the day they mature.

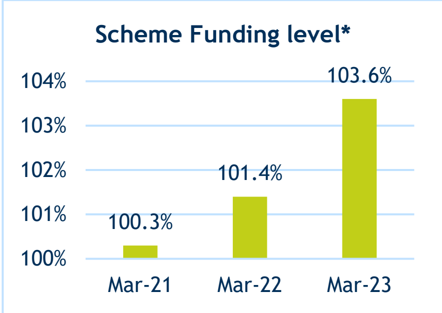
Equally you may wonder why the pensions liability number falls by a similar scale. This reduction in liabilities has been caused by the increase in interest rates in the financial year. To calculate our liabilities, we first estimate the cash we expect to pay in the future as pensions and other benefits. In a higher interest rate environment, the amount of money we need to invest today to meet these cash flows falls.

The fact that the amount of money required *now* to pay pensions in the future is lower does not imply that the pension you are entitled to receive in the future has reduced. The simplest way to get your comfort is from observing the funding level being at or above 100%.

Chair's review
Continued

Estimated funding position in March 2023

Each year, the Scheme Actuary provides the Trustee with an estimated funding position, based on the assumptions agreed at the previous triennial valuation. As at 31 March 2023, the assets of the Scheme were £3,502m and the liabilities were estimated to be £3,379m on the basis agreed for the 31 March 2021 actuarial valuation. This indicated that the Scheme had a surplus of £123m and a funding ratio of 103.6%.



* liabilities valued using a Gilts + 0.75% discount rate

There has been an improvement in the funding level over the last two years.

One contributor to the improvement in the Scheme's funding level since 31 March 2022 was a special contribution of £20m paid by Invensys Limited (the Company) which is the Sponsor of the Scheme. This contribution was paid in relation to the withdrawal of Eurotherm Limited as a participating employer in the Scheme, following the sale of the Eurotherm business by the Schneider Electric group.

In the last year the Scheme's investments have also performed better than the corresponding change in the value of the liabilities.

During the year to 31 March 2023 the Scheme also reached its Long Term Objective (LTO) a few years before it was expected to do so. This is a positive development; the LTO was agreed with the Company as a secondary target to move the Scheme to an even more prudent funding position over time, using the principles established by the Pensions Regulator. Reaching it earlier than expected shows the resilience of the Scheme even when a lower risk/lower return strategy is adopted. The LTO is discussed in more detail in the Trustee's Report.

The Trustee will decide whether to adopt a new LTO and a different investment return target as part of the discussions with the Sponsor regarding the 31 March 2024 triennial valuation.

Money Purchase Benefits transferred out of the Scheme

We spent some time reviewing the best solution for the £12m of Money Purchase Benefits held in the Scheme at the start of the year.

Having received professional advice, the Trustee decided that a transfer to Aon Master Trust was in the best interests of the members, and the assets were transferred in March 2023.

The Aon Master Trust is a more modern and flexible solution for money purchase benefits, that ensures both good value and access to a broader range of investment funds. It also provides more options to use the Money Purchase benefits than were available from the Scheme. The change was communicated to affected members in advance of the move.

Climate change regulation

During the current year, the Trustee implemented a framework for new climate risk-related governance introduced by the Department for Work and Pensions.

This work included: training for the Trustee board, agreeing a number of "beliefs" to help guide the development of the Trustee's approach, documenting the Trustee's approach to governance and risk management, and setting metrics and targets.

The Trustee is seeking to align the investments of the Scheme with the goals of the Paris Agreement, to the extent that it is not in contradiction with the financial interests of members. The Trustee expects as a result that, by 2050, the Scheme will be invested in a portfolio of assets with Net Zero emissions.

Much more detail is provided in the Trustee's first Climate Change Report which is available on our website at *https://www.invensyspensions.co.uk/scheme-documents*.

Pension scams

The effects of the regulations governing transfers from Defined Benefit schemes (introduced in late 2021) have become more apparent throughout 2022/23 as schemes have received transfer requests that must be dealt with under the new regime. The Trustee had already introduced more stringent checks on transfers ahead of the regulations coming into force because we recognised the importance of protecting our members from possible scammers. In general, the new regulations are working well, and the additional Trustee powers have allowed us to prevent a number of transfers that were unlikely to be in the best interest of the member.

Unfortunately, we continue to see too many cases where some advisers or personal pension providers look for ways to exploit vulnerable people, especially in the current financial climate. We will always pass information to the FCA and Action Fraud when we identify bad practice or where a member has been convinced they should transfer to a risky investment. If you are considering transferring your Scheme pension to another arrangement, you should only take advice from an FCA-regulated adviser and make sure you understand what protection they can offer you if things go wrong in the future. You can also visit moneyhelper.org.uk for free impartial information about pensions.

Cyber Attacks

You may have read about a large scale cyber security incident at a service provider that administers many pension schemes. This led to many thousands of members' data being accessed by unknown parties. Our pension scheme administrator was not affected by this, however that is probably cold comfort in these days of increasingly sophisticated cyber activity. We take this area very seriously as Trustee Directors. During the year we have continued to work with our advisers and service providers to ensure that safeguards are in place to protect the data held by the Scheme and also that contingency plans are in place to safeguard the operation of the Scheme.

New Board members

We were very pleased to welcome Alison Morris and Palwinder Hare as two new Member Nominated Directors from October, after a full Board nomination process. They have already brought fresh perspectives to our thinking, and you can see their profiles in the Trustee's Report.

In conclusion

The governance of the Scheme is a collective effort, and I would like to thank my colleagues for their hard work and dedication over the year. With the help of our internal Executive Office team and our external advisers, the Trustee has navigated the Scheme through a challenging economic environment and has continued to address changes in regulation and legislation. We remain focussed on how we can best protect the interests of our members.

/s/ Kathleen O'Donovan

Kathleen O'Donovan
Chair of the Board

22 September 2023

Trustee's report: the year in summary

The accounts in brief

£m	2023	2022	2021
Fund value at start of the year	**4,579**	**4,828**	**4,994**
Income			
Contributions paid by the Company	20	30	-
Income from investments	115	108	128
Changes in the market value of Investments	(943)	(111)	(4)
Outgoings			
Benefits payable to members (pensions and lump sums)	(241)	(243)	(246)
Payments to leavers	(16)	(19)	(25)
Fees and expenses (administration, advisers, investment managers)	(12)	(14)	(19)
Fund value at end of the year	**3,502**	**4,579**	**4,828**
Less estimated value of Technical Provisions[1]	(3,379)	(4,516)	(4,815)[2]
Estimated surplus as at year end	**123**	**63**	**13**[2]
Funding Level	**104%**	**101%**	**100%**

[1] The 2022 and 2021 Technical Provisions includes the value of investments related to Money Purchase Benefits.

[2] The liabilities and estimated surplus for 2021 have been restated from the figures shown in the 2021 Annual Report to reflect the outcome of the Triennial Valuation as at 31 March 2021.

Funding position

The Scheme Actuary provides the Trustee with an update on the Scheme's funding level each year. This is either a formal valuation, which is carried out at least every three years (the triennial valuation), or an annual estimate in the intervening years.

The last formal valuation was carried out as at 31 March 2021. The amount required to cover the Scheme's liabilities is known as the Technical Provisions. In the 2021 valuation, the Technical Provisions amounted to £4,815m, giving a Scheme surplus of £13m and a funding level of 100%.

The next full valuation is expected to be carried out as at 31 March 2024.

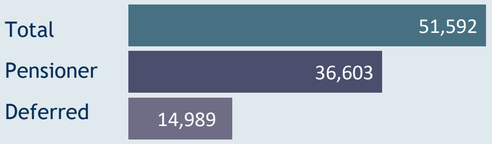
The Trustee continues to monitor the funding position of the Scheme using the assumptions that were put in place for the 2021 valuation to ensure the funding arrangements remain appropriate. The Scheme Actuary has estimated the Scheme had a surplus of £123m at 31 March 2023 using the 2021 valuation assumptions and updated market conditions.

The effect of changes in interest rates in reducing both the assets and Technical Provisions is described in the Investment Report.

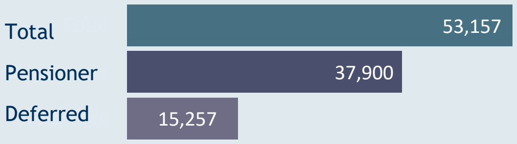
The year in summary: membership profile

Number of members

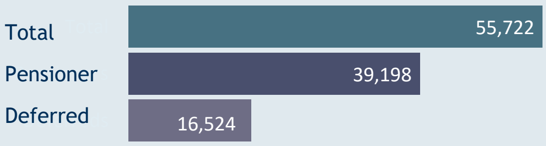
2023 — 51,592



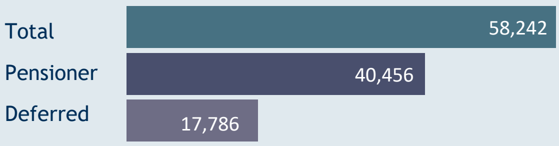
2022 — 53,157



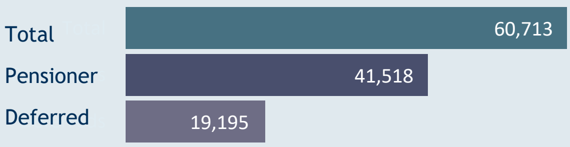
2021 — 55,722



2020 — 58,242



2019 — 60,713

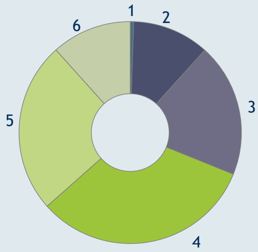


The Scheme closed to future accrual of benefits on 31 March 2015 and all Active members became deferred at this date.

Age profiles
at 31 March 2023

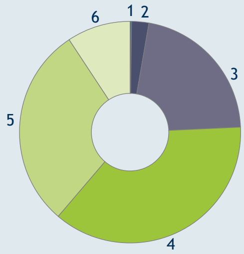
Deferred

1.	31 - 40	74
2.	41 - 50	1,678
3.	51 - 55	2,914
4.	56 - 60	4,844
5.	61 - 65	3,734
6.	66 and over	1,745
Total		**14,989**



Pensioner

1.	50 and under*	80
2.	51 - 60	922
3.	61 - 70	7,884
4.	71 - 80	13,538
5.	81 - 90	10,779
6.	91 and over	3,400
Total		**36,603**



*Includes pensions payable to dependants of members

Changes in membership during year

	Deferred	Pensioners	Total
At 31 March 2022	15,257	37,900	53,157
Include Deferred Members >6yrs past NRD[1]	1,315	-	1,315
Retrospective adjustments[2]	(177)	(191)	(368)
Deaths	(68)	(2,191)	(2,259)
Retirements	(713)	713	-
Spouse/dependant pensions	-	531	531
Leavers[3]	(270)	(159)	(429)
Exits due to MP Transfer[4]	(355)		(355)
At 31 March 2023	14,989	36,603	51,592
Contingent Spouse Only[5]	-	707	707

1 Last year deferred members that had not claimed their pension but were more than 6 years past Normal Retirement Date (NRD) were reported in a note to the table. Following a data cleansing project 1,315 members have now been included in the body of the table.

2 This figure is made up of transfers, deaths and retirements that were processed after 31 March 2022 but related to the previous year.

3 Of the 270 leavers from deferred, 55 members transferred out, 207 received a small lump sum payment which extinguished their benefit, 6 received a full commutation due to serious ill health and 2 had pension sharing orders where the spouse received 100% of the member's benefit. Of the 159 leavers from pensioner status, 146 received a cash commutation and 13 child's pensions ceased.

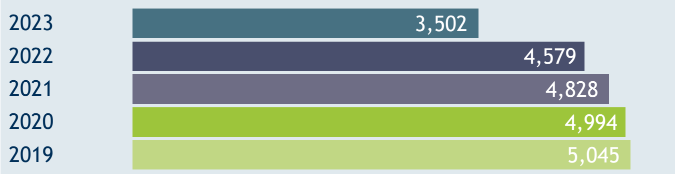
4 355 of the members whose Money Purchase benefits were transferred to The Aon Master Trust, had no Defined Benefit pension entitlement with the Scheme following the transfer so are shown as leavers.

5 707 members historically converted their entire pension to cash at retirement, leaving only a spouse's benefit payable on death.

The year in summary: investment summary

Value of pension fund
(£m)

2023 **£3,502m**



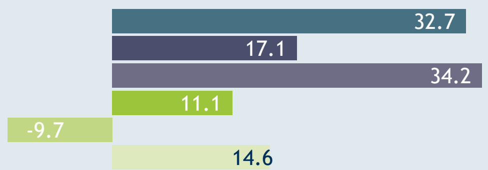
Scheme funding level
(%)

2023 **104%**

Based on the actuarial assumptions used for funding the Scheme.
**2021 restated following completion of the triennial valuation at 31 March 2021.*

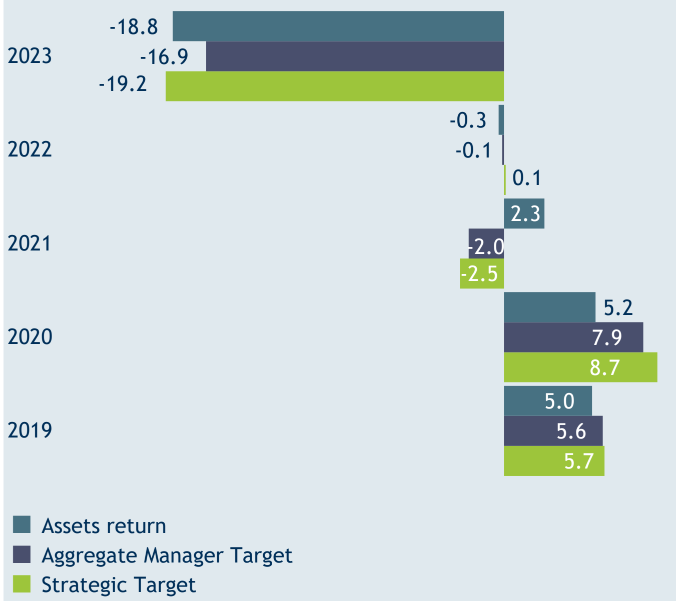
Distribution of investments by type
(%)

2023



UK Government fixed interest gilts	32.7
UK Government index linked gilts	17.1
Corporate and other bonds	34.2
Managed/Unitised Funds	11.1
Other absolute return funds	5.9
Loans	5.2
Derivatives	(9.7)
Cash and Other	14.6
Total	100.0

Annual investment returns
(%)



Please see the Investment Report starting on page 20 for an explanation of the investment returns.

Distribution of investments by investment manager
(% of Scheme net assets)

1	BlackRock Liability Matching Fund*	49.1
2	AXA (IG Bonds)*	15.5
3	M&G (IG Bonds)*	8.6
4	Amundi (IG Bonds)*	10.0
5	M&G Sleeve run-off*	0.6
6	Amundi (Broad Bonds)	3.4
7	M&G (Loans)	5.2
8	AXA PCS (Reg Cap)	2.5
9	BlackRock (Cash vehicle)	4.5
	Other incl. Net Current Assets	0.6

* These mandates are run on a segregated basis and the securities are held directly via the Scheme's custodian platform with the Bank of New York Mellon.

Trustee's Report

The Trustee of the Invensys Pension Scheme is pleased to present its annual report.

The Scheme

The purpose of the Scheme is to provide retirement benefits for Scheme members and, in the event of a member's death, to provide benefits to their spouse and dependants as prescribed in the rules.

The Scheme is a registered occupational pension scheme under the Finance Act 2004. It was established by a Trust Deed on 31 March 1988, consolidating the main BTR, Dunlop and Tilling defined benefit schemes then in operation. At that time, the Scheme was named the BTR Group Pension Scheme. On 6 April 2000, the Scheme merged with the Siebe Pension Scheme and was renamed the Invensys Pension Scheme.

The Scheme is a Defined Benefit pension scheme which provides benefits based on a member's salary and length of service. The Scheme was closed to new members on 1 November 2004. The Scheme closed to further accrual for existing members on 31 March 2015 meaning that members did not earn any new benefits in the Scheme after that date.

A Defined Contribution (DC) section of the Scheme was introduced from 1 April 2007. This was closed to further contributions on 31 March 2015. As described further below, in March 2023 members' Defined Contribution benefits were transferred out of the Scheme to the Aon Master Trust.

The Sponsor

The sponsoring employer of the Scheme is Invensys Limited (the Company). At 31 March 2023, four companies that are part of the Invensys Limited group remain as "Participating Employers". In addition to the Company, these Participating Employers are BTR Industries Limited, Schneider Electric Controls UK Limited, and Schneider Electric Systems UK Limited.

Together these companies are responsible for supporting the Scheme to ensure that it can pay benefits as they fall due.

The Trustee

The Trustee of the Scheme is Invensys Pension Trustee Limited. Invensys Pension Trustee Limited is a company limited by guarantee. This company is a corporate trustee whose Board of Directors act together as Trustee of the Scheme.

The primary purpose of the Trustee when managing the Scheme is to deliver the benefits accrued by members as they fall due. The Trustee has agreed a charter to describe how it should run the Scheme.

Trustee Charter

Whilst carrying out its duties the Trustee will comply with its obligations to:

- Act in accordance with the Scheme's governing documents and the law.
- Act in the best interests of the members at all times, taking into account the position of each class of member.
- Act prudently, honestly, with integrity and in good faith having taken appropriate professional advice.
- Seek to safeguard members' benefits by managing Scheme funds effectively.
- Communicate to all members regularly and in a clear and concise way.
- Deliver a high level of service to all members.

The Trustee is responsible for the payment of benefits, safeguarding the assets of the Scheme, and monitoring whether the Scheme's assets are sufficient to meet its liabilities as they fall due. The Trustee ensures that proper accounting records and controls are maintained by the Scheme's administration offices, in accordance with applicable laws and regulations, and takes such steps as are reasonably open to it to prevent and detect fraud and other irregularities.

Details of the directors who served on the Trustee Board during the year are set out below.

Trustee's Report
continued

Directors Appointed by the Company

Kathleen O'Donovan (Chair of the Board)

Kathleen has been a member of the Board since 1991 and was appointed Chair of the Board in February 2003. As Chief Financial Officer of BTR and Invensys between 1991 and 2002, she has been deeply involved in the Scheme for many years. Previously a partner with Ernst & Young, Kathleen has held a number of non-executive directorships, including at ARM Holdings plc, Prudential plc, the Bank of England and O2 plc. Kathleen been a member of KPMG's Public Interest Committee since 1 July 2019

Trevor Lambeth

Trevor joined Schneider Electric in 1988 and has held various finance and systems roles throughout the business. From 1 July 2021 he has worked as part of Schneider's global finance team currently as VP for inter company business having previously been Vice President – Finance for UK and Ireland. As part of this role he oversees a number of pension arrangements in the UK and Ireland. Trevor is a Chartered Accountant and a member of the Institute of Corporate Treasurers. He was appointed to the Board on 1 November 2018.

Andy Smith (Deputy Chair of the Board)

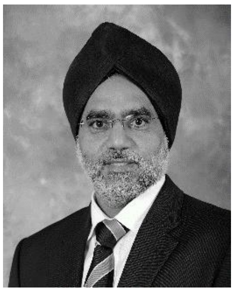
Andy is a professional pension trustee, who previously worked for the Trustee as its Chief Executive Officer. Prior to joining IPS in 2012, he was the Chief Financial Officer at Rothesay Life and at Paternoster, two bulk annuity specialists. Andy's pension experience was built up at the Prudential, where he qualified as an accountant before ultimately becoming director of the Prudential's pensions business. He combines his work for IPS with his responsibilities at ITS, an independent trustee company. He was appointed to the Board on 1 November 2020 and became deputy Chair on 15 June 2023.

Vidett Trustee Services Limited represented by Michel Picot (formerly 20-20 Trustee Services Limited)

Michel has been a trustee of pension funds linked with French parent companies since 2007. He started his career as an auditor with KPMG and held various international Financial and Executive positions in listed groups, both in France and abroad. He is a Strategy and Management Consultant for High Tech developing companies and sits on various boards as an independent director. Michel is a representative of Vidett Trustee Services Limited, an independent UK Trustee firm, which was appointed to the Board on 1 November 2018.

Member Nominated Directors

Palwinder Hare



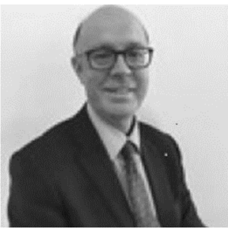
Palwinder qualified as a solicitor in 1989 and moved into industry in 1992. He was Commercial Solicitor at BTR between 1996 and 1999. He was VP and Regional Legal Director, EMEA at Motorola before joining Standard Chartered Bank in 2007. Palwinder currently heads the M&A legal team and is responsible for legal support for the Bank's own account M&A transactions and corporate matters. Palwinder is a Trustee Director of Standard Chartered Pension Fund. He was appointed to the Board on 1 October 2022.

Alison Morris

Alison has been a Chartered Member of the Institute of Personnel and Development for over 20 years. She was employed by a leading global agricultural company as HR Director for Europe, Middle East and Africa, based in the Netherlands, Spain, and the UK for over 15 years. In the late 1990s, Alison was responsible for HR at Crompton Instruments Ltd, at that time, a subsidiary of the BTR Group. Her career has included Compensation and Benefits responsibilities during which she built up her pensions knowledge and governance experience. She was appointed to the Board on 1 October 2022.

Trustee's Report
continued

Kevin Smith



Kevin was Group Financial Controller at Invensys from 2005, leaving in 2015 following the acquisition by Schneider Electric. He originally joined the Siebe finance team in 1987 and became part of Invensys following the merger with BTR in 1999. His tenure at Invensys provided extensive exposure to the Invensys Pension Scheme. After leaving Invensys he was Group Financial Controller at Sage for three years. He is also an Advisory Board Member at the Chartered Institute of Marketing. He was appointed to the Board on 24 September 2020.

