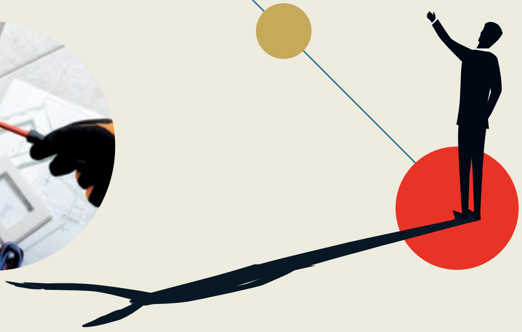
The ITB Pension Funds

Annual Report & Financial Statements

2022/2023

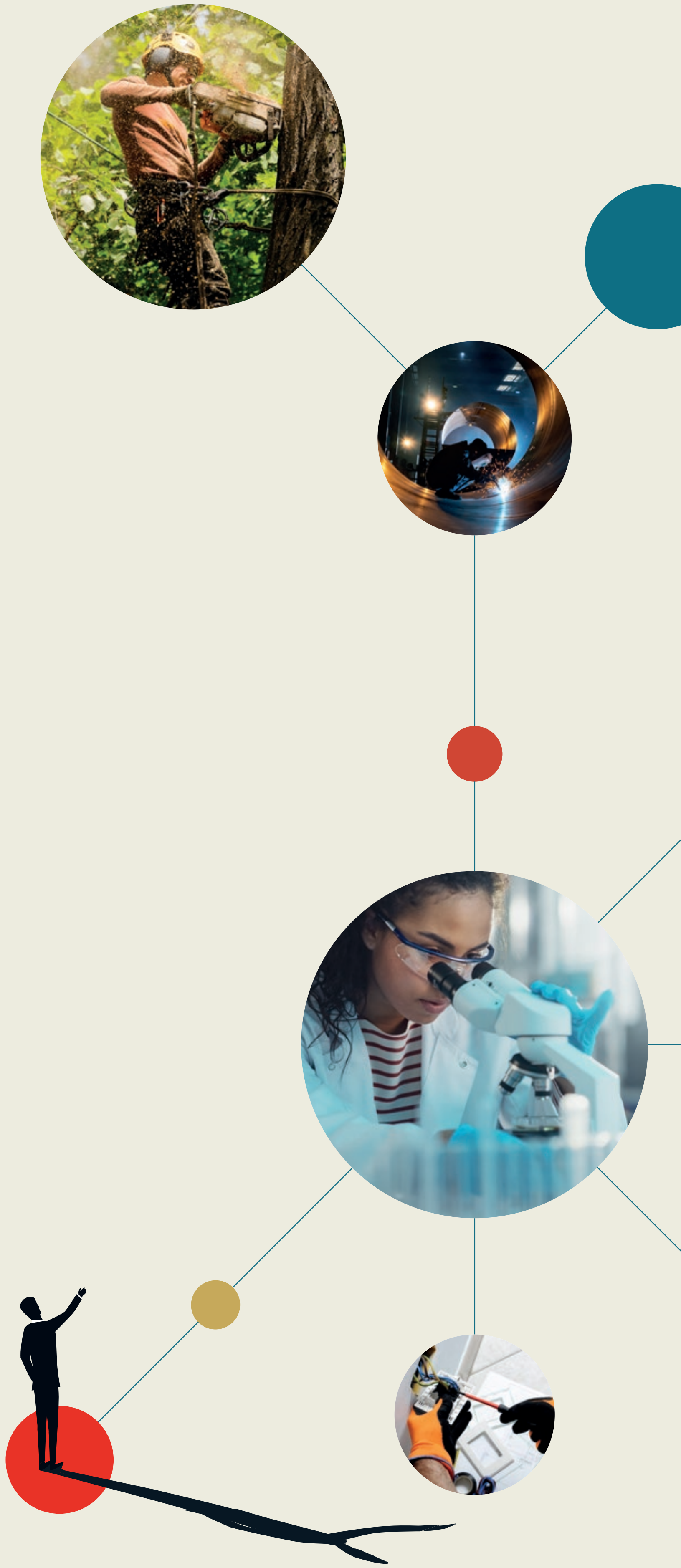


YOUR SCHEME WORKING FOR YOUR FUTURE

Contents

Annual Report

Financial Statements



Chair's Review

While we have largely put the Coronavirus pandemic behind us, other factors have contributed to ongoing uncertainty in financial markets over the past year

Chief among these has been the ongoing impact of Brexit, the tragic war in Ukraine, a very uncertain industrial relations environment and turmoil in government following the ill-judged mini budget.

Taken together, these factors have led to spiralling interest rates and inflation and market volatility, all of which has impacted the work of ITB. Against this background, I am however pleased to report that we have weathered all the various storms and emerged even stronger. Our investments performed well in the past year and The ITB Pension Funds made good progress on a number of fronts, with one or two exciting prospects emerging. My report that follows highlights many of our achievements and opportunities and hopefully illustrates the positive future for ITB and all its members.

FUNDING AND INVESTMENTS

Defined Benefit (DB) Actuarial Valuations

2022/23 again saw a lot of valuation related activity, all aimed at monitoring the ongoing financial health of the Funds.

The valuations are conducted by the Scheme Actuary, Martin Clarke of the Government Actuary's Department, who advises the Trustee Directors on assumptions about factors such as long-term interest rates, membership mortality and the expected return on the Funds' assets, to estimate the funding position of the Funds and whether any further contributions are required to provide all the current and future benefits due to be paid.

In the past year, the Trustee Directors completed the 2022 Closed Fund annual update valuation, which disclosed a sound funding position, with the funding level having improved from 221% to 239%. The Trustee Directors also completed the full triennial 2022 Open Fund valuation in March 2023. The valuation showed an improved funding level of 105% as at 31 March 2022, compared with 104% as at March 2019. A modest but pleasing improvement.

DB Section Investments

To meet recent regulatory requirements the Trustee Directors completed an annual review of the effectiveness of the investment consultants in meeting their objectives in advising the Funds.

With the regulatory focus on climate change, and the risks associated with it, remaining prevalent, the Trustee Directors implemented their policy of investing equity allocations in low carbon equity funds. In April 2022, the Closed Fund equity allocation was invested in the Blackrock ACS World Low Carbon Equity Tracker Fund and in May 2022 the Open Fund equity allocation was invested in the Legal & General Low Carbon Transition Global Equity Fund. Both switches are expected to prove beneficial for the Funds.

During the year there was a significant decrease in the value of the Funds' assets, particularly those of the Open Fund's DB Section, mainly due to a sharp fall in bond prices. However, the impact on the Open Fund's funding position has been negligible as its Liability Driven Investment ("LDI") strategy was successful in maintaining alignment between asset values and the liabilities to pay future benefits.

The Defined Contribution (DC) Section

With most active involvement by ITB Employers and members now in the DC Section, the Trustee Directors maintain an active focus on ensuring members have access to diverse, sustainable and secure investment options. The introduction of the new L&G Low Carbon Transition Fund provides the potential to mitigate climate-related risks and take advantage of growth opportunities and is a welcome alternative equity investment for members.

DC SECTION DEVELOPMENTS

As a regulated Master Trust, ITB is subject to active scrutiny by The Pensions Regulator (TPR). This requires constant dialogue by the parties and I am pleased to report this continues to be constructive and positive and that TPR remains satisfied that the Funds continue to meet the high standards set for Master Trusts. This is a significant outcome for our Employers and members.

Other developments within the DC Section included in March 2023 the transfer out of the scheme of 108 DC deferred members, who had no other benefits within the Funds, to arrangements in their own name. New life assurance only members were admitted to the DC Section during the year, with the new benefit being open to participation by all employees and Employers.

Finally, the Annual Value for Members assessment of the DC Section was completed, with the independent investment advisers concluding that members receive very good value for money. Value for members has indeed been further enhanced with the recent reduction in charges by the DC administrator.

EMPLOYERS' COVENANT

Given the importance of the strength of the Employers' covenant in formulating decisions about many aspects of the ITB's work, we are advised by an independent firm of professional covenant advisers, BTG Advisory, to advise on covenant strength and to report to us on each Employer's financial position and business prospects.

Together with the Trustee Directors, BTG work hard to understand the issues confronted by our sponsoring Employers and their ability to manage their funding responsibilities as they react to an evolving economic and business environment. During the past year, in accordance with new requirements, this work was extended to include an independent overview of the Employers' exposure to, and management of, climate related risks.

Constructive discussions continued with the Department for Education in relation to government policy towards Industry Training Boards, with meetings held in June 2022 and February 2023 to keep each other up to date with developments.

TRUSTEE DIRECTORS

The business experience and skills of my colleagues on the Trustee Board makes a very positive contribution to decision making on the many varied and complex issues we have to deal with. I remain grateful for the support and input of my fellow Trustee Directors, who have done much to contribute to the success of The ITB Pension Funds over the years.

Steve Eddy retired as a Member Trustee in July 2022 on leaving the employment of Enginuity and I thank him for his enthusiastic input and wish him well for the future.

It's my pleasure to also welcome to the Trustee Board two new Trustee Directors. These are Marie Rowlands, replacing Steve as Enginuity's Members' Trustee Director and Peter Austin as the new Open Fund Pensioner Trustee Director.

Robert Tabor was elected as the Members' Deputy Chair in April 2022 and David Birtwistle was appointed as the Employers' Deputy Chair on 31 March 2023. David replaces Peter Rogerson, who has stepped down after 19 years in the role of Employers' Deputy Chair. Peter remains on the Board, having been reappointed as the Employer Nominated Trustee Director for CITB. My sincere thanks are due to Peter for his enormous contribution and service and I look forward to working with him and all trustee colleagues for many years to come.

GOVERNANCE

The ITB Trustee Directors have long regarded the subject of governance as a high priority. We regularly review the skills and knowledge of individual Trustee Directors and arrange and deliver a large number of training sessions throughout the year to improve skills and knowledge.

Physical meetings are now the norm again and this has helped ensure that high standards of governance are maintained and that more meaningful training takes place.

A trustee company, ITB Pension Trustee Ltd, became the Trustee of the Funds in October 2022. This provides for simpler governance arrangements and acts as an extra layer of protection for Trustee

Directors, who otherwise would be personally liable in any claims against the Funds. It will also allow for more flexibility to deal with the many complex issues facing the ITB in the next few years.

A new Diversity and Inclusion policy has been agreed by the Trustee Directors and will be reviewed against guidance that has been published by the Pension Regulator.

Under new guidance on stewardship issued by the Department for Work and Pensions, the Funds' responsibilities were evaluated by the Trustee Directors. Three stewardship priorities were chosen and reporting on them will be obtained from investment managers and interrogated by Trustee Directors to ensure they meet our enhanced stewardship responsibilities. The Funds' Statements of Investment Principles have been updated to document the processes and procedures on stewardship and the SIP Implementation Statement included in this Annual Report reflect their position.

In addition, we value the quality of advice and service we receive from our professional advisers. We review our advisers regularly to ensure that quality and value for money are maintained. During the past year, the Trustee Directors carried out reviews of the Funds' legal adviser, investment adviser and auditor and agreed to extend their appointments due to the good advice and service received.

It is also important to us that Employers feel engaged with governance and we held another successful training day for them in November 2022.

An additional staff member was recruited into the ITB Administration Team in January 2023. This additional resource is dedicated to ensuring administration data is maintained at a high standard and the Funds are prepared for foreseeable extra regulatory requirements, such as GMP Equalisation and the introduction of the Pensions Dashboard.

Protection of members' interests is key for the Trustee Directors and with vulnerable savers increasingly being targeted by fraudsters ITB has initiated increased member communication activity. A new Member Communications Working Group has been established and a revised format Newsletter was issued to all members in January 2023. This was well received by members and will be issued every six months. Three Trustee Director members of the Communication Working Group have held pension seminars for members in their respective organisations and others are planned. My thanks are due to Trustee Directors and members for their enthusiastic participation.

CLIMATE CHANGE

Significant regulatory requirements around governance and disclosure of climate change risks and opportunities for pension schemes remain high profile. As a result, the Trustee Directors continue to undertake a range of training initiatives and evaluate the Funds exposure to climate related risks. Four climate risk metrics have been set, with the target of increasing the percentage of listed equity and corporate bonds investments which have greenhouse gas emissions reduction targets in line with the Science Based Targets initiative (SBTi) to 75% by 2030. The Trustee Directors will now monitor the metrics and progress towards achieving the target, part of which will involve the evaluation by the Investment Committee of the investment managers' investment processes to support our climate risk beliefs and aims.

A comprehensive report in compliance with the Task Force on Climate-related Financial Disclosures was issued in October 2022. This encapsulates the detail of how ITB manages climate-related risks and meets all the regulatory requirements related to climate change.

Climate change is one of three environmental, social and governance (ESG) themes that the Trustee Directors have agreed to place a heightened focus upon in their monitoring of investment managers' stewardship of investments, the others being Diversity and Inclusion (Social) and Executive Pay (Governance).

OUTLOOK

Even as we return to what feels like normal life again, the world remains an uncertain place and where change seems constant. Despite such challenging circumstances, the Trustee Directors feel that the past scheme year has been a successful one with many notable achievements and that ITB is well placed to deal with whatever the future brings.

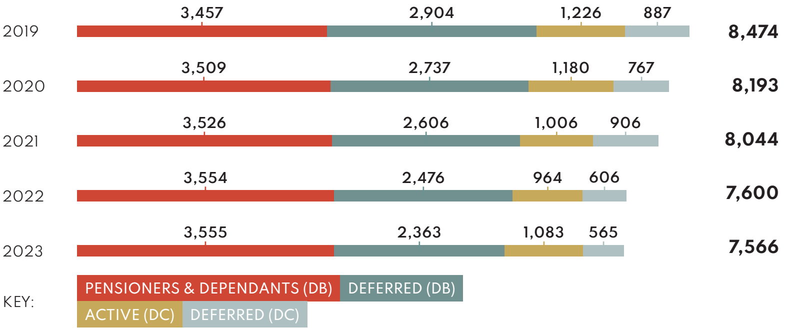
Indeed, as I write this review, an exciting and potentially pivotal opportunity has emerged. In January 2023 the Trustee Directors initiated a project to evaluate whether the Open Fund could be fully bought in, given the positive funding positions mentioned earlier. The project has progressed better than expected, with pricing from insurers appearing sufficiently attractive to suggest a further buy-in can be achieved.

So, with our revitalised Trustee Board, industry leading professional advisers and a talented staff I am more confident than ever that ITB will thrive in 2023 and the years to come. Above all else, the Trustee Directors will continue to strive to ensure a secure and certain future for all members of The ITB Pension Funds and this is now clearly within grasp.

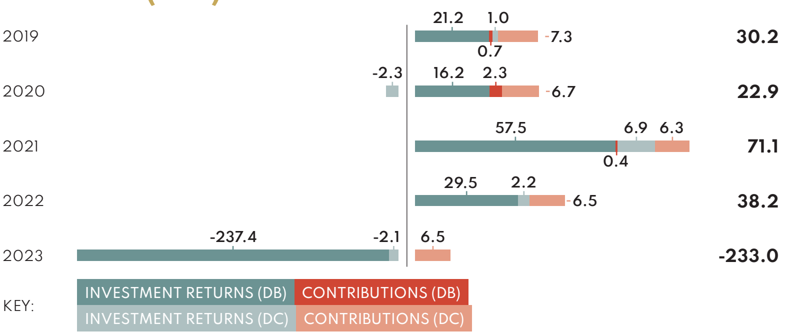
Five Year Summary

OPEN FUND – DEFINED BENEFIT (DB) AND DEFINED CONTRIBUTION (DC)

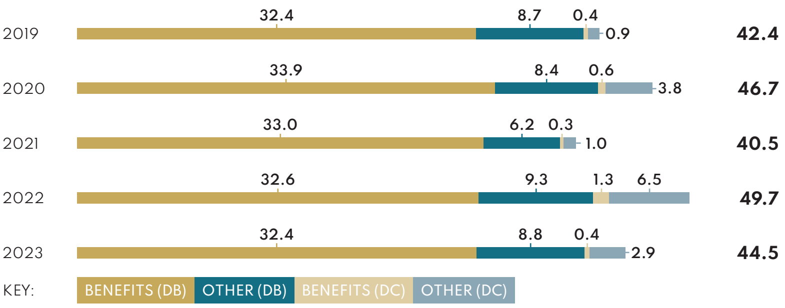
Membership



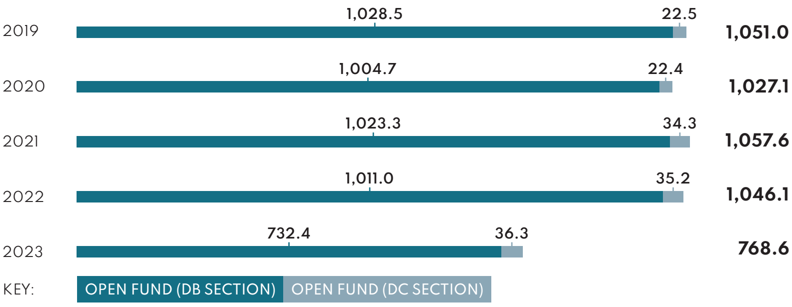
Contributions and Investment Returns (£m)



Expenditure (£m)

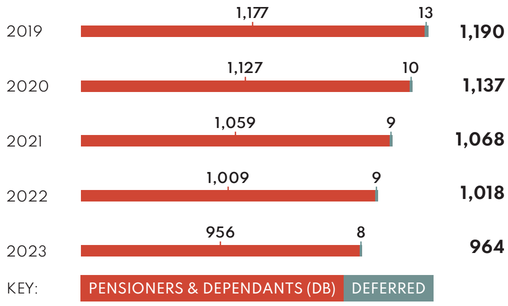


Fund Value (£m)

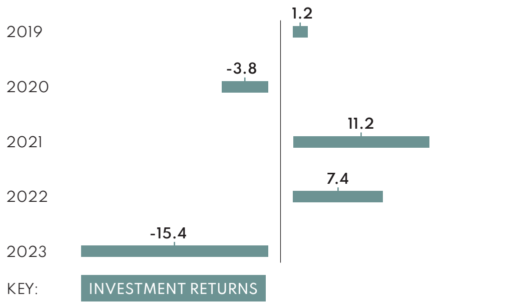


CLOSED FUND

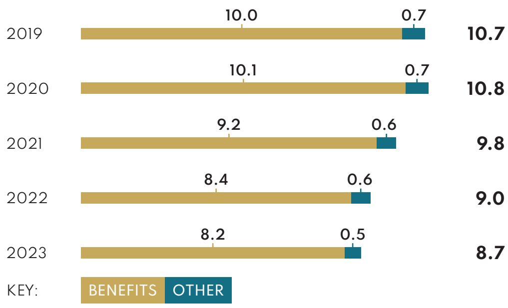
Membership



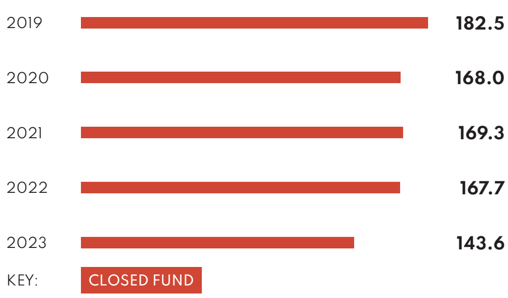
Investment Returns (£m)



Expenditure (£m)



Fund Value (£m)



Trustee Directors

EMPLOYERS' TRUSTEE DIRECTORS

David Birtwistle

(Employers' Deputy Chair from 1 April 2023)

Nominated by Enginuity

PENSIONS & REWARD CONSULTANT

Richard Capewell

Nominated by Lantra

RETIRED TRUSTEE OF LANTRA

John Dearden

Nominated by RTITB Limited (formerly known as CAPITB Limited)

RETIRED CHIEF EXECUTIVE OF CAPITB LIMITED

Terry Lazenby, MBE

Nominated by Engineering Construction ITB

RETIRED CHAIR OF ECITB

Newell McGuiness

(Chair)

Nominated by Scottish Electrical Charitable Training Trust

RETIRED MANAGING DIRECTOR OF SELECT

Peter Rogerson, OBE

(Employers' Deputy Chair to 31 March 2023)

Nominated by Construction ITB

RETIRED DEPUTY CHAIR OF CONSTRUCTION ITB

Joanna Woolf

Nominated by Cogent Skills Limited

CHAIR OF COGENT SKILLS

Trustee Directors

MEMBERS' TRUSTEE DIRECTORS

Steve Eddy
(to 13 July 2022)
Nominated by Enginuity

CHIEF SUSTAINABILITY OFFICER

Marie Rowlands
(from 7 October 2022)
Nominated by Enginuity

FINANCIAL CONTROLLER

David Lewis
Nominated by Engineering Construction ITB

LEVY MANAGER

Martin McManus
Nominated by Cogent Skills Limited, RTITB Limited and Scottish Electrical Charitable Training Trust

POLICY & STANDARDS MANAGER

Peter Sparkes
Nominated by the trades union Unite for: Construction ITB

SENIOR PRODUCT DEVELOPER

Robert Tabor
(Members' Deputy Chair)
Nominated by Lantra

COMMERCIAL DIRECTOR AND DEPUTY CHIEF EXECUTIVE

PENSIONERS' TRUSTEE DIRECTORS

Maurice Alston
Nominated by Closed Fund Pensioners and Deferred Members

RETIRED – FORMERLY SENIOR TRAINING ADVISER FOR CHEMICAL AND ALLIED PRODUCTS ITB

Peter Austin *(from 1 April 2022)*
Nominated by Open Fund Pensioners and Deferred Members

RETIRED – FORMERLY PRINCIPAL TRAINING ADVISER FOR CONSTRUCTION ITB

Officers and Advisers

OFFICERS

Mike Thorpe *FCA*

CHIEF EXECUTIVE

Gareth Pryce *ACA*

FUNDS' ACCOUNTANT

Simon Robinson *DipCII*

PENSIONS ADMINISTRATION MANAGER

ADVISERS

Actuary
Martin Clarke FIA Government Actuary's Department

Independent Auditors
PricewaterhouseCoopers LLP

Covenant Adviser
BTG Advisory LLP

Investment Adviser and Performance Monitor
Lane Clark & Peacock LLP

Solicitors
Mayer Brown International LLP

Investment Managers
Allianz Global Investors GmbH (up to 29 April 2022)

BlackRock Investment Management (UK) Ltd

Fidelity International

Insight Investment Management (Global) Ltd

Just Retirement Ltd

Legal & General Investment Management

Pension Insurance Corporation PLC

Schroder Investment Management (Luxembourg) S.A.

Custodians
JP Morgan Chase Bank NA

The Bank of New York Mellon (International) Ltd

DC Section Administrator
Legal & General Assurance Society Ltd

Participating Employers

The Participating Employers comprise two Statutory Training Boards, CITB and ECITB, and five companies, which are charities or commercial enterprises and, along with some wholly-owned subsidiaries, are the Successor Bodies that have replaced former Statutory Training Boards.

The Participating Employers at the scheme year-end, each of which must be a Statutory Training Board or a Successor Body to a Training Board, are shown below.