Will Spinney

Will joined Invensys in 2000 and worked in the treasury department in the London HQ, first as Deputy Treasurer, then as Group Treasurer. He was heavily involved with the major refinancings in 2004 and 2006 and dealt with pension issues as part of those. He was a fiduciary of the Invensys US pension scheme while he was Group Treasurer. From 2007 to 2021, Will worked for the professional body for corporate treasurers, writing and teaching extensively. Will was appointed to the Board on 6 December 2018.

Peter Vos

Peter is a Chartered Accountant and a trustee with financial and governance responsibilities for various charities. He retired in 2012 from Parker SSD Drives, a former subsidiary of Eurotherm, where he worked for 31 years. As a Member-Nominated Trustee Director since February 2013, Peter has substantial pension experience both with his former employer's schemes and subsequently has served on the Scheme's Investment and Pensions and Governance Committees. He regularly attends a wide range of pensions industry seminars to broaden his pensions' knowledge.

Palwinder Hare and Alison Morris joined both joined the Trustee Board on 1 October 2022.

Trustee Board activity

The Board has an activity plan, which it approves as part of its business planning process. This is used to ensure that it meets its statutory obligations, and to prepare for significant events in the management and operation of the Scheme. In addition to Board meetings, the Trustee usually holds an annual strategy and training meeting to allow time to focus on significant developments for the Trustee and to develop an understanding before decisions need to be made.

The Trustee Board has delegated some powers and responsibilities for certain matters to Board committees. This is important for the Trustee to fulfil its responsibilities effectively. Terms of reference are in place for each committee. The activity of the committees is reported at Board meetings to ensure that the Board retains oversight. Certain decisions are reserved to the Board even if a committee may be responsible for carrying out detailed scrutiny of a proposal prior to consideration by the full Board.

During the year under review, the Board and its committees met 23 times; 6 Board meetings (including a Board Strategy meeting); 7 Investment Committee meetings; 6 Audit & Risk Committee meetings and 4 Pensions Governance Committee meetings. In between the meetings updates were provided to Board and committee members and additional video meetings were arranged where appropriate.

The Board seeks advice from a number of professional advisers. The Trustee also employs an Executive Office which co-ordinates the activity of the Scheme's advisers and works with the Scheme's third-party service providers to deliver the Trustee's objectives. More details of the principal advisers and the Executive Office team are provided later in this section.

All decisions the Trustee Board has taken during the year under review arose from a consensus of opinion. Under the Articles, decisions may be taken by a majority vote.

Trustee's Report
continued

The Trustee regularly carries out assessments of the effectiveness of the Board and its three main committees in order to identify ways in which it can improve its operation.

Board composition

The Articles of Association of the Trustee company (the Articles) govern the appointment and removal of Directors. The Board consists of a maximum of nine Directors. Four of these Directors, including the Chair of the Board, are appointed by the Company. Five directors are appointed from the entire Scheme membership. At the discretion of the Trustee (with the consent of the Company) one of these five member-nominated directors can be an independent director nominated by a member.

When a vacancy arises for a Member Nominated Director, any member of the Scheme whether a Pensioner, Dependant Pensioner or Deferred Member may put himself/herself forward. His/her candidature must be supported by nominations from one other member of the Scheme. The Nomination and Remuneration Committee then carries out a selection process, with final approval of a proposed candidate by the Board.

The appointing or nominating authority may also remove Directors from office, and Directors may also be removed in a number of other circumstances, including prohibition by law, bankruptcy, resignation, mental disorder and persistent absence from meetings.

The Company has the right to replace the Trustee Company with a new trustee. Any replacement trustee would, however, be subject to the requirements of both trust law and pension legislation which is designed to protect members' interests.

Trustee training, knowledge and understanding

Our Trustee training programme takes account of the particular needs of each Director and the committees on which he/she serves. Newly appointed Directors receive a comprehensive induction programme. The Board's training policy then requires each Director to undertake a number of days' training each year based on his/her experience and requirements.

The Directors receive internal training at routine meetings and at strategy sessions. Directors are also encouraged to attend external training courses and seminars. New Directors are required to complete the Trustee Toolkit training provided by the Pensions Regulator. Some Directors receive additional development from other roles.

Training days in the year	
K A O'Donovan	2.4 days
P S Hare (from 1 Oct 2022)	5.4 days
T Lambeth	2.8 days
A S Morris (from 1 Oct 2022)	4.1 days
M Picot	2.0 days
A J Smith	3.9 days
K C Smith	5.0 days
W E Spinney	4.1 days
P B Vos	8.8 days

Committee structure

The Board has established five committees that meet regularly, or as required, in order to ensure the Scheme is managed efficiently. The committees considered both the Defined Benefit and Defined Contribution section matters in the year.

During the year, the Investment Committee met seven times, the Audit and Risk Committee met six times and the Pensions Governance Committee met four times.

The Investment Committee (IC) reviews the development and implementation of appropriate strategies for the investment of the Scheme's assets and to obtain advice, make decisions and give recommendations to the Trustee in respect of its investment responsibilities.

The Audit and Risk Committee (ARC) monitors the effectiveness of the Scheme's systems of risk management and internal control. In addition, the committee oversees the Scheme's internal auditor and the annual financial audit of the Scheme's accounts. It reviews the Scheme expenditure reports and ensures appropriate insurance for the Trustee is in place.

The Pensions Governance Committee (PGC) oversees the administration of the Scheme and the security and quality of its data. It works to protect members' interests and respond to their queries.

The work of the IC, ARC and PGC in managing risk is described in more detail in "The management of risk" section below.

Trustee's Report
continued

The Company Liaison Committee works directly with the Company on issues relating to Company policy and status when required. It also negotiates Scheme funding issues and can operate as a sub-committee of the Board for major transactions.

The Nomination and Remuneration Committee evaluates the balance of skills, knowledge and experience at the Executive Office (EO) and determines remuneration of the EO and makes recommendations to the Company regarding remuneration of the Trustee Directors.

These committees make regular reports and proposals to the Board. Where appropriate, the Board then authorises the actions taken. Board members are considered to be the key management personnel of the Scheme for the purpose of Financial Reporting Standard FRS102. The Board and its committees direct the operation of the Scheme and implement its strategy through the Executive Office.

Current Committee membership

	Investment Committee	Audit and Risk Committee	Pensions Governance Committee	Nomination and Remuneration Committee	Company Liaison Committee
K A O'Donovan (Chair)	✓(Chair)	✓(Chair)		✓(Chair)	✓(Chair)
P S Hare			✓[1]		
A S Morris			✓[1]	✓[1]	
T Lambeth		✓			
M Picot (Vidett Trustee Services Ltd)	✓	✓			
A J Smith (Deputy Chair) [2]			✓(Chair)	✓	
K C Smith [3]		✓	✓		✓
W Spinney	✓				✓
P B Vos	✓		✓		

[1] Palwinder Hare and Alison Morris joined these committees on 15 December 2022
[2] Andrew Smith was appointed Deputy Chair of the Trustee Board from 15 June 2023
[3] Kathleen O'Donovan will step down as Chair of the Audit & Risk Committee on 22 Sept 2023 to be replaced by Kevin Smith

There are also two executive committees to focus and direct certain areas of the responsibilities of the Executive Office:
The Asset and Liability Management Committee (ALCo) has three main responsibilities, delegated under its Terms of Reference. These are:

1. implementing the Investment Committee's investment decisions;
2. making investment decisions in areas specifically delegated to the ALCo by the Investment Committee; and
3. monitoring and reporting on the Scheme's investment matters.

The Data Management Committee (DMC) has a remit to identify and implement projects to improve the quality of our data and the ways in which it is processed and to review the measures that ensure the security of data held by and on behalf of the Trustee.

Trustee attendance

Board and committee attendance year to 31 March 2023

	Trustee Board	IC [3]	ARC	PGC
Number of meetings/calls held	6	7	6	4
K A O'Donovan	6	7	6	*
P Hare (from 1 Oct 2022)	3	*	*	2[1]
A Morris (from 1 Oct 2022)	4[1]	*	*	2[1]
T Lambeth	5	*	5	*
M Picot [2]	6	7	6	*
A J Smith	6	*	*	4
K C Smith	6	*	6	4
W E Spinney	6	7	*	*
P B Vos	6	7	*	4

Notes to the table
* The Director is not a member of that committee and can attend the committee as an invitee only.
[1] Includes one meeting attended as an observer prior to formal appointment to the board or committee.
[2] Michel Picot represents Vidett Trustee Services Limited.
[3] A Company representative also attends the IC.

Trustee's Report
continued

Governance of the Scheme

The Scheme's governance means the structure, behaviour, policies and procedures adopted by the Trustee in pursuit of its objectives. It includes:

- holding the Scheme's assets securely on trust, engaging a custodian for their safeguarding and investing the assets appropriately given the Scheme's specific circumstances
- ensuring that the Scheme's liabilities are fully understood, and its data is accurate and reliable
- monitoring the balance between assets and liabilities and, jointly with the Company, making provision to meet the future costs of the Scheme
- monitoring the Company Covenant which is the financial support available to the Scheme if required
- monitoring the other risks that would result in the assets not being sufficient to meet the liabilities
- ensuring that the correct levels of benefits are being paid on time to the correct members
- ensuring that appropriate communication with its members and the Company is delivered with an appropriate frequency
- ensuring that the Scheme complies with the complex framework of law and regulations applicable to the UK pension scheme industry.

The Trustee is committed to ensuring the Scheme's governance objectives are met by managing risk effectively using efficient decision-making processes and adopting pension industry best practice, where this is appropriate for the Scheme.

The Governance of the DC section and the other Scheme money purchase benefits until they were transferred out of the Scheme in March 2023 is described in the Statement regarding DC Governance Statement (page 64) which forms part of the Trustee's report.

The management of risk

The Trustee has overall responsibility for internal control and risk management. In accordance with guidance, it operates an integrated risk management framework and receives routine risk reporting of the risks the Scheme encounters.

It is committed to identifying, evaluating and managing risk and to implementing and maintaining control procedures to reduce significant risks to an acceptable level.

As part of its overall risk management responsibilities, the Trustee uses a risk register as a tool to oversee the key risks to the Scheme. The Scheme's risk register covers areas such as:

- operational risks including pension administration
- corporate sponsor
- external factors affecting the Scheme's investments
- internal factors affecting the Scheme's investments
- scheme funding and valuation.

The Trustee has delegated the oversight of managing investment risks to the Investment Committee – see the Investment report and notes to the financial statements for more details.

The Trustee has also delegated oversight of non-investment governance-related matters to the Audit and Risk Committee (ARC). These matters include ascertaining that the Scheme complies with the Scheme Rules and statutory regulations and reviewing the existing processes and procedures of the Scheme to ensure they are well documented, relevant and effective.

The ARC monitors the evolution of risk at each meeting. It is also responsible for oversight of the external and internal audit activity.

The ARC also oversees:

- the reporting of risk to the Board and an annual review of the Scheme's risk management framework
- the Scheme's annual budgeting process and business planning by the Executive Office
- the scrutiny of the cyber security and business continuity arrangements that are in place at the Trustee and its service providers.

Trustee's Report
continued

The Pensions Governance Committee (PGC) manages risk by overseeing the work of the Scheme Administrator. The PGC has responsibility for:

- monitoring the Scheme Administrator's performance including adherence to the service level agreement
- reviewing the Scheme's operations in the light of best practice guidance and changes in regulations
- ensuring, in conjunction with the Scheme Administrator and the DMC, compliance with data protection regulations regarding member data.

The PGC has also worked with the Scheme Administrator to enhance the quality of the Scheme's data including more frequent checking that members are still alive.

The committees work together where their remits overlap, for example protection of members' data which is considered by the PGC and the ARC with support from the DMC.

Audit function and review of processes

The Scheme's external auditor, Ernst & Young LLP, performs an audit of the Scheme's Accounts each year. In addition, the Scheme uses Crowe U.K. LLP as its internal auditor to review its controls and processes and to advise on cyber security.

Remuneration of Trustee Directors

During the year ended 31 March 2023, the following payments were made:

Chair of the Board – received £106,100.

Pensioner Directors – received a per diem rate.

General Member Director – received a per diem rate.

Company Nominated Directors –Vidett Trustee Services Limited was paid £76,875 for its services as a director. AJ Smith received a per diem rate. T Lambeth was remunerated by the Company.

Executive Office

The Board and its committees direct the operation of the Scheme through its Executive Office (EO). The EO team currently comprises:

Thomas Mercier, Chief Executive Officer

Appointed as CEO 1 October 2018

Thomas joined IPS as Chief Investment Officer in November 2010 from Goldman Sachs International, where he advised corporations and their pension schemes. In addition to his role as CEO, Thomas continues to lead the Executive Office investment team.

Ann-Marie Morgan, Chief Administrative Officer

Appointed 9 October 2017

Ann-Marie joined from Punter Southall Administration Limited (now XPS), where she was Regional Operations Manager.

Michael Walters, Chief Financial Officer

Appointed 1 October 2018

Before joining IPS, Michael held senior financial roles within a number of organisations including Comet Group plc.

Alex Dale, Investment Strategist

Appointed 3 October 2022

Alex joined IPS from BlackRock where he was most recently head of LDI Client Portfolio Management for Europe.

Lin Ju, Liability Driven Investment Specialist

Appointed 1 March 2013

Lin joined IPS from Goldman Sachs International.

Roger Parsons, Finance Executive

Appointed 25 October 2021

Roger joined IPS from GlaxoSmithKline plc where he led the Pensions Finance and Risk team.

Chrissie Sawyer, Administration Associate

Appointed 4 May 2020

Chrissie joined the EO in 2020. She has experience of working with a variety of pension schemes.

Trustee's Report
continued

Administration of Scheme Benefits

The Trustee decided to outsource the administration of the Scheme benefits in 2011. The Trustee believes that a "third-party" administrator is more likely be able to address new developments effectively and the costs of investments in systems and some of the specialist functions are shared across many schemes. The Scheme Administrator, XPS Administration, is able to invest in the development of systems and processes and employs specialists with expertise in different aspects of pensions administration. The PGC and the Executive Office monitor the performance of the Scheme Administrator.

Scheme advisers, investment managers and service providers

The Trustee receives advice and services from a number of sources. The major Scheme advisers, service providers and investment managers are listed below. Except where indicated, there have been no changes to these advisers.

Scheme Actuary
S M Leake FIA, XPS Pensions Ltd

Scheme Administrator
XPS Holdings Limited (trading as XPS Administration)

Scheme External Auditor
Ernst & Young LLP

Scheme Internal Auditor
Crowe U.K. LLP

Legal Adviser
Norton Rose Fulbright LLP

Investment Adviser
Schroders IS Ltd

Employer Covenant Adviser
PricewaterhouseCoopers LLP

Secretarial Services
Vidett Governance Services Limited

Investment Managers
BlackRock Advisors (UK) Ltd
BlackRock Investment (UK) Ltd
AXA Investment Managers UK Ltd
M&G Investment Management Ltd
Amundi (UK) Limited
AXA Investment Managers Paris SA

DC & AVC Managers
Legal & General Investment Management Ltd (LGIM) (to March 2023)*
Prudential Assurance Company Limited (to February 2023)

* Funds managed by LGIM were held in policies with Legal & General Assurance (Pensions Management) Ltd.

Custodian and Collateral Manager
The Bank of New York Mellon London Branch

Bankers
Lloyds Bank plc

Actuarial liabilities and valuation

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

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, which represent the present value of benefits to which members are entitled. This is assessed at least every three years using assumptions agreed between the Trustee and the Company and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request. Annual updates are presented to the Trustee in other years.

The Scheme Actuary is independent of the Scheme and the Company. The Actuary assesses the funding position of the Scheme, i.e. the balance between assets and liabilities.

Triennial valuation

Every three years pension schemes that provide defined benefits must commission their actuary to perform a full valuation of the scheme's liabilities and compare this to the actual value of the scheme's assets.

In accordance with the Pensions Act 2004, the Trustee sets the method and assumptions for the Scheme Actuary to calculate the Technical Provisions (the amount required by the Scheme to provide for the Scheme's liabilities on an on-going basis). These Technical Provisions were then agreed by the Company. In setting the method and assumptions, the Trustee took into account both the strength of the Covenant provided by Company and the other participating employers, and the parent company guarantee of up to £1,750m, which it secured from Schneider Electric SE in January 2014.

The latest full valuation was as at the effective date of 31 March 2021. At this date the Scheme's total assets of £4,828m exceeded its estimated liabilities (Technical Provisions) of £4,815m by £13m. This represented a funding ratio of 100.3%.

To reflect the increasing maturity of the Scheme, a discount rate of Gilts +0.75 percentage points (ppts) p.a. was adopted for the March 2021 valuation, which is more prudent than the Gilts +1 ppt p.a. discount rate that had been used for the Scheme's previous triennial valuations since March 2008.

The Trustee and Company also adopted a Long-Term Objective (LTO) that by March 2030 the Scheme should be fully funded when its future liabilities are valued using an even more prudent discount rate of Gilts + 0.5 ppt p.a.. On that basis, there was deficit of £151m, corresponding to a funding ratio of 96.6%.

The Trustee agreed with the Company that, in order to achieve the LTO, an investment return target of Gilts + 1.1 ppts p.a. until March 2027 should be adopted. The current strength of employer covenant together with assurances from the Company enabled the Trustee to accept a slightly higher investment risk, in the short-term, with the aim of reaching an even more secure position when the Scheme is more mature.

The adoption of a more prudent discount rate and agreeing the LTO were consistent with the Pensions Regulator's (TPR's) view that schemes should aim to become less dependent upon their sponsoring employers to fund liabilities as they become mature. TPR wants mature schemes to be managed with a high degree of resilience to investment and other risks.

A summary of the method and key assumptions adopted in calculating the Technical Provisions is given below:

Method

The actuarial method used to calculate the Technical Provisions was the defined accrued benefits method.

Key assumptions

The assumptions agreed with the Company for the 31 March 2021 valuation were as follows:

- a discount rate set to be the yield available on the nominal fixed interest gilt yield curve plus 0.75 ppts per annum
- an RPI inflation assumption derived from nominal and real gilt yield curves
- a CPI assumption, which has been derived by making a suitable adjustment to the RPI inflation assumption. A deduction of 0.75% per annum from the RPI assumption has been made to estimate CPI up to February 2030 and thereafter CPI is assumed to equal RPI in this valuation. This reflects a prudent adjustment given observed past levels and the planned

reform of RPI announced by the UK government. The assumption could not be derived directly as there was no reliable market-based method for deriving an assumption for CPI price inflation

- pension increases assumptions based on the relevant inflation assumption and a model to allow for the pension increase collars and caps (e.g. 3% minimum and 5% maximum) and future inflation volatility of 1.5% per annum
- the pre-retirement mortality table based on AC00 tables
- a post-retirement mortality assumption of 112% of the S3PA tables for males and 103% of the S3DA tables for females, both projected in line with the Continuous Mortality Investigation Model (CMI_2019) for future improvements with a 1.5% per annum long-term rate of improvement, a smoothing factor of 7.0 and an initial addition 0.2%.

The agreed assumptions gave rise to a funding surplus of £13m as at 31 March 2021. As the Scheme was in surplus, there was no requirement for deficit funding from the Company for the immediate future.

The next full valuation is expected to be carried out with an effective date of 31 March 2024.

Solvency funding position

As at 31 March 2021, it was estimated that the amount required to secure the obligations of the Scheme in full with an insurance company, in the event of the Scheme winding up, was £5,747m, which represents a shortfall of £919m. This figure is just an indication and does not imply that the Trustee or the Company are considering winding up the Scheme.

Funding position at 31 March 2023

An annual update was produced by the Actuary as at 31 March 2023. At this date, the assets of the Scheme were £3,502m and the liabilities were estimated to be £3,379m using the 31 March 2021 actuarial valuation assumptions (but allowing for market conditions as at 31 March 2023). This indicated that the Scheme had a surplus of £123m and a funding ratio of 104%.

There has been an improvement in the funding level over the last two years on the Technical Provisions Basis.

	31 March 2023	**31 March 2022**	**31 March 2021**
Liabilities on Technical Provisions basis	£3,379m	£4,516m	£4,815m
Assets	£3,502m	£4,579m	£4,828m
Surplus	£123m	£63m	£13m
Funding Level (TP Basis)	104%	101%	100%

The value of the Scheme’s assets has fallen in the year, partly because of the benefits that were paid, but mainly because of the effect of the significant increase in UK interest rates on the valuation of the bonds that we hold. The Scheme’s investment strategy includes investing in assets that move in the same way as the value of the Scheme’s liabilities when there are changes in interest rates. Although the asset values have fallen, there has been a slightly larger fall in liability values i.e. the amount required now to pay benefits in the future has also reduced. The Scheme’s funding position has therefore improved over the course of the year. The Scheme’s investment strategy and investment returns are described in more detail in the investment section of this report.

Liabilities on the LTO basis (described on page 15) were estimated to be £3,471m indicating an LTO basis surplus of £31m. Full funding on that basis has been achieved a few years earlier than expected. The Trustee will discuss with the Company whether to set a new LTO as part of the triennial valuation at 31 March 2024.

Support for the Scheme

Support for the Scheme from the Employers

The four companies that remain as “Participating Employers” in the Scheme are responsible for supporting the Scheme to ensure that it can pay benefits as they fall due. At 31 March 2023, in addition to the Company (Invensys Limited), the Participating Employers are BTR Industries Limited, Schneider Electric Controls UK Limited, and Schneider Electric Systems UK Limited.

Trustee's report continued

Relative to the size of the Scheme, there is limited trading activity in the four Participating Employers. The combined annual turnover of the four companies is less than £100m.

The Company is a holding company that has substantial assets which mainly comprise investments in its subsidiaries and balances receivable from fellow Schneider Electric SE (Schneider Electric) group companies. The relevant net assets of the Company at 31 December 2022 were £2.6bn.

Given the dependency of the Company on its investments in, and on the debt which is owed by other Schneider Electric group companies, the reported strength of the Schneider Electric group, described below, is important to the assessment of whether or not the Company could fund any Scheme deficit that emerged.

As part of the 2021 triennial valuation process, the Trustee received assurances from Schneider Electric that sufficient value would be maintained within the Company and its subsidiaries until 31 March 2027, which was the period during which the Trustee agreed to target an investment return rate (Gilts + 1.1 ppts per annum) that was higher than the discount rate adopted for the valuation (Gilts + 0.75 ppts p.a.).

Schneider Electric guarantee and results

The Scheme retains the additional support of a guarantee provided by Schneider Electric SE that the Participating Employers will meet their financial obligations to the Scheme, up to a maximum of £1.75bn. Schneider Electric, is the ultimate parent company of the Participating Employers. This guarantee is not the same as the responsibilities of the Participating Employers to the Scheme. The guarantee is a secondary obligation that would be triggered only in the event that a Participating Employer failed to meet its obligations to the Scheme.

In the year to 31 December 2022, the consolidated Schneider Electric group generated adjusted earnings before interest, taxes and amortisation (EBITA) of €6.0bn (2021: €5.0bn) and free cash flow of €3.3bn (2021: €2.8bn).

The total market capitalisation of Schneider Electric at 31 March 2023 was €87.8bn.

Developments in the year

Eurotherm Limited disposal

In October 2022 Schneider Electric completed the disposal of the Eurotherm business unit which included Eurotherm Limited, one of the Scheme's Participating Employers. The Trustee agreed that Eurotherm Limited could withdraw as a Participating Employer in the Scheme and transfer its obligations to support the Scheme to the Company. The Company made a £20m special contribution to the Scheme in connection with the transaction.

Members who accrued all or part of their benefits whilst employed by Eurotherm remained members of the Scheme and their benefits accrued in the Scheme were not affected by the sale of the business.

Money Purchase Benefits transferred out

All the Money Purchase Benefits in the Scheme including both amounts in the DC Section and Additional Voluntary Contributions were transferred out of the Scheme to the Aon Master Trust in March 2023.

Having received professional advice, the Trustee decided that a transfer to Aon Master Trust was in the best interests of the members.

The Trustee believes that the Aon Master Trust is a more modern and flexible solution for money purchase benefits, which ensures both good value and access to a broader range of investment funds. The Aon Master Trust also provides more options to use the Money Purchase benefits than were available from the Scheme. The Trustee wrote to all the affected members explaining the transfer and their options under the new arrangement.

Contributions

On 31 March 2015, the Scheme closed to future accrual and there were no active contributing members from that date. No deficit repair contributions were required from the Company.

The summary of contributions on page 50 states contributions payable under the Schedule of Contributions dated 18 October 2018 and 8 April 2022. The new Schedule of Contributions signed on 8 April 2022 formed part of the Triennial Valuation.

As noted above, an additional contribution of £20m was made in the year in relation to the transfer to the Company of Eurotherm Limited's liabilities to the Scheme by way of a Flexible Apportionment Arrangement

During the year, no reports had to be made to the Pensions Regulator in respect of late payments of contributions.

Trustee's report
continued

Pension increases and transfer values

Under the Scheme Rules, pensions in payment are generally increased annually in April by reference to the percentage change in inflation over a 12-month period measured to the end of the previous December. (This excludes the Guaranteed Minimum Pension portion, which generally receives statutory increases in line with Pension Increase Orders published by the UK Government).

The Scheme has multiple sections with varying rules relating to pension increases. For members who joined the Scheme before 6 April 2000, the pension in payment increase in excess of GMP will generally be a minimum of 3% and a maximum of 5%. For members who joined the Scheme on or after 6 April 2000 the annual pension in payment increase will generally be capped at 5%.

In 2015, the Trustee also introduced a Pension Increase Exchange option for members retiring after that date. This gives members the option to exchange future pension increases for a higher initial pension, which will not increase by as much in the future.

The average increase applying to pensions on 1 April 2022 was 3.6%. The lowest increase was 0% and the highest was 5%.

For the majority of deferred members, their deferred pensions in excess of GMP are revalued in line with the cost of living (calculated, depending on the requirements of the rules of the relevant section of the Scheme, by reference to the Consumer Price Index or the Retail Price Index) up to a cumulative maximum of 5% p.a. No discretionary increases were awarded in the year.

Statutory cash equivalent transfer values provided during the year to 31 March 2023 were calculated in accordance with the provisions of Part IV Chapter IV of the Pension Schemes Act 1993, as amended by the Pensions Act 1995 and the Pensions Act 2004 with relevant regulations and guidance issued by the Pensions Regulator, on a basis determined by the Trustee after having taken advice from the Scheme Actuary.

There were no discretionary increases or benefits allowed for in the calculation of transfer values for the year ending 31 March 2023.

Compliance statement

The Scheme is a registered pension scheme. The Trustee knows of no reason why such status should be prejudiced or withdrawn.

Trust Deed and Rules

On 22 August 2016, the Trustee and the Company signed the Fourth Definitive Trust Deed and Rules of the Scheme. The Trust Deed and Rules brought the Scheme up to date with current legislation and amalgamated a number of Deeds of Amendment that had occurred since the Third Definitive Deed and Rules were completed in 2006.

Members can request a copy of the Trust Deed and Rules from the Scheme Administrator. This is a substantial document and an appropriate copy charge will be made.

The Trust Deed and Rules was amended during the year to facilitate the transfer of Money Purchase Benefits to the Aon Master Trust. More detail regarding this transfer is provided in the Statement regarding DC Governance.

A change to the Rules was also made in respect of the pension payable when members in certain sections retire early. For sections where the Rules specify a fixed early retirement factor to calculate the reduction applied to the pension payable at normal retirement age, the amended rules now allow a reduction certified as reasonable by the Scheme Actuary to be used instead, provided this results in the payment of a higher pension on retirement.

Preparation of Financial Statements

The financial statements have been prepared and audited in accordance with Section 41 of the Pensions Act 1995. More information regarding the Financial Statements is set out in the "Statement of Trustee's responsibilities in relation to the audited financial statements" on page 29.

Trustee's report continued

Communication

The Board ensures that we communicate with all members on a regular basis. During the year, the Scheme issued one newsletter which incorporated the Annual Review of the Scheme. The Scheme has a website: www.invensyspensions.co.uk. Members can also contact the Scheme by email, by phone or in writing. Contact details are set out on page 73.

An online facility called MyPension.com is available to all pensioner and deferred members. It provides members with secure access to view their personal data, including payslips and P60s (pensioners) and deferred benefit and CETV information (deferred members).

Disputes and complaints procedure

We operate an Internal Dispute Resolution Procedure (IDRP) in accordance with the provisions of the Pensions Act 1995. Before a formal complaint is considered, we advise members to contact our Scheme Administrator to see if the matter can be resolved informally. Contact details are provided on the member information page on page 73 of this report.

During the course of the year under review, eleven formal complaints were received by the Scheme administrator on behalf of the Trustee, of which seven were resolved during the year by the claim being dismissed. The remaining four complaints were received late in the year and remained open at the year end. The majority of the complaints related to transfer requests that had been refused by the Trustee due to concerns about scam activity. Two complaints that had been carried forward from the previous year were dismissed and subsequently closed. Two complaints that had been referred to the Pensions Ombudsman in the 2019/20 year continued into 2022/23. Both have now been resolved, with the Ombudsman supporting the Trustee's position leaving no open complaints waiting for a decision from the Ombudsman. Details of the Scheme's IDRP are available from the Scheme Administrator.

For and on behalf of Invensys Pension Trustee Limited

/s/ Kathleen O'Donovan

Kathleen O'Donovan
Chair of the Board

22 September 2023

Investment report

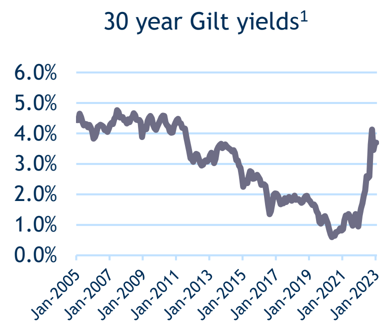
In an exceptionally turbulent year the Scheme's funding level improved

Impact of interest rate changes on asset and liability values

The year was marked by a sustained increase in the market interest rate or yield of fixed interest government bonds (gilts). This change dramatically reduced both the value of the Scheme's assets and the amount required now to pay benefits in the future. The net assets in the Scheme reduced by £1,077m or 23.5% during the year falling from £4,579m to £3,502m. The investment performance closely tracked the fall in the value of the liabilities of the Scheme which fell by £1,137m or 25.2% to from £4,516m to £3,379m. The liability values fell more than the asset values, which means that the funding level improved during the year.

As the Scheme is closed to future accrual it receives no regular contributions from either members or the Company. The Scheme is a substantial net payer of benefits with £248m or 7% of its current asset base paid out in this financial year as benefits to members. The maturity of the Scheme limits the appetite of the Trustee for risk. Although the Scheme is well funded now, it would have relatively little time to recover a significant fall in its funding level before pensions are due.

The Trustee has therefore adopted a conservative investment strategy as described later. This includes a decision to hedge against the potential effect of movement in interest rates on its funding level. This means that when interest rates rise, both the value of the liabilities and assets are expected to fall, everything else being equal, and vice-versa. Interest rates fell steadily during the period from 2013 to 2020 increasing the amount required "now" to pay pensions in the future. The hedging strategy ensured that the Scheme's assets grew in value and the Scheme's funding level remained close to 100% of its liabilities. As illustrated in the chart to the right[1], this long-term fall in interest rates was reversed over a comparatively short period during 2022/23. The hedging strategy worked as planned in these extreme conditions with the value of both assets and liabilities falling by approximately a quarter.



The changes in the market value of bonds caused by interest rate movements is generally not a problem for the Scheme. The Scheme has a liquidity strategy that is designed to ensure that it does not become a forced seller of assets to fund the payment of benefits. We plan to pay the pensions from interest on the bonds that we hold and the money that is repaid to the Scheme when bonds mature.

We also protect the Scheme from the impact of changes in inflation by investing in assets that are linked to inflation and so the funding level was largely unaffected by the recent increases in the inflation rate.

Other economic and market factors affecting the investment performance

During the financial year to 31 March 2023, Russia's invasion of Ukraine continued to cause severe disruption in energy and agricultural commodity markets. This, combined with supply-chain issues resulting from the COVID-19 pandemic and increased level of demand, have led to large increases in price inflation. Consumer price inflation in the US and Europe have reached levels not seen since the 1970s and 1980s. The UK's Consumer Price Index had increased by 11.1% year-on-year at the end of October 2022. Central banks reacted forcefully during the year in order to bring inflation down.

The Bank of England and US Federal Reserve increased their base rates on eight occasions during the financial year. Starting from being close to historical lows at the beginning of the year, base rates have now returned to their level prevalent before the 2008 financial crisis, in the region of 4%-5%. The Bank of England and US Federal Reserve have also started unwinding their quantitative easing programs. The European Central Bank has also increased their base rate, which remained slightly below those set by the UK and the US central banks in the year. Economic activity has slowed down in Europe and the US, but recessions have been avoided so far. Inflation has remained stubbornly high, although it has decreased.

The extent and speed of interest rate increases have had a significant impact on financial markets, leading to higher bond yields and higher market volatility, in particular in fixed income markets. Credit spreads (the extra yield that companies need to pay to borrow in excess of that on equivalent Government bonds) have experienced large movements during the

[1] United Kingdom Debt Management Office monthly average of the benchmark 30 year gilt yield. Public sector information licensed under the Open Government Licence v3.0.

Investment report continued

year. For ‘investment-grade’ and sub ‘investment-grade’ bonds, they have increased by c. 50 basis points (bps) and 90bps respectively. Equities prices also fell globally, by c. 6%, with the UK being a bright spot with an increase of 6%, in part driven by the UK equity market’s high exposure to the energy sector which benefited from price increases.

Pension schemes and banks in the news

In can be argued that the interest rate increases have exposed some of the weaknesses of the financial system to a higher rate environment. This was particularly true in the UK, where the announcement of a ‘mini-budget’ by the government in September triggered a sell-off in UK government bonds. This was amplified by the actions of many UK pension funds, which were forced to sell assets, including government bonds, corporate bonds and equities, to meet collateral requirements related to their interest rate and inflation hedging strategies. This is turn had an impact on other markets. The intervention of the Bank of England, and changes in the Government, brought some calm. Another example of those weaknesses was the failure of regional banks in the US in the first quarter of 2023.

Our Scheme’s hedging and collateral management arrangements worked well through this period of extreme turbulence and we were not forced sellers of assets.

The funding level of some pension schemes improved significantly. Most of these schemes will have retained some exposure to movements in interest rates. For the reasons explained above, the Trustee decided that it should not take risk on movements in interest rates and has maintained a more stable funding position over time.

Scheme investment strategy

The Scheme’s investment objective was amended in April 2022, when the discussions on the Scheme’s Triennial Valuation as at 31 March 2021 concluded. The Scheme’s new investment objective is to achieve a return on investments equivalent UK Government gilt yields +1.1 percentage points (ppts) per annum. This also referred to as the Strategic Target. Previously, the Strategic Target was to achieve a return on investments equivalent UK Government gilt yields +1.0 ppt per annum. This new Strategic Target is 0.35 ppts higher than the discount rate that is used to calculate the Scheme’s Technical Provisions, which is equal to UK Government gilt yields +0.75 ppts per annum. This positive difference was intended to enable achieving a Long-Term Objective (LTO) that by March 2030 the Scheme should be fully funded when its future liabilities are valued using an even more prudent discount rate of UK Government gilt yields +0.5 ppts per annum.

The Trustee’s investment policy is designed to achieve the Strategic Target. In order to deliver gilts +1.1 ppts, the Trustee has to invest in assets that have an element of risk associated with them. The risks, and the framework for managing them, are described in detail in the notes to the financial statements.

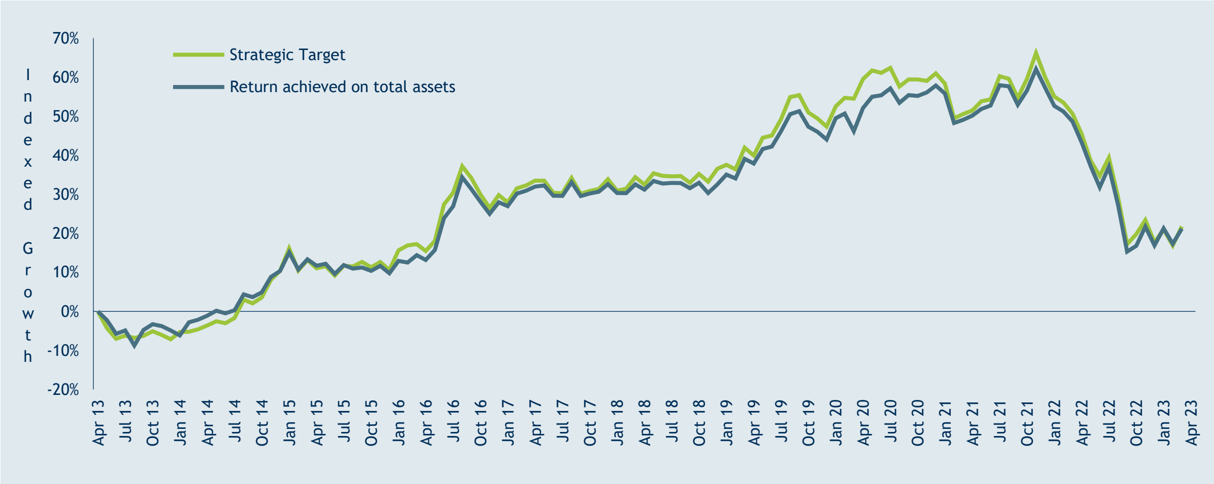
The main factors that the Trustee considers when setting the Strategic Target are:

- the Scheme’s profile:
  - the nature of the liabilities
  - the structure of the membership base
- the Trustee’s overall risk tolerance
- the Trustee’s evaluation and perception of the covenant provided to the Scheme.

The Trustee derived a Strategic Asset Allocation to deliver the Strategic Target. This was designed to generate an asset returns of gilts +1.1 ppts per annum, and therefore to perform in excess of the liabilities measured on a Technical Provisions basis by 0.35 ppts per annum. Prior to April 2022, the Strategic Target and return implied by the Technical Provisions were equal.

Investment report
continued

The chart below shows that the Scheme assets' performance has tracked the Strategic Target very closely over time.



The performance deviated from the Strategic Target in Q1 2020 as a result of large adverse market movements following the start of the COVID-19 pandemic. The cumulative asset performance has caught up with the Strategic Target since then. This performance during the financial year is further explained below. The chart starts from the end of April 2013, which coincides with the £400m contribution paid into the Scheme on 3 May 2013 and the creation of a Reservoir Trust of £225m following the sale by Invensys plc of its Rail division. At that time, the investment strategy was revisited and the Trustee took the opportunity to seek to reduce investment risks.

At the investment level, the Trustee sets specific performance targets for each underlying investment manager (Investment Manager). These specific targets naturally have shorter time horizons than the Strategic Target. The aggregation of these targets determines the Scheme's Investment Manager Target (IMT).

Year on year, the IMT might be above or below the Strategic Target. The Trustee is responsible for:

- the long-term monitoring of the performance of the assets against the Strategic Target, and
- the ongoing monitoring of the performance of the assets against the IMT (see Investment Managers' performance section).

The Strategic Target corresponded to a return of -19.2% in the year to 31 March 2023. The IMT corresponded to a return of -16.9%. The values of the Strategic Target and IMT largely reflect the changes in UK government bond yields and inflation expectations during the year. Higher gilt yields decrease the present value of the pensions that the Scheme is expected to pay, whereas higher inflation has the opposite effect. The year to 31 March 2023 saw a dramatic increase in gilt yields. For instance, the yield on UK government bond with a 20yr maturity, which is a good proxy for the assessing the impact of the Strategic Target, increased by 2.0 ppts from 1.8% to 3.8%. This was the main driver of the Strategic Target value. The IMT was less negative than the Strategic Target because it reflected the objective of hedging less than 100% of the interest rate exposure embedded in the Technical Provisions, which was prevalent throughout the year.

Realised inflation also increased materially during the year. However, the long-term inflation expectations implied by the prices of index-linked government bonds fell slightly during the year. The combined impact on the Strategic Target and IMT of realised and expected inflation was much less important than the changes in UK fixed interest government bond yields.

The Trustee determines the investment strategy after taking advice from a professional investment adviser. The investment strategy and objectives, together with details of the investment process, are set out in the Statement of Investment Principles, which has been prepared in accordance with the requirements of section 35 of the Pensions Act 1995. This document is updated regularly. A copy is available on the Scheme's website. The Implementation Statement in respect of the SIP during the financial year is included from page 55 onwards within this annual report.

Investment report
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Strategic asset allocation

To a large extent, the Trustee has invested in assets with a profile that closely matches the Scheme's liabilities by using bonds or 'bond-like' assets. This approach helps the assets to match the valuation movements in the liabilities, thereby reducing the volatility of the Scheme's funding position.

The Scheme's investments are classified in two categories:

1. A Liability Matching Fund (LMF). This is used to mitigate the Scheme's interest rate and inflation risks. The LMF is composed primarily of assets perceived to have a relatively low risk:

   - UK Government gilts
   - Network Rail bonds
   - cash
   - cash equivalent instruments.

   BlackRock, the asset manager managing this portfolio, is also permitted to use derivative instruments, such as interest and inflation swaps, and gilt repurchase agreements. The LMF, which represented 49.1% of the Scheme's assets at 31 March 2023, is held directly via the Scheme's custodian platform with the Bank of New York Mellon.

2. An Investment Portfolio. This aims to access the risk premium of a diversified portfolio of return-seeking assets. It also seeks to benefit from the additional performance available from active management, where considered appropriate. The total Investment Portfolio represented 45.8% of the assets at 31 March 2023.

   Mandates using primarily investment grade (IG) bonds made up 34.7% of the assets and were managed by:

   - AXA
   - M&G
   - Amundi.

   The remaining 11.1% in the investment portfolio comprised:

   - a broad bond portfolio (Amundi)
   - a loans mandate (M&G)
   - two funds investing in bank regulatory capital release transactions (AXA PCS).

5.1% of the Scheme's assets relate to cash held to satisfy the Scheme's short-term payment obligations or pending investment and other net current assets.

All investments made in the year under review were made in accordance with the Scheme's Statement of Investment Principles.

Responsible Investment

Financially material investment considerations

The Trustee believes that environmental, social and governance ("ESG") factors can have a significant impact on the performance of its investments and the consideration of ESG factors, such as climate change, can enhance the risk and return profile of its investments. The Trustee believes that, in the case of the Scheme, such factors are primarily relevant to the allocation decisions between sectors and companies, which will typically be delegated to its Investment Managers, with the exception of passive mandates. The Trustee expects its Investment Managers, when exercising discretion in the mandates that they manage for the Scheme, to integrate all relevant and material financial factors, including ESG factors into the investment decision making process. This is intended to identify investment opportunities and financially material risks. This will influence the selection, retention and realisation of investments. The Trustee also considers how potential new Investment Managers incorporate ESG factors into their investment process before selecting an Investment Manager. As part of its regular monitoring process the Trustee requests that Investment Managers demonstrate their approach to incorporating ESG factors when exercising

Investment report continued

discretion in the mandates that they manage for the Scheme over the relevant investment horizon. Depending on the findings, the Trustee may take steps to seek improvement. The Trustee's expectations and monitoring process will depend on the mandate type and investment horizon.

The Trustee does not take into account "Non-financial matters" (i.e. the personal views of members and beneficiaries of the Scheme on ethical or other matters) when making investment decisions.