Cogent Skills Limited

Participating Subsidiaries:

Cogent Skills Services Limited

Cogent Skills Training Limited

Science Industry Assessment Service Limited

Construction ITB

Engineering Construction ITB

Enginuity

Participating Subsidiary:

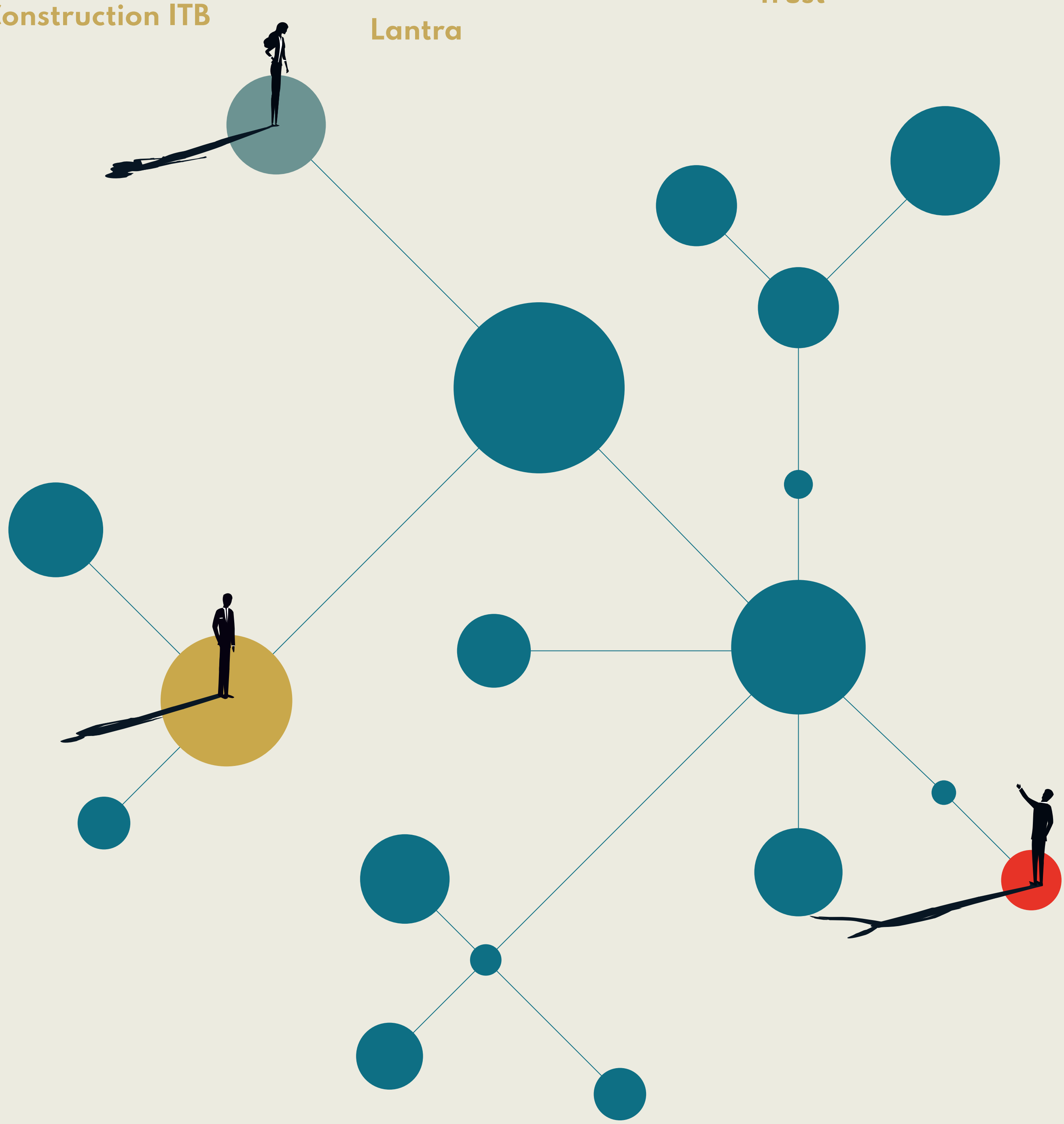
Excellence, Achievement and Learning Limited

Lantra

RTITB Limited

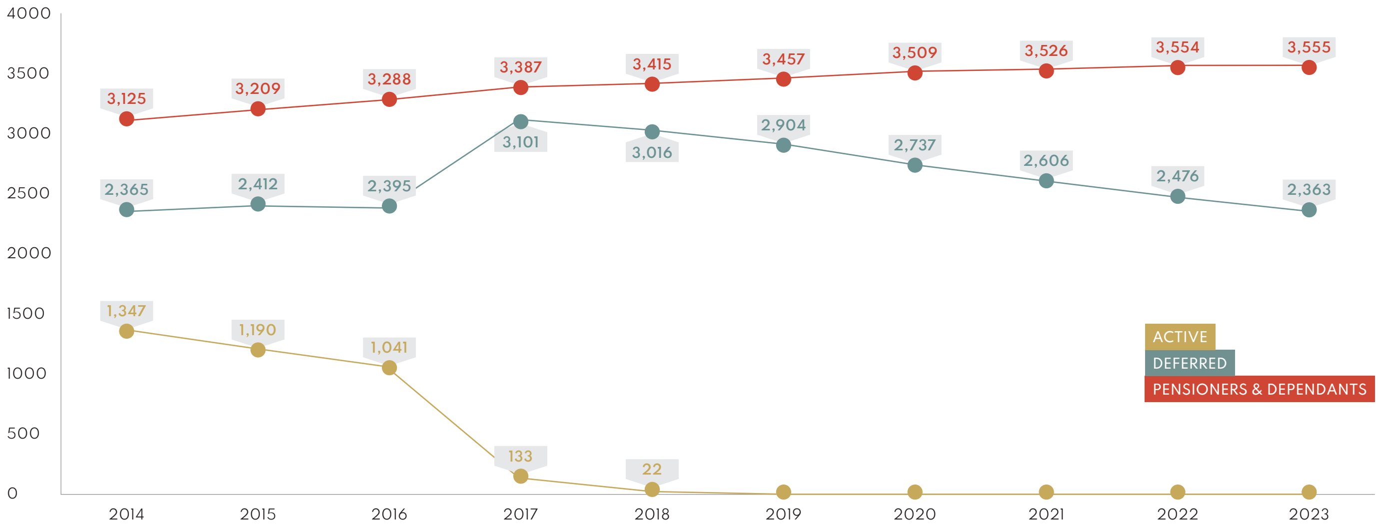
(known as CAPITB Limited prior to a name change, effective from 8 April 2022)

Scottish Electrical Charitable Training Trust

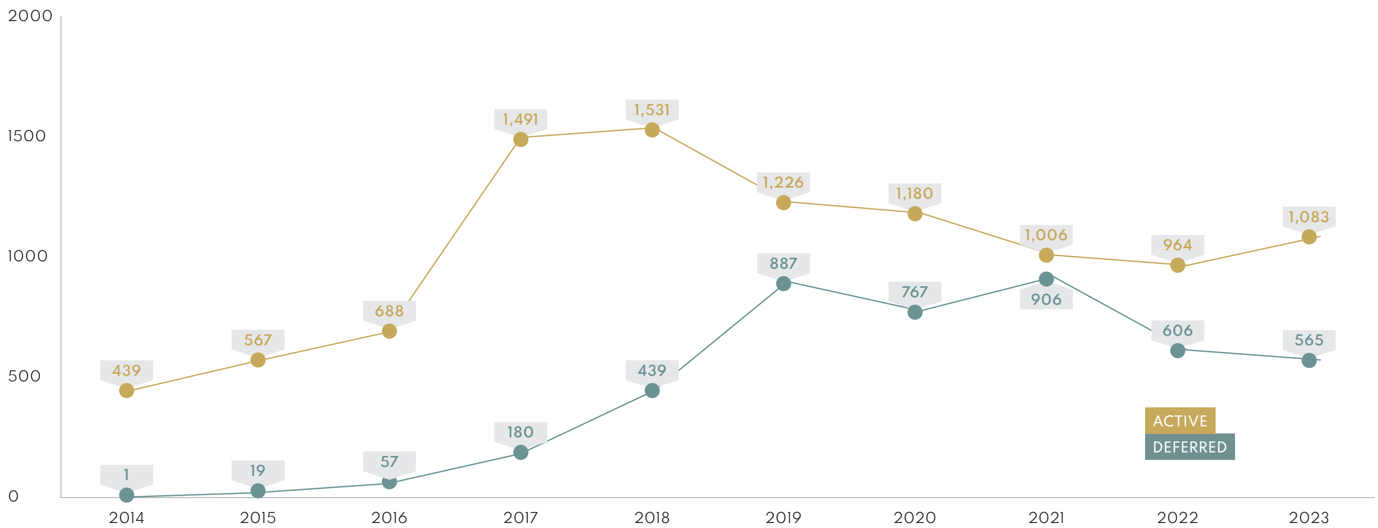


Membership

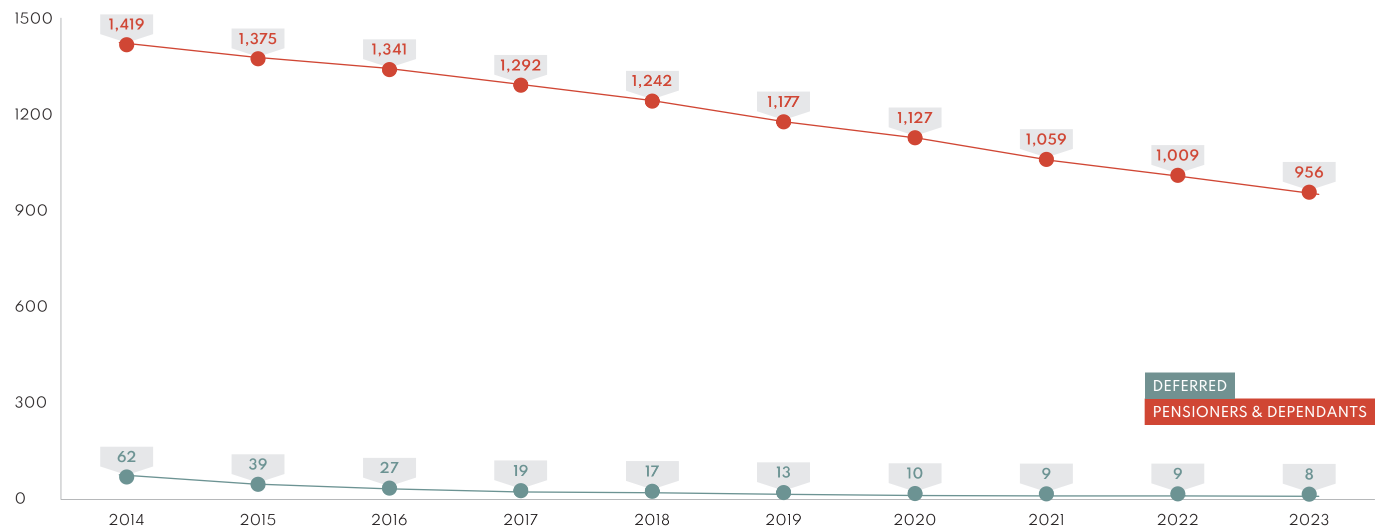
OPEN FUND DB SECTION



OPEN FUND DC SECTION



CLOSED SECTION



Trustee Directors' Report

The Trustee Directors present their annual report on the ITB Pension Funds, together with the audited financial statements for the year ended 31 March 2023.

FUNDS CONSTITUTION

The ITB Pension Funds is a trust-based pension scheme which since 31 October 2022 has been governed by a corporate trustee, ITB Pension Trustee Limited ("the Trustee"). Prior to 31 October 2022, it was governed by a board of individual trustees.

The ITB Pension Funds, consisting of the Open and Closed Funds, is set up under a Trust Deed and Rules and administered by the Trustee's Directors, comprising Member nominated (including Pensioner nominated) directors and Employer nominated directors. It is a Registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004.

The assets of the Funds are separate from those of its Participating Employers and are held in trust by the Trustee, to apply them for paying pensions and other benefits in accordance with the Trust Deed and Rules.

FUNDS STRUCTURE

The Open Fund consists of four separate sections:

- the original section of the Open Fund, known as the 'Old Section'
- the 'New Section', which was introduced on 1 September 2003
- the '2007 Section', which was introduced on 1 January 2007, and
- the 'DC Section', which was introduced on 1 April 2012.

Employees of Participating Employers may join the Open Fund subject to eligibility conditions and elections made by Employers. Employers' elections also determine the benefits received by members. Between 6 April 2016 and 1 July 2018, each of the Employers elected not to offer any further DB benefits following which only the DC Section of the Open Fund remained open to eligible employees.

The Closed Fund has no Participating Employers paying contributions. It is predominantly invested in an insurance policy intended to match its liabilities.

DIVERSITY AND INCLUSION

The Trustee Directors believe that a culture which is inclusive and supports diversity is essential to the long-term success of the Funds and will better enable it to respond to stakeholder needs.

The Trustee Directors are committed to embedding diversity and inclusion across all their work, with all people treating each other with respect, regardless of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation, as set out in the Equality Act 2010.

MANAGEMENT OF THE FUNDS

Responsibility for managing the Funds rests with the Trustee Directors, who normally meet at least four times a year.

The Trustee Directors have agreed an operational business plan to support their governance arrangements and to ensure that the necessary actions, events and reviews are undertaken to achieve their objectives.

The Trustee Directors are supported by the professional advisors and other organisations listed on page 9, each of whom has a written agreement with the Trustee.

Appointment and Removal of Trustee Directors

Subject to the Funds having at least three Employers, the Trustee's Directors comprise:

- Trustee Directors nominated by Employers, with each main Employer nominating one Trustee Director.
- Trustee Directors nominated by Members, with the members of the smallest three main Employers, ranked according to s75 Defined Benefit liabilities as at 31 March 2019, nominating one joint Trustee Director, and the members of the other main Employers nominating one Trustee Director each. Nomination is by a ballot, except where the Employer recognises a trade union for negotiating terms and conditions of service in which case the trade union concerned will nominate the Trustee Director.
- Trustee Directors nominated by Pensioners, with the Open Fund's deferred members (except any who are active members of the DC Section) and pensioners nominating one Trustee Director and members of the Closed Fund nominating one Trustee Director.

This governance structure ensures that the number of Employer nominated Trustee Director positions matches the combined number of Member and Pensioner and Deferred Member nominated Trustee Director positions. As at 31

March 2023 there were seven Employer, five Member and two Pensioner Trustee Director positions. More details about the Trustee Directors in office can be found on pages 7 and 8.

In compliance with a 2015 legislative requirement for a majority of directors to be "non-affiliated", all new Trustee Director appointments and any reappointments, are made through an open and transparent process (OTP). Further details about this can be found in the Chair's Annual Governance Statement on page 25.

All Trustee Directors are appointed for a term of three years but may resign at any time and will automatically vacate office upon ceasing to fulfil the eligibility qualifications or, becoming bankrupt or of unsound mind. A Trustee Director's appointment may be terminated if, in the opinion of the Trustee Directors, the individual concerned has been guilty of misconduct, or is otherwise unfit or unable to carry out his or her duties.

The Trustee Directors recognise that research shows diverse groups to be more effective at making decisions. The importance of taking a diverse and inclusive approach is understood and the Trustee Directors consider it important for the Trustee Board to have the right mix of knowledge, skills and experience to be able to understand and meet the needs of members. As and when there are Trustee Director nominations, and re-nominations, the Trustee Directors encourage Employers, members and trade unions to identify diverse candidates who will help the Trustee Board to fulfil its diversity and inclusion aspirations, while guided to nominate solely on the basis of the candidate's assessed capability for the role.

Changes to the Trustees since 1 April 2022

On 31 October 2022 all the Trustees were removed from office and ITB Pension Trustee Limited was appointed in their place as the sole corporate trustee. Concurrently, each of the removed Trustees was appointed as a director of the corporate trustee with an equivalent status to that which they had previously held as a Trustee.

Other Trustee and Trustee Director Appointments and Reappointments

The following appointments and reappointments have been made since 1 April 2022, through an OTP, for three-year periods:

Date	Name	Change	Position	Process
1 April 2022	Peter Austin	Appointment	Open Fund Pensioners' Trustee	Appointed following a members' ballot
9 April 2022	David Birtwistle	Reappointment	Enginuity, Employers' Trustee	Renominated by Enginuity
1 July 2022	Martin McManus	Reappointment	Cogent Skills, SECTT and RTITB Joint Members' Trustee	Reappointed following a nomination process in which he was the sole nominee
7 October 2022	Marie Rowlands	Appointment	Enginuity, Members' Trustee	Appointed following a nomination process in which she was the sole nominee
1 April 2023	Peter Rogerson	Reappointment	Construction ITB, Employers' Trustee Director	Renominated by Construction ITB
4 April 2023	Maurice Alston	Reappointment	Closed Fund Pensioners' Trustee Director	Reappointed following a nomination process in which he was the sole nominee
15 April 2023	Richard Capewell	Reappointment	Lantra, Employers' Trustee Director	Renominated by Lantra

Other Retirements

Steve Eddy retired as Enginuity's Member Trustee on 13 July 2022 upon leaving the employment of Enginuity.

Chair

Newell McGuiness's period of office as the Chair came to an end on 31 March 2023. As he was the sole nominee in the nomination process, he was reappointed for a further two-year period.

Deputy Chairs

David Barnett retired as a Trustee and as the Members' Deputy Chair in February 2022. Following a nomination process Robert Tabor was appointed as the new Members' Deputy Chair for a three-year period from 1 April 2022.

Peter Rogerson's period of office as the Employers' Deputy Chair came to an end on 31 March 2023. Following a nomination process, David Birtwistle was appointed as the new Employers' Deputy Chair for a two-year period from 1 April 2023.

Meetings and Committees

The Trustee Board has delegated responsibilities for certain matters to the following three Committees:

1. Investment Committee

The Investment Committee establishes guidelines and policies on investment matters, including the setting of overall investment objectives and strategic asset allocations. It monitors the performance of the Funds' investments and generally reviews all investment matters. It has the power to take certain investment decisions including which entities are appointed to provide investment management, custody and advisory services to the Trustee. It also has oversight and management of responsibilities for climate-related risks and opportunities, and investment stewardship including voting policy. The Investment Committee met five times during the year.

2. Management Panel

The Management Panel carries out research, investigation and monitoring of non-investment matters for the Trustee. Its duties include review of the risk management strategy and administrative operational matters. It also oversees the annual administrative expenditure budget, manages the conflicts of interest policy, monitors the financial standing of Participating Employers and decides upon disability pension applications. The Management Panel met three times during the year.

3. Salaries Committee

The Salaries Committee has responsibility for making decisions on the staff resource employed by the Funds, including salary and remuneration matters. It held one meeting during the year.

Additionally, there are three Working Parties:

Guaranteed Minimum Pension (GMP) Equalisation Working Party

The GMP Equalisation Working Party reports to the Management Panel. Its remit is to carry out a project to rectify inequalities arising from differences between Post May 1990 GMP benefits between males and females. The Working Party met twice during the year.

Investment Governance Working Party (formerly the Climate Change Risk Working Party)

In 2021, a Climate Change Risk Working Party was set-up to address the requirements of legislation and guidance on climate-related risks. The Party's remit was extended during the year to include consideration of new DWP guidance on stewardship reporting and the actions necessary to comply. To reflect its wider responsibilities, the Party's name was changed to the Investment Governance Working Party. The Party reports to the Investment Committee and met four times during the financial year.

Communications Working Party

The Communications Working Party reports to the Management Panel. Its remit is to review member communications, the diversity and inclusion policy, and to implement improvements where necessary. The Working Party met three times during the year.

Membership

The membership for the year to 31 March 2023 was as follows:

OPEN FUND DB SECTION	31 MARCH 2022	ADDITIONS	LEAVERS, RETIREMENTS & TRANSFERS	DEATHS	31 MARCH 2023
Deferred Members	2,476	0	(111)	(2)	2,363
Pensioners	2,892	87	0	(79)	2,900
Dependants	662	43	(2)	(48)	655
TOTAL	**6,030**	**130**	**(113)**	**(129)**	**5,918**

OPEN FUND DC SECTION	31 MARCH 2022	ADDITIONS	LEAVERS, RETIREMENTS & TRANSFERS	DEATHS	31 MARCH 2023
Active Members	964	247	(128)	0	1,083
Deferred Members	606	128	(169)	0	565
TOTAL	**1,570**	**375**	**(297)**	**0**	**1,648**

CLOSED FUND	31 MARCH 2022	ADDITIONS	LEAVERS, RETIREMENTS & TRANSFERS	DEATHS	31 MARCH 2023
Deferred Members	9	0	(1)	0	8
Pensioners	671	0	0	(35)	636
Dependants	338	11	0	(29)	320
TOTAL	**1,018**	**11**	**(1)**	**(64)**	**964**

From 1 April 2022, eligible employees of the Participating Employers have been permitted to join the Open Fund DC Section for the provision of life cover assurance only. As at 31 March 2023 there were 10 life assurance only members, who are additional to the DC membership reported in the table above.

DC Section active members additions and leavers includes auto-enrolment opt-outs.

PENSION INCREASES

Open Fund (Old Section) and Closed Fund

The rules require pensions to be increased as if they were 'official pensions' to which the Pensions (Increase) Act 1971 applied (since incorporated into s59 Social Security Pensions Act 1975).

The level of increase is currently determined by reference to the annual rise in the Consumer Prices Index (CPI) at the end of the previous September each year, with any increase being applied from the first Monday on or following the beginning of the new tax year. This year the level of CPI increase was 3.1% and was payable from 11 April 2022.

Open Fund New and 2007 Sections

Under the rules of the Open Fund, New and 2007 Sections the level of increase is currently determined by reference to the annual rise in the Retail Prices Index (RPI) at the end of the previous September each year, with any increase being applied from the first Monday on or following the beginning of the new tax year. This year the level of RPI increase was 4.9% and was payable from 11 April 2022. The actual increase is subject to a maximum increase cap as described for the New and 2007 Sections in the following table.

PENSIONS IN PAYMENT – INCREASE METHODS (All ITB Sections)			
	CLOSED FUND & OPEN FUND (Old Section)	**OPEN FUND (New Section) & OPEN FUND (2007 Section)**	**THE STATE**
Before State Pension Age the Scheme increases total pension by:	In line with annual up-rating orders issued by the Government	RPI* subject to a maximum in one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter	Nil
After State Pension Age the Scheme increases Excess over GMP by:**	In line with annual up-rating orders issued by the Government	RPI* subject to a maximum in one year of: 5% for pensions accrued prior to 6 April 2005 and 2.5% for pensions accrued thereafter	Nil
The GMP is increased as follows: 6 April 1978 to 5 April 1988 by:**	Nil	Nil	In line with annual up-rating orders issued by the Government.
6 April 1988 to 5 April 1997:	Lesser of 3% and the annual up-rating orders issued by the Government	Lesser of 3% and the annual up-rating orders issued by the Government	Any excess over 3% of the annual up-rating orders issued by the Government

*RPI = Retail Prices Index **GMP=Guaranteed Minimum Pension

Preserved Pensions – Increase Methods (All ITB Scheme Sections)

Annual increases to preserved pensions for the Closed Fund and Open Fund (Old Section) are in line with annual up-rating orders issued by the Government as described above.

Preserved pensions for the Open Fund (New Section) and Open Fund (2007 Section) are increased by the lower of (a) 5% to the extent that the pension is attributable to pensionable service which accrued before 6 April 2005 and 2.5% (or other such percentage as shall be specified for the purposes of section 51 of the 1995 Act) to the extent that the pension is attributable to pensionable service which accrued on or after 6 April 2005 and (b) an amount which is in line with the RPI over the 12 months to the preceding 30 September.

The rate of increases for preserved pensions in the Open Fund (New Section) and Open Fund (2007 Section) shall not be less than the increases necessary to comply with the revaluation requirements set out in Chapter II of Part IV of the Pension Schemes Act 1993.

Contracting-Out – Current Position

The introduction of the new state pension system in April 2016 brought an end to the ability for defined schemes to contract members out of the additional state pension.

Prior to that, from 6 April 1978, all members of the ITB Pension Funds (DB Section) were contracted out of the Second Tier of the State Pension, known as the State Second Pension (S2P, formerly called SERPS). DC members participated in S2P as they and their Participating Employers paid full rate National Insurance contributions.

A requirement of contracting-out was that an occupational pension scheme had to provide its members with pension benefits which were broadly equivalent to the S2P pension that members would have accrued had they not been contracted-out. This was known as a Guaranteed Minimum Pension (GMP). GMPs do not accrue for post 5 April 1997 Pensionable Service, but members remained contracted out and still receive benefits broadly equivalent to the S2P pension.

Where applicable, on attaining State Pension Age members were advised by the Department of Work and Pensions (DWP) of the amount of GMP to be paid by the Funds as part of their total pension. The DWP also confirmed that subsequent cost of living increases on the GMP would be payable by the DWP by making the necessary addition to members' basic State Pensions. Spouses' GMPs for members who reached State Pension Age before 6 April 2016 are inflation protected by the State from the date their State Pension becomes payable.

From April 2016 the Government has applied full indexation to the GMPs for members of 'official pensions' reaching State Pension Age after 5 April 2016. In accordance with the Funds' rules this approach also applies to all members of the ITB Pension Funds (DB Section) with a GMP entitlement reaching State Pension Age after 5 April 2016. The effect of this approach is that the full GMP benefit for affected members will be increased in line with annual uprating orders issued by the Government.

TRANSFER VALUES

In accordance with guidance from The Pensions Regulator, transfer value calculations under the ITB Pension Funds (DB Section) use a method and basis determined by the Trustee Directors, after taking advice from the Scheme Actuary, to be consistent with the relevant legislation and the rules of the ITB Pension Funds (DB Section) and do not include discretionary benefits.