The Trustee sets out its policy relating to the governance of climate-related risks and opportunities in a separate annually published climate report, which is available on the Scheme's website www.invensyspensions.co.uk/scheme-documents . The Trustee includes its portfolio metrics and climate change targets in this report.

Corporate governance and stewardship policy

The Trustee believes that in order to act in the best financial interests of the Scheme's members it must act as a responsible asset owner. The Trustee, as a policy, delegates the exercise of voting rights of the underlying holdings and engagement with investee companies and other stakeholders as appropriate to its Investment Managers. The Trustee expects its Investment Managers to exercise these rights and to engage with the investee companies or any other relevant persons on relevant matters so as to protect and enhance the value of the Scheme's investments. The Trustee monitors the actions taken by the Investment Managers, on a regular basis as part of the ongoing Investment Manager reviews at the IC and ALCo meetings. As part of this, the Trustee also monitors the Investment Managers' voting records or their reports on responsible investments (such as UN PRI reports), and will seek explanations and discussions, as appropriate. The Trustee's expectations and monitoring process will depend on the mandate type, in particular in respect of the asset class(es) involved and the degree of discretion given to the Investment Manager. Where the Trustee is a unit holder of a fund, it seeks to retain the use of voting (and other) rights associated with the operations of that fund. The Trustee makes decisions on the use of such rights on those funds based on advice from its Legal and/or Investment Advisers as appropriate.

Investment Managers' performance

The assets are managed by independent Investment Managers under the guidance of the Trustee and its Investment Adviser. The Scheme's Investment Managers are continuously reviewed over 12-36 month rolling periods. Medium to long periods of review are essential, as they enable managers to be judged over a business cycle.

The Investment Managers' performance in any given year is expected to be a function of the capital markets environment and their ability to navigate the markets to deliver relative outperformance.

The Scheme's assets achieved a return of -18.8% over the year net of all fees and costs. This was 1.9 ppts worse than the Investment Manager Target and 0.4 ppts better than the Strategic Target. Over the past 3 years, the Scheme's assets outperformed those targets by 0.6 and 1.6 ppts per annum respectively (see page 22 for graphical analysis).

The Investment Management Target is split between the target for the LMF and the target for the Investment Portfolio. The LMF had a total return of -30.9% over the year, underperforming its target of -29.5%. Both numbers are deep in negative territory, because the LMF is intended to reflect the change in value of Technical Provisions, resulting from changes in government bond yields and inflation expectations. The underperformance against target in the year was largely because some of the gilts in the LMF are held for the purpose of generating a return over swaps over the long term. During the financial year, the spread between gilt and swaps generally rose, thereby generating additional losses in the LMF. Over the past 3 years, the LMF had a total return of -12.5% p.a., slightly underperforming its target of -12.1% p.a.

The Investment Portfolio had a total return of -3.3% for the year. This return was 2.9 ppts below the target of -0.4%. The target was negative because the return objective for most of the IG Bonds mandates to a large extent replicates the return of UK fixed-rate government bond yields plus a premium. The rise of UK government bond yields during the financial year led to negative return to such bonds, and therefore a negative target. The performance of the IG bonds, Broad Bonds and Loans mandates was behind their target as a result of wider credit spreads. The performance of the two AXA PCS funds held up well and was close to their target. Due to the nature of the underlying assets of those funds, their performance is less affected by movements in market prices. It depends instead largely on the realised or

Investment report
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expected losses of the bank loan portfolios insured by those funds. The BlackRock DDG and FIGA funds were fully divested from during the year, as explained in the section about key initiatives during the year. Their performance at that time was -9.4% for the DDG, largely as a result of falls in bond prices, and 1.3% for FIGA. Over the past three years, the Investment Portfolio has exceeded its target by 1.8 ppts, with almost all the mandates exceeding their respective targets.

Investment Managers' historical performance

		Holdings at 31 March 2023		Investment Return 12 months to 31 March 2023		Investment Return 3 years[1] to 31 March 2023	
Investment Manager	Asset class	£m	% of total	Actual %	Target %	Actual % p.a.	Target % p.a.
Liability Matching Fund (LMF)							
BlackRock		**1,718**	**49.1**	**(30.9)**	**(29.5)**	**(12.5)**	**(12.1)**
Investment Portfolio							
AXA	IG Bonds	542	15.5	(3.5)	(1.6)	0.9	(0.9)
M&G	IG Bonds	300	8.6	(4.6)	(2.9)	1.3	(1.3)
Amundi	IG Bonds	349	10.0	(6.3)	(4.1)	(0.1)	(2.6)
M&G Sleeve run-off	IG Bonds	21	0.6	(0.4)	2.2	6.7	2.1
Amundi	Broad bonds	119	3.4	(1.9)	5.5	5.4	3.9
M&G	Loans	182	5.2	2.4	6.3	5.8	4.9
AXA PCS 6	Reg Cap	26	0.7	9.0	9.8	6.8	8.1
AXA PCS 8	Reg Cap	63	1.8	6.9	6.0	6.9	6.0
BlackRock[6]	DAA	0	0.0	(9.4)	4.8	2.4	3.6
Blackrock (FIGA)[7]	Hedge Fund	0	0.0	1.3	5.9	11.2	5.5
Investment Portfolio[2]		**1,602**	**45.8**	**(3.3)**	**(0.4)**	**1.9**	**0.1**
Cash[3]		158	4.5	2.7	2.7	1.0	1.0
Managed assets[2]		**3,478**	**99.3**	**(18.8)**	**(16.9)**	**(6.0)**	**(6.6)**
DC & AVC investments[4]		0	0.0				
Annuity policies		2	0.0				
Net financial assets		3,480	99.3				
Net current assets and other[5]		22	0.7				
Net assets of the Scheme		**3,502**	**100.0**				

The numbers in this table may not add up exactly because of rounding differences. The returns have been calculated using the Modified-Dietz method.

[1] Or since inception if performance monitoring period is shorter (AXA PCS 8 - 29 July 2022).

[2] The target for the Investment Portfolio and the managed assets reflects the Investment Manager Target.

[3] Includes £6m of cash committed to the AXA PCS 8 fund. The bulk of the assets are invested in the BlackRock Institutional Sterling Liquidity Fund

[4] DC and AVC assets were divested on the 21 March 2023 and transferred into the Aon Master Trust

[5] Net current assets include cash in the Trustee Bank Account, cash dividends declared but not received from the AXA PCS and M&G Loan funds and a reserve for GMP equalisation.

[6] Performance for the BlackRock DDG Fund is until the redemption date of 03 March 2023

[7] Performance for the BlackRock FIGA Fund is until the redemption date of 31 October 2022

Since May 2013, the investment strategy and manager performance has contributed to maintaining the funding level of the Scheme within a narrow range with assets between 97% and 104% of the liabilities. The Trustee will continue to act prudently to protect the Scheme's funding level, whilst looking for investment opportunities to enhance it.

Investment report continued

Key initiatives during the year

- **2021 Triennial Valuation**. The terms of the valuation were finalised in early April 2022. The Trustee had previously reviewed its investment strategy and asset allocation as part of the discussions related to the valuation. Adjustments to the Scheme's Liability Matching Fund were made in order to maintain the Scheme's Interest Rate and Inflation Coverage Ratios under the new Technical Provisions. Various re-allocations also took place later in the year in order to both align the asset asset-allocation with the new investment return objective of Gilts+ 1.1 ppts and to benefit from more favourable market conditions, as further described below.
- **Review of asset allocation and actions to enhance risk and return profile.** The Trustee reviewed the Scheme's asset allocation in detail on several occasions during the year, in light of changes in the investment environment. The market conditions facilitated the completion of actions that had been agreed in principle where execution was subject to market levels. The purpose of those actions was to seek a higher return, where markets were perceived to be more attractive, or to reduce risks where it was felt that they were not sufficiently compensated. The actions included the following: (1) an investment of £70m held as excess cash in the AXA IG Bonds mandate in August, (2) increases in the Interest Rate Coverage Ratio ("IRCR") in June, August and March and (3) full divestments from the BlackRock FIGA and DDG funds in October 2022 and March 2023 respectively. As the Scheme's funding level improved relative to the Long Term Objective, the exposure to interest rates was reduced in order to lock-in the improvements on the LTO funding basis that had resulted from higher government bond yields. As at 31 March 2023, the IRCR of the liabilities measured with a discount rate of gilts + 0.5% was 98%. A consideration in the divestment of the BlackRock FIGA and DDG funds was also a preference to re-balance the asset-allocation towards lower risk assets after the rise in gilt yields had led to an increase in the weight of the Investment Portfolio. The £70m commitment to a new PCS fund from AXA, which was made by the Trustee in September 2021, was fully drawn by September 2022 as AXA could find attractive investment opportunities. This fund has since returned £6m which they may still call to invest. The AXA PCS 6 fund, which is in redemption, has continued to return capital as expected.
- **Liquidity management and collateral adequacy.** The Trustee reviewed liquidity management policy, as it does every year. The scheduled redemptions from its asset mandates invested in high-quality bonds, and to a lesser extent, distributions from other funds are expected to be sufficient to fully meet the Scheme's expected benefit payments over the next 6 years. The Trustee will consider the need to fund benefit payments beyond this horizon when it reviews the Scheme's asset allocation. Separately from this, the rise of government bond yields during the year, which accelerated in pace in September 2022, led to increased collateral demands from the Scheme's counterparties. The Scheme had sufficient assets eligible as collateral to satisfy those demands and was not forced to sell any assets. It also held sufficient assets eligible to post as collateral to meet the requirement had there been further large increase in gilt yields. In light of the experience in 2022, the Trustee has updated its approach to collateral management in order to reflect the scope for both higher level of gilt yields and greater volatility.
- **Climate Risk Management.** The Trustee has completed its review of its management of climate-related risks and opportunities, in light of DWP's new requirements, which have applied to the Scheme since 1 October 2022. This included four work streams: governance, strategy, risk management, and metrics and targets. The outcome of this work is detailed in the Trustee's Climate Change Report which is available on the Scheme website.

Custody arrangements

Trust law and the Pensions Act 1995 impose specific duties on the Trustee to safeguard the assets of the Scheme. Since 2001, the Trustee has appointed a global custodian. The global custodian holds the Scheme's assets that make up the various segregated mandate portfolios managed by the Investment Managers. Since 1 September 2006, the Bank of New York Mellon has been the Scheme's global custodian. In September 2018, the legal entity which held our assets changed to the London branch of the US based The Bank of New York Mellon.

The Scheme uses some pooled and collective investment arrangements, where custody services are arranged through the fund provider.

Investment report continued

The custodians are responsible for the safekeeping and administration of assets. They ensure that assets are only released with appropriate authorisation.

The administrative functions of the custodians include:

- settlement of transactions
- collection of income arising from the investments
- recovery of any tax paid that is due
- reporting and accounting for the Scheme's investments.

The Trustee, together with its Investment Adviser, keeps the effectiveness of the custodial arrangements under review. The custodians are required to publish a report on their internal controls which has been audited by a third-party auditor in accordance with agreed standards.

Largest investments

The Scheme had no investments with a value greater than 5% of the net assets of the Scheme, other than individual issues of gilts.

An analysis of investments is shown in the notes to the Scheme's financial statements on pages 36 to 49. The aggregate amounts of sales and purchases of investments during the year are also shown in those notes.

Defined Contribution and Additional Voluntary Contribution Investments

The arrangements regarding the management of investments related to money purchase benefits including the Defined Contribution (DC) section and Additional Voluntary Contributions (AVCs) made by Defined Benefit members are described in the Statement regarding DC Governance on pages 64 to 72. Those arrangements were terminated in March 2023, when the money purchase benefits and the assets backing them were transferred to the Aon Master Trust. The investment performance of the individual funds held by the Trustee on behalf of members was monitored by the Investment Committee.

Information regarding Voting

Further information related to the management of investments is available in the Implementation Statement on pages 55 to 63, including voting on behalf of the Trustee and the application of the Statement of Investment Principles during the year.

Arrangements with Investment Managers - Defined Benefit Section

Aligning manager objectives and incentivisation

The Scheme Investment Strategy and Strategic asset allocation sections above describe how, in aggregate, the LMF and the Investment Portfolio ("IP") are designed to achieve returns in the long and medium terms, while taking into account the Scheme's benefit payment obligations.

In particular:
- The arrangement with the LMF Investment Manager includes a benchmark which is designed to mitigate against the impact of interest rate and inflation risks inherent in the liabilities of the Scheme, within relevant risk tolerances;

- The arrangements with the IP Investment Managers include a benchmark or target. When aggregated together with the LMF, these benchmarks or targets are designed explicitly in most cases (and implicitly in a smaller number of cases) to achieve the targeted rate of investment return over a 3 to 5 year time horizon.

Investment report
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- The IC and ALCo each maintain a biennial schedule for review of the Investment Managers (with the intention that each manager is reviewed on an annual basis by at least one of the Committees). Performance is assessed against those benchmarks or targets and the relevant risk tolerances. These reviews also include the Investment Manager's stewardship of assets. Where managers are assessed by the IC as being less likely to achieve their objectives and/or there is evidence of not having achieved them historically, removal of assets or termination of mandates is considered. The Investment Managers are made aware of the importance of these measures of return and risk and are required to manage their portfolio with these in mind, and report against them on an ongoing basis.

- The Trustee prefers the use of segregated mandates where possible and practical as specific requirements can be set in the agreement with the Investment Managers. Those requirements may cover considerations related to return, risk, liquidity, redemption payments to be made to meet Scheme benefit payments over set time horizons and terms that are relevant for the asset classes invested in, including but not limited to equity and debt instruments. In particular for debt instruments in these segregated mandates, the risk and other limits in the Investment Manager agreements, together with regular ongoing engagement with the Investment Managers are designed to give the Investment Manager scope to add value over a 3 or 5 year period (or longer where relevant) rather than over shorter reporting periods;

- For the majority of the Scheme's mandates with Investment Managers there are explicit performance fee arrangements in place whereby the Investment Manager is directly incentivised to generate additional returns. By having these performance fee arrangements in place, the Trustee aims to ensure the Investment Managers are focused on protecting and enhancing the value of the Scheme's investments.

Stewardship

The Trustee's engagement activities in respect of the Scheme's investments are set out in the Responsible Investment section above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of the Investment Managers' ongoing business activities. As the Investment Managers are regulated by their respective regimes, these are directly monitored as part of their regulatory filings (where available) and the IC and ALCo include this as part of the Investment Manager review at inception and from time to time as appropriate.

Turnover monitoring

The IC maintains a schedule of reviews of Investment Managers as part of which portfolio turnover and other cost information is requested from the Investment Managers and is reviewed by the IC and/or the ALCo. These are monitored to confirm whether they were in-line with reasonable expectations and expected market practices. The Trustee does not operate turnover ranges with the Investment Managers, but instead considers turnover statistics alongside other data on risk and returns.

Tenure of current DB Managers' arrangements

The Trustee has an ongoing relationship with its Investment Managers. In most of the Scheme's arrangements with its Investment Managers, there is no scheduled termination date and the Trustee has the unilateral right to terminate its investment at a short notice. The segregated mandates also tend to include a schedule of redemptions.

The Trustees arrangements with Investment Managers are described more fully in the SIP.

Statement of Trustee's responsibilities in relation to the audited financial statements

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

- show a true and fair view of the financial transactions of the 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 judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the 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.

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

Actuary's certificate of the calculation of Technical Provisions

Name of scheme: Invensys Pension Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 31 March 2021 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses the method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 8 April 2022.

/s/ S M Leake

Steve Leake
Fellow of the Institute and Faculty of Actuaries
XPS Pensions Limited
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

14 April 2022

Independent auditor's report to the Trustee of the Invensys Pension Scheme

Opinion

We have audited the financial statements of the Invensys Pension Scheme for the year ended 31 March 2023 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of 12 months from when the Scheme's financial statements are authorised for issue.

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditor's report to the Trustee of the Invensys Pension Scheme continued

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 29, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustee is responsible for assessing the 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 either intends to wind up the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

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

Independent auditor's report to the Trustee of the Invensys Pension Scheme continued

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

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the 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 the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

/s/ Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
London

27 September 2023

Notes:

1. The maintenance and integrity of the Invensys Pension Scheme web site is the responsibility of the Trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fund account
For the year ended 31 March 2023

Contributions and benefits

	Note	2023 £m	2022 £m
Employer contributions	4	**20.3**	30.1
Total contributions		**20.3**	30.1
Benefits payable	5	**(241.4)**	(242.5)
Payments to and on account of leavers	6	**(16.5)**	(19.4)
Administrative expenses	7	**(6.6)**	(6.3)
		(264.5)	(268.2)
Net withdrawals from dealings with members		**(244.2)**	(238.1)
Returns on investments			
Investment income	8	**114.8**	108.5
Change in market value of investments	10	**(943.2)**	(111.1)
Investment management expenses	9	**(5.2)**	(8.0)
Net returns on investments		**(833.6)**	(10.6)
Net decrease in the fund during the year		**(1,077.8)**	(248.7)
Opening net assets of the Scheme at 1 April		**4,579.4**	4,828.1
Closing net assets of the Scheme at 31 March		**3,501.6**	4,579.4

Statement of net assets
As at 31 March 2023

Investments

	Note	2023 £m	2022 £m
Investment assets			
Bonds		**2,928.2**	4,047.5
Pooled investment vehicles		**788.7**	705.6
Derivative contracts		**375.0**	359.2
Cash instruments		**12.2**	30.8
AVC investments		**-**	5.4
DC investments		**-**	7.0
Other financial assets		**41.5**	37.8
Insurance policies		**2.3**	2.6
Cash deposits		**58.5**	105.6
Financial assets	11	**4,206.4**	5,301.5
Investment liabilities			
Derivative contracts		**(712.7)**	(703.6)
Other financial liabilities		**(8.3)**	(24.6)
Financial liabilities	11	**(721.0)**	(728.2)
Total net investments	10	**3,485.4**	4,573.3
Current assets	13	**52.4**	40.7
Current liabilities	14	**(36.2)**	(34.6)
Net assets of the scheme at 31 March		**3,501.6**	4,579.4

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 that fall due after the end of the Scheme year.

The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the certificate produced by the Scheme Actuary on page 30 and the funding position on page 4 of the Annual Report. These financial statements should be read in conjunction with these statements.

Signed on behalf of Invensys Pension Trustee Limited

/s/ Kathleen O'Donovan

Kathleen O'Donovan

Directors

/s/ Kevin Smith

Kevin Smith

22 September 2023

Notes to the financial statements

1 Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS102)– The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements have been prepared on the going concern basis. At the date of signing these financial statements the Trustee believes that; due to the Scheme's strong funding position and the Scheme's investments structure it is able to comfortably cover its related outgoings until 12 months from signing. As a result, and together with the relatively strong position of the Principal Employer, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2 Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is Invensys Pensions, XPS Administration, PO Box 562, Middlesbrough, TS1 9JA.

3 Accounting policies

a Contributions

Levy reimbursement contributions are accounted for on an accruals basis, in accordance with the Schedule of Contributions under which they are paid.

Augmentation and special contributions are accounted for in accordance with the agreement under which they are payable. In the absence of any formal agreement, they are accounted for on a receipts basis.

b Investment income

Income from fixed interest securities, index-linked securities and cash is taken into account on an accruals basis, calculated on a daily basis.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value.

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

c Transfers

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

d Benefits

Benefits payable are included in the financial statements on an accruals basis when the member notifies the Trustee as to the type or amount of benefit to be taken or, where there is no choice, on the date of retirement or leaving. Pensions paid include amounts paid in respect of insured pensioners. The income relating to these is shown as annuities received within investment income.

e Investment manager fees

Investment manager fees are accounted for on an accruals basis. They are primarily charged as a percentage of the portfolio valuation and as a percentage of the outperformance against target, if any, generated by the relevant managers with active management mandates.

f Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling, the Scheme's functional currency, at the rate of exchange ruling at the Scheme year-end. Gains and losses on foreign currency investment and cash balances are shown in aggregate within the change in market value of investments to which they relate in the Fund Account.

Investment income denominated in foreign currencies is recorded by applying the spot exchange rate ruling at the date on which the income relating to the investment falls due.

Notes to the financial statements continued

g Investment assets
Listed investments are valued at closing prices on the recognised stock exchange as at the year-end, which are either the last quoted trade price or bid price depending on the market on which they are quoted.

Unlisted investments are stated at the Trustee's estimate of fair value based on the advice of the investment manager or other appropriate professional adviser.

Pooled investment vehicles are valued at the closing bid price or, if single priced, at the closing single price.

Fixed interest securities are stated at a value, their clean price, which excludes the value of interest accruing from the previous interest payment date to the valuation date.

h Derivatives
Derivatives with an initial purchase price are reported as purchases. Those that do not have an initial purchase price but require a deposit, such as an initial margin to be placed with the broker, are recorded at nil cost on purchase.

Derivative contracts are included in the net assets statement at fair value. Exchange traded derivatives with positive values are included in the net assets statement as assets at bid price, and those with negative values as liabilities at offer price.

i. Futures

Open futures contracts are recognised in the statement of net assets at their fair value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract, as determined by the closing exchange price as at the year-end.

Amounts outstanding in respect of the initial margin and any variation margin are shown within amount due from/to brokers/managers.

Amounts included in change in market value represent realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

ii. Swaps

Swaps are valued at fair value, using pricing models that calculate the current value of future expected net cash flows arising from the swaps, for which the time value of money is taken into account. Interest is accrued under the terms relating to individual contracts. Net receipts or payments on swap contracts are either reported within investment income or change in market value.

iii. Forward foreign exchange contracts

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

Changes in the fair value of the forward contracts are reported within change in market value in the Fund Account.

i Annuities
Annuities have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

j Taxation
The Scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. The Scheme's income and chargeable gains are free of UK Income and Capital Gains tax, and tax recoverable on the Scheme's income is treated as part of that income.

k Administrative expenses
Administrative expenses are accounted for on an accruals basis.