Transfer values paid under the ITB Pension Funds (DC Section) equal the value of a member's DC account as at the date of disinvestment. The Trustee Directors do not accept transfers into the DB Section. However, members of the DC Section may apply to the Trustee Directors for the acceptance of transfer values from similarly approved schemes.

REPORT ON ACTUARIAL LIABILITIES

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. The technical provisions represent the present value of benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee Directors and the Participating Employers and set out in the Statements of Funding Principles, which are available to members on request.

Scheme funding legislation requires trustees to determine which actuarial funding method to use. However, since the differences between the permissible methods arise solely in relation to the treatment of active members no such decision is necessary for both the Open and Closed Fund as there are no active members in the defined benefit sections.

Open Fund – Valuation Results

Full actuarial valuations are usually undertaken once every three years to assess the extent to which the Open Fund's assets, excluding the buy-in policies, are sufficient to meet its future liabilities, excluding those liabilities covered by the buy-in policies. The results of the most recent full actuarial valuation of the Open Fund, as at 31 March 2022, and a comparison to the previous full actuarial valuation, as at 31 March 2019, are shown below:

	At 31 March 2022	At 31 March 2019
Assets (excluding buy-in policy)	**£543.9 million**	**£507.2 million**
Technical Provisions Liabilities	**£519.1 million**	**£485.9 million**
Surplus	**£24.8 million**	**£21.3 million**
Funding level	**105%**	**104%**

Assumptions used to determine the technical provisions are set out in full in the Annex to the Statement of Funding Principles, and summarised below:

Open Fund – Significant Actuarial Assumptions

Discount rate for determining the technical provisions (or, equivalently, the expected return on the assets):

The overall discount rate assumed for the valuation is based on consideration of the expected rates of return on the Fund's assets and the yields available, at the valuation date, on government bonds (gilts). The expected nominal return on the assets is assumed to be the redemption yields on gilts plus a prudent margin of 0.15% a year to allow for expected returns on the Fund's assets exceeding those from gilts. An inflation risk premium of 0.25% is also deducted.

Future Retail Price Inflation (RPI)

An implied RPI curve for future RPI is determined by comparing the annually compounded redemption yield from nominal gilt yield curves minus 0.25% for an inflation risk premium, and index-linked gilt yield curves.

Future Consumer Price Inflation (CPI)

CPI increases are assumed to be 0.9% a year less than RPI increases up to 2030 and in line with RPI from 2030.

Pension increases

These are assumed to be in line with the provisions under the Fund's rules, with the assumption for future CPI or RPI as appropriate, allowing for any caps and floors.

Mortality (post-retirement)

Assumed to be in line with 85% of the S3NMA, S3NFA_H and S3DFA tables published by the UK actuarial profession. Ill health pensioners are assumed to experience the same rates of mortality as under the unadjusted S3IM/FA tables.

Mortality Improvements

Longevity improvements are assumed to be in line with the 2021 Continuous Mortality Investigation (CMI) projection model using a smoothing factor of 7.5 and a 1.5% long term improvement per year.

Closed Fund – Valuation Results

Full actuarial valuations are usually undertaken once every three years to assess the extent to which the Closed Fund's assets, excluding the buy-in policy, are sufficient to meet its future liabilities, excluding those liabilities covered by the buy-in policy. The results of the most recent full actuarial valuation of the Closed Fund, as at 31 March 2021, and a comparison to the previous full actuarial valuation, as at 31 March 2018, are shown below:

	At 31 March 2021	At 31 March 2018
Assets (excluding buy-in policy)	£75.5 million	£75.5 million
Technical Provisions Liabilities	£34.2 million	£36.6 million
Surplus	£41.3 million	£38.9 million
Funding level	221%	206%

Assumptions used to determine the technical provisions are set out in full in the Annex to the Statement of Funding Principles, and summarised below:

Key assumptions

The largest part of the Closed Fund's liabilities is insured in a buy-in policy. Therefore, the key assumptions relate to the differences between the Fund's liabilities and the terms of the buy-in policy, and to the provisions for insurer insolvency and future expenses:

Differences between the Fund's liabilities and the terms of the buy-in policy

It is prudently assumed that increases in CPI pension payments made by the Fund will be at the same rate as the RPI increases to most of the payments received from the buy-in policy.

Provisions for insurer insolvency

The technical provisions include a provision for insurer insolvency, calculated as the expected present value of three years' worth of benefit payments received from the insurer and assuming an insolvency in the year after 31 March 2021.

Future expenses

The technical provisions include a provision for the Fund's expenses of £850,000 a year, increasing in line with RPI each year until 2030. An allowance has also been made for closure expenses of £5 million associated with winding-up expenses and insurance provisions likely to be purchased on wind-up.

Other assumptions

Other assumptions which are less significant to the results of the valuation include:

Net discount rate (or, equivalently, the expected return on the assets net of any pension increase)

The overall discount rate assumed for the valuation is derived based on consideration of the expected rates of return on the Fund's assets and the yields available, at the valuation date, on government bonds (gilts).

a. **Real rate of return**

The expected return on assets in excess of increases in RPI is assumed to be the annually compounded real redemption yields on index-linked gilts calculated by reference to gilt yield curves. The resultant average real rate of return used in the valuation is around minus 2.4% a year.

b. **Nominal rate of return**

The expected nominal return on assets is not as significant for determining the technical provisions. The assumed rate is the annually compounded redemption yields on fixed interest gilts calculated by reference to gilt yield curves minus an allowance for an inflation risk premium of 0.25% a year. The resultant average nominal rate of return used in the valuation is around 0.85% a year.

Discretionary increases

The calculation of the technical provisions does not include any allowance for any discretionary benefits, including benefits arising from the distribution of surplus, which may be awarded by the Trustee in future.

Post-retirement mortality

Assumed to be in line with 100% of the S3NMA, S3NFA_heavy and S3DFA base tables published by the UK actuarial profession. Longevity improvements are assumed to be in line with the 2020 CMI core projection model (with a 1.5% long term improvement). Ill-health pensioners are assumed to experience the same rates of mortality as normal-health pensioners.

Estimated Funding position at 31 March 2022

The table below shows the Scheme Actuary's estimate of the funding position at 31 March 2022:

Assets (excluding buy-in policy)	**£79.6million**
Technical Provisions Liabilities	**£33.3million**
Surplus	**£46.3million**
Funding level	**239%**

There was a £5.0million increase in the funding surplus over the year to 31 March 2022 which was mainly due to better than expected investment returns.

INVESTMENT REPORT

The Trustee Directors are responsible for determining the Funds' investment strategy and have prepared Statements of Investment Principles (SIPs) for the Open and Closed Funds, as required by the Pensions Act 1995. The SIPs are available on the Funds' website, along with the SIP Implementation Statement which is included on pages 38 to 60 of this Report.

Open Fund – DB Section

Investment Strategy

The Open Fund DB Section's long-term objective is to buy-in all the liabilities by 2028 whilst running a "self-sufficient" investment strategy, which seeks to maintain a fully funded position, on a low-risk basis. No changes were made to this objective during the year.

The results of the 31 March 2022 triennial actuarial valuation showed that the Fund had a surplus of £24.8m on a technical provisions basis and a funding level of 105%, compared to a deficit of £3m and a funding level of 99% at 31 March 2021. The Trustee Directors decided that the funding level reported by the valuation was such that no changes to the investment strategy were required.

Liability driven investments (gilts and derivatives), investment grade credit and buy-in insurance policies are invested in to protect the funding position against changes in interest rates and inflation. The absence of any significant leverage in the LDI investment portfolio meant that the operation of the LDI strategy was not significantly impacted by the sharp increase in gilt yields that followed the Government's mini-budget in September 2022. No changes were made to the LDI strategy during the year.

In May 2022, to help address the risks posed by climate change, exposures to companies with high carbon emissions was reduced by fully disinvesting from the global equity fund managed by Allianz and reinvesting into the same Legal & General ('L&G') Low Carbon Transition Global Equity Fund already in place for the DC Section.

The buy-in policies in place at year-end had fully insured pensioner liabilities that were in payment up to 31 December 2017 and reduced risk in the investment strategy by transferring investment and longevity risk to insurers. After the year-end, in July 2023, a buy-in policy was purchased with Just to insure all remaining, previously uninsured, deferred and pensioner member liabilities. This was funded through the sale of all LDI, investment grade credit and global equity exposures.

Asset Allocation

The target asset allocation, excluding buy-in policies, as at 31 March 2023 is shown below.

Asset class	Target asset allocation
Global equities	**5%**
Investment grade credit	**20%**
Liability Driven Investments (LDI)	**75%**

The actual asset allocation at 31 March 2023 was 6% global equities, 22% investment grade credit, 70% Liability Driven Investment and 2% cash. The asset allocations complied with the Statement of Investment Principles (SIP) throughout the year.

Investment Performance

The total performance of the Open Fund DB Section (excluding the buy-in policies) after investment manager fees has been broadly in line with benchmark over one, three and five years to 31 March 2023, as is shown below:

	1 year (%)	3 Years (% pa)	5 Years (% pa)
Fund return	**-30.6**	**-10.4**	**-4.4**
Benchmark return	**-30.6**	**-10.4**	**-4.2**
Relative	**0.0**	**0.0**	**-0.2**

The negative one-year performance is mostly attributable to the LDI investment portfolio and is due to a rise in UK Government gilt yields

OPEN FUND – DC SECTION

Open Fund DC Section members' contributions are invested with Legal & General Assurance Society Ltd, in the funds chosen by members either by direct selection or through one of the three ITB lifestyle strategies that are available: Cash, Annuity or Drawdown.

Contributions of those members who do not nominate a specific investment choice, are invested in a default fund, which is the ITB Drawdown lifestyle strategy. This strategy targets income drawdown at retirement and, up until 15 years to target retirement age, is invested in L&G's Low Carbon Transition Global Equity Fund (70%, split equally between currency hedged and unhedged) and the L&G Multi Asset Fund (30%). Once a member reaches 15 years to target retirement date, an automatic gradual switch to a lower risk investment strategy is commenced until, by the target retirement date, there is a 75% allocation to the L&G Multi Asset Fund and 25% to the L&G Cash Fund. Further information about the default fund can be found in the Chair's Annual Governance Statement on page 25.

During the year, no changes were made to the default fund, the lifestyle funds, or the range of self-select funds available for members. The full range of funds is shown below:

	31 MARCH 2023				
	FUND VALUE (£000's)	% OF TOTAL DC FUNDS	PERFORMANCE BENCHMARK	PERFORMANCE TARGET	TER*
INDEX-TRACKING BOND FUNDS:					
Over 5 Years Index-Linked Gilts Index Fund	108	0.3	FTSE Actuaries UK Index-Linked Gilts (Over 5 Years) Index	To track the index	0.28%
Over 15 Years Gilts Index Fund	43	0.1	FTSE Actuaries UK Conventional Gilts (Over 15 Years) Index	To track the index	0.28%
AAA-AA-A Corporate Bond Over 15 Years Index Fund	32	0.1	iBoxx £ non gilts (ex BBB) Over 15 Years Index	To track the index	0.32%
INDEX-TRACKING EQUITY FUNDS:					
Low Carbon Transition Global Equity Index Fund (Currency Unhedged)	8,071	22.4	Solactive L&G Low Carbon Transition Global Index	To track the index	0.27%
Low Carbon Transition Global Equity Index Fund (Currency Hedged)	8,165	22.6	Solactive L&G Low Carbon Transition Global Index - GBP Hedged	To track the index	0.29%
Global Equity Market Weights 30:70 Index Fund (75% GBP Currency Hedged)	1,217	3.4	Composite of 30/70 distribution between UK and overseas, 75% £ hedged	To track the index	0.34%
Ethical Global Equity Fund	699	1.9	FTSE4 Good Global Index	To track the index	0.50%
HSBC Islamic Global Equity Fund	45	0.1	Dow Jones Islamic Titans 100 Index	To track the index	0.55%
OTHER FUNDS					
Multi Asset Fund	16,423	45.6	Composite Index	To provide long-term investment growth	0.33%
Cash Fund	1,255	3.5	7 day LIBID	CAPS Pooled Pension Fund median	0.29%
TOTAL FOR ALL FUNDS	**36,058**	**100.0**			

* The TER is the Total Expense Ratio. It includes the annual management charge, custody fees and other legal expenses but excludes transaction costs.

All the above funds were available to members as self-select investment options except for the Low Carbon Transition Global Equity Index Fund (Currency Hedged) which is held in the lifestyle strategies only.

The performance of members' funds is reported in the Chair's Annual Governance Statement, on page 25. The L&G Multi Asset Fund performance for the year was -5.5%, which was 0.9% below its benchmark return. However, over five years, its performance remains above benchmark by 0.1%pa. The Cash Fund outperformed its benchmark by 0.6% over one year and by 0.5%pa over five years. The index-tracking funds performed broadly in line with benchmarks during the year and over three-year and five-year periods.

CLOSED FUND

Investment Strategy

Most of the Closed Fund's liabilities have been insured through a buy-in insurance policy with Pension Insurance Corporation and the receipts from this policy are intended to cover most of the benefits to members. The remaining assets of the Closed Fund form the "Reserve Assets".

The Trustee Directors have not made any changes to the Closed Fund's objectives during the year, which are:

- To hold suitable assets to match the cost of current and future benefits.
- To hold the Reserve Assets in suitable assets of appropriate diversification, which will generate additional capital growth to meet further benefit enhancements.
- To achieve low volatility of the Reserve Assets relative to annuity pricing.
- To minimise the long-term costs of the Closed Fund by implementing a simple and low-cost investment strategy and maximising the return whilst having regard to the previous point.

The Fund's annual funding update at 31 March 2022 reported a funding surplus of £46.3m on a technical provisions basis and a funding level of 239%, compared to a £41.3m surplus and a funding level of 221% at 31 March 2021. These figures exclude the buy-in insurance policy, and the liabilities covered by it, to the extent that they offset each other. The Trustee Directors considered the annual funding update results and decided that no investment strategy changes needed to be made.

In April 2022, to help address the risks posed by climate change, the Trustee Directors reduced the exposures to companies with high carbon emissions by switching the global equity exposure into a BlackRock fund with a similar risk and return profile but targeting lower carbon emissions.

Asset Allocation – Reserve Assets

The target asset allocation for the Reserve Assets throughout the year to 31 March 2023 was as follows:

Asset class	Target asset allocation
Global equities	15%
Corporate bonds	15%
Index-linked government bonds	70%

The actual asset allocation as at 31 March 2023 was 15% global equities, 15% corporate bonds, 69% index-linked government bonds and 1% cash. The asset allocations complied with the Statement of Investment Principles (SIP) throughout the year.

Investment Performance

The performance of the Closed Fund Reserve Assets, after investment manager fees, over one, three and five years to 31 March 2023 is shown below:

	1 year (%)	3 Years (% pa)	5 Years (% pa)
Fund return	-9.7	1.3	1.3
Benchmark return	-10.9	0.7	0.8
Relative	1.2	0.6	0.5

The negative one-year performance is mostly due to a rise in UK index-linked government bond yields.

RESPONSIBLE INVESTMENT

Stewardship Priorities

The Trustee Directors believe that strong stewardship policies help manage environmental, social and governance (ESG) risks associated with investments and seek to appoint managers which have commensurate policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council. From time to time the Trustee Directors assess investment managers' responsible investment practices and review how stewardship policies and processes are being implemented.

Shortly prior to the year-end, the Trustee Directors agreed three ESG priorities as a focus for monitoring managers' stewardship of investments: Climate Change (Environmental); Diversity and Inclusion (Social) and Executive Pay (Governance). These priorities were reflected in an updated version of the Statement of Investment Principles (SIP) in April 2023 and alignment with them will be a future focus for the Trustee Directors' monitoring of investment managers' voting and engagement activity.

Exercise of Investment Rights

The Trustee Directors have delegated to the investment managers the exercise of rights attached to investments, including voting rights. Shortly prior to the year-end, the Trustee Directors agreed to adopt the Association of Member Nominated Trustees (AMNT) Red Lines as the Open Fund's voting policy. Investment managers are expected to vote in line with this policy where appropriate or explain why if they have not.

Climate change

The Trustee Directors believe that climate change represents a material risk over both the short and longer term that should be reduced where practical to do so. The Trustee Directors assess and manage climate related risks and opportunities and the following documents, which are reviewed annually, have been published on the Funds' website, **www.itb-online.co.uk**:

- **Statement on Governance on Climate Change Risks and Opportunities**

  The Statement defines the roles and responsibilities of the Trustee Directors, the Scheme Actuary, the investment adviser, the covenant adviser, the legal adviser and the investment managers in relation to climate-related risks and opportunities.
- **Climate Related Risk Beliefs**

  A description of the Trustee Directors' key beliefs around climate related risks.
- **Task Force on Climate-Related Financial Disclosures (TCFD) Report**

  The Report sets out the activities and approach taken to understand and reduce the risks to the Funds arising from climate change and considers the implications of a range of climate change scenarios.

The Trustee Directors have set a climate target to increase the percentage of listed equity and corporate bond investments which have Science Based Target initiative (SBTi) targets to 75% by 2030. Progress towards this target was reviewed in February 2023 and concluded to be satisfactory based on the proportion of equity holdings with SBTi-aligned targets having increased by an average of 9% over 12months, and credit holdings by an average of 4%.

Specific metrics have been agreed to monitor the Funds' climate-related risks in relation to equity and credit investments and during the year a data quality measure was added to these metrics. The most recent review of the climate metrics of each manager's investments, in February 2023, reported overall reductions in carbon emissions and improvements in data quality.

To address climate change risks, the Trustee Directors have switched the equity exposures of the Defined Benefit Sections, and the Defined Contribution Section lifestyle investment strategies, to equity funds which seek to reduce their exposure to carbon emissions over time.

Other Environmental, Social and Governance (ESG) and ethical matters

The Trustee Directors have considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Open and Closed Funds and their members.

The Trustee Directors expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations) and seek to appoint managers that have appropriate skills and processes to do this. From time to time there is a review of how the managers are taking account of these issues in practice.

The Trustee Directors encourage their managers to improve their ESG practices, although they have limited influence over managers' investment practices where assets are held in pooled funds and the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors.

The Trustee Directors do not generally take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. However, within the DC Section the Trustee Directors recognise that some members may wish for ethical matters to be reflected in their investments and therefore have made available the L&G Ethical Global Equity Index Fund as an investment option to members.

MANAGEMENT AND CUSTODY OF INVESTMENTS

The Trustee Directors have delegated management of investments to professional investment managers which are listed on page 9. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in investment management agreements or in accordance with pooled investment vehicle policy documents, which are designed to ensure that the objectives and policies set out in the Statements of Investment Principles are followed.

The Trustee Directors have appointed JP Morgan Chase Bank to keep custody of the Open Fund's segregated assets. The Bank of New York Mellon is appointed, under a tripartite agreement with BlackRock, as custodian for the pooled funds managed by BlackRock for the Closed Fund. The investment managers of the pooled funds are responsible for appointing custodians for the underlying assets of the other pooled funds. Mayer Brown International holds the title deeds to the property held as a fixed asset by the Open Fund. Master policy documents for insurance policies are held by the Trustee Directors.

The Trustee Directors have considered the nature, disposition, marketability, security and valuation of the Funds' investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

EMPLOYER-RELATED INVESTMENTS

There were no employer-related investments in the year (2022 – none).

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Trustee's Responsibilities in Respect of The Financial Statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("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 Funds during the Funds year and of the amount and disposition at the end of the Funds year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Funds 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 these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Fund will continue as a going concern.

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

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

The Trustee is also responsible for the maintenance and integrity of the ITB Pension Funds website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee's Responsibilities in Respect of Contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Funds by or on behalf of employers and the active members of the Funds 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 Funds and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Funds in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

FINANCIAL STATEMENTS AND AUDIT

The financial statements included in this Annual Report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under section 41(1) and (6) of that Act.

FINANCIAL DEVELOPMENT DURING THE YEAR

The financial statements of the Funds for the year ended 31 March 2023 are set out on pages 69 to 91. During the year, the net assets of the Funds fell from £1.21bn to £912m, primarily due to negative investment returns from bond investments.

CONTACT

If members have a query or wish to make their views known to the Trustee Directors on any aspect of the ITB Pension Funds they should in the first instance write to the ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ or email **pensions@itbpen.com**.

The Trustee Directors' Report was approved by the Trustee Directors on 20 September 2023 and signed on its behalf by:

DNMcGuiness

D N McGuiness
Chair

D Birtwistle
Deputy Chair

Chair's Annual Governance Statement

FOR THE YEAR ENDED 31 MARCH 2023

INTRODUCTION

This statement has been prepared by the Trustee Directors to demonstrate how the Funds have complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015. It covers the scheme year to 31 March 2023 and seven key areas relating to the Open Fund Defined Contribution Section (DC Section):

1. Investment strategy relating to the DC default investment arrangement
2. Performance of the DC Section investments
3. Financial transactions made within the DC Section
4. Charges and transaction costs within the DC Section
5. The Trustee Directors' compliance with knowledge and understanding requirements
6. Appointment of Trustee Directors
7. Membership engagement

Where applicable, this statement also applies to the Additional Voluntary Contribution (AVC) arrangements.

1. DC DEFAULT INVESTMENT ARRANGEMENT

The DC Section is invested in funds offered by Legal & General Assurance Society Limited (L&G).

Members who join the DC Section and who do not choose an investment option are placed into a default arrangement called ITB Drawdown. This is a lifestyle fund that targets income drawdown at retirement and automatically switches investments to a progressively lower risk investment strategy from 15 years before retirement. The Trustee Directors' objective in relation to the default arrangement is to grow members pots materially above inflation whilst they are far from retirement, and then to gradually reduce investment risk as members become close to retirement, targeting an allocation which the Trustee Directors consider appropriate for a member intending to drawdown in retirement.

The Trustee Directors are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangement.

The Trustee Directors have adopted a Statement of Investment Principles (SIP) which covers both the DB and DC sections of the Open Fund. The DC Section of the latest Open Fund SIP, dated 19 April 2023, is reproduced in the schedule to this statement. It sets out the investment principles for the DC funds, including a detailed description of the default arrangement and the Trustee Directors' objectives and policies in relation to it.

The latest full DC Section investment strategy and performance review was conducted in November 2020 and concluded that the lifestyle strategy targeting drawdown at retirement remained appropriate for achieving the default arrangement's objective and that the self-select range of funds offered a sufficiently broad range of options to members. The next review, including the default arrangement, is due to take place during the 2023/24 financial year.

No changes were made to the default fund strategy or investments during the year to 31 March 2023. The Investment Committee has reviewed the performance of funds in the default arrangement at each quarter end during the year and concluded that they have been performing broadly as expected, consistent with the Trustee Directors' targets and other objectives.

2. INVESTMENT PERFORMANCE

The return on investments (net of charges and transaction costs) for periods ended 31 March 2023 of the self-select investment funds in which member assets were invested during the year was as follows:

FUND	1 year %	5 Years Annualised %
Over 5 Years Index-Linked Gilts Index Fund	-29.5	-4.0
Over 15 Years Gilts Index Fund	-29.9	-6.5
AAA-AA-A Corporate Bond Over 15 Years Index Fund	-24.4	-4.4
Low Carbon Transition Global Equity Index Fund	-4.7	N/A
Global Equity Market Weights 30:70 Index Fund (75% GBP Currency Hedged)	-4.5	7.3
Ethical Global Equity Index Fund	-2.0	11.7
HSBC Islamic Global Equity Index Fund	-5.9	14.9
Multi Asset Fund	-5.5	3.9
Cash Fund	2.1	0.7

The net investment returns for the three lifestyle funds for periods ended 31 March 2023 are shown in the following table. These have been calculated based on an assumed target retirement age of 65, for members who were aged 25, 45 and 55 at the start of the period that the performance figures cover.

Age of member at start of period	Drawdown (default strategy)		Cash Lifestyle		Annuity Lifestyle	
	1 year net return %	5 year net return %pa	1 year net return %	5 year net return %pa	1 year net return %	5 year net return %pa
25	-6.5	5.9	-6.5	5.9	-6.5	5.9
45	-6.5	5.9	-6.5	5.9	-6.5	5.9
55	-6.1	4.9	-6.1	4.9	-11.5	2.1

The Trustee Directors have had regard to statutory guidance in putting together the information about investment returns.

3. FINANCIAL TRANSACTIONS

This section explains how, during the scheme year, the Trustee Directors monitored that core financial transactions of the DC Section were processed promptly and accurately. Core financial transactions include the investment of contributions, transfers out, fund switches, and payments out, both to and in respect of members. These transactions are undertaken on the Trustee Directors' behalf by the Funds' DC platform provider, L&G, under a policy to administer the Funds' DC Section.

The Trustee Directors worked closely with the participating employers to help them understand their responsibilities as regards contributions and sharing information about members. Staff at the ITB Pension Funds (the Funds Office) were in regular communication with the employers about the detail of their obligations in respect of the DC Section. The Funds Office was notified by the participating employers of the various percentages of employer and employee contributions due and performed reconciliations to help ensure the correct payments were deducted. All contributions deducted from members' pay by the participating employers were paid to L&G within the legislative requirements. L&G invested the contributions in funds within 24 hours following receipt of contributions, well within the period expected by The Pensions Regulator.

The Trustee Directors obtained and reviewed administration reports each quarter. The reports showed L&G's performance against service level agreements (SLAs) for processing all core financial transactions. The SLAs are comprehensive and cover the processing of joiner and contribution files, allocating contributions to investments, investment switches, issuing maturity and leaver packs, timescales for processing benefit payments and issuing quotes for events like retirement, ill health and transfers, and customer enquiries.

The Trustee Directors also reviewed the AAF 01/20 Assurance Reports on Internal Controls issued during the year by L&G Investment Management and by L&G Assurance Society Ltd. These reports provide independent assurance on the strength of the systems and controls operating within the investment manager and the administrator of the DC funds.

Staff at the ITB Pension Funds reconciled L&G's quarterly reports to monthly contribution summaries supplied by the participating employers to monitor whether contributions had been processed accurately. Any identified errors were rectified quickly and processes at L&G and the employers were reviewed to help prevent further similar errors. There were no contributions paid into the DB Section AVC arrangements during the year.

The staff at the ITB Pension Funds liaised with the administrator each month about the service levels to identify any systemic administration issues that might affect members' interests. Transfers out, fund switches and payments out, both to and in respect of members, were processed by L&G, on behalf of the Trustee. The promptness of processing these transactions was monitored by the Trustee Directors through the service level performance reporting each quarter. The accuracy of processing these transactions was monitored by the Funds Office, which reconciled L&G's advance notice of the transactions to separate fund accounting reports.

The Trustee Directors' review of L&G's quarterly SLA performance identified no substantive issues during the scheme year. Joiner and contribution files processing and the allocation of contributions to investments were all completed within the SLA throughout the year. SLA performance for payments processing and the servicing of member enquiries is shown in the table below. Improvements in SLA performance were achieved during the year and in the 6 months to March 2023 all payments and over 99.5% of enquiries were processed within SLA.

	Payments processing		Servicing of requests / enquiries	
	Percentage processed within SLA	Average delay for payments that missed the SLA (days)	Percentage processed within SLA	Average delay for cases that missed the SLA (days)
June 2022 quarter	88%	1.0	95%	3.0
September 2022 quarter	86%	1.0	99%	4.5
December 2022 quarter	100%	0.0	100%	0.0
March 2023 quarter	100%	0.0	100%	2.0

L&G has processes in place to help meet the SLAs, for example the dedicated L&G contributions team performs a daily contribution data reconciliation for all contribution payments received. L&G also performs daily automatic reconciliations of investment fund units purchased and sold within its fund reconciliation process controls. These reconciliations ensured that all units purchased and sold are recorded against a member's record.

The Trustee Directors reviewed the DC Section's governance processes and internal controls each quarter and were satisfied that they were consistent with The Pensions Regulator's DC Code of Practice No. 13.

Based on the above, the Trustee Directors are satisfied that core financial transactions relating to the DC Section and AVCs have overall been processed accurately and promptly during the scheme year and for those transactions processed outside service levels, the volume and delays have not been excessive.

4. CHARGES AND TRANSACTION COSTS

Annual Charges

The level of annual charges (as measured by the total expense ratio (TER), which includes L&G's platform fee of 0.20% pa, but not transaction costs) for the lifestyle options, including the current default arrangement, varies according to the mix of assets, which begins to change when members are 15 years from retirement. For each of the three lifestyle options, Table 1 below shows the annual charge when a member is more than 15 years to retirement and at five-yearly intervals within the period from 15 years to retirement.

Table 1: Annual charges for lifestyle options

PERIOD TO RETIREMENT:	MORE THAN 15YRS %PA	15 YRS %PA	10 YRS %PA	5 YRS %PA	0 YRS %PA
Drawdown Lifestyle *(Default Option)*	0.29	0.29	0.31	0.32	0.32
Annuity Lifestyle	0.29	0.29	0.30	0.30	0.29
Cash Lifestyle	0.29	0.29	0.31	0.32	0.29

The annual charges for the self-select funds were as shown below in Table 2.

Table 2: Annual charges for self-select funds

FUND	%PA
Over 5 Years Index-Linked Gilt Fund	0.28
Over 15 Years Gilts Index Fund	0.28
AAA-AA-A Corp Bond Over 15 Years Index Fund	0.32
Global Equity Market Weights 30:70 Index Fund	0.34
Low Carbon Transition Global Equity Index Fund	0.27
Ethical Global Equity Index Fund	0.50
HSBC Islamic Global Equity Index Fund	0.55
Multi Asset Fund	0.33
Cash Fund	0.29

Transaction costs

The following types of transaction costs are borne by members:

1. Explicit costs: These are directly charged to or paid by the fund, e.g. taxes, levies and broker commissions.
2. Implicit costs: These reflect the theoretical value that is lost to the market during the process of buying and selling, for example differences between selling and buying prices (spreads). Implicit costs may vary depending on market liquidity and the size of transaction.

   They are calculated on the 'slippage' basis, as recommended by the Financial Conduct Authority, under which a negative implicit cost can arise when the actual price paid ends up being lower than the mid-market price at the time of placing an order.

Information provided by the Investment Manager, L&G, on the annual average transaction costs for the lifestyle options (including the default arrangement) is set out in Table 3 below, and for the self-select funds it is set out in Table 4 below. Where aggregated transaction costs resulted in a negative value, a nil percentage has been reported.

Table 3: Transaction costs for lifestyle options

	YEAR TO 31 MARCH 2023				
PERIOD TO RETIREMENT:	**MORE THAN 15YRS %PA**	**15 YRS %PA**	**10 YRS %PA**	**5 YRS %PA**	**0 YRS %PA**
Drawdown Lifestyle *(Default Option)*	0.05	0.05	0.05	0.04	0.03
Annuity Lifestyle	0.05	0.05	0.07	0.08	0.11
Cash Lifestyle	0.05	0.05	0.05	0.04	0.00

	ANNUAL AVERAGE* TO 31 MARCH 2023				
PERIOD TO RETIREMENT:	**MORE THAN 15YRS %PA**	**15 YRS %PA**	**10 YRS %PA**	**5 YRS %PA**	**0 YRS %PA**
Drawdown Lifestyle *(Default Option)*	0.03	0.03	0.03	0.03	0.02
Annuity Lifestyle	0.03	0.03	0.03	0.04	0.04
Cash Lifestyle	0.03	0.03	0.03	0.03	0.00

Table 4: Transaction costs for self-select funds

FUND	**YEAR TO 31 MARCH 2023 %PA**	**ANNUAL AVERAGE* TOTAL %PA**
Over 5 Years Index-Linked Gilt Fund	0.21	0.08
Over 15 Years Gilts Index Fund	0.19	0.06
AAA-AA-A Corp Bond Over 15 Years Index Fund	0.00	0.00
Global Equity Market Weights 30:70 Index Fund	0.08	0.04
Low Carbon Transition Global Equity Index Fund	0.04	0.03
Ethical Global Equity Index Fund	0.00	0.00
HSBC Islamic Global Equity Index Fund	0.00	0.06
Multi Asset Fund	0.04	0.03
Cash Fund	0.00	0.00

* The Annual Averages Total transaction costs have been provided by the investment manager, L&G. They are based on the average costs over the 5 years to 31 March 2023 or, where data was available for fewer than 5 years, the average costs over the maximum number of years up to 31 March 2023 for which data was available.

Impact of all costs and charges

Table 5 below has been prepared in accordance with statutory guidance and provides an illustrative example of the cumulative effect of the member borne costs and charges as set out in Tables 1 to 4 above. It covers the most popular funds, the funds with the highest and lowest expected return and the funds with the highest and lowest total charges.

Table 5: Projected pension pot in today's money

	FUND CHOICE													
	"Most Popular"		"Most Popular, age 50, retiring at 65"		"Popular"		"Popular" and "Lowest Cost"		"Highest Expected Return"		"Lowest Expected Return"		"Highest Cost"	
	Default Fund Growth Phase		Default Fund at Age 50 Retiring at 65		Multi Asset		Cash		Low Carbon Transition Global Equity		Over 5 Year Index-Linked Gilts		Islamic Global Equity	
Yrs	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1	22,390	22,337	22,382	22,328	22,259	22,201	21,679	21,632	22,447	22,397	21,679	21,621	22,409	22,309
3	36,219	35,987	36,143	35,908	35,671	35,418	33,318	33,128	36,456	36,240	33,318	33,082	36,298	35,862
5	51,321	50,798	51,060	50,528	50,121	49,558	45,121	44,718	51,843	51,354	45,121	44,621	51,494	50,513
10	95,437	93,576	93,716	91,811	91,335	89,381	75,360	74,111	97,256	95,498	75,360	73,813	96,039	92,554
15	150,414	146,043	141,492	137,194	140,997	136,526	106,672	104,109	154,667	150,489	106,672	103,502	151,817	143,643
20	218,926	210,393	N/A	N/A	200,840	192,339	139,095	134,726	227,243	218,995	139,095	133,698	221,659	205,730
25	304,304	289,319	N/A	N/A	272,951	258,413	172,669	165,975	318,993	304,337	172,669	164,408	309,113	281,180
30	410,700	386,121	N/A	N/A	359,845	336,635	207,434	197,867	434,980	410,651	207,434	195,642	418,618	372,871
35	543,289	504,847	N/A	N/A	464,551	429,240	243,434	230,417	581,608	543,092	243,434	227,409	555,736	484,298
40	708,520	650,464	N/A	N/A	590,722	538,870	280,711	263,639	766,971	708,082	280,711	259,718	727,429	619,710

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £15,919 – the median pot size as at 31 March 2023.
3. Inflation is assumed to be 2.5% each year, which is the assumption used by Legal & General in members' 31 March 2023 benefit statements.
4. It is assumed the current average level of contributions of £5,628pa is made each year.
5. There are no charges levied on contributions.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates for each fund or arrangement are as follows:
   Default Fund Growth Phase: 4.5% above inflation
   Default arrangement at Age 50 and retiring at 65: between 3.03% and 4.5% above inflation
   Multi Asset: 3.8% above inflation
   Global Equity Low Carbon Transition: 4.8% above inflation
   Over 5 Year Index-Linked Gilts: 0.7% above inflation
   Islamic Global Equity: 4.6% above inflation
   Over 15 Years Gilts: 0.7% above inflation
   Cash: 0.7% above inflation

Value for money

It is an objective of the Trustee Directors that members receive value for money, as small differences in charges can have a major impact on the size of members' pension funds by the time they retire.

To meet this objective, the Trustee Directors carry out a value for members assessment of the DC arrangements each year on the basis of information and advice from the investment consultant. The assessment compares the fees borne by DC Section members with other pension schemes that have similar investment arrangements and are of a similar size. It also considers whether fee levels are being justified by the services and benefits received in exchange, which include scheme governance and management, investment, administration and communications services. The assessment recognises that the only charges borne by members are the charges deducted from the funds (i.e. the TERs shown above, plus transaction costs), while the charges for all other services are borne by the participating employers.

The Trustee Directors' assessment during 2022/23 covered the year ending 31 March 2022. It concluded that overall, members were receiving very good value for money. Fee levels were competitive and justified the service levels being received, the standard of which had improved. Additionally, L&G was assessed as being a stable, well governed DC provider with a good investment range and asset transition capabilities but with scope to improve the consistency of its administration and communication services. The fund range and lifestyle strategies were concluded to be providing members with adequate options.

The latest value for members assessment, covering the year ending 31 March 2023, was completed after the year-end and concluded that members had continued to receive very good value for money.

Other costs and charges borne by employers are kept as low as possible by rigorous budgetary control. The charges borne by members are well below the government 'charge cap' of 0.75% pa in respect of default funds.

5. TRUSTEE DIRECTORS' KNOWLEDGE AND UNDERSTANDING

The Trustee Directors are expected to meet the requirements for knowledge and understanding set out in s247 of the Pensions Act 2004, which are to be conversant with key documents relating to the Funds, and to have knowledge and understanding of pensions and trust law and the principles of funding and investment. This section describes the policies and programmes in place to ensure the knowledge and understanding requirements are met, and specific steps taken during the year.

The Trust Deed & Rules provide for the Funds to be governed by a board of 14 Trustee Directors, consisting of seven Employer, five Member and two Pensioner Trustee Directors. All Trustee Director positions were filled at the year-end.

Each Trustee Director serves for a fixed three-year term and can be re-appointed following each term. As at 31 March 2023, the average period of service of each Trustee Director was 8 years with 4 Trustee Directors having been in office for 5 years or less, whilst 4 Trustee Directors, including the Chair and the Employers' Deputy Chair, had been in office for 10 years or more. There is a wide spectrum of experience and, therefore, the training programme both keeps the experienced Trustee Directors up to date with pension developments and gives newer Trustee Directors a basis, in line with the minimum requirements, on which to develop their knowledge and experience.

The training programme comprises the following elements:

- New Trustee Directors attend an induction programme that introduces the Trust Deed and Rules, Statement of Investment Principles, Statement of Funding Principles and other Funds policy documents, for example the Funds' Conflicts of Interest policy. This programme was completed by all new Trustee Directors appointed during the scheme year. New Trustee Directors also attended training arranged by the legal adviser covering the key legal principles relating to defined benefit and defined contribution schemes.
- Every year, each Trustee Director completes a training needs self-assessment. The Funds Office uses this, and any other feedback provided by the Trustee Directors on their knowledge and skills, to identify areas where training is required. No significant knowledge or skills gaps were identified by this process.
- Trustee Directors can access a secure website which has a Resource Library containing all the key governance documentation for the Funds including the Trust Deed and Rules, Annual Report & Financial Statements, Statements of Investment Principles and Statements of Funding Principles. Trustee Directors are encouraged to maintain a good working knowledge of these documents. The website also includes copies of Trustee training presentations and links to training events and relevant information published by The Pensions Regulator, including its online learning programme called the Trustee Toolkit, which all Trustee Directors have completed.
- Trustee Directors who are not members of the Investment Committee or Management Panel are invited, by rotation, to attend meetings of each to improve their knowledge and understanding of the matters that they deal with. During the year, an invited Trustee Director was present at 3 of the Investment Committee's meetings and at 1 Management Panel meeting. Additionally, the number of Trustee Directors serving on the Management Panel has been increased from 4 to 6 during the year.
- The papers for quarterly Trustee meetings include legal updates specifically prepared for the Funds, with the legal advisers present to discuss any questions raised by the Trustee Directors.
- From time to time, formal training sessions for the Trustee Directors are held at the conclusion of quarterly Trustee meetings. Sessions held during the year addressed the operation of the conflicts of interest policy and stewardship of investments.
- Trustee Directors individually attend other training events which are relevant to their personal training needs, and which may address topics in which they have a specific interest. Events attended during the year included an investment conference which addressed global economic developments, pension risk management and fixed income opportunities; and training provided by the

Pensions Management Institute covering topics including GMP equalisation, pension dashboards and buy-outs.

- The Scam Module of the Trustee Toolkit is completed by Trustee Directors to increase their awareness of pension scams and understand the processes that the Regulator expects to be in place to protect Fund members from being scammed.
- An annual Trustee training seminar took place in April 2022. Topics covered included investment performance, climate related investment risks, member communication, member engagement and education, new legal requirements for transfers out and a training session on the triennial actuarial valuation process.

All training needs and training received are logged on a central training register that is used by the Funds Office to identify relevant subjects for training, which are then delivered within the framework described above. Each new Trustee Director is required to complete the Trustee Toolkit and other training to meet the minimum requirements for knowledge and understanding.

The combined training, knowledge and understanding of the Trustee Directors, together with the available advice, enables the Trustee Directors to properly exercise their functions. The Trustee Board benefits from its directors having many years of experience and training as described above. Several of the Trustee Directors are current or former senior executives with substantial experience of financial, managerial and governance matters. This includes a former HR Director with substantial pensions knowledge and a former Chief Engineer and Technology Director of a major oil company. Several Trustee Directors have also had substantial involvement with other pension schemes or pensions industry bodies.

Trustee Directors are nominated by participating employers, or employee members, deferred members, and pensioners of participating employers. This ensures detailed knowledge of the participating employers is available to the Trustee Directors, which is useful for interpreting and understanding advice on employer covenant strength, subject to managing conflicts of interest.

The Trustee Directors believe that a culture which is inclusive and supports diversity is essential to the long-term success of the Funds and will better enable it to respond to stakeholder needs. As and when there are Trustee Director nominations, and re-nominations, the Trustee Directors encourage employers, members and trade unions to identify diverse candidates who will help the Trustee Board to fulfil its diversity and inclusion aspirations, while guided to nominate solely on the basis of the candidate's assessed capability for the role.

The Trustee Directors' combined knowledge and understanding is enhanced by the support of the Funds Office whose employees include a Chief Executive who is a Chartered Accountant with 9 years' experience in life insurance and 16 years' experience in the pension industry, a Funds Accountant who is also a Chartered Accountant and has 25 years' experience in the pension industry, and a Pension Administration Manager who has a CII Diploma and 34 years' experience in the pension industry.

The Trustee Directors also have access to actuarial advice from the Government Actuary's Department, investment advice from LCP and legal advice from Mayer Brown International. The actuarial and legal advisers normally attend each Trustee meeting, and the investment adviser attends each Investment Committee meeting. This independent professional support further enhances the combined knowledge that enables the Trustee Directors to properly exercise their functions.

6. APPOINTMENT OF TRUSTEE DIRECTORS

On 31 October 2022 all the Trustees were removed from office and ITB Pension Trustee Limited was appointed in their place as the sole corporate trustee. Concurrently, each of the removed Trustees was appointed as a director of the corporate trustee with an equivalent status to that which they had previously held as a Trustee.

The Funds are a relevant multi-employer scheme under the 2015 Regulations and are therefore subject to a requirement, under Regulation 22, for a majority of the Trustee Directors, including the Chair, to be "non-affiliated". For a Trustee Director to be "non-affiliated", he or she must be appointed through an open and transparent process (OTP); must be independent of the Funds' service providers; and must not have been in office for longer than prescribed periods. The Funds' Trust Deed & Rules reflect the requirement of Regulation 22, such that a person cannot normally be appointed as a Trustee Director unless he or she is non-affiliated.

In relation to the Funds' compliance with the non-affiliation requirements:

- All Trustee Directors have been appointed through an OTP.

- None of the Trustee Directors is (or has in the last five years been) a director, manager, partner or employee of any undertaking which provides advisory, administration, investment or other services for the ITB Pension Funds, or any undertaking which is connected to a service provider.
- None of the Trustee Directors receive any payment or benefit from any undertaking which provides advisory, administration, investment, or other services for the ITB Pension Funds, or any undertaking which is connected to a service provider. Neither do any of the Trustee Directors have any obligations to any such service provider that conflict with their obligations as a Trustee Director.
- None of the Trustee Directors has (since the 2015 Regulations came into force) served for more than 10 years, with no single period in office being more than 5 years.

All Trustee Directors, including the Chair, therefore met the requirements of Regulation 22 during the year and so were (and still are) non-affiliated.

To support compliance with Regulation 22, new Trustee Directors are appointed through the following processes:

- Members' Trustee Directors are nominated and selected by members or by trade unions which represent them, much as would apply under the Member Nominated Trustee legislation (s241 of the Pensions Act 2004). The Trustee Board is satisfied that this meets the OTP requirement.
- Employers' Trustee Director appointments are made through reasoned decisions, based on relevant and appropriate criteria, and made through due process, with both the process and the ultimate decision being clearly communicated to interested parties. Employers' Trustee Directors are selected by employers and, to ensure that the OTP requirement is met, the Trustee stipulates that employers should follow certain ground rules when selecting candidates:
  - Employers must determine the constituency from which Trustee Directors will be selected and the process used to make the selection, which must involve a panel of at least three individuals.
  - Notice as to these matters must be given to people in the constituency and to the employer's active members (the "interested parties").
  - The selection must take account of candidates' fitness and propriety to act as Trustee Directors.
  - The Chair of the Trustee must be consulted as to the proposed appointment.
  - Notice as to the final decision must be given to the interested parties.
  - The employer must confirm to the Trustee that the ground rules have been followed.

During the scheme year and over the longer-term, the Trustee Directors have monitored compliance with the conditions as to independence and term of office.

As regards non-affiliated Trustee appointments and reappointments during the scheme year, the OTP requirement was met as follows.

Name	Position	Process	OTP requirement compliance
Peter Austin	Open Fund Pensioner Trustee	Appointed following a ballot of Open Fund pensioner and deferred members.	Nomination and selection was by Open Fund pensioner and deferred members.
David Birtwistle	Enginuity, Employers' Trustee	Renominated by Enginuity.	The ground rules were followed in making the selection.
Martin McManus	Cogent Skills, SECTT and RTITB, Joint Members' Trustee	Re-appointed following a nomination process in which he was the sole nominee.	Nomination and selection was by members of Cogent Skills, SECTT and RTITB.
Marie Rowlands	Enginuity, Members' Trustee	Appointed following a nomination process in which she was the sole nominee.	Nomination and selection was by Enginuity members.

7. MEMBERSHIP ENGAGEMENT

The Funds' website (**www.itb-online.co.uk**) includes a "feedback" button and contact details to enable members of the Funds to make their views known to the Trustee Directors. This website is a useful resource for members looking for further information about their pension arrangement including guidance about contributions and how salary sacrifice arrangements operate, benefits available at retirement, investment choices and how to make changes to them.

Members can also find the following documents on the Funds' website:

- The DC Scheme Member Booklet which provides practical information about all aspects of DC Scheme membership.
- The Annual Report and Financial Statements, including this Chair's Annual Governance Statement and the Statement of Investment Principles Implementation Statement.
- Members' newsletters, hard copies of which are posted to all members.
- The Funds' Climate Change Report which describes the activities and approach taken by the Trustee Directors to understand and reduce risks related to climate change.

DC Section members are also provided with access to L&G's secure website where they can obtain an up-to-date valuation of their funds, annual pension statements and other comprehensive documentation and guidance on the Funds' DC Section. Through this website members can communicate directly with the L&G administration team.

Engagement with members also takes place through communications with the Pensioners' Association and informally through the Members' Trustee Directors, who frequently discuss pensions matters with workplace colleagues and provide feedback to the Trustee.

During the year, two of the Trustee Directors ran pensions information events which informed members about the benefits offered by the ITB Pension Funds and stimulated feedback on how members believe communication can be enhanced.

Also, a Communications Working Party has been set-up with a remit including review of member communications and implementing improvements where necessary. The Party has revised the Members' Newsletter to have a greater focus on key messages relevant to the needs of members, information about new developments, and the promotion of the ITB and L&G websites. The first new format Newsletter was published in December 2022 and included a form for members to communicate to the Trustee Directors about how they wished to be contacted in the future. The Newsletter will be published more frequently in the short-term going forward, during which time usage of the websites will be monitored for improvements.

The Trustee Directors believe that the above arrangements are appropriate for the DC Section, having regard to the size, nature and demographic of the membership.

The contact details of the Funds are as follows:

The ITB Pension Funds, 23 King Street, Watford, Herts, WD18 0BJ
Telephone: **01923 226264**
E-mail: **pensions@itbpen.com**
Website: **www.itb-online.co.uk**

Signed by the Chair on behalf of the Trustee

Signed: DNMcGuiness

Dated: 20 September 2023

David Newell McGuiness (Chair of the Trustee)

Chair's Annual Governance Statement Schedule

DC SECTION STATEMENT OF INVESTMENT PRINCIPLES – 19 APRIL 2023

WHAT IS THE TRUSTEE'S OVERALL INVESTMENT OBJECTIVE?

The Trustee recognises that members of the Defined Contribution Section may have differing investment needs. These needs may change during the course of a member's working life and members may have differing attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances.

The Trustee's investment objective is, therefore, to make available a range of pooled investment funds which serve to meet in general the varying investment needs and risk tolerances of the members of the Defined Contribution Section.

WHAT ARE THE AIMS AND OBJECTIVES OF THE DEFAULT ARRANGEMENT?

For members who join the Scheme and who do not choose an investment option, the Trustee makes available a default arrangement called ITB Drawdown. This is a lifestyle strategy that targets income drawdown at retirement and automatically switches investments to a progressively lower risk investment strategy from 15 years before retirement.