4 Contributions

	2023 £m	2022 £m
Employers		
Special contribution agreed in relation to Eurotherm Flexible Apportionment Agreement	**20.0**	-
Special contribution agreed in relation to IMServ Flexible Apportionment Agreement	**0.2**	30.0
Pension Protection Fund levy reimbursement	**0.1**	0.1
	20.3	30.1

Notes to the financial statements continued

5 Benefits payable

	2023 £m	2022 £m
Pensions[1]	**223.9**	223.4
Commutations and lump sum retirement benefits	**16.9**	18.6
Lump sum death benefits	**0.6**	0.4
Tax where lifetime or annual allowance exceeded	**-**	0.1
	241.4	242.5

[1] The Pensions charge includes a £3m charge in respect of an accrual for the GMP equalisation liability for past pension payments (2022: £2m charge).

6 Payments to and on account of leavers

	2023 £m	2022 £m
Individual transfers to other schemes	**6.2**	19.4
Transfer of Money Purchase Benefits to the Aon Master Trust	**10.3**	-
	16.5	19.4

Following a detailed review, £11.1m was realised by the sale of all the Scheme's Money Purchase Assets. Of this £10.3m was transferred to individual accounts for the members with the Aon Master Trust, £0.7m was retained by the Scheme in relation to new DB only benefits that were created for DC members who had a GMP underpin (guaranteeing that their benefit would at least match a "Guaranteed Minimum Pension" amount) and £0.1m was retained in relation to three members whose retirements were being processed.

7 Administrative expenses

	2023 £m	2022 £m
Administration and processing	**4.2**	3.9
Pension Protection Fund levy	**0.3**	0.2
Actuarial fees	**0.6**	0.6
Legal and other professional fees	**1.2**	1.3
Audit fees	**0.1**	0.1
Directors' fees	**0.2**	0.2
	6.6	6.3

8 Investment income

	2023 £m	2022 £m
Income from bonds	**89.9**	88.9
Interest on cash deposits and margin accounts	**5.8**	0.3
European loan income	**9.5**	5.8
Annuities received	**0.4**	0.4
Income from derivatives (swaps)	**(2.0)**	5.4
Broad bond fund income	**3.0**	2.1
Other	**8.2**	5.6
	114.8	108.5

Notes to the financial statements continued

9 Investment management expenses

	2023 £m	2022 £m
Administration, management, custody	**5.6**	6.4
Performance-related fees	**(0.4)**	1.6
	5.2	8.0

The negative performance related fees during the year to March 2023 reflects the impact of widening bond spreads which resulted in the release of some accruals for fees where the performance measurement period was not complete at March 2022.

10 Investments – reconciliation table

	As at 31 March 2022 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Other transactions £m	Market value movement[1] £m	**As at 31 March 2023 £m**
Bonds	4,047.5	894.0	(1,060.5)	-	(952.8)	**2,928.2**
Pooled investment vehicles	705.6	827.4	(730.9)	-	(13.4)	**788.7**
Derivative contracts	(344.4)	88.9	(101.7)	-	19.5	**(337.7)**
Cash instruments	30.8	24.7	(43.3)	-	-	**12.2**
AVC investments	5.4	1.1	(6.2)	-	(0.3)	**-**
DC investments	7.0	0.3	(6.8)	-	(0.5)	**-**
Annuity policies	2.6	-	-	-	(0.3)	2.3
	4,454.5	1,836.4	(1,949.4)	-	(947.8)	**3,393.7**
Other financial assets and liabilities	13.2	-	-	20.0	-	**33.2**
Cash deposits	105.6	-	-	(51.7)	4.6	**58.5**
	4,573.3	1,836.4	(1,949.4)	(31.7)	(943.2)	**3,485.4**

[1] Market value movements comprise all realised and unrealised gains or losses on investments in the year, and in the case of cash deposits comprise foreign exchange movements.

[2] Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Net transaction costs included above were commission of £6k (2022: £4k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within investment funds. The amount of indirect costs is not separately provided to the Scheme.

11 Investments – financial assets and liabilities

	2023		2022	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Bonds	**2,928.2**	**-**	4,047.5	-
Pooled investment vehicles	**788.7**	**-**	705.6	-
Derivative contracts	**375.0**	**712.7**	359.2	703.6
Cash instruments	**12.2**	**-**	30.8	-
AVC investments	**-**	**-**	5.4	-
DC investments	**-**	**-**	7.0	-
Insurance policies (annuities)	**2.3**	**-**	2.6	-
Other financial assets and liabilities	**41.5**	**8.3**	37.8	24.6
Cash deposits	**58.5**	**-**	105.6	-
	4,206.4	**721.0**	5,301.5	728.2
Total net financial assets	**3,485.4**		4,573.3	

Notes to the financial statements continued

11 Investments – financial assets and liabilities continued

Bonds	2023 £m	2022 £m
Fixed interest securities		
UK public sector quoted	**1,139.7**	1,636.1
Corporate quoted	**1,047.1**	1,189.2
Overseas public sector quoted	**-**	8.5
Other	**79.6**	90.7
Index-linked securities		
UK public sector quoted	**594.9**	1,018.2
Other	**66.9**	104.8
	2,928.2	4,047.5

Included within investments above are assets of £1,076.0m (2022: £718.9m) available for use as collateral when required. As at the year-end, £360.9m (2022: £359.0m) was deployed as net collateral posted in favour of counterparties to derivative contracts and repurchase agreements open at the year-end.

Pooled investment vehicles	2023 £m	2022 £m
Bond funds	**115.0**	120.0
Loan fund	**181.7**	186.9
Cash funds	**403.2**	244.8
Capital Release Transactions fund	**88.8**	29.6
Dynamic Asset Allocation	**-**	88.1
Hedge fund	**-**	36.2
	788.7	705.6

Where the investments are held in 'managed and unitised funds', the change in market value includes:

- expenses both implicit and explicit to the Scheme
- any reinvested income, where the income is not distributed.

Additional cash was held by the Scheme at 31 March 2023 in preparation for the requirement for pension schemes to clear certain derivatives from June 2023. This would have involved posting more collateral as cash. In May 2023 HM Treasury announced that the exemption would be extended for a further two years.

	2023		2022	
Derivative contracts	**Assets £m**	**Liabilities £m**	Assets £m	Liabilities £m
Swaps	**369.7**	**710.9**	357.1	697.4
Futures contracts	**-**	**0.6**	1.2	-
Forward foreign exchange	**5.3**	**1.2**	0.9	6.2
	375.0	**712.7**	359.2	703.6
Net derivative liabilities		**337.7**		344.4

Notes to the financial statements continued

11 Investments – financial assets and liabilities continued

Derivative contracts

The Trustee has authorised its investment managers to use derivatives for the purpose of efficient portfolio management, reducing potential mismatches between assets and liabilities and reducing investment risk.

Swaps

The Scheme's investment managers may use interest rate swaps, inflation swaps, futures, repurchase agreements and gilt total return swaps to reduce the potential mismatch between the Scheme's assets and its liabilities in respect of interest rates and inflation movements. They may also use credit default swaps and swaptions to manage credit risk.

Interest rate swaps

Maturity years	No. of contracts	Pay fixed notional £m	Receive fixed notional £m	Assets £m	Liabilities £m
0-5	102	718.2	565.3	143.1	34.8
5-10	55	149.3	850.1	42.7	132.9
10-30	58	616.9	946.6	41.7	399.2
30-50	21	122.2	258.0	53.4	117.1
Total	**236**	**1,606.6**	**2,620.0**	**280.9**	**684.0**

Inflation swaps

Maturity years	No. of contracts	Receive RPI notional £m	Pay RPI notional £m	Assets £m	Liabilities £m
0-5	5	131.7	5.4	7.7	1.1
5-10	13	319.7	21.9	45.4	2.6
10-30	28	224.4	201.8	34.7	19.8
30-50	8	8.0	32.6	1.0	3.4
Total	**54**	**683.8**	**261.7**	**88.8**	**26.9**

Credit default swaps

No credit default swaps were in place at the year end.

Currency swaps

No currency swaps were in place at the year end.

	Assets £m	Liabilities £m
Total swaps	**369.7**	**710.9**

Notes to the financial statements continued

11 Investments – financial assets and liabilities continued

Futures contracts

Maturity	Type of future	No. of contracts	Economic exposure £m	Assets £m	Liabilities £m
Under 3 months	Overseas fixed interest	3	(52.2)	-	0.6
Total		**3**	**(52.2)**	**-**	**0.6**

Forward foreign exchange

The Scheme is subject to currency risk in so far as assets are held in non-GBP currencies. The change in the value of those currencies relative to GBP may affect the income that the Scheme expects to receive from those investments as well as their value. This risk is mitigated by use of forward foreign exchange contracts.

Maturity	Pay/Receive currency	No. of contracts	Notional £m	–	–	Assets £m	Liabilities £m
Within 3 months	Pay GBP/Receive EUR	8	17.0			-	0.1
Within 3 months	Pay EUR/Receive GBP	32	365.1			3.0	1.1
Within 3 months	Pay USD/Receive GBP	12	95.6			2.1	-
Within 3 months	Pay GBP/Receive USD	2	2.6			-	-
Within 6 months	Pay EUR/Receive GBP	2	28.1			0.1	-
Within 6 months	Pay USD/Receive GBP	1	6.5			0.1	-
Total		**57**	**514.9**			**5.3**	**1.2**

Cash instruments

	2023 £m	2022 £m
Cash instruments	**12.2**	30.8
AVC investments (see note 12)	**-**	5.4
DC investments (see note 12)	**-**	7.0

Other financial assets and liabilities

	2023		2022	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Accrued interest	**33.9**	**-**	32.3	-
Amounts due from/to brokers/managers	**7.6**	**8.3**	5.5	24.6
	41.5	**8.3**	37.8	24.6
Net other financial assets	**33.2**		13.2	

Notes to the financial statements continued

11 Investments – financial assets and liabilities continued

Cash deposits

	2023 £m	2022 £m
Sterling	**36.3**	87.6
Foreign currency	**22.2**	18.0
	58.5	105.6

12 Investments for Money Purchase Benefits

These investments were held in pooled investments that were allocated to individual members. They arose from:

- Additional Voluntary Contributions (AVCs) made by members prior to the Scheme closing to future accrual;
- Contributions to a Defined Contribution (DC) section of the Scheme before it closed to new contributions;
- Other legacy benefits that were secured by Defined Contribution investments. These legacy benefits include parts of contributions made by DB members that could not be repaid when short service refunds were made and certain former Protected Rights.

All Investments related to Money Purchase Benefits were transferred out of the Scheme to a section of the Aon Master Trust in March 2023 as described in Note 6.

Funds

	Additional Voluntary Contributions £m	Defined Contribution £m	Total Money Purchase Benefit Investments £m
Money Purchase investments at 31 March 2023	-	-	-
Money Purchase investments at 31 March 2022	5.4	7.0	12.4

13 Current assets

	2023 £m	2022 £m
Cash balances	**36.8**	40.0
Other debtors	**15.6**	0.7
	52.4	40.7

£15.5m of the other debtors relates to April 2023 pensions which were due on Saturday 1 April 2023 but were paid on 31 March 2023, the preceding working day.

14 Current liabilities

	2023 £m	2022 £m
Other creditors	**0.2**	0.3
Unpaid benefits	**0.4**	0.8
GMP equalisation on past pension liabilities (see note 20)	**30.0**	27.0
Accrued expenses	**5.6**	6.5
	36.2	34.6

15 Investment risks

Types of risk relating to investments

FRS 102 requires the disclosure of information in relation to certain investment risks.

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

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

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

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

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

The Scheme has exposure to these risks because of the level of investment returns that it is required to achieve to meet its funding objectives. The Trustee seeks to maintain investment risks, including credit risk and market risk, within agreed limits that 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 as part of regular reviews of the Investment Portfolio. The Trustee's investment strategy is set out in the Investment report.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

				Market risk			Holding £m	
Investment Manager	Style	Investment vehicle	Credit risk	Currency	Interest rate	Other price	**2023**	2022
Liability Matching Fund (LMF)								
BlackRock		Segregated	○	○	●	○	**1,718**	**2,525**
Investment Portfolio								
AXA	IG bonds	Segregated	●	◉	●	○	542	578
M&G	IG bonds	Segregated	●	◉	●	○	300	370
Amundi	IG bonds	Segregated	●	◉	●	○	349	402
M&G Sleeve run-off	IG bonds	Segregated	●	◉	●	○	21	24
Amundi	Broad bonds	Pooled	●	◉	●	○	119	125
BlackRock	DAA	Pooled	◉	◉	○	●	-	89
BlackRock (FIGA)	Hedge funds	Pooled	○	◉	○	●	-	36
M&G	Loans	Pooled	●	◉	●	○	185	188
AXA (PCS)	Reg. Cap	Pooled	●	◉	●	○	91	33
							1,607	**1,845**
Cash[1]			○	◉	○	○	**158**	188
Managed assets							**3,483**	**4,558**
DC & AVC Investments		Pooled	◉	◉	◉	◉	**-**	12
Annuity policies			◉	○	◉	○	**2**	3
Net financial assets							**3,485**	**4,573**
Net current assets and other							**17**	6
Net assets of the Scheme							**3,502**	**4,579**

In the above table, the risk noted affects the asset class [●] significantly, [◉] partially or [○] hardly/not at all.

[1] The 2022 cash position includes £23m committed cash to be invested in the AXA IG Bonds when specified market conditions are met.

Notes to the financial statements continued

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy annuity policies or AVCs or DC investments, because these are not considered significant in relation to the overall investments of the Scheme.

Overall framework for investment risk management

Overall approach for investment risk budgeting

The Trustee believes that the maturity of the Scheme and the impact of its size on the Company covenant together warrant a strong focus on managing risk and pursuing the chosen return target in a risk-controlled manner. It takes an integrated risk management approach.

The Trustee has a set a Strategic Target and Risk Framework that is used to assess the level of investment risk within the Scheme and its appropriateness given the Scheme's funding objectives and the Sponsor's financial strength.

The budget for investment risks is derived from striking a balance between three factors:

1. The need for generating investment returns, which is a function of the Scheme's funding objectives
2. The affordability of investment risks by the Sponsor, which is a function of its capacity to sustain a significant deterioration in the Scheme's funding level and contribute to its recovery
3. The investment environment, which may or may not favour taking investment risks.

Each of these factors is assessed using metrics that are regularly updated and reviewed using inputs from the Trustee's investment, actuarial and employer covenant advisers.

The Trustee seeks to control investment risks primarily by setting the following:
A minimum holding in 'off-risk' assets such as cash and UK Government gilts, primarily held in its Liability Matching Fund

Minimum interest rate risk and inflation risk coverage ratio to protect the funding level against the impact of changes in interest rates and inflation

The permitted asset classes for the investment managers and applicable ranges

Investment constraints and risk guidelines within the investment managers' mandates to avoid excessive concentration and risk taking.

Limits on counterparty exposure where the Scheme has entered into derivative instruments or gilt repurchase agreements. Contracted mounts are detailed in note 11.

Given its maturity, the Scheme has to generate significant cash flows from its assets to fund benefit payments. The investment risks associated with this are managed through a liquidity management policy. The policy primarily aims at continuously matching the next few years of benefit payments with asset cash flows and holding a cash buffer to cover unexpected short-term outflows.

Governance of investment risk management

The Trustee Board has ultimate responsibility for investment risk management. The key parameters that determine the amount of investment risk that may be taken within the Scheme, including their distribution across asset classes, are set in the Statement of Investment Principles. The Trustee Board has delegated to the Investment Committee the management of investment risk within the parameters set in the Statement of Investment Principles. The Investment Committee may delegate some of its duties to the Asset and Liability Management Committee. The Executive Office, working with the Scheme's advisers and investment managers, is responsible for the ongoing monitoring of investment risk, for making recommendations to the Trustee Board, Investment Committee or the Asset and Liability Management Committee as appropriate, and for implementing the decisions.

The Trustee has appointed investment managers to manage the investments of the Scheme under agreed mandates. These mandates set out target asset allocations, benchmarks and risk tolerances, which are consistent with the risk limits set by the Trustee. The Trustee Board, Investment Committee and the Asset and Liability Management Committee receive regular reports on risk metrics and on their adherence to their respective limits.

Notes to the financial statements continued

Approach to risk measurement

The Trustee believes that investment risks are multi-faceted and that both quantitative and qualitative inputs are useful in the evaluation of such risks. It relies on analysis generated by its advisers, investment advisers and the Executive Office, using a combination of tools licensed from third parties or developed internally. The Trustee monitors investment risk by assessing the likelihood of potential future events and the scale of their potential impact on the Scheme's assets and funding level. It is typically achieved by measuring the funding level's sensitivity to potential market shocks and scenario analysis of funding level projections.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, enters into derivatives, has cash balances and may enter into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in pooled investment vehicles. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in UK Government gilts (50% of the Scheme's assets held directly) where the credit risk is minimal, or bonds held directly which are rated investment grade by at least one rating agency (a further 29% of the Scheme's assets). The allocation to bonds that are not rated or are rated sub-investment grade (5% of the Scheme's assets) and may be subject to higher credit risk is subject to limits in the investment managers' agreements. Credit risk in those mandates is mitigated by ongoing active management by the investment managers to avoid losses arising from downgrades and defaults. The allocations represent the position at year-end.

The Scheme is exposed to the risk of failure of its counterparties to derivatives and gilt repurchase agreements. The risk is mitigated by permitting the investment managers to transact with a broad set of counterparties and setting concentration limits within the investment managers' agreements. Collateral arrangements are also used to mitigate credit risk.

Direct credit risk arises in relation to pooled investment vehicles (PIV) held directly by the Scheme. Direct credit risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the relevant manager, the regulatory environments in which the PIV managers operate, and diversification of investments among a number of pooled arrangements. In respect of its investments in unit-linked insurance contracts on a pooled basis, the Trustee has selected Legal and General Assurance (Pensions Management) Limited (PMC), which is authorised by the Prudential Regulation Authority, regulated by the Financial Conduct Authority and the Prudential Regulatory Authority and maintains capital (in excess of its liabilities) for its policy holders. Direct credit risk in relation to Legal and General Investment Management Limited (LGIM), PMC's investment manager, is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the rest of the Legal & General Group and the regulatory environment in which PMC and LGIM operate. A summary of PIV by type of arrangement is as follows:

	2023 £m	2022 £m
Open-ended investment companies (OEIC) / Unit Trusts	**585**	556
Investment company with variable capital (SICAV)	**114**	106
Specialised investment fund under French Law	**90**	44
Total	**789**	706

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles, which will include bonds, cash and derivatives. Credit arising from bonds and derivatives is concentrated in the broad bonds, loans and AXA PCS mandates and is mitigated by limits in the guidelines, in order to maintain a degree of diversification, and ongoing active management by the asset managers to avoid losses arising from downgrades and defaults. The risk arising from the derivatives is mitigated by counterparty risk diversification constraints and collateralisation for most of the pooled vehicles used.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are not denominated in sterling, either as segregated investments or via pooled investment vehicles. The Trustee seeks to minimise currency risk within the Investment Grade Bonds mandates by setting a net overseas currency exposure of 10% or less for each mandate, taking into account currency hedging instruments. At the year-end, the exposure to non-sterling assets, net of any currency hedging, was less than 0.8% of the Scheme's total assets.

The Trustee also holds sterling hedged share classes of the pooled funds it has invested into. A currency risk may remain within the pooled funds as a part of the investment strategy pursued by the managers of those pooled funds. It is mitigated by limits set in the guidelines of the pooled funds.

Notes to the financial statements continued

Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's investments are held in cash, bonds and interest rate and inflation swaps (either as segregated investments or through pooled vehicles). The Scheme's actuarial liabilities are also sensitive to gilt yields and inflation. The Trustee seeks to contain the sensitivity of the Scheme's funding level to changes in gilt yields and inflation. This is achieved by setting targets for the ratio of the assets' sensitivity to gilt yields and inflation over the actuarial liabilities' sensitivity to gilt yields and inflation, the Interest Rate Coverage Ratio and Inflation Coverage Ratio respectively. The coverage ratios are translated into the guidelines of the managers of the LMF and the investment grade Bonds' mandate, to which they have to adhere within a degree of tolerance. The coverage ratios are regularly monitored and their target reviewed to take account of the Scheme's funding level and market conditions. At year-end, the target coverage ratios had been set at levels close to 100%, which were achieved.

Other price risk

During the year other price risk arose principally in relation to hedge funds within the Scheme's Investment Portfolio. The holdings in these funds had been sold before the year-end.

16 Fair value determination

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

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

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

sovereign, corporate and asset-backed debt instruments

managed funds investing in securities

derivatives, and

repurchase agreement liabilities.

Debt instruments are valued using prices provided by price aggregation services which source prices from authorised brokers and dealers. These debt instruments are readily realisable in liquid markets.

Holdings of managed funds are normally valued based on unit prices based on current net asset values of the underlying assets. Derivative assets and liabilities are valued using discounted cash flow and options pricing models. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, inflation rates, option volatilities and currency rates.

The valuation of repurchase agreement liabilities reflects amounts borrowed from counterparties.

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

Level 3 assets are loan funds and hedge funds with notice periods. Holdings of managed funds are normally valued based on unit prices based on current net asset values of the underlying assets.

Notes to the financial statements continued

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

	At 31 March 2023			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Fixed interest securities	-	2,928.2	-	**2,928.2**
Pooled investment vehicles	-	518.2	270.5	**788.7**
Derivative contracts	(0.6)	(337.1)	-	**(337.7)**
Cash instruments	12.2	-	-	**12.2**
Annuity policies	-	-	2.3	**2.3**
Other financial assets and liabilities	33.2	-	-	**33.2**
Cash deposits	58.5	-	-	**58.5**
	103.3	**3,109.3**	**272.8**	**3,485.4**

	At 31 March 2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fixed interest securities	-	4,047.5	-	4,047.5
Pooled investment vehicles	-	453.0	252.6	705.6
Derivative contracts	1.2	(345.6)	-	(344.4)
Cash instruments	30.8	-	-	30.8
AVC investments	-	4.4	1.0	5.4
DC investments	-	7.0	-	7.0
Annuity policies	-	-	2.6	2.6
Other financial assets and liabilities	13.2	-	-	13.2
Cash deposits	105.6	-	-	105.6
	150.8	4,166.3	256.2	4,573.3

17 Employer-related investments

At the year-end, less than 0.03% (2022: 0.01%) of assets were invested in employer-related investments within the meaning of Section 40(2) of the Pensions Act 1995.