The Trustee's objective in relation to the default arrangement is to grow members pots materially above inflation whilst they are far from retirement, and then to gradually reduce investment risk as members become close to retirement, targeting an "at retirement" allocation which the Trustee considers appropriate for a member intending to drawdown in retirement.

WHAT RISKS DOES THE TRUSTEE CONSIDER AND HOW ARE THESE MEASURED AND MANAGED?

The Trustee has considered risk for the Defined Contribution Section from a number of perspectives, including, but not limited to, those set out below:

Risk of Inadequate Long-Term Returns

As members' benefits are crucially dependent on the investment returns achieved, it is important that investment vehicles are available which can be expected to produce adequate real returns over the longer term.

Risk of Deterioration in Investment Conditions Near Retirement

For a given amount of money the level of pension secured for a member will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement will have a substantial impact on the benefits provided. To protect against this, the Trustee has made a lifestyle strategy, the ITB Drawdown, which targets drawdown at retirement.

Risk of Lack of Diversification and Unsuitable Investments

Within each fund available to members the holdings should be adequately diversified. To achieve this, the Trustee has selected funds which invest in a suitable diversified range of holdings. The Trustee's policy is to make available to members funds which, in normal circumstances, should prove easy to buy and sell.

Risk from Excessive Charges

If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive then the value of members' accounts will be reduced unnecessarily. The Trustee has, therefore, looked closely at the terms and conditions of the investment manager and are comfortable that the charges applicable to the Open Fund are in line with market practice and assess regularly whether these represent good value for members.

Investment Manager Risk

This is the risk that the investment manager fails to meet its investment objective. The Trustee monitors the investment manager on a regular basis.

Climate Risk

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (e.g. extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and from time-to-time review how this risk is being managed in practice.

Other Environmental, Social and Governance (ESG) Risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Open Fund's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time-to-time review how these risks are being managed in practice.

Other Risks

The Trustee recognises that there are other, non-investment, risks within the Defined Contribution Section. Unlike the Defined Benefit Section, these risks fall generally on the individual Defined Contribution Section members rather than on the membership generally and/or the sponsoring employer.

Examples of these risks include longevity risk (the risk that insurers expect members to live longer, which increases the cost of securing a pension), and knowledge/understanding risk (the risk that members make inappropriate investment choices, given their circumstances).

Some of the risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk. In particular consideration is given to focus on ESG / climate change focussed investments; the next Section describes the changes that were made to address climate change risk following a review of the strategy in 2020.

WHAT ARE THE INVESTMENT STRATEGY ARRANGEMENTS?

The Trustee has provided to members a range of investment options, having regard to the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns. Following a review of the strategy in 2020, the Trustee decided to address the potential impact of climate change on members' Defined Contribution investments by changing the equity component of the Open Fund's Defined Contribution lifestyle investment strategies to equity funds which seek to reduce their exposure to carbon emissions over time. The full range of funds that is available is set out below.

Current Fund Range

Manager	Fund name	Benchmark	Target
L&G	Global Equity Market Weights (30:70) Index Fund – 75% GBP Currency Hedged	Composite of 30/70 distribution between UK and overseas, 75% GBP Hedged	To track the benchmark
L&G	Ethical Global Equity Index Fund	FTSE4Good Global Equity Index	To track the benchmark to within +/- 0.50% pa for two years in three
L&G	Low Carbon Transition Global Equity Index Fund Unhedged	Solactive L&G Low Carbon Transition Global Index	To track the benchmark
HSBC	Islamic Global Equity Index Fund	Dow Jones Islamic Titans 100 Index	To track the benchmark
L&G	Multi Asset Fund	ABI UK – Mixed Investment 40%-85% Shares Pension Sector	To provide long-term investment growth through exposure to a diversified range of asset classes
L&G	AAA-AA-A Corporate Bond (Over 15 Years) Fund	iBoxx £ Non Gilts (ex BBB) Over 15 year Index	To track the benchmark to within +/- 0.50% pa for two years in three
L&G	Over 5 Year Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts (Over 5 Years) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts (Over 15 Years) Index	To track the benchmark to within +/- 0.25% pa for two years in three
L&G	Cash Fund	7 Day LIBID	To match the CAPS Pooled Pension Fund median.

It is for each member to decide on their required strategic allocation to each of the available investment funds. The fund range offered also includes three "lifestyle" strategies that automatically combine the investments in proportions that vary according to the proximity to retirement age. Each of the three lifestyle strategies targets a different investment option for members at retirement; income drawdown, a cash lump-sum or the purchase of an annuity. If a member does not choose an investment option, their account will be invested into the default lifestyle option, which targets income drawdown at retirement.

The lifestyle strategies are designed to offer some protection against the risks described above.

DEFAULT OPTION

The Open Fund also has three lifestyle strategies, and the default investment option is a lifestyle strategy which targets income drawdown at retirement. The default option provides an automated investment switching facility, following a pre-selected investment strategy, which will move the funds into lower risk investments as retirement approaches.

Until 15 years prior to each member's selected retirement age, the lifestyle strategy invests:

- 35% in the L&G Low Carbon Transition Global Equity Index Fund GBP Hedged,
- 35% in the L&G Low Carbon Transition Global Equity Index Fund Unhedged; and
- 30% in the L&G Multi Asset Fund.

Fifteen years prior to each member's selected retirement age, automatic monthly switches commence.

The investment split at each member's target retirement age would be as follows:

- 75% in the L&G Multi Asset Fund; and
- 25% in the L&G Cash fund.

The table below outlines how the proportion of portfolio holdings changes in the 15 years up to retirement under the strategy.

Years to Retirement	Global Equities (GBP Hedged) (%	Global Equities (Unhedged) (%)	Multi-Asset (%)	Cash (%)
15 or more	35.00	35.00	30.00	0.00
14	32.75	32.75	34.50	0.00
13	30.50	30.50	39.00	0.00
12	28.25	28.25	43.50	0.00
11	26.00	26.00	48.00	0.00
10	23.75	23.75	52.50	0.00
9	21.50	21.50	57.00	0.00
8	19.25	19.25	61.50	0.00
7	17.00	17.00	66.00	0.00
6	14.75	14.75	70.50	0.00
5	12.50	12.50	75.00	0.00
4	10.00	10.00	75.00	5.00
3	7.50	7.50	75.00	10.00
2	5.00	5.00	75.00	15.00
1	2.50	2.50	75.00	20.00
0	0.00	0.00	75.00	25.00

WHAT DID THE TRUSTEE CONSIDER IN SETTING THE OPEN FUND'S DEFINED CONTRIBUTION SECTION INVESTMENT STRATEGY ARRANGEMENTS?

In determining the investment arrangements for the DC Section the Trustee took into account:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken. The main risks considered were inflation risk (the risk that a member's investments fail to keep pace with inflation over the longer term), conversion risk (the risk of a deterioration in the terms available for converting funds into pension at retirement - applicable to the annuity lifestyle), capital risk (the risk of a fall in the amount of cash available to take at retirement), and climate risk (the risk of a fall in the value of investments caused either by direct impacts of changes to the global climate or policy changes to mitigate the effects of climate change);
- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within other investment options offered to members;
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

Some of the Trustee's key investment beliefs are set out below.

- In deciding upon the funds to offer to members (including the structure of the default), the Trustee's primary asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity and credit are the primary rewarded risks;
- risks that are typically not rewarded should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- climate change risk is likely to have a material impact on financial markets and therefore is a risk that should be explicitly managed where appropriate;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management (which includes a range of rules-based portfolio construction strategies), where available, is usually better value;
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

The Trustee has a process for identifying, assessing and managing climate related risks and opportunities, and this is documented in the Trustee's "Statement on Governance of Climate Related Risks and Opportunities". This statement also documents additional investment beliefs of the Trustee regarding climate change and its impact on the investments of the Fund.

APPOINTMENT OF INVESTMENT FUND PROVIDER

The Trustee has appointed one main provider to provide the funds in which the Defined Contribution Section invests. The provider offers funds managed internally and by third party investment managers.

The provider's primary role is to maintain the funds in which the Defined Contribution Section invests. The provider is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Statement of Investment Principles Implementation Statement

FOR THE YEAR ENDED 31 MARCH 2023

OVERVIEW

This statement is for the year to 31 March 2023 and covers both the Open Fund and the Closed Fund. It is required by legislation and includes:

- A review of the Funds' Statements of Investment Principles ("SIPs") and of any changes made to them.
- An update on how, and the extent to which, the Trustee Directors have adhered to the SIPs during the year.
- A description of the voting behaviour during the year (including the most significant votes cast by the Trustee Directors or on their behalf), and any use of proxy voting services during the year.

1. SIP REVIEWS AND CHANGES

The SIPs set out the policy of the Trustee Directors on matters governing decisions about the Funds' investments. The Open and Closed Funds each have their own SIP:

Open Fund SIP

The Open Fund SIP was reviewed and updated during the year to reflect the Trustee Directors' decision to address the potential impact of climate change on the defined benefit assets by changing the equity component to equity funds which seek to reduce their exposure to carbon emissions over time.

Shortly before the year-end, the Trustee Directors reached agreement to further update the SIP to reflect:

- The Trustee Directors' belief that strong investment stewardship policies help to manage environmental, social and governance ("ESG") risks and will protect and enhance the long-term value of investments.
- Prioritisation of three stewardship themes: Climate change (Environmental); Diversity and Inclusion (Social) and Executive Pay (Governance).
- Adoption of the Association of Member Nominated Trustees ("AMNT") Red Lines as the Open Fund's voting policy and an expectation that investment managers will vote in line with this policy where appropriate.
- Updated investment manager governance processes in relation to investment stewardship policies and processes, including ESG.
- ITB Pension Trustee Limited being appointed as the sole Trustee of the Fund.

Following consultation with the Participating Employers, the SIP was updated to reflect these changes in April 2023.

Closed Fund SIP

The Closed Fund SIP was reviewed and updated during the year for the same decision on addressing the potential impact of climate risk on equity investments that was agreed for the Open Fund.

The further updates agreed for the Open Fund SIP shortly before the year-end were also agreed for the Closed Fund and, following consultation with the Participating Employers, reflected in an updated version of the Closed Fund SIP in April 2023.

The Trustee Directors have, in their opinion, followed the Funds' SIPs during the year. The following pages of this Statement provide detail and commentary about how and the extent to which they did this.

2. OPEN FUND SIP

1. Objectives

There were no changes to the Open Fund SIP investment objectives during the year.

DEFINED BENEFIT (DB) SECTION

SIP Investment Objectives	Actions taken by the Trustee Directors during the year
1. To limit the risk of the assets failing to meet the liabilities over the long-term, in particular in relation to the Open Fund's ongoing funding target. 2. To run a "self-sufficient" investment strategy so that there is only a small risk that the Open Fund would require additional contributions as a result of adverse market circumstances or because of better than assumed mortality experience.	Progress against the long-term journey plan was reviewed regularly. The 31 March 2022 triennial full actuarial valuation showed the Open Fund to be in a fully funded position on a low risk, self-sufficiency type, basis. The DB Section's low risk investment strategy was considered to remain appropriate, and no changes were made to it. The Fund remains on track to achieve its longer-term objectives.
3. To target a complete buy-in of all the Open Fund's DB liabilities by 2028. 4. To consider the appropriateness of additional buy-in exercises to provide full protection with regards to the pensioner liabilities, in line with the long-term targets of the Open Fund.	The estimated cost to buy-in the DB Section's remaining uninsured liabilities was kept under review. The estimated shortfall in assets required to complete a full buy-in fell during the year to 31 March 2023, and as a result there is a greater likelihood of being able to buy-in all liabilities by 2028. There were no partial buy-in exercises undertaken due to the expected cost and risk of disruption to the current investment strategy to achieve the overall 2028 funding objective.

DEFINED CONTRIBUTION (DC) SECTION

SIP Investment Objectives	Actions taken by the Trustee Directors during the year
To make available a range of pooled investment funds which serve to meet in general the varying investment needs and risk tolerances of the members of the DC Section.	The Trustee Directors provide DC Section members with access to a range of investment options which they believe are suitable to members' needs and enable appropriate diversification. The Trustee Directors have made available alternative lifestyle strategies and a self-select fund range to members covering all major asset classes as set out in the Open Fund SIP.

For DC Section members who do not choose an investment option, the Trustee Directors have made available a default arrangement called ITB Drawdown. The objective of the default arrangement is to grow members pots above inflation whilst they are far from retirement and then to gradually reduce investment risk to a level which the Trustee Directors consider appropriate for a member intending to drawdown benefits in retirement.

This default arrangement investment strategy was last reviewed by the Trustee Directors in October 2020, and it was concluded to be appropriate for meeting the objective, subject to changes to the equity component which have now been implemented and are covered in section 3 below. There is a legislative requirement to review the default investment strategy on at least a triennial basis. The next review will therefore take place in 2023.

2. Risks

The Trustee Directors consider a wide range of risks when deciding how to invest the assets and these are set out in Appendix A of the SIP.

The Trustee Directors maintain a risk register which covers both investment and non-investment risks. The register is discussed at quarterly meetings of the Funds' executive team and is overseen by the Management Panel. Additionally, the Investment Committee reviews the investment related risks in the register annually and the Trustee Directors consider the full risk register in March or April each year.

The key risks considered by the register were unchanged during the year but, the methodology used to assess each risk, and to quantify its potential impact, was updated.

The Trustee Directors' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Funds' investment adviser or information provided by the Fund's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

DB Section funding risks are managed by monitoring funding levels regularly and assessing the impact of any changes on the investment strategy. During the year, the Fund's 31 March 2022 triennial actuarial valuation was completed, reporting a Technical Provisions funding level of 105%. The DB Section's low risk investment strategy was, as a result, considered to remain appropriate and no changes were made to it.

The investment adviser's online tool 'LCP Visualise' provides daily funding level estimates and helps the Trustee Directors to quickly assess how events, such as changes in markets, impact upon funding levels.

The DB Section uses a Liability Driven Investment ("LDI") strategy to protect the funding level against adverse movements in inflation and interest rates. The absence of any significant leverage in the LDI investment portfolio meant that the operation of the LDI strategy was not significantly impacted by the sharp increase in gilt yields that followed shortly after the government's mini-budget in September 2022. No changes were made to the LDI strategy during the year.

For the DC Section, the risk of inadequate returns is managed through the use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long-term. These are used in the growth phase of the default arrangement and are also made available within the self-select options. The default arrangement aims to protect members against the risk of a deterioration in investment conditions near retirement by gradually switching investments into lower-risk asset classes as they approach their target retirement date.

The risk to DC section members' investments from excessive charges is managed by reviewing whether investment managers' charges are in line with market practice, including an annual assessment of whether the charges represent good value for members. The latest assessment, completed in June 2022, concluded that members were receiving very good value for money.

The following risks are covered later in this Statement:

- Diversification risk: Section 3
- Climate risk: Sections 4 and 7
- Investment manager risk and excessive charges: Section 5
- Illiquidity/marketability risk: Section 6
- Environmental, Social and Governance (ESG) risks: Section 7.

3. Investment Strategy

DB SECTION

The Trustee Directors' investment strategy provides for the Open Fund DB Section's assets to be adequately and appropriately diversified between different asset classes.

A review of the investment strategy during the year considered the results of the 31 March 2022 triennial full actuarial valuation and concluded that no changes were required to the target asset allocations. The interest rate and inflation hedge ratios remained broadly in line with the Trustee Directors' target of 100% of the Technical Provisions over the year.

The Trustee Directors compare the Open Fund DB Section's actual and strategic asset allocations each quarter. To align the actual allocations more closely with the strategic target, £10m was disinvested from equities in November 2022, £8m of which was reinvested into the LDI portfolio and the remaining £2m added to cash holdings to provide liquidity to pay expenses and benefits. No other actions were necessary to ensure that there were no material deviations between the actual and strategic allocations over the year.

To better align the investment allocation with the Trustee Directors' climate risk investment beliefs, a decision was made in the 2021/22 financial year to fully divest the £30m global equity portfolio managed by Allianz and reinvest the proceeds into Legal & General's (L&G's) Low Carbon Transition Global Equity Index Fund. This was implemented in May 2022.

Over the year there was a material improvement in the funding position on a buy-in basis and therefore the Trustee Directors are considering whether a full buy-in can be transacted.

DC SECTION AND DB SECTION AVC MEMBERS

The Trustee Directors' investment strategy is for the Open Fund DC Section and DB Section AVC members to be provided with a range of investment options, having regard to their long-term expected returns and the variability of those returns. Since 2012 all investments have been managed by Legal & General investment Management (LGIM), except for the Islamic Global equity fund which is managed by HSBC and a discontinuance financial reserve, which is a requirement of the Pension Schemes Act 2017 and is invested in a liquidity fund managed by Fidelity.

A full review of the DC Section investment strategy is undertaken at least once every three years. The most recent review, carried out in October 2020, concluded that:

- a lifestyle strategy targeting drawdown remained appropriate to the objectives and as a target retirement outcome;
- the Fund's DC default arrangement was adequately and appropriately diversified between different asset classes;
- the self-select options provide a suitably diversified range to choose from;
- the global equity fund in the lifestyle options should be replaced by a climate-tilted (low carbon) global equity fund, which addresses climate risks and invests more in line with market capitalisation weights; and
- a climate-tilted global equity fund should be added to the self-select range of investments that members can choose from.

The recommendations to add a climate tilted equity fund to the self-select range and as the equity allocation of the lifestyle funds were implemented in July 2021 for both the DC Section and the Open Fund DB Section AVC arrangement.

There were no changes to the investment fund range or lifestyle arrangements during the year. A full review of the investment strategy is due to take place by October 2023.

4. Considerations in setting the investment strategy

The SIP sets out the Trustee Directors' considerations when setting the investment strategy and some of the Trustee Directors' key investment beliefs.

The Trustee Directors have set out their climate related risk beliefs in a document which can be found on the Funds' website. During the year, these beliefs were reviewed against investment managers' policies and it was concluded they were materially aligned. Further information about processes for identifying, assessing and managing climate related risks and opportunities is set out in the Trustee Directors' "Statement on Governance of Climate Related Risks and Opportunities", which is also on the Funds' website.

As noted in Section 1, shortly before the year-end, the Trustee Directors updated their investment stewardship governance processes, including agreement of three ESG stewardship priorities and adoption of the AMNT Red Lines as its voting policy.

5. Investment manager and custodian oversight

The Trustee Directors have appointed third-party investment managers to undertake the day-to-day investment activity for the Fund and a custodian to hold and safeguard the Fund's segregated assets. Custody of pooled funds is the responsibility of the investment manager of those funds.

The Funds' investment adviser monitors developments at the investment managers and adherence to their mandates on an ongoing basis. The adviser reports its rating for each investment manager to the Trustee Directors quarterly and promptly informs them about any significant updates or events of which it becomes aware, and which may affect a manager's ability to achieve its investment objectives.

The custodian's service level is monitored on an ongoing basis and significant events that may affect its operations are considered as and when they arise.

There is an annual review of internal control assurance reports issued by investment managers and the custodian. The buy-in providers' and pooled funds' annual audited financial statements are also reviewed. Any material matters noted from these reviews are followed-up and the implications assessed.

Investment manager performance return data is provided quarterly by an independent provider and reviewed by the Investment Committee in the context of each manager's benchmark and objectives. A full presentation of investment managers' performance over the year and longer-term was considered by the Trustee Directors in April 2022.

During the financial year, the Investment Committee met twice with both Insight Investment and LGIM to obtain updates on investment strategy, performance, governance processes and approach to responsible investment, including voting and engagement activities. The meetings provided assurance that the managers were aligned with the Trustee Directors' key investment objectives and had the appropriate knowledge and experience to operate the mandates for which they are appointed.

Investment managers' fees are kept under review and action is taken if it becomes evident that better value for money may be obtainable elsewhere.

The financial strength of the buy-in providers was monitored quarterly by the Trustee Directors, and it was concluded that they have remained strong and stable throughout the year.

The Investment Committee has obtained and reviewed stewardship reporting, including information about climate related risk management, from the Fund's equity and credit investment managers. This is in addition to the climate risk and metrics data provided by the investment adviser, which is covered in section 7.

6. Realisation of investments

The Trustee Directors' policy is to have access to sufficient liquid assets to meet any cash outflows without disrupting the overall investment policy wherever possible.

DB SECTION

During the year, £28.3m was received from the buy-in providers which covered most of the benefit payments to pensioners and dependants.

Additional cashflow requirements are reviewed on a regular basis and were met during the year by £11m of withdrawals from the LDI portfolio, and £2.4m from the equity fund.

Towards the end of 2022/23, to improve the overall liquidity of the DB Section's assets, Insight Investment was instructed to dispose of the Limited Price Index (LPI) swaps held in the LDI portfolio. The intention is to transact the LPI swap disposals during 2023, subject to satisfactory pricing being available. The LPI swaps had a net asset valuation of £16.1m at 31 March 2023.

A complete exit from the Fund's Schroder European Property Fund investment has been in progress since 2019. A distribution of £0.2m was received from this Fund during the year, leaving an unrealised investment value of under £0.1m.

Collateral adequacy risk in the LDI portfolio is managed through holding an investment in a Liquidity Fund which can be realised should the LDI manager require cash to be posted for a deleverage event.

DC SECTION

All funds are liquid and dealt daily, which enables members to realise and change their investments readily. Investment realisations during the year were as follows:

- £1.2m upon request from individual members that they wished to withdraw their pension benefits upon retirement or to transfer them to another pension arrangement.
- £1.8m due to section 32 Buy Out transfers, which transferred deferred members' benefits to another pension arrangement which holds each member's investments in an account in the member's own name.

Additionally, switches were made between funds, in accordance with instructions given by members and to implement the target asset allocations of the lifestyle options, which change as members approach their target retirement date.

7. Financially material and non-financial matters

As part of the ongoing review of the investment managers, the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement is assessed.

During the year the Trustee Directors reviewed the approach to responsible investment taken by the appointed investment managers and their pooled funds. There were no 'red flag' issues of concern arising from the review and the Trustee Directors concluded they were satisfied with the overall results.

The Trustee Directors' first Task Force on Climate-Related Financial Disclosures (TCFD) report was published in October 2022, setting out the activities and approach taken to understand and reduce the risks to the Funds arising from climate change. The TCFD report noted the Open Fund DB section was well positioned to withstand climate shocks under a range of climate change scenarios. The Investment Committee reviewed this scenario analysis in February 2023 and concluded that it remained current and relevant.

The Trustee Directors have agreed specific metrics to monitor the Funds' climate-related risks in relation to equity and credit investments and during the year a data quality measure was added to these metrics. The most recent review of the climate metrics of each manager's investments, in February 2023, reported overall reductions in carbon emissions and improvements in data quality.

The Trustee Directors' climate target is to increase the percentage of listed equity and corporate bond investments which have Science Based Target initiative (SBTi) targets to 75% by 2030. Progress towards this target was reviewed in February 2023 and it was concluded that progress was satisfactory.

The Trustee Directors encourage their managers to improve their ESG practices, although they have limited influence over managers' investment practices where assets are held in pooled funds and the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors. During the year the Trustee Directors agreed three priority stewardship themes: Climate change (Environmental); Diversity and Inclusion (Social) and Executive Pay (Governance). These themes were stated in the SIP in April 2023 and alignment with them will be a future focus for the Trustee Directors' monitoring of investment managers.

The Trustee Directors do not generally take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. However, within the DC Section the Trustee Directors recognise that some members may wish for ethical matters to be taken into account in their investments and therefore have made available the L&G Ethical Global Equity Index Fund as an investment option to members.

8. Voting and engagement

The Trustee Directors believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights will protect and enhance the long-term value of investments.

The Trustee Directors have continued to delegate to the investment managers the exercise of rights attached to investments, including voting rights and engagement activities. The Fund's listed equity investments are held within pooled funds, meaning that the Trustee Directors monitor and review how votes are being exercised by the investment managers rather than having any direct involvement in voting or by using proxy voting services.

During the year the Trustee Directors decided to adopt the AMNT Red Lines as the Open Fund's voting policy and updated the SIP to reflect this in April 2023. The investment managers will, in future years, be expected to vote in line with the AMNT policy where appropriate and provide explanations for when they do not.

Further information on voting and engagement activity is provided in Section 7 and a description of the investment managers' voting behaviour during the year is provided in Section 10.

9. Responsibilities and investment decision making structure

The responsibilities of the Trustee Directors, the investment adviser, the investment managers and the custodian are set out in Appendix C of the SIP.