Notes to the financial statements continued

18 Related party transactions

Four Trustee Directors receive a pension from the Scheme and two others are deferred pensioners. Eight Directors (including Vidett Trustee Services Limited) received remuneration from the Scheme. The total amount is shown in note 7. All Directors are reimbursed for out-of-pocket expenses related to their duties.

The Trustee pays fees to Vidett Governance Services Limited (formerly Punter Southall Governance Services Limited) for secretarial services. During the year Vidett Governance Services Limited became related by reason of common control to Vidett Trustee Services Limited (formerly 20-20 Trustee Services Limited) which is a corporate director of the Trustee.

We calculate all benefits in accordance with the Scheme Rules.

There were a number of transactions agreed between the Sponsor and the Trustee during the year which were as follows:

The Trustee charges Invensys Limited for the administration costs associated with the Defined Contribution section of the Scheme. This amounted to £90k during the year (2022: £45k), which was outstanding at the year end.

Schneider Electric provides office space to the Trustee for the Executive Office. The cost of the office space was £64k (2022: £64k).

Group life insurance premiums are paid by Schneider Electric then recharged to the scheme. This amounted to £4k during the year (2022: £4k).

There have not been any payments made to Invensys Limited or any of its subsidiary companies out of Scheme funds in the past 12 months.

19 Valuation of annuity policies

The Trustee has included a valuation of annuity policies that it holds. The valuation was prepared by the Scheme Actuary. To the extent that annuities are paid via the Scheme the expenditure and income are included within benefits payable and investment income respectively.

20 Guaranteed Minimum Pension Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and has formed a working group that continues to plan its approach to resolving this issue. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. A November 2020 High Court judgment ruled that Schemes were liable to equalise certain benefits transferred out of the Scheme that included an element of GMP. The Scheme Actuary has prepared an estimate of the backdated benefits which relate to equalisation of scheme benefits paid or transferred prior to 31 March 2023 of £30.0m (2022: £27m). These estimates are based on the Trustee's view of the most likely equalisation methodology to be adopted and a top-down assessment of the likely impact on members.

Summary of contributions

Invensys Pension Scheme

Summary of contributions payable during the year ended 31 March 2023

During the year ended 31 March 2023, the contributions payable to the Scheme under the Schedule of Contributions applicable during the year were as follows:

	£k
Pension Protection Fund Levy reimbursement	84.3
Total contributions under Schedule of Contributions	84.3
Special contributions	20,174.8
Total contributions per note 4 of the financial statements	20,259.1

/s/ Kathleen O'Donovan

K A O'Donovan
Chair of the Board

22 September 2023

Actuary’s certificate of Schedule of Contributions (2018 valuation)

Name of scheme: Invensys Pension Scheme

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 could have been expected on 31 March 2018 to continue to be met for the period for which the schedule is to be in force.

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 18 October 2018.

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.

/s/ S M Leake

Steve Leake
Fellow of the Institute and Faculty of Actuaries
XPS Pensions Limited
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

18 October 2018

Actuary's certificate of Schedule of Contributions (2021 valuation)

Name of scheme: Invensys Pension Scheme

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 could have been expected on 31 March 2021 to continue to be met for the period for which the schedule is to be in force.

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 8 April 2022.

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.

/s/ S M Leake

Steve Leake
Fellow of the Institute and Faculty of Actuaries
XPS Pensions Limited
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

8 April 2022

Independent auditor's statement about contributions to the Trustee of the Invensys Pension Scheme

We have examined the summary of contributions to the Invensys Pension Scheme for the Scheme year ended 31 March 2023 to which this statement is attached.

In our opinion contributions for the scheme year ended 31 March 2023 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the scheme actuary on 18 October 2018 and 8 April 2022.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 50 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

Use of our statement

This statement is made solely to the Scheme's Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our work, for this statement, or the opinions we have formed.

/s/ Ernst & Young

Ernst & Young LLP
Statutory Auditor
Reading

27 September 2023

Other Regulatory Reports

Implementation Statement

Statement Regarding DC Governance

Implementation Statement

1 Introduction

This document constitutes the Implementation Statement for the Invensys Pension Scheme ("the Scheme") for the year to 31 March 2023. As noted in the 'Money Purchase Benefits Section' below, all money purchase benefits under the Scheme were transferred to the Aon Master Trust during the Scheme year. Prior to that, the Scheme was a 'relevant scheme' for the purposes of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and this document was prepared in accordance with those regulations.

Under those regulations, the Trustee is required to do the following:

- set out how, and the extent to which, in the opinion of the Trustee, the Statement of Investment Principles ("SIP") has been followed during the year,
- describe any review of the SIP undertaken during the year and any other review of how the SIP has been met,
- explain any change made to the SIP during the year and the reason for the change, and
- where no such review was undertaken during the year in accordance give the date of the last review,
- describe the voting behaviour by, or on behalf of, the Trustee, including the most significant votes cast by the Trustee or on their behalf) during the year and state any use of the services of a proxy voter during that year.

2 Changes to the Statement of Investment Principles

The Trustee reviews the SIP at least triennially, or immediately following a significant change in investment strategy or regulations. The SIP that applied throughout the year to 31 March 2023 was amended on 8 April 2022 and subsequently on 30 March 2023.

The amendments approved on 8 April 2022 were to reflect the finalisation of the Scheme's triennial valuation as at 31 March 2021, in particular the updated Technical Provisions discount rate and Long-Term Objective. The main purpose of the amendments approved on 30 March 2023 concerned the management of climate related risk and opportunities and the transfer of Money Purchase Benefits to the Aon Master Trust.

The current SIP is available on the Scheme's website at https://www.invensyspensions.co.uk .

3 Implementation of the Statement of Investment Principles

The Trustee is of the opinion that it has acted in accordance with the SIP throughout the year.

The Trustee's governance framework around investments was unchanged during the year.

The following sections provides details of key areas of the Trustee's focus over the course of the year to 31 March 2023 to give some examples of how the Trustee has actively considered and sought to implement its stated objectives and beliefs as described in the SIP. This information is split between the management of investments related to Defined Benefits ("DB") and those held for Money Purchase Benefits ("MPB"). Details on the voting and engagement by, or on behalf of, the Trustee, including the most significant votes are provided in the Appendix.

The Trustee does not take into account "non-financial matters" (i.e. the personal views of members and beneficiaries of the Scheme on ethical or other matters) when making investment decisions, and as such these matters were not considered when making investment decisions during the Scheme year.

4 DB Section

A. Overall objectives, investment beliefs and principles, and risk categories

Following the conclusion of the Scheme's Triannual review, the Trustee agreed to adopt as a target return for the Scheme's investments of Gilts+1.1 percentage points (ppts) p.a. until 31 March 2027 and the return on Gilts plus 0.75 ppts p.a. thereafter. In addition to adopting a lower discount for the Technical Provisions, of Gilts plus 0.75 ppts p.a., the Trustee agreed to set a Long Term Objective, which is to be fully funded by March 2030 assuming liabilities are valued with a more prudent discount rate of Gilts plus 0.50 ppts p.a.. That Long Term Objective has been achieved earlier than expected as the Scheme's assets exceeded the liabilities measured on that more prudent basis by £31m as at 31 March 2023. The Trustee's investment beliefs and principles remained the same during the year.

When setting its Investment Policy, the Trustee has regard to several key risks. The Scheme's exposure to those risks is monitored at least on a quarterly basis by either the Trustee Board or one of its sub-committees, or as part of the regular reviews of the asset management mandates. During the year, with the support of its investment advisers, the Trustee focused on the potential impact of the Triennial Actuarial Valuation. The asset allocation was also reviewed in light of rising UK Government bond yields through the year, in particular in September. Actions were considered, and some taken, in order to enhance the asset's risk and return profile. Examples of the areas of focus of the Trustee during the year were:

- Solvency and asset/liability risk: The Trustee closely monitored the evolution of the Scheme's funding level as market conditions changed. The Trustee's investment adviser provided in various occasions analyses of the likely performance of the Scheme's investments and of the evolution of the Scheme's funding level under different scenarios. A few re-allocations were completed during the year. This included the following: (1) an investment of £70m held as excess cash in the AXA IG Bonds mandate in August, (2) increases in the Interest Rate Coverage Ratio ("IRCR") in June, August and March and (3) full divestments from the BlackRock FIGA and DDG funds in October 2022 and March 2023 respectively. As the Scheme's funding level improved relative to the Long Term Objective, the exposure to interest rates was reduced in order to lock-in the funding level improvements that had resulted from higher government bond yields.

- Covenant risk: The Trustee considered as part of the Triennial Valuation, with the support of its covenant adviser, the financial strength of Invensys Limited, the Scheme's corporate sponsor, and the £1.75bn guarantee from Schneider Electric. The Trustee remained of the view that the covenant remained sufficiently strong to continue to support the Scheme and its current level of investment risk.

- Liquidity risk: The Trustee has a long-standing policy of matching its outflows for the following three years primarily with scheduled redemptions from its asset mandates invested in high-quality bonds, and to a lesser extent, distributions from other funds. A buffer is also held in cash to cover potential shortfalls. The Trustee received the required redemptions and was able to meet its benefit obligations, as planned and without being forced to sell any asset. The Trustee reviewed liquidity management policy, as it does every year.

- Collateral Adequacy Risk: The Scheme's investment managers use derivative instruments, such as interest rate and inflation swaps, primarily within its Liability Matching Fund, in order to facilitate the management of interest rate and inflation risks. The rise of government bond yields during the year, which accelerated in pace in September 2022, led to increased collateral demands from the Scheme's counterparties. The Scheme had sufficient assets eligible as collateral to satisfy those demands and was not forced to sell any assets. It also held sufficient assets eligible as collateral to meet further large increase in gilt yields. In light of the experience in 2022, the Trustee has updated its approach to collateral management in order to reflect the scope for higher level of gilt yields and greater volatility.

The Trustee reviewed and adopted its approach towards the management of risks and opportunities associated with climate change. The changes comply with the requirements from DWP which have applied to the Scheme since 1 October 2022. This includes four work streams: governance, strategy, risk management, and metrics and targets. More details are provided in the Scheme's Climate Change report, which is available at www.invensyspensions.co.uk/scheme-documents .

B. Investment Policy

The Trustee has delegated to its Investment Committee (the "IC") the implementation of the Investment Policy. The IC is required to operate within a set of restrictions, which are set out in the SIP and cover the following:

1. The Permitted Strategy Type;
2. The Targeted Rate(s) of Return on Investments;
3. The Risk Tolerances;
4. The Permitted Investable Risk Classes;
5. The Investment Management Structure;
6. The Asset Allocation.

The IC has operated within those restrictions throughout the year.

Implementation Statement continued

The table below shows the asset allocation as at 31 March 2022 and 31 March 2023.

SIP Risk Class	SIP Asset Class	Working Range (%)	Allocation (31.03.23)	Allocation (31.03.22)
Off-risk assets and instruments (Liability Matching Fund)	Assets considered to be the least risky by the Trustee, such as bonds issued by the UK Government or guaranteed by it, collateralised GBP interest and inflation derivatives, gilt repurchase agreements; and cash.	40-65	49	55
Equity	Developed markets equity mandates (including synthetic equity exposure)	0 - 15	0	0
	Emerging markets equity mandates (including synthetic equity exposure)	0 - 7.5	0	0
Credit	Investment Grade Bonds (including asset backed and mortgage backed) Mandates*	15 - 40	35	30
	Absolute Return Credit Mandates	0 - 10	8	7
	Sub Investment Grade Bonds Mandates	0 - 5	0	0
Absolute Return	Fund of hedge funds	0 - 10	0	0
	Single hedge funds (including derivative-based hedge fund strategies)	0 - 5	0	1
	Dynamic Asset Allocation funds	0 - 15	0	2
Commodities	Commodity Funds and derivatives	0 - 10	0	0
Illiquidity	Investments which cannot be liquidated within 12 months in normal market conditions without significant penalties	0 - 5	3	1
Cashflow and Asset Allocation Liquidity	Cash and money market funds/instruments	0 - 10	5	4

**Investment Grade Bond mandates may include sub-investment grade bonds (within limits).*

No allocation was made to the Overlay Portfolio, which remained at 0%.

In addition, the Interest Rate and Inflation Coverage Ratios were maintained within the limits of 80% - 110% set within the SIP. They stood at 95% and 97% respectively as at 31 March 2022, and at 100% and 104% respectively as at 31 March 2023.

The changes in allocation were due to a combination of factors, including scheduled redemptions to fund benefit payments, market movements and re-allocations implemented during the year by the Trustee as explained in the previous section.

C. Arrangements with investment managers

The Trustee has delegated the day-to-day management of the Scheme's assets to professional investment managers. The changes to the arrangement with existing managers through the year were the divestment from the BlackRock FIGA (in the Single Hedge Fund SIP Asset Class) in October 2022 and the divestment from BlackRock DDGF (in the Dynamic Asset Allocation SIP Asset Class) in March 2023. The Scheme also transferred £70m into the AXA PCS VIII fund (in the Illiquidity SIP Asset Class) in two tranches, the first in July and then the second in September. This fund has started to return some capital which remains committed for investment into it.

Implementation Statement
continued

The table below provides an overview of the investment management mandate that were used during the year for the DB Section and an indication of their primary contributions to those strategic considerations.

Asset manager	SIP Asset Class	Segregated / Pooled	Primary contribution to strategic considerations
BlackRock	Liability Matching Fund	Segregated	Cash flow generation, interest rate and inflation risk management
	Dynamic Asset Allocation	Pooled	Return generation
	Single Hedge Fund	Pooled	Return generation
	Cashflow and Asset Allocation Liquidity	Pooled	Liquidity management
AXA	Investment Grade Bonds	Segregated	Cash flow generation, interest rate risk management and return generation
	Illiquidity	Pooled	Return generation
M&G	Investment Grade Bonds	Segregated	Cash flow generation, interest rate risk management and return generation
	Absolute Return Credit Mandates	Segregated	Return generation
Amundi	Investment Grade Bonds	Segregated	Cash flow generation, interest rate risk management and return generation
	Absolute Return Credit Mandates	Segregated	Return generation

The Trustee has delegated the exercise of voting rights of all the underlying holdings and engagement with investee companies and other stakeholders as appropriate to its investment managers. The Trustee believes that it is more appropriate for the DB Section's active managers to carry out these activities as part of their investment process including taking relevant factors such as Environmental, Social and Governance ("ESG") considerations into account and the response from investee companies in respect of any such voting or engagements. Broader stewardship activity including engagement carried out by the DB Section active managers on behalf of the Trustee is reviewed by the Trustee on an annual basis, details of these reviews is set out below. Details on voting activity and engagement as required for this Implementation Statement are provided in the Appendix.

Each of the DB Section's mandates was reviewed by either the IC or the ALCO during the year. The reviews included the following: the past performance of the mandate relative to its benchmark or target, the adherence to key risk metrics, the key investment decisions made by the manager and the assets' turnover, the extent to which relevant and material financial factors were incorporated in the investment process, and the outlook for the mandate. As part of the review process, the DB Section's managers were required to provide some evidence of how ESG considerations have been taken into account in the investment process as well as broader stewardship activity, specifically engagement activity. They were also asked to provide metrics linked to the carbon footprint of their investments and, where possible, how it compares to the metrics of a benchmark.

In addition to the re-allocations and changes in the interest rate hedging ratio mentioned previously, the Trustee made some changes to the DB Section mandates during the year, the main of which were the following:

- The limits that apply to the Liability Fund manager regarding the permitted holdings in gilts,
- The reduction in the maximum amount of derivatives that the manager of the Absolute Return Credit Mandate may use.

5 Money Purchase Benefits Section

- Certain members of the Scheme had during the year entitlements to money purchase benefits ("MPB") emanating from:
  - Additional Voluntary Contributions ("AVC") made by DB members to supplement their DB pension;
  - Contributions to a Defined Contribution ("DC") section of the Scheme that was set up to allow DB members to retain their accrued rights for past service as a deferred defined benefit, and pay lower member contributions for future service;
  - Other legacy benefits including parts of contributions made by DB members that could not be repaid when short service refunds were made and certain former Protected Rights. Those are referred to as Other Defined Contributions ("ODC").

Implementation Statement
continued

Following a detailed diligence process, discussions with advisers and agreement with the Scheme's Sponsor, the Trustee transferred all MPB to the Aon Master Trust during the Scheme year. This statement refers to the 'Scheme Year', this covers the period 1 April 2022 to 21 March 2023 (the effective date of divestment from the Scheme's assets). As at the 21 March 2023, there were 979 members that had money purchase benefits under the Scheme with a value of £11.1m.

A. Selection of investment options

The Trustee offered to members different investment options to satisfy their particular objectives and risk tolerance. The fund options that were previously offered, and covered as part of this report, are described below. The majority of these funds were passively managed in order to reduce costs and improve member value for money. No new investment managers were appointed during the period 31 March 2022 to 21 March 2023.

Asset Category	Fund Name	Type of MPB to which option was available to
UK Equity	LGIM UK Equity Index	DC, AVC
Global Equity	LGIM Global Equity Fixed Weight (50:50) Index	DC
	LGIM World Equity Index – GBP Hedged	DC, AVC
Ethical Equity	LGIM Ethical Global Equity Index	DC, AVC
Bonds	LGIM Corporate Bond All Stocks Index	DC, AVC
	LGIM Over 5 Year Index Linked Gilts Index	DC, AVC
	LGIM All Stocks Gilt Index	DC, AVC
	LGIM Over 15 Year Gilts Index	AVC
	LGIM Pre-Retirement Fund	AVC
Multi-Asset	LGIM Multi Asset Fund	DC, AVC, ODC
With Profits	Prudential With-Profits Cash Accumulation Fund[1]	AVC
Cash	LGIM Cash	DC, AVC
Cash	Prudential Deposit Fund[2]	AVC

[1] *This fund was divested from in December 2022 and invested in the "lifestyling" option transferring to cash, unless members elected otherwise.*
[2] *Only available to members with investment in this fund. This fund was divested from in February 2023 before being transferred into the Aon Master Trust.*

In addition, the Trustee also made available two "lifestyling" options, whereby the allocation is gradually moved from higher risk investments (equities) to lower risk investments (gilts and cash) as a member approaches its target retirement date. No changes were made to the lifestyling options through the period under review.

B. Review of investment options

The Trustee completed a formal Value for Members review in respect of the MPB funds, as at 31 March 2022, in July 2022. The investment options available to members were also considered as part of the decision to transfer the MPB to the Aon Master Trust.

No changes were made to the DC Section's investment strategy or the AVC arrangements during the Scheme year, other than the aforementioned transfer of assets to a Master Trust and the divestments from the Prudential funds.

C. Detail on compliance with SIP

As no material changes were made to the MPB investments until they were transferred out of the Scheme, the Trustee is satisfied that they remained consistent with the policies on the basis of which they were initially selected (the kind of investments held, the balance between different types of investments, risks (including the ways in which risks were to be measured and managed), expected returns, realisation, and financially material considerations). The Trustee considered there was no need for a specific review of its policy on its arrangements with MPB investment managers because it was intending to transfer all MPB assets out of the Scheme during the Scheme Year, and such a review would therefore have been disproportionate. As noted above, the Trustee has a policy of not taking non-financial matters into consideration in respect of investments and complied with this policy during the Scheme Year in respect of MPB.

Implementation Statement - Appendix
Summary of Voting Activity and Engagement

The Trustee has delegated the exercise of voting rights of the underlying holdings and engagement with investee companies and other stakeholders as appropriate to its investment managers.
In line with this approach, the Trustee did not tell investment managers which voting opportunities should be considered most significant. All mandates with holdings in equities were also divested during the year. Where the Trustee is a unit holder of a fund, it seeks to retain the use of voting (and other) rights associated with the operations of that fund. This concerns about 8% of the Scheme's assets.

After the end of the Scheme year and following appropriate considerations, the Trustee set the following stewardship priorities:

- Climate change, as detailed in the Scheme's climate change report.
- Just Transition: the environmental and social impact of climate-change related transition.
- Biodiversity and Natural Capital: water use, deforestation, promotion of circular economy.
- Human Rights and Human Capital Management: compliance with labour rights, and policies on equality, diversity and inclusion.
- Sustainable Innovation & Technology: cybersecurity, risks and opportunities from digital disruption.

The summary of voting activities carried out by the Trustee's investment managers is provided below. Only managers that carry out regular voting activity have been included i.e., those with equity holdings, namely the BlackRock diversified growth fund within the DB Section, the LGIM equity funds, and the LGIM multi-asset fund within MPB.

At the beginning of the Scheme year, 31 March 2022, the proportion of the DB Section of the Scheme held in assets which attract voting rights was 0.6%. Following a full divestment from the BlackRock diversified growth fund in March 2023, the proportion of such assets within the DB Section was 0.0% as at 31 March 2023. In the case of MPB, the LGIM equity holdings represented c.£6.4m with a further c. £2.3m invested in the multi-asset fund at the beginning of the Scheme year. The Prudential With Profits fund represented £0.1m at that time. All assets backing MPBs were transferred during the Scheme year.

Proxy voting

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team, which consists of three regional teams - Americas, Asia-Pacific, and Europe, Middle East and Africa. They make use of several proxy advisory services, one such example being Institutional Shareholder Services ('ISS'), but that is to help them collate and analyse data. BlackRock do not use external providers for voting decisions.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.

DB Section - voting data, year to 31 March 2023

	BlackRock DDGF
Number of meetings eligible to vote	893
Number of resolutions eligible to vote	11,775
% of resolutions voted *of the resolutions eligible to vote*	92.98%
% voted with management*	88.14%
% voted against management*	4.84%
% votes abstained from (included within the voted against management %)*	1.32%
% of meetings where manager voted at least once against management	33%
% of resolutions where manager vote contrary to the recommendation of its proxy adviser? (If applicable) **	n/a
% of resolutions where the outcome of the vote was in line with the managers vote? (if applicable)**	n/a

** BlackRock could not provide a comparison against a proxy manager recommendation*

*** BlackRock could not provide statistics for their votes compared to the outcome of resolutions*

Summary of Voting Activity and Engagement Continued

MPB - voting data, year to 31 March 2023

	LGIM Global Equity Fixed Weights (50:50) Index	LGIM Multi-Asset	LGIM Ethical Global Equity Index	LGIM World Equity Index	LGIM UK Equity Index
Number of meetings eligible to vote	3,197	9,818	1,155	3,145	733
Number of resolutions eligible to vote	41,099	100,094	16,602	38,823	10,870
% of resolutions voted	99.89%	99.83%	99.83%	99.85%	99.94%
of the resolutions voted					
% voted with management*	81.85%	77.55%	81.99%	78.82%	94.46%
% voted against management*	18.02%	21.73%	17.79%	20.49%	5.54%
% votes abstained from*	0.13%	0.72%	0.22%	0.70%	0.00%
% of meetings where manager voted at least once against management	70.03%	71.06%	76.02%	75.60%	37.89%
% of resolutions where manager vote contrary to the recommendation of its proxy adviser? (if applicable)	12.21%	12.43%	12.98%	14.36%	4.23%
% of resolutions where the outcome of the vote was in line with the managers vote? (if applicable)**	n/a	n/a	n/a	n/a	n/a

**Percentages in this table may not add to 100% because of rounding*

*** LGIM could not provide statistics over their vote compared to the outcome of the resolutions.*

For the Prudential AVCs, the voting activity is relevant to the With Profits fund only. A high level of voting on eligible resolutions was observed (98%), low level of votes abstained from (1.0%) and a reasonable level of challenge to management with votes against at 7.0%. Prudential holdings were redeemed in February 2023.

Most significant votes

The voting examples below from BlackRock and LGIM have been deemed most significant by the Trustee as they align with the stewardship priorities of the Trustee, as described above.

Climate change

LGIM voted against management of Royal Dutch Shell Plc on their resolution to approve their Energy transition progress update, as they remain concerned with Shell's disclosed plans for oil and gas production, despite the substantial progress made by the company in strengthening its operational emissions reductions targets. LGIM believe the plans would benefit from further disclosure of targets associated with the upstream and downstream of the business. The outcome of the vote was in favour of the management proposal. LGIM have stated that they will continue to engage with management on this issue and other issues. This position represented about 1.5% of the total MPB assets. The outcome of the vote was 80% in favour of the management proposal.

BlackRock voted for the management proposal seeking to approve the Rio Tinto Group's climate action plan, titled "our approach to Climate Change 2021". The group's climate plan, targets, and disclosures were consistent with what BlackRock state they look for, and, in BlackRock's assessment, demonstrate management and board responsiveness to shareholder feedback. Specifically, BlackRock look for companies to demonstrate they have strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways well below 2°C, as well as global ambitions to limit temperature rise to 1.5°C. the outcome of this vote was in favour of the proposal to pass the climate action plan. The plan also acknowledges the physical and transition risks that climate change poses to Rio Tinto's portfolio, specifically their fossil-fuel based steel activities. This represented 0.04% of the DDFG portfolio.

Human rights and Human capital management

LGIM voted against Amazon's proposal to elect a director because he was a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings. This position represented about 1.25% of the total MPB assets. The outcome of the vote was 93% for the management proposal. LGIM have stated that they will continue to engage with Amazon regarding this issue and monitor the company's progress with regards to Human capital management.

LGIM voted against NVIDIA Corp management proposal to elect a director in June 2022, based on Diversity and Independence. LGIM expect a company to have at least 25% women on the board with the expectation of reaching 30% of women by 2023. LGIM also expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. LGIM continues to engage with the company regarding diversity on the board and independence of the board. This position represented about 0.5% of MPB assets. The outcome of the vote was 84% in favour of the management proposal. LGIM continues to engage on the topics of diversity on the board and independence of the board and will monitor progress over time.

Biodiversity and natural capital
BlackRock voted for the shareholder proposal put forward to Amazon in May 2022 regarding plastic use. The shareholder proposal requested that the Board issues a report describing how the company could reduce its plastics use in alignment with the 1/3 reduction findings of the Pew Report, or other authoritative sources, to reduce the majority of ocean pollution. BlackRock supported this shareholder proposal because, in their assessment, shareholders would benefit from more information on the company's approach to reducing plastic waste arising from their products and services. While BlackRock believe that the company's goals in relation to plastic recycling are clear, Amazon does not explicitly disclose the total amount of plastic used; therefore, it is difficult for stakeholders to determine how effectively the company is managing this material risk and their progress year over year. BlackRock believe that it is in the best interest for Amazon to enhance their disclosure on plastic use as they see it as a material long-term business risk. The outcome of the vote was against the shareholder proposal to issue the report. This position represented about 0.2% of the DDGF.

Engagement with investee companies

This section provides some examples of engagement by the investment managers with companies, the debt or equity of which was held within the funds managed on behalf of the Trustee. The examples have been selected as they align with the stewardship priorities of the Trustee, as described above.

DB Section:

- AXA had a multi-year engagement with a Dublin based cement and construction company, CRH, to understand its plans to reduce emissions, considering the materiality of the company's business to climate change. The engagement started in 2021, where they held a meeting with CRH's head of sustainability and communicated their desire for the construction company to publish an ambitious decarbonisation Plan. They then re-engaged with CRH in 2022 to get an update on their targets and actions towards meeting said targets. Since the initial meeting in 2021 the company had made significant progress and had validated targets under the Science Based Targets initiative (SBTi), backed by a bottom-up plan-by-plant industrial plan. The company also presented the main levers it intended to use in order to achieve its absolute emissions reduction goals. AXA continue to monitor the evolution of CRH's carbon emissions and decarbonisation.
- M&G (ABF) engaged with Unite Group PLC on their human capital management in 2022. Unite is the UK's largest owner, manager, and developer of student accommodation. M&G engaged with the company to make sure they complied with the Parker Review, which the company confirmed they intended to do by 2024. The Parker Review sets targets for inclusion of ethnic minorities within large private companies. As part of a collective engagement with the 30% Club, M&G and other investors met with the company to make their expectations known. Beyond this M&G discussed several Diversity & Inclusion ("D&I") issues, relating to targets, data collection, pay gap reporting and inclusion. Unite have set a target of 34% for women in leadership roles and are looking at reducing barriers to ensure they attract and retain diverse talent. Furthermore, Unite have developed a new Diversity Policy this year through working with Stonewall, as they are aware of the need for a D&I strategy to be intersectional in its approach. Senior leaders underwent privilege and inclusion training to help to work to overcome discrimination, both conscious and unconscious. Overall, M&G were happy with the various initiatives that Unite had taken to improve the diversity and inclusion of their workplace and in particular their emphasis on intersectionality. M&G will continue to monitor Unite to ensure that they comply to the Parker Review.
- BlackRock engaged with Alphabet, Inc. over the Scheme year on Natural capital and water use. BlackRock has a long history of engagement with Alphabet's leadership where they have discussed a range of corporate governance and sustainable business matters. This has included discussions on the company's approach to human capital management, diversity, equity and inclusion, natural capital and executive compensation. In June 2022 BlackRock voted in support

Summary of Voting Activity and Engagement Continued

of the shareholder proposal to report on metrics and efforts to reduce water related risk because, in their assessment, shareholders would benefit from more information on the company's approach to water dependencies and impact. Notably, Alphabet's peers already provide this level of information, and for this reason, they believe it is in the best interest of their clients that Alphabet enhance their disclosure on this material long-term business risk.

- M&G (ELF) engaged with the animal health company, Ceva Sante Animale regarding their cybersecurity disclosure, following a breach in November 2020. M&G reported that the company has taken a number of steps to improve their cyber-security since the engagement in January 2022, including producing a two year road map for implementing security projects with weekly meetings to discuss progress and Exco oversight. However, there is no ISO 27001 certification of IT systems. M&G have stated that they will follow up on progress in 12 months.

MPB:

- LGIM's engagement with Glencore recently with regards to their concerning exposure to coal and mining. LGIM are committed to accelerating the move towards transition enabling metals and materials that shift away from fossil fuels. Whilst LGIM were welcoming of Glencore's prioritisation of investing in metals that support the energy transitioning and improving their interim emissions-reduction targets. However, they believe that Glencore's lack of time-bound commitments from exiting, or even reducing, coal production in order to meet the global 1.5 degrees target. LGIM voted against the company resolution to approve the climate progress report as it did not feel as though Glencore's activities around thermal coal and lobbying, were consistent with the required ambition to stay within the 1.5°C trajectory. Whist the majority vote was in line with management LGIM have said they will continue to engage with the company regarding this.

Trustee's conclusions on voting and engagement

The Trustee's policy on voting and engagement in its SIP has, in essence, two parts. The first is to delegate responsibility to the Investment Managers, who are best placed to take relevant considerations into account when determining how to exercise voting rights and to engage with issuers of securities. The second is to monitor and review their activities in this area to ensure that these are aligned with the Trustee's views. The Trustee monitored and reviewed the voting behaviour along with engagement activities that took place on their behalf during the Scheme Year within their investment portfolio and is pleased to report that the Investment Managers have demonstrated high levels of voting activity where relevant, challenges to management and active engagement on a range of relevant topics and that these actions align with the Trustee's expectations (set out in the SIP) of stewardship seeking to enhance and protect the value of the Scheme's investments. Overall, the Trustee is satisfied that its monitoring and review of voting and engagement activities undertaken by the Investment Managers have been in accordance with its policies.

Statement regarding DC governance

Money Purchase benefits under the Scheme

This statement is given in accordance with the requirements of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) ('the Administration Regulations') to provide members who have money purchase benefits under the Scheme with information about the investment arrangements and to explain how these benefits are governed and administered.

This statement covers the money purchase benefits under the Scheme described above, including the DC Section of the Scheme ('the DC Section') and the Additional Voluntary Contribution arrangement of the DB Section ('the AVC arrangement')[2].

Following a detailed diligence process, discussions with advisers and the Company, the Trustee transferred all money purchase benefits to the Aon Master Trust ("AMT") in March 2023. The Trustee believes that the AMT will provide members with a more flexible solution for money purchase benefits, and ensure good value and access to a broader range of investment funds. Members will also have access to online tools to help with their retirement planning and make changes to their investment choices online.

As such, where this statement refers to the 'Scheme Year', this covers the period 1 April 2022 to 21 March 2023 (the effective date of divestment of all money purchase benefits from the Scheme).

This statement covers 979 of our members that had money purchase benefits under the Scheme with a value of £11.1m at 21 March 2023 (the date of transition to the AMT, as detailed above).

Certain members of the Scheme had entitlements to money purchase benefits emanating from:

- Additional Voluntary Contributions (AVCs) made by Defined Benefit (DB) section members to supplement their DB pension;
- contributions to a Defined Contribution (DC) section of the Scheme that was set up to allow DB members to retain their accrued rights for past service as a deferred DB benefit, but pay lower member contributions for future service;
- other legacy benefits including parts of contributions made by DB members that could not be repaid when short service refunds were made and certain former Protected Rights.

DC Section

Default arrangement

The DC Section was never used for auto-enrolment and closed to future accrual on 31 March 2015. As such, it was not required to meet some requirements for default arrangements, such as the preparation of a special statement of investment principles. However, for information purposes the Trustee is providing details of the default arrangement that operated prior to closure of the Scheme to the accrual of benefits, and that was updated following a strategy review during 2018.

Members of the DC Section of the Scheme who did not make an explicit choice regarding the investment of their funds were invested into a lifestyle option as the default arrangement.

The objective of the lifestyle option was to provide investment growth by investing in return-seeking assets at younger ages when funds were invested wholly in equities, with a gradual switching of assets over the 20 years before the member's expected retirement date, towards a final position of 100% cash. The lifestyle fund itself invested in a series of funds managed by Legal & General Investment Management Ltd. These funds were managed passively and the total expense ratios were in the region of 0.100% to 0.223% of the fund value, depending on the fund, over the Scheme Year.

By investing in this manner, the Trustee aimed to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with an increased focus in later years on reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustee considered this approach to be in the best interests of relevant members and relevant beneficiaries.

[2] For the purposes of this statement, information regarding other legacy benefits that were secured by defined contribution investments are also included in the AVC arrangement category in this statement as indicated.

Statement regarding DC governance continued

Review and changes made during the Scheme year

No changes were made to the DC Section's investment strategy during the Scheme year, other than the aforementioned transfer of assets to the AMT. See the "Value for Members" section below for more details.

AVC arrangement

Review and changes made during the Scheme year

As per the DC Section, the Trustee decided to transfer the entirety of the Scheme's AVC assets to the AMT. See the "Value for Members" section below for more details.

Separately, over the course of the Scheme year, the assets invested in Prudential funds were redeemed and invested in Legal & General Investment Management Ltd (LGIM) funds, specifically:

- Prudential Deposit assets were redeemed and invested in the LGIM Cash Fund in February 2023 as a preliminary step to the transfer to the AMT; and
- Prudential With-Profits assets were redeemed and invested in the default arrangement in December 2022. The Trustee had received preliminary advice that this arrangement would offer better value-for-money to the members. Those members were provided with the choice to invest the proceeds in a different fund within the range of available options for AVC arrangements.

Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pensions Regulator's Code of Practice 07. The comments in this section relate to the Trustee as a body in dealing with the whole Scheme and are not restricted to the DC section.

The Trustee has put in place arrangements for ensuring that Trustee Directors take personal responsibility for understanding pension and trust law and keeping up to date with relevant developments, and that they carry out a self-assessment of training needs. The Chair of the Trustee holds regular performance meetings with each Trustee Director, supplemented by informal feedback from advisers. The performance of the Board and each of its committees is also regularly reviewed. The Executive Office arranges for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate, including annual training away-days and additional training at trustee and committee meetings by external advisers on trust specific issues and documentation and developments in law and practice, including environmental, social and governance investment-related issues and data protection. A record of training undertaken is maintained by the Trustee and is reported in the Annual Report. In addition, the Trustee receives advice from professional advisers to supplement the knowledge of the Trustee Directors, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.

All the existing Trustee Directors have completed the relevant sections of the Pensions Regulator's Trustee Toolkit and new Trustee Directors are required to complete this within six months of taking up office. Taking account of actions taken individually and as a trustee body, and the professional advice available to it, the Trustee Directors consider that they are properly enabled to exercise their functions as trustees.

Processing Scheme transactions

The Trustee had, over the Scheme year, a specific duty to ensure that core financial transactions (including transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC Section and AVC arrangement were processed promptly and accurately.

For the DC Section, and for other legacy benefits that were secured by defined contribution investments, these transactions were undertaken on the Trustee's behalf by the Scheme administrator, XPS Administration, and its investment manager, Legal & General Investment Management Ltd (LGIM). For the AVC arrangement these transactions were additionally carried out in the year by The Prudential Assurance Company Limited (Prudential).

Statement regarding DC governance continued

The transfer of money purchase benefits to the AMT in March 2023 was a particularly important transaction, The trustee worked with its legal and investment advisers, the Scheme administrator, its investment manager, and Aon to ensure prompt and accurate processing. A detailed transition plan was developed and implemented. It included a pre-funding facility in order to protect against out-of-market risk.

The Trustee's service agreement with the administrator sets clear standards and deadlines for the accurate and timely processing of transactions. Reports were prepared by the administrator that show, for various activities, the percentage of cases that were completed within the agreed time and for cases not completed within the target period, a summary of how many days after the target these cases were completed. These reports were reviewed by the Trustee each quarter. The administrator committed to using only suitably trained, skilled and experienced personnel on Scheme matters, and to operating in accordance with its own published, and independently audited, internal operating control framework, which includes requirements for supervision and reconciliation of transactions. The Trustee received quarterly reports on performance against those service levels. In addition, the Trustee received and reviewed the Scheme administrator's annual assurance report on its internal controls, produced by an independent reporting accountant, to support its assessment of whether the controls are operating effectively.

The service agreement included an agreed process for reporting on, and promptly correcting, any errors, with financial penalties for non-compliance. This process worked to the Trustee's satisfaction.

In the light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations have been met.

Security of assets

The Trustee, with its legal adviser, assessed the protections offered to Scheme members should any of the Scheme fund providers run into financial difficulty.

Up until 21 March 2023, the Trustee held insurance policies with the fund provider[3], under which members' investments are made. The Trustee believes that, in the event of insolvency of any such fund provider, the Trustee would have been able to claim compensation through the Policyholder Protection Scheme ("FSCS") on members' behalf.

The Policyholder Protection Scheme is operated by Financial Services Compensation Scheme Ltd, which is an independent body set up by the government to protect consumers when authorised financial services firms fail. The FSCS aims to ensure investors get back 100% of the value of their insurance policy in the event of the insolvency of the insurer. The FSCS does not protect against movement in the underlying value of the assets of the funds. Further information regarding the FSCS is available at fscs.org.uk. Please note that the terms of the FSCS may be subject to review and amendment from time to time by the UK Prudential Regulation Authority.

Charges and transaction costs

The Trustee reviewed the charges and transaction costs borne by Scheme members every year to determine whether or not those charges and costs represented good value for money for members. Performance of the DC and AVC funds net of member charges were also monitored on a quarterly basis and annual basis respectively.

In this section, the four sources of charges and transaction costs incurred during the Scheme year are set out below:

1. Total expense ratio or "TER" (% p.a.): This was the ongoing charge levied on member assets by the fund provider for investment management services and running costs. For the Prudential funds, the TER also included member record-keeping and administration services (see point 4 below).
2. Transaction costs (ongoing): These were the transaction costs arising when the fund manager buys/sells securities as part of its ongoing management of the fund. Examples of such costs include custodian fees on trades, transaction taxes, broker commission, and 'slippage costs' (the difference between the market price of a trade at the time the order enters the market, and the actual execution price) or bid-offer spreads.
3. Transaction costs (incurred in implementing strategy changes): These were the transaction costs arising as a result of the selling of funds as part of the transfer of the DC and AVC assets to the AMT. These transaction costs also included the cost of divesting from Prudential assets and investing the proceeds in LGIM assets within the AVC arrangement (detailed below).

[3] The fund provider as at 21 March 2023 was Legal & General Assurance (Pensions Management) Limited

Statement regarding DC governance continued

4. Member administration fees: For the Prudential funds, the ongoing member charge also includes member record-keeping and administration services. Prudential did not separate out their ongoing charge between investment management, running costs and administration, but rather quote a single ongoing charge encompassing all these services.

Ongoing transaction costs under category 2) above have been disclosed as the costs over the most recently-available 12 month period. Where unavailable, the Trustee does not expect the transaction costs for the 12 months to 21 March 2023 to be meaningfully different to those costs disclosed in this statement.

Some of the ongoing transaction costs shown are negative, which indicates a gain. This is mainly a result of an anti-dilution offset (an adjustment made by the manager so that the cost of buying and selling fund units is met by those transacting), a negative 'slippage' cost when buying or selling securities (e.g. for an asset being bought, the arrival price being higher than the actual price paid), or both. Where the anti-dilution offset outweighs the other sources of transaction costs, this results in an overall gain for invested members.

The estimated transaction costs incurred in implementing the strategy changes within the AVC arrangement, specifically the redemption of Prudential With-Profits funds and investment in LGIM Funds, were positive, indicating a loss. The total transaction costs have been estimated as, in the worst case, 0.05% of assets transitioned[4].

DC Section

The members incurred a total expense ratio ("TER") ranging from 0.100% p.a. to 0.300% p.a. of the sum invested, depending on the fund(s) in which they were invested. As a reference, this is significantly lower than the maximum allowed of 0.750% p.a. for a default fund used for auto-enrolment purposes.

The table below sets out information on charges and transaction costs for the funds available to members during the Scheme year.

LGIM Fund	TER (% p.a.)	Transaction costs (ongoing) % p.a.[2]	Transaction (sell) costs as part of move to the AMT % p.a. [3]
Global Equity Fixed Weight (50:50) Index	0.165	0.051	-0.258
UK Equity Index	0.100	0.038	-0.556
AAA-AA-A Corporate Bond All Stocks Index[1]	0.150	-0.016	0.000
Over 5 Year Index-Linked Gilt Index[1]	0.100	0.207	0.000
Cash[1]	0.125	0.032	0.000
World Equity Index[1]	0.200	0.071	0.002
World Equity Index – GBP Hedged[1]	0.223	0.179	0.008
Multi-Asset Fund	0.250	0.050	0.077
Ethical Global Equity Index	0.300	0.003	-0.051

Source: LGIM

1. Fund used in the lifestyle profiles during the Scheme year.
2. Ongoing transaction costs shown cover the 12 months to 31 December 2022.
3. This represents the implicit transaction costs associated with divestment from the current fund range. This does not include the transaction cost associated with buying assets in the new fund range (within the Master Trust)

Members who were invested in the default or alternative lifestyle option may have been invested in a combination of these funds; each member's annual benefit statement will set out how much they had invested in each fund. The table below sets out the charges and transaction costs applicable during the Scheme year at selected terms to retirement for the two lifestyles.

[4] The estimated total transaction cost comprises of the actual cost of selling Prudential With-Profits and purchasing assets in the default lifestyle, plus the cost of selling Prudential Deposit assets and purchasing assets in the LGIM Cash Fund. For the With-Profits assets, this assumes the impacted members were invested in the worst case position (i.e. with the greatest transaction cost) in the lifestyle on the specified trade date(s). This is a worst case estimate and so the actual cost is expected to be lower than that calculated. The cost of selling Prudential Deposit fund and buying LGIM Cash was zero. Source: LGIM (prices, May 2023); Schroders Solutions (calculations, May 2023).