Investment adviser

The Investment Committee undertook a full periodic review of the investment adviser, LCP, in November 2022 which included a scorecard assessment against the adviser's objectives. The Committee concluded that it was satisfied with LCP's performance and retained the firm as the Funds' investment adviser.

Investment managers and custodian

Investment manager and custodian oversight is described in Section 5.

Investment decision-making structure

The Trustee Directors have delegated to an Investment Committee consideration of certain investment matters, authority to carry out certain activities on behalf of the Trustee Directors, and to make recommendations where decisions are required to be taken by the Trustee Directors. The Committee's remit was revised during the year to reflect its responsibility to monitor investment managers' voting and engagement activities regularly and to encourage improvements in their stewardship practices. The Committee has a Business Plan which sets out the planned activities for each year. All work that had been planned for 2022/23 was completed.

In 2021 a Climate Change Risk Working Group was established, which reports to the Investment Committee. The original remit of this Group was to address the requirements of legislation and guidance on climate-related risks, but this was extended during the year to include consideration of new DWP guidance on stewardship reporting and the actions necessary to comply. The Group met four times during the financial year.

10. Description of voting behaviour during the year

All Open Fund listed equities are held within pooled funds and the Trustee Directors have delegated the exercise of voting rights to the pooled funds' investment managers. Therefore, the Trustee Directors are not able to direct how votes are exercised and the

Trustee Directors themselves have not used any proxy voting services during the year.

Voting data is provided for the following funds that hold equities:

DB Section:

- Legal & General Investment Management ("LGIM") Low Carbon Transition Global Equity Index Fund (Unhedged)

Voting information for the Allianz Global Investors ("Allianz") Best Styles Global AC Equity Fund is excluded on the grounds of materiality. The Open Fund fully disinvested from Allianz on 28 April 2022 and therefore had exposure to the equities it managed for less than one month of the reporting period.

For the DB Section's other investments either the manager confirmed no voting opportunities (eg Insight Buy and Maintain Fund) or voting disclosures were not relevant for the asset class (eg LDI and gilts).

DC Section:

- LGIM Low Carbon Transition Global Equity Index Fund (hedged and unhedged versions)
- LGIM Multi Asset Fund
- LGIM Ethical Global Equity Index Fund
- LGIM Global Equity (30:70) Index Fund – 75% GBP Currency Hedged
- HSBC Global Asset Management (UK) Limited ("HSBC") Islamic Global Equity Index Fund

The above list includes the equity funds used in the default strategy and the self-select funds which hold equities. LGIM has confirmed that there were no voting opportunities for the DC Section funds that do not invest in listed equities.

10.1 Managers' voting processes

The wording in this Section has been provided by the managers.

LGIM

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

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

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

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 LGIM do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports received from ISS for UK companies when making specific voting decisions.

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

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

For more information, please refer to our policy document on the topic: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf"

DC Section

LGIM

As outlined for the DB Section above.

HSBC

"The legal right to the underlying votes lies with the directors of the HSBC CCF Islamic Global Equity Fund. They have delegated this execution of this voting to HSBC Global Asset Management (UK) Limited.

HSBC exercises its voting rights as an expression of stewardship for client assets. HSBC have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

HSBC use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene its guidelines. HSBC review voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on its guidelines.

HSBC regard the votes against Firm management recommendation as the most significant. With regards to climate, in its engagement it encourages companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. HSBC also generally support shareholder resolutions calling for increased disclosure on climate-related issues."

10.2 Description of investment managers' voting behaviour over the year

A summary of voting behaviour over the year is provided below:

DB SECTION

Fund name	LGIM Low Carbon Transition Global Equity Index Fund
Total size of fund at end of reporting period	£3,286.3m
Value of Funds' assets at end of reporting period	£20.4m
Number of holdings at end of reporting period	2,791
Number of meetings eligible to vote	4,828
Number of resolutions eligible to vote	50,462
% of resolutions voted	99.9%
Of the resolutions on which voted, % voted with management	78.9%
Of the resolutions on which voted, % voted against management	19.9%
Of the resolutions on which voted, % abstained from voting	1.2%
Of the meetings in which the manager voted, % with at least one vote against management	66.1%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11.1%

DC SECTION

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	HSBC Global Asset Management (UK) Limited	Legal & General Investment Management	Legal & General Investment Management	Legal & General Investment Management	Legal & General Investment Management
Fund name	Islamic Global Equity Index Fund	Low Carbon Transition Global Equity Fund (hedged and unhedged)	Ethical Global Equity Index Fund	Global Equity (30:70) Index Fund – 75% Currency Hedged	Multi Asset Fund
Total size of fund at end of reporting period	£1,685.6m	£4,139.1m	£948.9m	£3,856.8m	£22,362.4m
Value of Funds' assets at end of reporting period	£0.05m	£16.3m	£0.7m	£1.2m	£16.4m
Number of holdings at end of reporting period	105	2,791	1,041	4,995	6,288
Number of meetings eligible to vote	95	4,828	1,155	7,319	9,818
Number of resolutions eligible to vote	1,423	50,462	16,602	76,499	100,094
% of resolutions voted	97.0%	99.9%	99.8%	99.9%	99.8%
Of the resolutions on which voted, % voted with management	80.2%	78.9%	82.0%	80.7%	77.6%
Of the resolutions on which voted, % voted against management	19.8%	19.9%	17.8%	18.2%	21.7%
Of the resolutions on which voted, % abstained from voting	0.0%	1.2%	0.2%	1.1%	0.7%
Of the meetings in which the manager voted, % with at least one vote against management	78.9%	66.1%	76.2%	61.2%	71.1%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	12.1%	11.1%	13.0%	9.7%	12.4%

10.3 Most significant votes

Commentary on the most significant votes over the period, from the selection of the Fund's investment managers who hold listed equities, is set out below. The Trustee Directors' criteria for what is a significant vote will develop over time with input from their investment adviser and investment managers.

For the purposes of this report, the "most significant votes" are selected based on those believed to be most relevant to the Trustee Directors' stewardship priorities which are Climate Change, Diversity and Inclusion and Executive Pay. Commentary has been provided by the investment managers.

The Fund divested from the Allianz Best Styles Global AC Equity Fund in April 2022. On materiality grounds, information about the most significant votes for this fund during the year is not therefore reported.

DB SECTION

LGIM Low Carbon Transition Global Equity Index Fund

In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to votes which have:

- **High profile**, where there is such a degree of controversy that there is high client and/ or public scrutiny;
- **Significant client interest**, directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM has had a significant increase in requests from clients on a particular vote;
- **Sanctions**, as a result of a direct or collaborative engagement;
- **Links to an LGIM engagement campaign**, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

Vote 1

Company: Alphabet, Inc.

Country: USA

Date: June 2022

Summary of resolution: To report on the physical risks of climate change by publishing a regular periodic assessment of resilience to the physical risks of climate change, including description of short-, medium-, and long-term measures that the Company is taking to mitigate physical risks, including threats to its headquarters and other key assets from sea level rise and flooding.

Relevant stewardship priority: Climate change

Approx size of holding: 1.2% of total fund size

Why this vote is considered to be most significant:

- By LGIM - It is an escalation of LGIM's climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.
- By the Trustee Directors - It relates to one of the stewardship priorities – Climate change.

Alphabet Inc management recommendation: Against.

Fund manager vote: For.

Rationale: A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

Outcome of the vote and next steps: Against. LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Vote 2

Company: NVIDIA Corporation

Country: USA

Date: June 2022

Summary of resolution: Mr Harvey C Jones (Chair of NVIDIA's Nominating and Corporate Governance Committee) to be elected as a director, holding office for a one-year period until the next AGM.

Relevant stewardship priority: Diversity and Inclusion

Approx size of holding: 0.9% of total fund size

Why this vote is considered to be most significant:

- By LGIM: Diversity is viewed as a financially material issue for LGIM's clients, with implications for the assets managed on their behalf.
- By the Trustee Directors: It relates to one of the stewardship priorities – Diversity and Inclusion.

NVIDIA Corporation management recommendation: For.

Fund manager vote: Against.

Rationale: Diversity and Independence.

- Diversity: A vote against was applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM is targeting the largest companies as it believes that these should demonstrate leadership on this critical issue.
- Independence: A vote against was applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

Outcome of the vote and next steps: For. LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Vote 3

Company: JPMorgan Chase & Co.

Country: USA

Date: May 2022

Summary of resolution: Mr Todd A. Combs (Chair of JPMorgan Chase's Corporate Governance & Nominating Committee and Member of JPMorgan Chase's Compensation & Management Development Committee) to be elected as a director, holding office for a one-year period until the next AGM.

Relevant stewardship priority: Executive Pay

Approx size of holding: 0.6% of total fund size

Why this vote is considered to be most significant:

- By LGIM: It is as an escalation of LGIM's concerns regarding remuneration. LGIM also considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and Chair of the Board. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 has voted against all combined board chair/CEO roles.
- By the Trustee Directors: It relates to one of the stewardship priorities – Executive Pay.

JPMorgan Chase & Co management recommendation: For.

Fund manager vote: Against.

Rationale: Accountability: Joint Chair/CEO: A vote against the relevant director was applied as LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair. Escalation: A vote against the re-election of Stephen Burke (Committee Chair), Linda Bammann, Todd Combs and Virginia Rometty was applied in light of the one-off time-based award and LGIM's persistent concerns about pay structures at the Company. As members of the Compensation Committee, these directors are deemed accountable for the Company's pay practices.

Outcome of the vote and next steps: For. LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

DC SECTION

<u>HSBC Islamic Global Equity Index Fund</u>

Vote 1

Company: Apple Inc

Country: USA

Date: March 2023

Summary of resolution: Sue Wagner (Chair of Apple's Nominating and Corporate Governance Committee) to be elected as a director, holding office until the next AGM.

Relevant stewardship priority: Diversity and Inclusion

Approx size of holding: 7.0% of total fund size

Why this vote is considered to be most significant:

- By HSBC: The company is on its 2023 engagement priority list, has a significant weight in the portfolio and the vote is against management.
- By the Trustee Directors: It relates to one of the stewardship priorities – Diversity and Inclusion.

Apple Inc management recommendation: For.

Fund manager vote: Against.

Rationale: HSBC voted against the resolution due to concerns regarding insufficient diversity of the board.

Outcome of the vote and next steps: For. HSBC will continue to engage on the issue and will likely vote against a similar proposal if insufficient improvements.

Vote 2

Company: Visa Inc

Country: USA

Date: January 2023

Summary of resolution: To approve, on an advisory basis, the compensation of Visa Inc's Named Executive Officers as described in the proxy statement, including the section entitled Compensation Discussion and Analysis, the compensation tables, and the related narrative discussion.

Relevant stewardship priority: Executive Pay

Approx size of holding: 2.0% of total fund size

Why this vote is considered to be most significant:

- By HSBC: The company has a significant weight in the portfolio and the vote is against management.
- By the Trustee Directors: It relates to one of the stewardship priorities – Executive Pay.

Visa Inc management recommendation: For.

Fund manager vote: Against.

Rationale: HSBC voted against the resolution as it is against granting of shares or options to executives within the long-term incentive plan ('LTIP') that are not majority (+51%) linked to performance criteria and if the vesting period is less than 3 years.

Outcome and next steps: For. HSBC will continue to engage on the issue and will likely vote against a similar proposal if insufficient improvements.

Vote 3

Company: Starbucks Corporation

Country: USA

Date: March 2023

Summary of resolution: This was a shareholder resolution proposal arising from heightened public concern about the dairy industry's environmental impact, the growing prevalence of allergies to cow's milk, and the increasing demand for alternatives to dairy milk. The resolution proposed commissioning a report to examine any costs to Starbucks' reputation and any impact on its projected sales incurred as a result of its ongoing upcharge on plant-based milk.

Relevant stewardship priority: Climate Change

Approx size of holding: 0.7% of total fund size

Why this vote is considered to be most significant:

- By HSBC: The company has a significant weight in the portfolio and the vote is against management.
- By the Trustee Directors: It relates to one of the stewardship priorities – Climate Change.

Starbucks Corporation management recommendation: Against.

Fund manager vote: For.

Rationale: HSBC voted in favour of the resolution as it believes that the proposal would enhance accountability in relation to the pricing of plant-based milk.

Outcome and next steps: For. HSBC will continue to engage on the issue along with other issues of concern and will likely vote against a similar proposal if insufficient improvements.

LGIM Low Carbon Transition Global Equity Index Fund

This is as previously described for the DB Section.

Legal & General Ethical Global Equity Index Fund

Vote 1

Company: Royal Dutch Shell Plc

Country: UK

Date: May 2022

Summary of resolution: That Shell's Energy Transition Progress for the year 2021 and the Shell Energy Transition Progress Report be approved.

Relevant stewardship priority: Climate change

Approx size of holding: 0.6% of total fund size

Why this vote is considered to be most significant:

- By LGIM: It is an escalation of LGIM's climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.
- By the Trustee Directors: It relates to one of the stewardship priorities – Climate change.

Royal Dutch Shell Plc management recommendation: For.

Fund manager vote: Against.

Rationale: LGIM voted against the resolution though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.

Outcome and next steps: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Vote 2

Company: The Charles Schwab Corporation

Country: USA

Date: May 2022

Summary of resolution: To elect Arun Sarin (Member of The Charles Schwab Corporation Nominating and Corporate Governance Committee) as a Director.

Relevant stewardship priority: Diversity and Inclusion

Approx size of holding: 0.3% of total fund size

Why this vote is considered to be most significant:

- By LGIM: Diversity is viewed as a financially material issue for LGIM's clients, with implications for the assets managed on their behalf.
- By the Trustee Directors: It relates to one of the stewardship priorities – Diversity and inclusion.

The Charles Schwab Corporation management recommendation: For.

Fund manager vote: Against.

Rationale: LGIM voted against the resolution as it expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM is targeting the largest companies as it believes that these should demonstrate leadership on this critical issue. The company also has an all-male Executive Committee.

Outcome and next steps: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Vote 3

Company: Informa Plc

Country: UK

Date: June 2022

Summary of resolution: To adopt the Directors' Remuneration Policy, to take effect from the conclusion of the AGM at which it is passed.

Relevant stewardship priority: Executive Pay

Why this vote is considered to be most significant:

- By LGIM: It is in application of an escalation of its vote policy on the topic of Remuneration (escalation of engagement by vote).
- By the Trustee Directors: It relates to one of the stewardship priorities – Executive Pay.

Informa plc management recommendation: For.

Fund manager vote: Against.

Rationale: LGIM has noted concerns about the company's remuneration practices for many years, both individually and collaboratively. Due to continued dissatisfaction, LGIM voted against the company's pay proposals at its December 2020 and June 2021 meetings. The company's prior three Remuneration Policy votes – in 2018, June 2020 and December 2020 – each received high levels of dissent, with 35% or more of votes cast against. At the June 2021 meeting, more than 60% of votes were cast against the Remuneration Report, meaning it did not pass. At the same meeting, Remuneration Committee Chair Stephen Davidson only closely avoided being unseated from the board. Despite significant shareholder dissent at the 2018 and 2020 meetings, and the failed Remuneration Report vote at the 2021 AGM, the company nonetheless implemented the awards under the plan and continued its practice of making in-flight changes to the existing Long-Term Incentive Plan ('LTIP') awards' performance measures. Since the 2021 AGM, the company has made various changes, with Stephen Davidson stepping down as Remuneration Committee Chair, replaced by Louise Smalley. However, he continues to sit on the Remuneration Committee. There have also been changes to the members of the Remuneration Committee, with Mary McDowell stepping down, and Zheng Yin, a new board member, being appointed to the committee. The Remuneration Policy is being put to a vote again at this AGM, with the main changes being the re-introduction of the performance based LTIP, which is to be approved through a separate resolution, and will come into force from 2024, after the ERP has run its course. Although this is a positive change, the post-exit shareholding requirements under the policy do not meet LGIM's minimum standards and with regard to pensions, it is unclear whether reductions will align with the wider workforce. Given previous and continuing dissatisfaction as outlined above, LGIM also intends to vote against incumbent Remuneration Committee members, Helen Owers and Stephen Davidson.

Approx size of holding: 0.03% of total fund size

Outcome and next steps: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

LGIM Global Equity (30:70) Index Fund – 75% Currency Hedged

Vote 1

Company: BP Plc

Country: UK

Date: May 2022

Summary of resolution: That the Company's report "Net Zero – from ambition to action", setting out BP's net-zero greenhouse gas emission ambitions, is supported.

Relevant stewardship priority: Climate change

Approx size of holding: 0.9% of total fund size

Why this vote is considered to be most significant:

- By LGIM considered: It is an escalation of LGIM's climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.
- By the Trustee Directors: It relates to one of the stewardship priorities – Climate change.

BP Plc management recommendation: For.

Fund manager vote: For.

Rationale: LGIM voted in favour of the resolution, though not without reservations. Whilst LGIM notes the inherent challenges in the decarbonization efforts of the Oil & Gas sector, it expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing its constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.

Outcome and next steps: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Vote 2

Company: Philip Morris International Inc

Country: USA

Date: May 2022

Summary of resolution: To elect Kalpana Morparia (Chair of Philip Morris's Nominating and Corporate Governance Committee) as a Director.

Relevant stewardship priority: Diversity and Inclusion

Approx size of holding: 0.2% of total fund size

Why this vote is considered to be most significant:

- By LGIM: Diversity is viewed as a financially material issue for clients, with implications for the assets managed on their behalf.
- By the Trustee Directors: It relates to one of the stewardship priorities – Diversity and inclusion.

Philip Morris International Inc management recommendation: For.

Fund manager vote: Against.

Rationale: LGIM voted against the resolution as it expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM is targeting the largest companies as it believes that these should demonstrate leadership on this critical issue.

Outcome and next steps: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Vote 3

Company: Glenmark Pharmaceuticals Limited

Country: India

Date: May 2022

Summary of resolution: To reappoint Glenn Saldanha as Chairman and Managing Director for a further 5-year period on the terms and conditions proposed by Glenmark's Board of Directors.

Relevant stewardship priority: Executive Pay

Approx size of holding: 0.001% of total fund size

Why this vote is considered to be most significant:

- By LGIM: It is in application of an escalation of LGIM's vote policy on the topic of the combination of the Chair of the Board and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015, LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM have voted against all combined board chair/CEO roles.
- By the Trustee Directors: It relates to one of the stewardship priorities – Executive Pay.

Glenmark Pharmaceuticals Limited management recommendation: For.

Fund manager vote: Against.

Rationale: Joint Chair/CEO: LGIM voted against the resolution as LGIM expects the roles of Board Chair and CEO to be separate. LGIM believe that these two roles are substantially different, and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board. Independence: A vote against is applied as the board is not sufficiently independent which is a critical element for a board to protect shareholders' interests. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors. LGIM also voted against this resolution following concerns in the executive's remuneration as follows:

- The overall remuneration is deemed to be significantly higher than industry standards and market peers of commensurate scale and operations.
- Mr. Saldanha will be paid the proposed remuneration irrespective of the company's financial performance during his tenure.
- A dominant portion of the Executive's pay is fixed pay and only a small portion of pay is performance linked or variable pay. As a result, Mr. Saldanha's pay might not be in line with company performance and in the interest of shareholders.

Outcome and next steps: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

LGIM Multi Asset Fund

Vote 1

Company: NextEra Energy, Inc.

Country: USA

Date: May 2022

Summary of resolution: To elect Rudy E. Schupp (Chair of NextEra's Governance & Nominating Committee) as a Director.

Relevant stewardship priority: Diversity and Inclusion

Approx size of holding: 0.3% of total fund size

Why this vote is considered to be most significant:

- By LGIM: Diversity is viewed as a financially material issue for clients, with implications for the assets managed on their behalf.
- By the Trustee Directors: It relates to one of the stewardship priorities – Diversity and inclusion.

NextEra Energy Inc management recommendation: For.

Fund manager vote: Against.

Rationale: LGIM voted against the resolution as it expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM is targeting the largest companies as it believes that these should demonstrate leadership on this critical issue.

Outcome and next steps: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Vote 2

Company: Rio Tinto Plc

Country: UK and Australia

Date: April 2022

Summary of resolution: To approve Rio Tinto Group's Climate Action Plan, as set out in its "Our Approach to Climate Change 2021" Report.

Relevant stewardship priority: Climate Change

Approx size of holding: 0.2% of total fund size

Why this vote is considered to be most significant:

- By LGIM: It is an escalation of LGIM's climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.
- By the Trustee Directors: It relates to one of the stewardship priorities – Climate change.

Rio Tinto Plc management recommendation: For.

Fund manager vote: Against.

Rationale: LGIM voted against the resolution although it recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledges the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, it remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

Outcome and next steps: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

3. CLOSED FUND SIP

1. Objectives

SIP Investment Objectives	Actions taken by the Trustee Directors during the year
The acquisition of suitable assets to match the cost of current and future benefits which the Closed Fund provides.	The majority of the Closed Fund's assets are invested in a buy-in policy with an insurance company which broadly covers all the Closed Fund's liabilities.
The acquisition of suitable assets of appropriate diversification for the remaining assets, known as "the Reserve Assets", which will generate additional capital growth to meet further benefit enhancements.	Excluding cash held for liquidity, all the Reserve Assets are invested in four funds managed by BlackRock, comprising two index-linked gilt funds, a buy and maintain corporate bond fund and an equity fund. The investment allocation between these funds was set to achieve low volatility relative to annuity pricing.
Achieve low volatility of the Reserve Assets relative to annuity pricing.	The Fund remains broadly on track to achieve its objectives.
To minimise the long-term costs of the Closed Fund by implementing a simple and low-cost investment strategy and maximising the return whilst having regard to the previous point.	

2. Risks

The Trustee Directors consider a wide range of risks when deciding how to invest the assets and these are set out in Appendix A of the SIP.

The Trustee Directors maintain a risk register and the updates and review processes which were described earlier in this Statement for the Open Fund, also applied to the Closed Fund.

Benefits payable by the Fund are expected to be fully covered by the insurance buy-in policy. Funding risk is therefore very low as the Trustee Directors do not expect to rely upon the Reserve Assets to cover future payments of benefits. An annual review of the funding position was undertaken during the year.

The following risks are covered later in this Statement:

- Diversification risk: Section 3
- Climate risk: Sections 4 and 7
- Investment manager risk and excessive charges: Section 5
- Illiquidity/marketability risk: Section 6
- Environmental, Social and Governance (ESG) risks: Section 7.

3. Investment Strategy

The Trustee Directors' investment strategy provides for the Fund's assets to be adequately and appropriately diversified between different asset classes.

No changes were made to the target asset allocations for the Reserve Assets during the year. The Trustee Directors review actual and strategic Reserve Asset allocations quarterly and instructs BlackRock to realign the actual asset allocation with the strategy whenever there is a divergence of 2.5% or more for any asset class. This resulted in realignments during the year which, overall, switched £2.2m out of equities, reinvesting £1.9m into the buy and maintain credit assets and the remaining £0.3m into index-linked gilt funds.

To better align the investment allocation with the Trustee Directors' climate risk investment beliefs, a decision was made in the 2021/22 financial year to disinvest from the BlackRock Aquila Life MSCI World Equity Fund and reinvest the proceeds into the BlackRock ACS World Low Carbon Equity Tracker Fund. This was implemented in April 2022.

The results of the Fund's 31 March 2022 annual funding update were considered by the Trustee Directors during the year. This showed the Fund's estimated funding position to have improved over 12 months from a surplus of £41.3m to a surplus of £46.3m. No changes were made to the investment strategy as a result.

4. Considerations in setting the investment strategy

The SIP sets out the Trustee Directors' considerations when setting the investment strategy and some of the Trustee Directors key investment beliefs. The considerations for the Closed Fund are the same as those described for the Open Fund earlier in this Statement.

5. Investment manager and custodian oversight

The Trustee Directors have appointed third-party investment managers to undertake the day-to-day investment activity for the Fund. Custody of the BlackRock-managed pooled funds, in which most of the Fund's Reserve Assets are held, is the responsibility of Bank of New York Mellon.

The processes and actions in relation to the Trustee Directors' oversight of investment managers, the custodian and the buy-in provider, including internal control assurance, fees, stewardship reporting and performance returns, are the same as those described for the Open Fund earlier in this Statement.

During the financial year, the Investment Committee met once with BlackRock to obtain an update on investment strategy, performance, governance processes and approach to responsible investment, including voting and engagement activities. The meeting provided assurance that BlackRock was aligned with the Trustee Directors' key investment objectives and had the appropriate knowledge and experience to operate its investment mandate.

The financial strength of the buy-in provider, Pension Insurance Corporation, was reviewed by the Trustee Directors quarterly and concluded to have remained stable.

6. Realisation of investments

The Trustee Directors' policy is to hold sufficient cash to meet the likely outgoings of the Fund.

Receipts from the insurance buy-in policy covered all benefit outgoings during the year. Cash of £0.5m was withdrawn from the index-linked gilt funds to provide liquidity to settle investment fees and administration expenses.

7. Financially material and non-financial matters

The actions undertaken to implement the Closed Fund's SIP are the same as those described for the Open Fund earlier in this Statement, including agreement of the same three priority stewardship themes which were stated in an updated version of the Closed Fund SIP published in April 2023.

The liabilities in the Closed Fund are fully insured, therefore, the risk of Closed Fund members not receiving their pensions due to climate change risks is very low.

8. Voting and engagement

The actions undertaken to implement the Closed Fund's SIP are the same as those described for the Open Fund earlier in this Statement. During the year the Trustee Directors decided to adopt the AMNT Red Lines as the Closed Fund's voting policy and updated the SIP to reflect this in April 2023.

9. Responsibilities and investment decision making structure

The actions undertaken to implement the Closed Fund's SIP are the same as those described for the Open Fund earlier in this Statement.

10. Description of voting behaviour during the year

All Closed Fund listed equities are held within a pooled fund managed by BlackRock and the Trustee Directors have delegated the exercise of voting rights to BlackRock. Therefore, the Trustee Directors are not able to direct how votes are exercised and the Trustee Directors themselves have not used any proxy voting services during the year.

Voting data is provided only for the BlackRock ACS World Low Carbon Equity Tracker Fund. Voting information for the BlackRock Aquila Life MSCI World Fund is excluded on grounds of materiality. The Closed Fund fully disinvested from this Fund on 12 April 2022 and therefore had exposure to the equities it managed for less than one month of the reporting period.

The Closed Fund also invests in other pooled funds but either the manager confirmed no voting opportunities (eg BlackRock buy and maintain fund) or voting disclosures were not relevant for the asset class (eg index-linked gilts).

10.1 BlackRock's voting processes

The wording in this Section has been provided by BlackRock.

"BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. BlackRock believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate

in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.

The team, and its voting and engagement work, continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure to take into account a company's unique circumstances by market, where relevant. BlackRock inform vote decisions through research and engage as necessary. BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update our regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. They welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on an assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand the company's thinking on key governance matters. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock inform vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into the vote analysis process. BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that the investment stewardship analysts can readily identify and prioritise those companies where additional research and engagement would be beneficial. Other sources of information used include the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of active investors, public information and ESG research.

BlackRock Investment Stewardship prioritizes its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance. The year-round engagement with clients to understand their priorities and expectations, as well as active participation in market-wide policy debates, help inform these themes. The themes identified in turn shape BlackRock's Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which they look at the sustainable long-term financial performance of investee companies."

10.2 Description of BlackRock's voting behaviour over the year

A summary of voting behaviour over the year is provided below:

Fund name	BlackRock ACS World Low Carbon Equity Tracker Fund
Total size of fund at end of reporting period	£5,726.1m
Value of Funds' assets at end of reporting period	£70.8m
Number of holdings at end of reporting period	910
Number of meetings eligible to vote	963
Number of resolutions eligible to vote	13,555
% of resolutions voted	95%
Of the resolutions on which voted, % voted with management	94%
Of the resolutions on which voted, % voted against management	5%
Of the resolutions on which voted, % abstained from voting	1%
Of the meetings in which the manager voted, % with at least one vote against management	29%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%

10.3 Most significant votes

Commentary on the most significant votes cast by BlackRock over the period is set out below. The Trustee Directors' criteria for what is a significant vote will develop over time with input from its investment adviser and investment managers.

For the purposes of this report, the "most significant votes" are selected based on those believed to be most relevant to the Trustee Directors' stewardship priorities which are Climate Change, Diversity and Inclusion and Executive Pay. Commentary has been provided by BlackRock.

The Fund divested from the BlackRock Aquila Life MSCI World Fund in April 2022. On materiality grounds therefore, information about the most significant votes for this fund during the year is not reported.

BlackRock ACS World Low Carbon Equity Tracker Fund

Vote 1

Company: Bank of Montreal

Country: Canada

Date: April 2022

Summary of resolution: To adopt a policy to ensure the bank's financing is consistent with International Energy Agency's (IEA's) Net Zero Emissions by 2050 Scenario.

Relevant stewardship priority: Climate change

Approx size of holding: Not disclosed by BlackRock.

Why this vote is considered to be most significant:

- By BlackRock: Interest in hearing from companies about how they are assessing and managing the risks and opportunities arising from the global energy transition, while also managing for a reliable energy supply and a just transition. BlackRock look for companies to demonstrate they have plans that are resilient under likely decarbonization pathways well below 2˚C, as well as the global ambition to limit warming to 1.5˚C.
- By the Trustee Directors: It relates to one of the stewardship priorities – Climate change.

Bank of Montreal management recommendation: Against.

Fund manager vote: Against.

Rationale: BlackRock did not support this shareholder proposal because it is overly prescriptive, unduly constraining on management and board decision-making, and would limit the company's ability to support an orderly energy transition. BlackRock's position is not to tell companies what their strategies should entail, but to assess, based on their disclosures, their climate action plan, board oversight and business model alignment with a transition to net zero by 2050. Further, BlackRock consider the company to have made a clear commitment to align their business model with the transition to a net zero economy, which includes greenhouse gas (GHG) emissions reductions targets.

Outcome and next steps: Against. Consistent with BlackRock's long-term focus, it will continue to engage with the bank and monitor how the company is delivering on the commitments made in the Net Zero Climate Ambition.

Vote 2

Company: Ocado Group, Plc

Country: UK

Date: May 2022

Summary of resolution: To approve the executive remuneration policy.

Relevant stewardship priority: Executive Pay

Approx size of holding: Not disclosed by BlackRock.

Why this vote is considered to be most significant:

- By BlackRock: It relates to BlackRock's Global Principles and market-specific Voting Guidelines and Engagement Priorities.
- By the Trustee Directors: It relates to one of the stewardship priorities – Executive Pay.

Ocado Group Plc management recommendation: For.

Fund manager vote: Against.

Rationale: BlackRock did not support the extension of the Value Creation Plan introduced in 2019, and the Remuneration Policy of which it formed a significant part, due to concerns about its appropriateness as a tool for measuring performance and incentivizing management.

Outcome and next steps: For. No further actions were reported.

Vote 3

Company: The Home Depot, Inc.

Country: USA

Date: May 2022

Summary of resolution: Report to shareholders within 6 months of the AGM on steps to improve gender and racial equity on the Board.

Relevant stewardship priority: Diversity and Inclusion

Approx size of holding: Not disclosed by BlackRock.

Why this vote is considered to be most significant:

- By BlackRock: Interest in diversity in the board as a means to promoting diversity of thought and avoiding 'group think.' In BlackRock's view, greater diversity in the boardroom contributes to more robust discussions and more innovative and resilient decisions. High-performing boards play an important role in developing strong management teams, on which the long-term success of companies depend. It is BlackRock's view that diversity in the boardroom, at least consistent with local regulatory requirements and best practices, leads to better long-term economic outcomes for companies, and therefore contributes to the durable, long-term value creation on which our clients' investments depend to meet their financial goals.
- By the Trustee Directors: It relates to one of the stewardship priorities – Diversity and Inclusion.

The Home Depot Inc management recommendation: Against.

Fund manager vote: Against.

Rationale: BlackRock did not support this shareholder proposal because it does not currently have concerns about the diversity of Home Depot's board. Of the current fourteen members, six (43%) are identified by the company as bringing gender or racial/ethnic diversity of the board. Of the twelve independent directors, four (33%) are women and four (33%) are members of historically under-represented racial or ethnic groups.

Outcome and next steps: Against. No further actions were identified.

Government
Actuary's
Department

Actuarial certificate – Schedule of Contributions

Name of scheme: **The ITB Pension Funds - The Closed Fund**

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.

2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles agreed on 28 January 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.

Signature:		Date:	25 February 2022
Name:	Martin Clarke	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Finlaison House 15-17 Furnival Street London EC4A 1AB	Employer:	Government Actuary's Department

Government
Actuary's
Department

Actuarial Certificate – Schedule of Contributions

Name of scheme: **The ITB Pension Funds – The Open Fund**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 27 January 2023.

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

Signature:		**Date:**	1 March 2023
Name:	Martin Clarke	**Qualification:**	FIA
Address:	Finlaison House 15-17 Furnival Street London EC4A 1AB	**Name of Employer:**	GAD

The Schedule of Contributions referred to in this certificate is that dated 1 March 2023

Summary of Contributions

PAYABLE IN THE YEAR

During the year, the contributions payable to the Open Fund by the Employers under the Schedule of Contributions were as follows:

	2023 £'000	2022 £'000
CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE OF CONTRIBUTIONS		
Employers' normal contributions	5,418	5,107
Employers' life assurance contributions	194	183
Members' normal contributions	311	220
Total contributions payable under the Schedule	**5,923**	**5,510**
OTHER CONTRIBUTIONS		
Employers' augmentation costs	-	26
TOTAL PAYABLE TO THE SCHEME	**5,923**	**5,536**

The Summary of Contributions was approved by the Trustee on 20 September 2023 and signed on its behalf by:

DNMGuiness

D N McGuiness
Chair

D Birtwistle
Deputy Chair

Independent Auditors' Report

TO THE TRUSTEE OF THE ITB PENSION FUNDS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, The ITB Pension Funds's financial statements:

- show a true and fair view of the financial transactions of the Funds 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the Annual Report & Financial Statements, which comprise: the Statement of Net Assets (available for benefits) as at 31 March 2023; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions Relating to Going Concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Funds's ability to continue as a going concern.

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

Reporting on Other Information

The other information comprises all the information in the Annual Report & Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities For The Financial Statements And The Audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Funds'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 Funds, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Funds and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Funds in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

20 September 2023

Independent Auditors' Statement

ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE ITB PENSION FUNDS

STATEMENT ABOUT CONTRIBUTIONS

Opinion

In our opinion, the contributions payable under the Schedules of Contributions for the Funds year ended 31 March 2023 as reported in The ITB Pension Funds's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Funds actuary on 18 December 2019, 25 February 2022 and 1 March 2023.

We have examined The ITB Pension Funds's summary of contributions for the Funds year ended 31 March 2023 which is set out on page 63.

Basis For Opinion

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

Responsibilities for The Statement About Contributions

Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of Trustee's responsibilities, the Funds'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 Funds by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

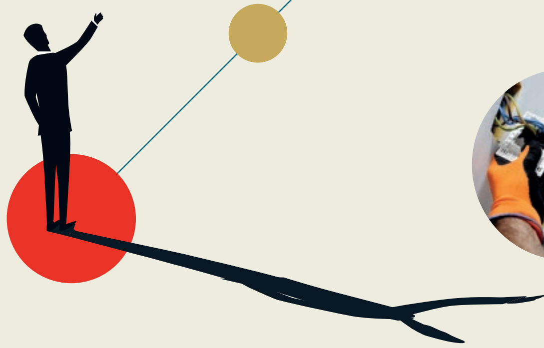
20 September 2023

ITB

The ITB Pension Funds

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2023



Fund Account

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Closed Fund 2023 £'000	Open Fund DB Section 2023 £'000	Open Fund DC Section 2023 £'000	Combined Fund 2023 £'000	Combined Fund 2022 £'000
Employer contributions	5	-	-	5,612	5,612	5,316
Employee contributions	5	-	-	311	311	220
Total contributions		**-**	**-**	**5,923**	**5,923**	**5,536**
Transfers in	6	-	-	418	418	73
Other income	7	-	6	150	156	926
		-	**6**	**6,491**	**6,497**	**6,535**
Benefits paid or payable	8	8,172	32,443	405	41,020	42,352
Payments to and on account of leavers	9	-	7,027	2,574	9,601	14,049
Other payments	10	-	150	194	344	533
Administrative expenses:						
General administration	11	378	779	123	1,280	1,181
Professional services	11	108	767	21	896	620
Pension fund levy		2	32	4	38	34
Property revaluation		-	-	-	-	35
		8,660	**41,198**	**3,321**	**53,179**	**58,804**
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		**(8,660)**	**(41,192)**	**3,170**	**(46,682)**	**(52,269)**
NET RETURNS ON INVESTMENTS						
Investment income	12	8,303	35,699	16	44,018	44,600
Change in market value of investments	15	(23,534)	(272,606)	(2,076)	(298,216)	(4,690)
Investment management expenses	13	(126)	(491)	(27)	(644)	(809)
Taxation	14	-	-	-	-	-
NET RETURNS ON INVESTMENTS		**(15,357)**	**(237,398)**	**(2,087)**	**(254,842)**	**39,101**
NET INCREASE/(DECREASE) IN THE FUNDS DURING THE YEAR		(24,017)	(278,590)	1,083	(301,524)	(13,168)
Opening net assets		**167,665**	**1,010,956**	**35,176**	**1,213,797**	**1,226,965**
CLOSING NET ASSETS		**143,648**	**732,366**	**36,259**	**912,273**	**1,213,797**

The notes on pages 71 to 91 form part of these financial statements.

Statement of Net Assets

(AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2023

	Notes	Closed Fund 2023 £'000	Open Fund DB Section 2023 £'000	Open Fund DC Section 2023 £'000	Combined Fund 2023 £'000	Combined Fund 2022 £'000
INVESTMENT ASSETS						
Bonds		-	267,666	-	267,666	414,054
Pooled investment vehicles	*16*	70,813	93,880	36,058	200,751	232,772
Derivative assets	*17*	-	16,120	-	16,120	19,092
Insurance policies	*18*	72,260	390,607	-	462,867	590,039
AVC investments	*19*	-	245	-	245	295
Cash		632	10,890	667	12,189	7,962
Other investment balances	*21*	-	1,290	-	1,290	990
		143,705	**780,698**	**36,725**	**961,128**	**1,265,204**
INVESTMENT LIABILITIES						
Derivative liabilities	*17*	-	(394)	-	(394)	(543)
Amounts payable under repurchase agreements	*21*	-	(50,036)	-	(50,036)	(54,048)
Other investment balances	*21*	-	-	-	-	(301)
		-	**(50,430)**	-	**(50,430)**	**(54,892)**
TOTAL NET INVESTMENTS	*15*	**143,705**	**730,268**	**36,725**	**910,698**	**1,210,312**
TANGIBLE FIXED ASSETS	*24*	-	894	-	894	908
CURRENT ASSETS	*25*	234	2,165	258	2,657	4,264
CURRENT LIABILITIES	*26*	(291)	(961)	(724)	(1,976)	(1,687)
NET ASSETS AVAILABLE FOR BENEFITS		**143,648**	**732,366**	**36,259**	**912,273**	**1,213,797**

The financial statements summarise the transactions of the Funds 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 Funds, which does take account of such obligations for the defined benefit sections of the Funds, is dealt with in the Report on Actuarial Liabilities on pages 17 to 19 and these financial statements should be read in conjunction with this report.

The notes on pages 71 to 91 form part of these financial statements.

The financial statements on pages 69 to 91 were approved by the Trustee on 20 September 2023 and signed on its behalf by:

DNMcGuiness

D N McGuiness
Chair

D Birtwistle
Deputy Chair

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

1. BASIS OF PREPARATION

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

2. ORGANISATION OF THE FUNDS

The financial statements reflect the Actuary's report dated 22 January 1985 regarding the apportionment of assets between the Closed and Open Funds. This apportionment of the market value of the assets was made on 1 April 1985.

The Closed Fund relates to former employees of discontinued Industry Training Boards as at 1 April 1985; all employees of continuing Boards whose service ceased before 31 March 1982; and, certain other employees of those Boards whose service ceased before 31 March 1983 and whose membership was specifically agreed with Government.

On 1 April 2012 the Open Fund introduced a defined contribution section. On 18 September 2019 the Open Fund was authorised as a Master Trust scheme for the purposes of The Pension Schemes Act 2017.

The Funds, which are required to be administered as separate ring-fenced sections of the scheme, are established as a trust under English law.

The contact address for the Funds is on page 93.

3. COMPARATIVE DISCLOSURES FOR THE PRIMARY STATEMENTS

FUND ACCOUNT *for the year ended 31 March 2022*	*Notes*	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Employer contributions	*5*	-	26	5,290	5,316
Employee contributions	*5*	-	-	220	220
Total contributions		**-**	**26**	**5,510**	**5,536**
Transfers in	*6*	-	-	73	73
Other income	*7*	-	22	904	926
		-	**48**	**6,487**	**6,535**
Benefits paid or payable	*8*	8,422	32,598	1,332	42,352
Payments to and on account of leavers	*9*	-	7,879	6,170	14,049
Other payments	*10*	-	350	183	533
Administrative expenses:					
General administration	*11*	397	670	114	1,181
Professional services	*11*	218	382	20	620
Pension fund levy		2	29	3	34
Property revaluation		-	35	-	35
		9,039	**41,943**	**7,822**	**58,804**
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		**(9,039)**	**(41,895)**	**(1,335)**	**(52,269)**
NET RETURNS ON INVESTMENTS					
Investment income	*12*	8,628	35,972	-	44,600
Change in market value of investments		(1,082)	(5,861)	2,253	(4,690)
Investment management expenses	*13*	(159)	(589)	(61)	(809)
Taxation	*14*	-	-	-	-
NET RETURNS ON INVESTMENTS		**7,387**	**29,522**	**2,192**	**39,101**
NET INCREASE/(DECREASE) IN THE FUNDS DURING THE YEAR		(1,652)	(12,373)	857	(13,168)
NET ASSETS AS AT 31 MARCH 2021		**169,317**	**1,023,329**	**34,319**	**1,226,965**
NET ASSETS AS AT 31 MARCH 2022		**167,665**	**1,010,956**	**35,176**	**1,213,797**

3. COMPARATIVE DISCLOSURES FOR THE PRIMARY STATEMENTS (continued)

STATEMENT OF NET ASSETS (AVAILABLE *FOR BENEFITS) at 31 March 2022*	*Notes*	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
INVESTMENT ASSETS					
Bonds		-	414,054	-	414,054
Pooled investment vehicles	*16*	79,006	118,743	35,023	232,772
Derivative assets	*17*	-	19,092	-	19,092
Insurance policies	*18*	88,100	501,939	-	590,039
AVC investments	*19*	-	295	-	295
Cash		527	6,847	588	7,962
Other investment balances	*21*	-	990	-	990
		167,633	**1,061,960**	**35,611**	**1,265,204**
INVESTMENT LIABILITIES					
Derivative liabilities	*17*	-	(543)	-	(543)
Amounts payable under repurchase agreements	*21*	-	(54,048)	-	(54,048)
Other investment balances	*21*	-	(301)	-	(301)
		-	**(54,892)**	**-**	**(54,892)**
TOTAL NET INVESTMENTS	*15*	**167,633**	**1,007,068**	**35,611**	**1,210,312**
TANGIBLE FIXED ASSETS	*24*	-	908	-	908
CURRENT ASSETS	*25*	230	3,698	336	4,264
CURRENT LIABILITIES	*26*	(198)	(718)	(771)	(1,687)
NET ASSETS AS AT 31 MARCH 2022		**167,665**	**1,010,956**	**35,176**	**1,213,797**

4. ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Contributions

i) Employer normal contributions relating to wages and salaries earned up to the year end have been included in these financial statements.

ii) Employer augmentation contributions represent amounts recoverable from employers to improve the benefits of certain members and these are due to the Open Fund from the relevant Participating Employers. These are recognised when agreed with the Participating Employer concerned.

iii) Employer deficit funding contributions have been paid to the Funds in accordance with an agreed Schedule of Contributions. These are recognised when received.

iv) Employer buy-out contributions, due under section 75 of the Pensions Act 1995 when an employer ceases to be a Participating Employer, are accounted for when received or determined by the Actuary, whichever is earliest, taking into account the likelihood of recovery.

v) Employee contributions, including AVCs, relating to wages and salaries earned up to the year end have been included in these financial statements.

vi) Life assurance premium funding contributions have been paid to the Funds and are used to fund life assurance cover for members. Contributions received match the premiums paid.

b) Transfers in

Transfers from other pension funds into the Defined Benefit sections of the Funds are not currently accepted. Transfers into the Defined Contribution section are allowed and are recognised on settlement date when the liability is accepted.

4. ACCOUNTING POLICIES (continued)

These transfers represent the capital sums receivable in respect of members from other pension schemes of previous employers.

c) Benefits payable

i) Pension payments are accounted for in the period to which they relate.

ii) Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

iii) Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate.

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

d) Payments to and on account of leavers

i) Refunds of contributions relating to members who leave the Funds and are entitled to a refund of these, including interest, are recognised in the year of leaving.

ii) Opt-outs are accounted for when the Trustee is notified of the opt-out.

iii) Individual transfers out are accounted for when the member liability is discharged, which is normally when the transfer is paid.

e) Administrative and investment management expenses

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

ii) The Funds bear all the costs of administration. Direct costs are charged to the section to which they relate. Indirect expenses are allocated between the Closed Fund and Open Fund's DB and DC sections in accordance with a basis determined by the Trustee.

iii) Administrative expenses include depreciation on equipment.

f) Investment income

i) Interest on bonds is recognised on an accruals basis and includes interest bought and sold on investment purchases and sales.

ii) Rental income is recognised when due.

iii) Income from cash and short-term deposits is accounted for on an accruals basis.

iv) Annuity income is recognised on an accruals basis.

v) Interest payable under repurchase agreements is recognised on an accruals basis.

vi) Foreign income has been translated into sterling at the rate ruling at the date of the transactions. Income due at the year end is translated at the rate ruling at the year end. All differences are taken to the Fund Account.

g) Change in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

h) Valuation of investment assets and liabilities

Investments are valued at fair value determined as follows:

i) Bonds and certain pooled investment vehicles are valued at last traded price or bid-market price ruling at the year end date.

ii) Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end.

iii) Forward foreign exchange contracts are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

iv) Exchange traded derivatives are stated at fair values determined using market quoted prices.

v) Over the counter derivatives are stated at fair value using pricing models and relevant market data as at the year end date.

vi) Repurchase agreements and reverse repurchase agreements are included at the amount payable or receivable under the agreement. The Funds continue to value, and recognise in investments, the securities that are delivered out as collateral under repurchase arrangements. Cash received is recognised as an asset and the obligation to pay it back is recognised as a liability. Similarly, under reverse repurchase arrangements, cash delivered to the counterparty is recognised as a receivable in other investment assets and the Funds do not recognise the collateral securities received as an asset.

vii) The insurance policies have been valued by the insurance companies under the assumptions set out in note 18.

i) Currency

The Fund's functional currency and presentational currency is pounds sterling (GBP). Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

j) Tangible fixed assets

Tangible assets are initially recorded at cost. Freehold properties are revalued to fair value at least once every three years and the revaluation amount is disclosed in the Fund Account. Depreciation is provided on other tangible fixed assets based on cost, in equal annual instalments over the estimated useful lives of the assets. The depreciation charge is part of administrative expenses. The rates of depreciation are as follows:

Furniture – 10% per annum

Equipment – 20% per annum

k) Critical accounting judgements and estimation uncertainty

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Funds, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Funds' investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within (h) above and within notes 22 and 23.

5. CONTRIBUTIONS

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
EMPLOYER CONTRIBUTIONS:				
Normal	-	-	5,418	5,418
Other	-	-	194	194
Total employer contributions	**-**	**-**	**5,612**	**5,612**
EMPLOYEE CONTRIBUTIONS:				
Normal	-	-	311	311
	-	-	**5,923**	**5,923**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
EMPLOYER CONTRIBUTIONS:				
Normal	-	-	5,107	5,107
Augmentation	-	26	-	26
Other	-	-	183	183
Total employer contributions	**-**	**26**	**5,290**	**5,316**
EMPLOYEE CONTRIBUTIONS:				
Normal	-	-	220	220
	-	**26**	**5,510**	**5,536**

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to members by certain Employers.

DC Section Other employer contributions represent life assurance premium funding contributions which are used to fund life assurance cover for members.

Normal contributions receivable by the Scheme during the year, including amounts outstanding at the year-end (see note 25), were paid in accordance with the Scheme Rules (and the recommendation of the Actuary).