Statement regarding DC governance continued

Years to target retirement date	Default lifestyle TER (% p.a.)	Default lifestyle Transaction costs (ongoing) % p.a.[1]	Alternative lifestyle TER (% p.a.)	Alternative lifestyle Transaction costs (ongoing) % p.a.[1]
20 or more years to retirement	0.212	0.125	0.212	0.125
15 years to retirement	0.203	0.122	0.203	0.122
10 years to retirement	0.194	0.119	0.194	0.119
5 years to retirement	0.160	0.094	0.152	0.116
At retirement	0.125	0.032	0.106	0.163

Source: LGIM

1. The transaction costs shown cover the 12 months to 31 December 2022.

AVC arrangement

The members incurred a total expense ratio ("TER") ranging from 0.1% to 1.00% p.a. of the sum invested, depending on the fund(s) in which they were invested.

The two lifestyle profiles that were available to DC Section members (targeting cash and annuity purchase at retirement respectively) were also available to AVC members. The costs and charges over the Scheme year applicable at selected terms to retirement are set out in the previous section relating to the DC Section.

Total expense ratios for the additional funds that were available to AVC members during the Scheme year are set out in the tables below:

LGIM Fund	TER (% p.a.)	Transaction costs (ongoing) % p.a.[2]	Transaction costs (sell) % p.a.[3]
UK Equity Index	0.100	0.038	-0.556
AAA-AA-A Corporate Bond All Stocks Index[1]	0.150	-0.016	0.000
Over 5 Year Index-Linked Gilt Index[1]	0.100	0.207	0.000
World Equity Index[1]	0.200	0.071	0.002
World Equity Index – GBP Hedged[1]	0.223	0.179	0.008
Multi-Asset Fund	0.250	0.050	0.077
Over 15 Year Gilts Index	0.100	0.192	0.000
All Stocks Gilts Index	0.100	0.180	0.000
Pre-Retirement Fund	0.150	0.080	-0.369
Ethical Global Equity Index	0.300	0.003	-0.051
Cash[1]	0.125	0.032	0.000

Source: LGIM.

1. Fund used in the lifestyle profiles during the Scheme year (to 20 March 2023).
2. The transaction costs shown cover the 12 months to 31 December 2022.
3. This represents the implicit transaction costs associated with divestment from the current fund range prior to the transfer to the AMT. This does not include the transaction cost associated with buying assets in the new fund range (within the AMT)

Prudential Fund	TER (% p.a.)	Transaction costs (ongoing) % p.a.[1]	Transaction costs as part of changes to the fund range % p.a.[2]
Deposit	no explicit charges	0.000	0.000
With Profits Cash Accumulation	1.000	0.170	0.051

Source: Prudential.

1. Ongoing transaction costs for the 12 months to 31 March 2023 are not available as at the date of this statement. Prudential expects to publish transaction cost data for the 12 months to 31 March 2023 in September 2023. Ongoing transaction cost data shown is the latest available from Prudential for its funds, as follows:
   - With Profits Cash Accumulation and Deposit: 12 months to 30 June 2022
2. The estimated total transaction cost comprises of the actual cost of selling Prudential With-Profits and purchasing assets in the default lifestyle, plus the cost of selling Prudential Deposit assets and purchasing assets in the LGIM Cash Fund. For the With-Profits assets, this assumes the two impacted Policyholders were invested in the worst case position (i.e. with the greatest transaction cost) in the Lifestyle on the specified trade date(s). This is a worst case estimate and so the actual cost is expected to be lower than that calculated. The cost of selling Prudential Deposit fund and buying LGIM cash was zero. Source: LGIM (prices, May 2023); Schroders Solutions (calculations, May 2023).

Statement regarding DC governance continued

Net investment returns

Since 1 October 2021, the Trustee has been required to calculate and state the return on investments from the Scheme's default and self-select funds, net of transaction costs and charges. The regulations state that the Trustee should include as a minimum the net return for the Scheme year and report the performance over longer periods where possible.

The table below shows the net performance for the two lifestyle strategies: the default lifestyle (cash targeting at retirement) and the alternative lifestyle (annuity targeting at retirement).

Performance to 20 March 2023		1 year		3 year p.a.		5 year p.a.	
Lifestyle strategy	Age	Fund	Index	Fund	Index	Fund	Index
Default (Cash-Targeting)	*25*	-7.2%	-6.9%	15.1%	15.3%	8.4%	8.6%
	45	-7.2%	-6.9%	15.1%	15.3%	8.4%	8.6%
	55	-9.9%	-9.7%	10.6%	10.9%	6.1%	6.3%
Alternative (Annuity-Targeting)	*25*	-7.2%	-6.9%	15.1%	15.3%	8.4%	8.6%
	45	-7.2%	-6.9%	15.1%	15.3%	8.4%	8.6%
	55	-9.9%	-9.7%	10.6%	10.9%	6.1%	6.3%

Source: LGIM, Schroders Solutions. Age specific return detailed in the table above is based on a member with a target retirement age of 65. Performance is calculated using the static asset allocation for a member at the ages shown.

Performance is shown net of fees and implicit transaction costs. **Past performance is not a guide to future returns**

The information set out below shows the net performance for all funds in which members were invested or have been able to invest during the scheme year (including those funds underlying the lifestyle strategies reported above).

Performance to 20 March 2023 (unless otherwise stated)	1 year		3 year p.a.		5 year p.a.	
Fund (*Benchmark Index*)	Fund	Index	Fund	Index	Fund	Index
LGIM Global Equity Fixed Weight (50:50) Index *(Composite of 50% FTSE All Share Index 17.5% FTSE Developed Europe ex UK Index 17.5% FTSE North America Index 8.75% FTSE Japan Index 6.25% FTSE World Asia Pacific ex Japan Index)*	-1.1%	-1.0%	13.4%	13.6%	6.4%	6.5%
LGIM UK Equity Index *(FTSE All-Share Index)*	-0.2%	-0.2%	12.8%	12.8%	4.4%	4.4%
LGIM AAA-AA-A Corporate Bond All Stocks Index *(Markit iBoxx £ Non-Gilts (ex-BBB) Index)*	-9.6%	-9.3%	-3.9%	-3.6%	-1.2%	-1.0%
LGIM Over 5 Year Index-Linked Gilt Index *(FTSE Actuaries UK I-L Gilts Over 5 Years Index)*	-32.2%	-32.1%	-10.1%	-10.0%	-4.7%	-4.6%
LGIM Cash *(Sterling Overnight Index Average)*	2.0%	2.1%	0.6%	0.8%	0.6%	0.7%
LGIM World Equity Index *(FTSE World Index)*	-4.2%	-4.0%	15.5%	15.7%	9.9%	10.0%
LGIM World Equity Index – GBP Hedged *(FTSE World Index - GBP Hedged)*	-10.1%	-9.8%	14.6%	14.9%	6.9%	7.2%
LGIM Multi-Asset Fund *(ABI Mixed Investment 40-85% Shares Sector)*	-6.7%	-5.8%	5.6%	7.9%	3.5%	3.7%
LGIM Ethical Global Equity Index *(FTSE 4Good Developed Index)*	-2.9%	-2.5%	16.1%	16.6%	11.0%	11.4%
LGIM Over 15 Year Gilts Index *(FTSE Actuaries UK Conv Gilts Over 15 Years Index)*	-29.1%	-29.0%	-16.4%	-16.3%	-6.3%	-6.2%
LGIM All Stocks Gilts Index *(FTSE Actuaries UK Conv Gilts All Stocks Index)*	-15.6%	-15.5%	-9.0%	-8.9%	-3.0%	-2.9%

Statement regarding DC governance continued

Performance to 20 March 2023 (unless otherwise stated)	1 year		3 year p.a.		5 year p.a.	
Fund (*Benchmark Index*)	Fund	Index	Fund	Index	Fund	Index
LGIM Pre-Retirement Fund *(Composite of gilts and corporate bond funds)*	-19.2%	-18.7%	-8.3%	-10.2%	-3.1%	-2.7%
Prudential Deposit Fund *(Bank of England Base Rate)*	2.1%	2.3%	0.8%	0.9%	0.8%	0.8%

Source: LGIM, Prudential. Prudential Deposit fund performance is to 31 March 2023. The Prudential Deposit fund was fully divested from in February 2023.

Performance is shown net of fees and implicit transaction costs. **Past performance is not a guide to future returns**

The majority of passive funds performed in line with (i.e. within +/- 0.25% of) their respective indices over all time periods assessed, net of fees. In most cases, where a fund fell outside of this tolerance, this was driven by the fund's ongoing management fee and only breached the tolerance by a maximum of 0.2% p.a. However, the LGIM Pre-Retirement Fund, over the three-year period underperformed its benchmark by 1.9% p.a. This fund's benchmark comparator changed over the Scheme year and LGIM expect some shorter-term volatility of the fund, versus its benchmark, as a result of this. The (actively managed) LGIM Multi-Asset Fund has underperformed by 0.9% versus its comparator over the year to 20 March 2023.

Projected impact of costs and charges

Given the transfer for Scheme assets to the AMT, the Trustee does not consider it can reasonably provide projected impact of costs and charges in this Statement. The Trustee believes that providing an illustration by reference to the funds which had been available under the Scheme would be misleading to members (since the future costs applicable to their pension savings will instead be those of funds available to them under the AMT) and would therefore not be suitable.

Value for members

Up until the transfer to the AMT, the Company was responsible for paying all the administration costs associated with the DC Section, and in respect of the LGIM funds within the AVC arrangement. As an indication of the benefit, our Investment Advisor estimates that the administration services paid for by the Company would cost members invested with Legal & General an annual charge of 0.2% to 0.25% if administration services were supplied by a fund provider and deducted from members' funds.

In addition, the Trustee was contracted to pay an annual fee to Legal & General Assurance (Pensions Management) Limited, the fund provider, should total invested funds fall below a threshold value as at the start of a calendar year.

With the AVC arrangement, ongoing member charges for the Prudential funds included some administration services, for example member record-keeping and provision of an annual benefit statement.

Total expense ratios

Within the DC Section, the average total expense ratio throughout the default arrangement range was lower than the average member charge for similar-sized trust-based DC arrangements, published by the Department for Work & Pensions in its latest survey of DC charges.

Within the AVC arrangement, the LGIM fund charges were consistent with those in the DC Section fund range. The Prudential With-Profits funds, other than the Deposit fund had higher member charges than the passive LGIM funds. This is in part due to it being actively managed and including administration services as well as investment management. Overall, compared with similar options available in the wider DC fund market, the Trustee was comfortable these options represent reasonable value for members.

The Trustee was satisfied that this charging structure was appropriate for members and represented good value for money, taking account of the size of the Scheme funds and the fact that there will be no future contributions to increase the fund size.

Transaction costs

LGIM Funds

All the LGIM funds (except for the Cash and Multi-Asset funds) are passively managed with the aim of tracking their respective benchmark indices before the deduction of their total expense ratio, but after the deduction of transaction costs. The Trustee

Statement regarding DC governance continued

regularly monitored performance of the funds against their objectives and is was satisfied the objectives have been met over the Scheme year, after the deduction of transaction costs.

The transaction costs over the year for the actively managed (Multi-Asset and Cash) funds were slightly positive. Fund performance was behind its performance comparator over the year for each fund, though the Trustee does not view the transaction costs incurred as a material contributor to the funds' underperformance.

The Trustee was satisfied that the transaction costs incurred over the Scheme year for each of the available funds were acceptable in the context of the funds' objectives.

Non-LGIM Funds

For the Prudential funds present in the Scheme as at 31 March 2022 over the Scheme year, the Trustee was comfortable the transaction costs incurred by the managers were reasonable in the context of overall fund performance.

Governance costs and Other Services

The Trustee is not legally required to carry out a formal Value for Members assessment of services that they do not pay for. These include certain governance and administration costs which are paid for by the Scheme Sponsor. The Trustee is aware that smaller money purchase arrangements may offer more limited services and investment choices than are available in larger arrangements. The Trustee assessed the feasibility of alternative options during the year to March 2023, which ultimately led to Scheme assets being transferred to the AMT.

Transfer to the AMT

As explained in the introduction, the Trustee performed during the year a review of the DC and AVC arrangements. This included an analysis of the offering of various providers of money purchase benefits. The Trustee concluded that the AMT would provide better for value for members. In particular, the Trustee believes that the AMT will provide members with a more flexible solution to manage their money purchase benefits, access to a broader range of investment funds with competitive fee levels. Members will also have access to online tools to help with their retirement planning and make changes to their investment choices online.

Conclusion

Overall, the Trustee is satisfied that value for members was present in the Scheme over the Scheme year until the money purchase benefits were transferred to the AMT in March 2023. The Trustee also believes that the AMT will provide better value for members.

Statement regarding DC governance continued

Overall Conclusion

As Trustee of the Scheme, we have reviewed our systems, processes and controls across key governance functions and considered the Pensions Regulator's recommendations for defined contribution schemes. Our assessment is that our systems, processes and controls were appropriate to the Scheme and were also consistent with the requirements and recommendations for governance set out in the Pensions Regulator's for the period during which money purchase benefits were provided by the Scheme:

- Code of practice 13: Governance and administration of occupational defined contribution trust-based schemes (the 'DC Code')
- Regulatory guidance for defined contribution schemes.

Based on our assessment and for the reasons set out earlier in this statement, we believe that we have met the standards of practice set out in the DC code and applicable DC regulatory guidance.

The Statement regarding DC governance was approved by the Trustee and signed on its behalf by:

/s/ Kathleen O'Donovan

Kathleen O'Donovan
Chair of the Board

22 September 2023

Members' information

Please keep the Scheme informed if you change your address. You can update your details on MyPension.com or write to the Scheme Administrator using the details below.

Scheme administration

XPS Administration
PO Box 562
Middlesbrough
TS1 9JA

Phone: 0191 341 0600
Email: invensyspensions@xpsgroup.co.uk

If you need more information about the Scheme or your own pension position, please contact XPS Administration at the above address. You can also access your pension data online by visiting https://login.MyPension.com/ips.

The Scheme's website at www.invensyspensions.co.uk provides more detailed information on the Scheme and copies of historical newsletters.

Events calendar

Date	Event
September 2023	Issue of Scheme Report & Accounts
October 2023	Issue of 2023 IPS News
31 March 2024	End of Scheme financial year
September 2024	Issue of Scheme Report & Accounts
October 2024	Issue of 2024 IPS News

Website links

The links below have been chosen to provide you with information on pensions. Invensys Pensions is not responsible for the content or reliability of linked websites. Linking should not be taken as an endorsement of any kind. We cannot guarantee that these links will work all the time and we have no control over the availability of the linked pages.

Association of British Insurers

www.abi.org.uk

Association of Consulting Actuaries

www.aca.org.uk

Department for Work and Pensions

www.gov.uk/dwp

Financial Conduct Authority

www.fca.org.uk

Institute and Faculty of Actuaries

www.actuaries.org.uk

Pensions and Retirement Planning

www.moneyandpensionsservice.org.uk

HM Revenue & Customs

www.hmrc.gov.uk

Schneider Electric

www.schneider-electric.com

The Pensions Advisory Service

www.pensionsadvisoryservice.org.uk

Pensions Policy Institute

www.pensionspolicyinstitute.org.uk

The Pensions Management Institute

www.pensions-pmi.org.uk

The Pensions Ombudsman

www.pensions-ombudsman.org.uk

Pension Protection Fund

www.ppf.co.uk

The Pensions Regulator

www.thepensionsregulator.gov.uk

Glossary

Active member A member of a scheme who is presently accruing benefits under that scheme in respect of current service.

Actuarial assumptions The actuary's view of the future trends that will affect the Scheme's assets and liabilities.

Actuarial certificate The certificate required to be given by the actuary in certain circumstances, e.g. if there is a surplus or if there is a bulk transfer.

Actuary An actuary advises on financial questions involving probabilities relating to mortality and other contingencies. In relation to pension schemes, an actuary is a professional adviser who must be appointed by trustees under the Pensions Act 1995. The actuary assists the trustees (or managers) of a scheme on funding issues and conducts a regular actuarial valuation. Actuaries must be members of the Institute and Faculty of Actuaries.

Additional Voluntary Contributions (AVCs) Members can make AVCs to their occupational scheme. This enables them to have top-up benefits.

Augmentation The process by which a member or other person has his/her benefits increased by the Trustee, subject always to the consent of Invensys Limited as Founder of the Scheme and the payment of additional contributions as determined by the Trustee on the advice of the actuary.

Basis Point (bp) A basis point is one hundredth of a percent. 50 basis points is equal to 0.5%

Bonds A form of lending to a company, government or other entity. The borrowing entity pays regular interest on the bond and then repays the amount borrowed at a set date in the future.

Broad Bond Funds Funds investing in a variety of type of bonds. Investments would typically include bonds with a credit rating higher or lower than Investment Grade, or bonds issued by companies or governments in developed and developing economies.

Bulk PIE An offer made to pensioners to exchange some of their increasing pensions for a non-increasing pension.

Company The Company is Invensys Ltd, the Sponsor and founder of the Scheme.

Contributions The regular amounts paid into a scheme by a member and the regular and lump sum payments made by an employer to the scheme.

Covenant The promise by the Company that it will provide the funding for the Trustee to pay the benefits.

Credit Spreads A credit spread is the difference in yield between two bonds of similar maturity but different credit quality. Typically, the bond with the higher credit quality is issued by a government.

Deed of amendment A legal document that amends a scheme's trust deed and rules.

Deferred member A person who ceases to be an active member of a pension scheme, but does not receive his/her pension immediately.

Deficit The amount by which the value of future liabilities is greater than the value of the assets of a scheme.

Derivatives Investment assets and investment liabilities that derive their value from the price or rate of some underlying item.

Equities Stocks or any other security representing an ownership interest.

Foreign exchange forward contracts Contractual agreements to exchange specified currency amounts at a specific date in the future. The contracts are transacted in the over the counter market.

Fully funded The point when the value of a scheme's assets meets its future liabilities.

Fully funded scheme A scheme that has a 100% or greater funding level.

Futures Contract is a legal agreement to buy or sell a particular commodity or financial asset at a predetermined price at a specified time in the future.

Gilts are bonds issued by the UK Government to raise money. The investment is paid to the UK Government as a loan and the holder receives interest over a fixed period of time until the amount lent is repaid.

Governance The structure, behaviour, policies and procedures adopted by the Trustee to manage and control the Scheme.

Guarantee A guarantee provided by Schneider Electric SE for up to £1.75bn to guarantee the obligations of the Scheme's participating employers.

Guaranteed Minimum Pension is the minimum pension which a United Kingdom occupational pension scheme has to provide for their members who were "contracted out" of the State Earnings-Related Pension Scheme (SERPS) when they were employed between 6 April 1978 and 5 April 1997.

Investment Grade Bonds Bonds with a rating from credit agencies such as Standard and Poor's or Moody's that suggest that they are highly likely to pay the interest owed and repay the amount borrowed when it is due.

Long Term Objective (LTO) is a funding objective that is generally more prudent than the Technical Provisions that a Trustee aims to achieve **as it becomes more mature.**

Mortality The assumption made for the probability of death at each age and from which is derived a projection of how long a pension will be paid.

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Glossary
continued

Options Contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period

Participating Employers The four companies that are responsible for supporting the Scheme to ensure that it can pay members' benefits as they fall due. The four companies are Invensys Limited and three of its subsidiary companies: BTR Industries Limited, Schneider Electrics Controls UK Limited, and Schneider Electric Systems UK Limited.

Pension Protection Fund A fund set up under the Pensions Act 2004 that will provide pension payments, at a reduced rate, for pension schemes of insolvent companies. **Pensioner** A person who is currently receiving a pension from a scheme.

Repurchase agreement (also known as a repo) The sale of securities, together with an agreement for the seller to buy back the securities at a pre-agreed later date and price.

Reservoir Trust A trust that was created at the time of the sale of Invensys Rail division. It held assets that, under certain circumstances, would transfer to the Scheme.

Schedule of Contributions A formal agreement between the Company and the Trustee, which states the level of contributions to be paid to the Scheme by the Company and the members in the future.

Scheme The Scheme is the Invensys Pension Scheme.

Scheme Actuary The named actuary appointed by the trustees or managers of an occupational pension scheme under Section 47 of the Pensions Act 1995.

Scheme deficit/surplus The difference between the assets and liabilities of a scheme as assessed by the actuary at a valuation using a series of assumptions, which may give different results depending on the basis of the assumptions.

Sponsor The company that establishes and/or manages a pension for participating employees. The Company (Invensys Limited) is the Sponsor of the Invensys Pension Scheme.

Surplus The amount by which the value of a scheme's assets is greater than its future liabilities.

Swaps Contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts. Interest rate swaps relate to contracts that a scheme takes out with major brokers, in which the scheme either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In an inflation swap, the scheme pays or receives a fixed inflation rate in return for receiving or paying the actual inflation rate.

In a gilt total return swap, the scheme pays or receives a fixed or floating interest rate in return for receiving or paying the total return on a gilt specified in the contract.

In a credit default swap, the scheme pays or receives a premium in return for receiving or paying an amount if and when a credit event occurs, which may include a bankruptcy, a default, or a restructuring of an entity as specified in the contract.

Technical Provisions A prudent estimate, made on actuarial principles, of the future liabilities to meet the benefit payments to members in accordance with the scheme rules. These include pensions in payment (including those payable to survivors of former members) and benefits accrued by other members that will become payable in future.

Trustee The Trustee is Invensys Pension Trustee Limited, the corporate trustee of the Scheme.

Valuation An exercise undertaken to assess a scheme's assets and to determine its ability to meet its future liabilities.

Website

Find out more about your pension scheme by visiting:
www.invensyspensions.co.uk

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