6. TRANSFERS IN

Open Fund - DC Section	2023 £'000	2022 £'000
Individual transfers from other schemes	418	73

7. OTHER INCOME

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Open Fund DB Section cash transfers	-	-	150	150
Other	-	6	-	6
	-	**6**	**150**	**156**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Open Fund DB Section cash transfers	-	-	350	350
Claims on life assurance policies	-	-	554	554
Other	-	22	-	22
	-	**22**	**904**	**926**

8. BENEFITS PAID OR PAYABLE

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Pensions	8,165	30,659	-	38,824
Commutation of pensions and lump sum retirement benefits	7	1,654	405	2,066
Lump sum death benefits	-	130	-	130
	8,172	**32,443**	**405**	**41,020**

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Pensions	8,422	30,196	-	38,618
Commutation of pensions and lump sum retirement benefits	-	2,353	680	3,033
Lump sum death benefits	-	49	652	701
	8,422	**32,598**	**1,332**	**42,352**

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Individual transfers to other schemes	-	7,027	2,570	9,597
Refund of contributions	-	-	4	4
	-	**7,027**	**2,574**	**9,601**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Individual transfers to other schemes	-	7,879	6,168	14,047
Refund of contributions	-	-	2	2
	-	**7,879**	**6,170**	**14,049**

10. OTHER PAYMENTS

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Life assurance premiums	-	-	194	194
Open Fund DC Section cash transfers	-	150	-	150
	-	**150**	**194**	**344**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Life assurance premiums	-	-	183	183
Open Fund DC Section cash transfers	-	350	-	350
	-	**350**	**183**	**533**

11. ADMINISTRATIVE EXPENSES

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
GENERAL ADMINISTRATION:				
Employment costs	231	483	77	791
Office accommodation	13	26	4	43
General expenses	93	188	28	309
Trustee Directors' honoraria	41	82	14	137
	378	**779**	**123**	**1,280**
PROFESSIONAL SERVICES:				
Audit fees	29	55	9	93
Legal and professional services	34	109	11	154
Actuarial services	42	547	-	589
Other	3	56	1	60
	108	**767**	**21**	**896**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
GENERAL ADMINISTRATION:				
Employment costs	258	430	74	762
Office accommodation	15	24	4	43
General expenses	80	147	24	251
Trustees' honoraria	44	69	12	125
	397	**670**	**114**	**1,181**
PROFESSIONAL SERVICES:				
Audit fees	30	47	9	86
Legal and professional services	33	66	10	109
Actuarial services	153	215	-	368
Other	2	54	1	57
	218	**382**	**20**	**620**

12. INVESTMENT INCOME

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Income from bonds	-	4,819	-	4,819
Net rents from properties	-	24	-	24
Income from pooled investment vehicles	-	3,558	-	3,558
Net interest income/(expense) on swaps	-	36	-	36
Annuity income	8,290	28,294	-	36,584
Interest on cash deposits	13	208	16	237
Interest paid under repurchase agreements	-	(1,239)	-	(1,239)
Underwriting commission	-	(1)	-	(1)
	8,303	**35,699**	**16**	**44,018**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Income from bonds	-	4,761	-	4,761
Net rents from properties	-	(73)	-	(73)
Income from pooled investment vehicles	-	3,134	-	3,134
Annuity income	8,628	28,241	-	36,869
Interest on cash deposits	-	6	-	6
Interest paid under repurchase agreements	-	(96)	-	(96)
Underwriting commission	-	(1)	-	(1)
	8,628	**35,972**	**-**	**44,600**

Net rents from properties is negative in the year ended 31 March 2022 due to a write-off of irrecoverable rental income debts and deduction of £5,000 of property related expenses.

13. INVESTMENT MANAGEMENT EXPENSES

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Administration, management and custody	67	270	-	337
Advisory	37	183	21	241
Performance measurement service	22	38	6	66
	126	**491**	**27**	**644**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Administration, management and custody	68	421	-	489
Advisory	70	133	55	258
Performance measurement service	21	35	6	62
	159	**589**	**61**	**809**

14. TAXATION

The ITB Pension Funds is a Registered Pension Scheme under Chapter 2 of Part IV of the Finance Act 2004. The Scheme is therefore exempt from income tax and capital gains tax. There is no taxation related income in 2023 (2022: £Nil).

15. RECONCILIATION OF INVESTMENTS

The movements in investments during the year were:

Closed Fund	Notes	Value at 1 Apr 2022 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 Mar 2023 £'000
Pooled investment vehicles	*16*	79,006	31,009	(31,508)	(7,694)	70,813
Insurance policy	*18*	88,100	-	-	(15,840)	72,260
		167,106	**31,009**	**(31,508)**	**(23,534)**	**143,073**
Cash		527				632
		167,633				**143,705**

Open Fund - DB Section	Notes	Value at 1 Apr 2022 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 Mar 2023 £'000
Bonds		414,054	8,211	(8,205)	(146,394)	267,666
Pooled investment vehicles	*16*	118,743	30,416	(40,768)	(14,511)	93,880
Derivatives	*17*	18,549	-	(2,467)	(356)	15,726
Insurance policies	*18*	501,939	-	-	(111,332)	390,607
AVC investments	*19*	295	-	(37)	(13)	245
		1,053,580	**38,627**	**(51,477)**	**(272,606)**	**768,124**
Cash		6,847				10,890
Other investment balances	*21*	(53,359)				(48,746)
		1,007,068				**730,268**

Open Fund - DC section	Notes	Value at 1 Apr 2022 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 Mar 2023 £'000
Pooled investment vehicles	*16*	35,023	6,180	(3,069)	(2,076)	36,058
Cash		588				667
		35,611				**36,725**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

There are no direct transaction costs included within the above purchases and sales figures. Costs are borne by the Funds in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

The Funds do not invest in any of the Participating Employers' businesses. Apart from the insurance policies disclosed in note 18, there are no other individual investments in which more than 5% of the total value of the net assets of the Funds is invested.

16. POOLED INVESTMENT VEHICLES

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Equities	10,600	20,425	18,197	49,222
Bonds	60,213	73,373	183	133,769
Property	-	82	-	82
Diversified	-	-	16,423	16,423
Cash	-	-	1,255	1,255
	70,813	**93,880**	**36,058**	**200,751**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
Equities	13,020	31,307	18,414	62,741
Bonds	65,986	87,169	223	153,378
Property	-	267	-	267
Diversified	-	-	15,407	15,407
Cash	-	-	979	979
	79,006	**118,743**	**35,023**	**232,772**

17. DERIVATIVES - OPEN FUND

The Trustee holds derivatives in accordance with the Statement of Investment Principles for the Open Fund and uses them to reduce the effect of interest rate and inflation fluctuations. At 31 March 2023 the Open Fund DB Section had the following derivatives:

	2023 Asset Fair Value £'000	2023 Liabilities Fair Value £'000	2022 Asset Fair Value £'000	2022 Liabilities Fair Value £'000
Swaps	16,120	-	18,825	(543)
Futures	-	(394)	267	-
	16,120	**(394)**	**19,092**	**(543)**

Swaps

Type	Notional £'000	Base	Settlement	Asset value £'000	Liability value £'000
Limited price index swaps	67,089	UK LPI	2023 – 2058	16,120	-
Total 2023				**16,120**	**-**
Total 2022				**18,825**	**(543)**

The contracts are traded over the counter. The counterparties for all the swaps are banks. At 31 March 2023 the Funds had received cash collateral of £15,630,000 (2022 - £16,855,000 in a mixture of cash and bonds). This collateral is not reported within the Scheme's net assets.

Futures

The balance at 31 March 2023 is an unrealised loss on a June 2023 gilt futures contract.

18. INSURANCE POLICIES

2023	Liability Provision Basis	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
PIC	RPI	72,260	46,769	-	119,029
JRL	RPI	-	74,400	-	74,400
PIC	CPI	-	131,383	-	131,383
PIC	CPI	-	138,055	-	138,055
TOTAL		**72,260**	**390,607**	**-**	**462,867**
PERCENTAGE OF NET ASSETS		**50.3%**	**53.3%**	**0.0%**	**50.7%**

2022	Liability Provision Basis	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
PIC	RPI	88,100	59,926	-	148,026
JRL	RPI	-	87,600	-	87,600
PIC	CPI	-	173,997	-	173,997
PIC	CPI	-	180,416	-	180,416
TOTAL		**88,100**	**501,939**	**-**	**590,039**
PERCENTAGE OF NET ASSETS		**52.5%**	**49.6%**	**0.0%**	**48.6%**

The insurance policies are bulk annuity policies (also known as "buy-ins") with Pension Insurance Corporation PLC ("PIC") and Just Retirement Limited ("JRL"). The Closed Fund policy secures the benefits of Closed Fund members. The Open Fund policies secure all pensions in payment as at 31 December 2017. The policies are written in the name of the Trustee and do not discharge its liabilities to those members. The policies have been included in the Net Assets Statement at values provided by PIC and JRL, valued on an actuarial basis. The principal assumptions underlying the calculation of insurance contracts are as follows:

PIC

Mortality - Set with reference to the S3 series mortality tables published by the Continuous Mortality Investigation (CMI), adjusted according to several factors including sex, age, pension amount, occupation and place of residence. The assumption for future improvements to mortality is modelled using the CMI 2021 model.

Valuation discount rate – Derived from the yield on the assets held to back insurance contract liabilities and includes an allowance for risks, including credit risk, associated with holding these assets which are not reflected in the liabilities. The risk adjustment is applied via a fixed basis points default allowance by asset, based on historic levels of default and downgrade with prudent margins.

Inflation - Assumptions for expected future RPI inflation and CPI inflation are based on a curve derived from the market prices of inflation-linked swap contracts. The CPI inflation assumption additionally allows for the expected gap between CPI inflation and RPI inflation.

Other - Internal costs of maintaining insurance contracts, the fees payable to third-party administrators engaged to manage payments due under the in-force policies, fees due to reinsurers and investment management expenses are factored into the calculation of liabilities by adding appropriate allowances, and include an estimate of the impact of future inflation where this is applicable.

JRL

Mortality - Set by reference to reinsurer supplied mortality tables underpinned by the Self-Administered Pension Scheme S1 tables, with modified CMI 2009 model mortality improvements, adjusted to reflect the future mortality experience of the policyholders, taking into account the medical and lifestyle evidence collected during the underwriting process, premium size, gender, and an assessment of how this experience will develop in the future.

Valuation discount rate - Set by considering the yields on the assets available to back the liabilities. The yields on lifetime mortgage assets are derived by JRL using internal models which project future cash flows expected to arise from each loan. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities, loans secured by commercial mortgages, and other loans based on an expectation of default experience of each asset class and application of a prudent loading. Allowances vary by asset category and by rating.

Inflation – The assumed inflation curve for RPI and CPI index-linked liabilities is that which is implied by market swap rates, taking into account any escalation caps and/or floors applicable.

Other - Assumptions for future policy expense levels are determined from JRL's recent expense analyses and incorporate an annual inflation rate allowance.

19. ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) INVESTMENTS

The Trustee holds assets invested separately from the Funds to secure additional benefits on a money purchase basis for those members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

Open Fund – DB Section	2023 £'000	2022 £'000
Legal & General	**245**	**295**

20. DEFINED CONTRIBUTION ASSETS

Defined contribution section investments held in the Open Fund are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Fund administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Fund that relate to members leaving the Fund prior to vesting.

Defined contribution investment assets allocated to members by the administrator and those not allocated or designated to members (and therefore available to the Trustee to apply as specified in the Fund rules), are as follows:

	2023 £'000	2022 £'000
Allocated to members	36,058	35,023
Not allocated or designated to members	667	588
TOTAL	**36,725**	**35,611**

Defined contribution assets (including those allocated to the Trustee in the table above) are not part of a common pool of assets available to meet defined benefit liabilities. The assets not allocated or designated to members represents the Financial Reserve which is held to provide capital to meet the costs of a master trust triggering event and is not freely available to the Trustee.

21. OTHER INVESTMENT BALANCES

2023	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
ASSETS:				
Investment revenue receivable	-	867	-	867
Investment sales proceeds receivable	-	29	-	29
Margin debtor	-	394	-	394
	-	**1,290**	**-**	**1,290**
LIABILITIES:				
Repurchase agreements	-	50,036	-	50,036
	-	**50,036**	**-**	**50,036**
NET INVESTMENT BALANCES	**-**	**(48,746)**	**-**	**(48,746)**

2022	Closed Fund £'000	Open Fund DB Section £'000	Open Fund DC Section £'000	Combined Fund £'000
ASSETS:				
Investment revenue receivable	-	990	-	990
	-	**990**	**-**	**990**
LIABILITIES:				
VAT	-	1	-	1
Margin creditor	-	267	-	267
Investment property sale payable	-	33	-	33
Repurchase agreements	-	54,048	-	54,048
	-	**54,349**	**-**	**54,349**
NET INVESTMENT BALANCES	**-**	**(53,359)**	**-**	**(53,359)**

Repurchase agreements

At the year-end £50,706,000 (2022 - £54,401,000) of bonds reported in Scheme assets were held by a counterparty in respect of an amount payable under repurchase agreements due in April and May 2023 (2022: April – June 2022). In addition, collateral of £439,823 in the form of bonds had been received (2022 - £54,844 collateral received) in respect of the difference between the market value of the repurchase agreement and the market value of the bonds held by the counterparty.

22. INVESTMENT FAIR VALUE HIERARCHY

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

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

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

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

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

At 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Closed Fund				
Pooled investment vehicles	-	70,813	-	70,813
Insurance policies	-	-	72,260	72,260
Cash	632	-	-	632
	632	**70,813**	**72,260**	**143,705**

At 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Open Fund DB Section				
Bonds	-	267,666	-	267,666
Pooled investment vehicles	-	93,798	82	93,880
Derivatives	(394)	-	16,120	15,726
Insurance policies	-	-	390,607	390,607
AVC investments	-	245	-	245
Cash	10,890	-	-	10,890
Other investment balances	896	(49,642)	-	(48,746)
	11,392	**312,067**	**406,809**	**730,268**

At 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Open Fund - DC Section				
Pooled investment vehicles	-	36,058	-	36,058
Cash	667	-	-	667
	667	**36,058**	**-**	**36,725**

22. INVESTMENT FAIR VALUE HIERARCHY (continued)

At 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Closed Fund				
Pooled investment vehicles	-	79,006	-	79,006
Insurance policies	-	-	88,100	88,100
Cash	527	-	-	527
	527	**79,006**	**88,100**	**167,633**

At 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Open Fund - DB Section				
Bonds	-	414,054	-	414,054
Pooled investment vehicles	-	118,476	267	118,743
Derivatives	267	-	18,282	18,549
Insurance policies	-	-	501,939	501,939
AVC investments	-	295	-	295
Cash	6,847	-	-	6,847
Other investment balances	956	(54,315)	-	(53,359)
	8,070	**478,510**	**520,488**	**1,007,068**

At 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Open Fund - DC Section				
Pooled investment vehicles	-	35,023	-	35,023
Cash	588	-	-	588
	588	**35,023**	**-**	**35,611**

Investments reported under Level 3 are included at fair value based on values estimated by the underlying investment managers, using accepted methodologies and use of market information in the absence of observable market data.

23. INVESTMENT RISKS

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

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

Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:

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

The Trustee determines the Funds' investment strategy after taking advice from a professional investment adviser. The Funds have exposure to these risks because of the investments held to implement the investment strategy.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the agreements in place with the Funds' investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, regularly.

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

OPEN FUND DEFINED BENEFIT SECTION AND CLOSED FUND

Credit risk

The Funds are subject to credit risk because the Open Fund invests directly in bonds (£268m; 2022: £414m) and both Funds have cash balances (£12m; 2022: £7m). The Open Fund has further exposure to credit risk through its OTC derivative holdings (£16m; 2022: £18m). The Funds are also directly exposed to credit risk in relation to the "buy-in" insurance policies with Pension Insurance Corporation and Just Retirement Limited (£463m; 2022: £590m). Both Funds also invest in pooled investment vehicles (£165m; 2022: £198m) and are, therefore, directly exposed to credit risk in relation to the investments held in pooled investment vehicles. The Funds are indirectly exposed to credit risks arising on the financial instruments held within the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are almost entirely rated at least investment grade.

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

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Open Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 17).

In the case of the buy-in insurance policies, the credit risk is mitigated as a result of the protections in place under the UK insurance regime. The regime is intended to protect policyholders by ensuring insurance companies are adequately capitalised, to minimise the risk of not being able to meet their obligations.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, the regulatory environments in which the pooled investment managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence on the appointment of any new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled investment managers.

The Funds are indirectly exposed to credit risks arising from the underlying investments held by the pooled investment vehicles, where they invest in bonds, derivatives or cash. The amount invested in each of these asset classes is shown in note 16. The managers of these pooled investment vehicles manage credit risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and having limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

The legal nature of the pooled investment arrangements used by the Funds is as follows:

23. INVESTMENT RISKS (continued)

	Closed Fund		Open Fund	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Qualifying investor alternative investment fund	-	-	73,373	87,169
Closed ended fund	-	-	82	267
Unit linked insurance contracts	70,813	79,006	20,425	-
Open ended investment companies	-	-	-	31,307
	70,813	**79,006**	**93,880**	**118,743**

Currency risk

The Funds are subject to currency risk because some of the Funds' investments are held in overseas markets within pooled investment vehicles, however the only pooled investment vehicle denominated in an overseas currency is a European property fund (£82,000, 2022: £267,000). The exposure to foreign currencies within the pooled investment vehicles will vary over time as the manager changes the underlying investments, but is not expected to be a material influence on returns over the long-term.

The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of the currency exposure.

Interest rate risk

The Funds are subject to interest rate risk because some of the Open Fund's investments are held in government bonds, limited price index swaps and cash (the liability driven investment "LDI" assets) and corporate bonds. In the Open Fund the Trustee has set a benchmark for hedging interest rate risk of 100% of liabilities. Under this strategy, if interest rates fall, the value of bonds and swaps will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI assets will fall in value, as will the actuarial liabilities because of an increase in the discount rate. Therefore, the interest rate exposure of these assets is structured to hedge the corresponding risks associated with the Funds' liabilities. The net effect is to reduce the volatility of the funding level of the Open Fund, and so the Trustee believes that it is appropriate to take exposures to these risks in this manner. At the year-end the LDI assets and corporate bonds represented 92% (2022: 93%) of the Open Fund investment portfolio, excluding the buy-in policies.

In the Closed Fund, bond pooled investment vehicles are subject to interest rate risk but the buy-in insurance policy mitigates all interest rate risk arising from the Closed Fund's liabilities.

Other price risk

Other price risk arises principally in relation to equities which are held in pooled investment vehicles. The Open Fund has a target asset allocation of 5% (2022: 5%) of investments (excluding the buy-in policies) being held in equities and the Closed Fund has a target of 15% (2022: 15%). The Funds manage the exposure to overall price movements by investing in global equity funds that invest across a diverse range of companies, sectors and markets.

OPEN FUND DEFINED CONTRIBUTION SECTION

Credit Risk

The Open Fund Defined Contribution Section (DC Section) is subject to direct credit risk in relation to Legal & General Assurance Society Limited through its holding in unit linked insurance funds provided by Legal & General Assurance Society Limited.

Legal & General Assurance Society Limited is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of Legal & General Assurance Society Limited by reviewing published credit ratings. Legal & General Assurance Society Limited invests most of the Fund's investments in its own investment unit linked funds. In the event of default by Legal & General Assurance Society Limited the Fund is protected by the Financial Services Compensation Scheme.

The DC Section is also subject to indirect credit and market risk (including interest rate risk) arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

At year-end the Bond, Cash and Multi-Asset funds were exposed to underlying credit risk.

Market Risk

The DC Section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Legal & General Assurance Society Limited.

The Equity funds are exposed to foreign exchange and other price risks. The Bond funds are exposed to interest rate risk. The Cash fund is exposed to foreign exchange and interest rate risk. The Multi-Asset fund is exposed to foreign exchange risk, interest rate risk and other price risk.

All the DC Section funds have remained liquid and marketable.

24. TANGIBLE FIXED ASSETS

Open Fund - DB Section	Property £'000	Equipment £'000	Total £'000
COST OR VALUATION			
Balance at 1 April 2022	840	614	1,454
Additions	-	22	22
Balance at 31 March 2023	**840**	**636**	**1,476**
DEPRECIATION			
Balance at 1 April 2022	-	546	546
Charge	-	36	36
Balance at 31 March 2023	**-**	**582**	**582**
NET BOOK VALUE AT 31 MARCH 2023	**840**	**54**	**894**
NET BOOK VALUE AT 31 MARCH 2022	**840**	**68**	**908**

Freehold property is included at the open market value at 31 March 2022, estimated by BNP Paribas, Chartered Surveyors. The historical cost of the property was £998,000 (2022 - £998,000).

At the year-end there were no capital commitments (2022 – commitment of £13,391 for the purchase of equipment).

25. CURRENT ASSETS

2023	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Bank balances	209	1,280	245	1,734
DEBTORS:				
Amounts due from employers				
Employer contributions	-	-	5	5
Other debtors	25	112	8	145
External current assets	**234**	**1,392**	**258**	**1,884**
Interfund balance	-	773	-	773
CURRENT ASSETS	**234**	**2,165**	**258**	**2,657**

2022	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Bank balances	221	3,047	331	3,599
DEBTORS:				
Amounts due from employers				
Employer contributions	-	-	3	3
Other debtors	9	46	2	57
External current assets	**230**	**3,093**	**336**	**3,659**
Interfund balance	-	605	-	605
CURRENT ASSETS	**230**	**3,698**	**336**	**4,264**

Amounts due from employers in respect of contributions were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force. £229,216 (2022: £179,953) of the DC Section bank balance is not designated to members and is held by the Trustee to pay the ongoing administration costs of the DC Section.

26. CURRENT LIABILITIES

2023	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Unpaid benefits	14	46	16	76
External other current liabilities	179	915	33	1,127
Interfund balance	98	-	675	773
CURRENT LIABILITIES	**291**	**961**	**724**	**1,976**

2022	Closed Fund £'000	Open Fund DB Section £'000	DC Section £'000	Combined Fund £'000
Unpaid benefits	2	4	135	141
External other current liabilities	179	714	48	941
Interfund balance	17	-	588	605
CURRENT LIABILITIES	**198**	**718**	**771**	**1,687**

27. RELATED PARTY TRANSACTIONS AND CONTINGENT ASSET

Related party transactions and balances comprise contributions (note 5) and contributions receivable (note 25) including amounts in respect of 6 Trustee Directors and pensions paid in respect of 3 Trustee Directors (2022: contributions 6, pensions 3). Fees and expenses of £163,381 (2022: £132,774) were paid to the Trustee Directors.

No fees or expenses were recharged to Employers during the year (2022: £18,050) and at the year-end no recharges were outstanding (2022: £6,543).

The Trustee holds a contingent asset in the form of a second ranking legal mortgage over Access House, Halesfield 17, Telford, Shropshire TF7 4PW as guarantee to the Trustee in respect of RTITB Ltd's section 75 liabilities to the Funds. Access House is owned by RTITB Properties Ltd, a fellow subsidiary of RTITB Limited's parent company, Skill Specialists Ltd.

28. CONTINGENT LIABILITIES AND COMMITMENTS

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 (GMP) benefits. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

A subsequent ruling, in November 2020, stated that pension scheme trustees must revise and equalise the values of historic transfers out of GMPs to ensure that there are no gender-based differences.

The Trustee has commenced identifying which of the Funds' members have benefits that will require adjustment due to the ruling, and by how much. A reliable estimate of the likely backdated amounts payable, plus interest, has not yet been calculated. However, based on an initial assessment, the Trustee does not expect it to be a material amount to the financial statements and therefore a liability has not been included in these financial statements.

The backdated amounts due, including interest, will be accounted for in the year that they are determined.

The Virgin Media Ltd versus NTL Pension Trustees II decision, handed down by the High Court in June 2023, considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out scheme cannot be altered unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. It is not known, at this stage, whether the case will be appealed but, as matters currently stand, the case has the potential to cause significant issues in the pensions industry. The Trustee has investigated the possible implications of the above with its advisers but it is uncertain exactly how the ruling may apply to the Funds' circumstances, and therefore a reliable estimate of the potential impact is not possible at present.

28. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

At the year-end there were capital commitments as disclosed in note 24.

In the opinion of the Trustee, the Funds had no other contingent liabilities or commitments as at 31 March 2023 (2022 - nil).

29. SUBSEQUENT EVENTS

After the year-end, in July 2023, a buy-in policy was purchased with Just to insure all remaining, previously uninsured, Open Fund DB Section deferred and pensioner member liabilities. The buy-in policy purchase price was settled by a cash transfer of £282.1m and the novation of the Limited Price Index swaps reported in Note 17 of these financial statements.

Supplementary Information

INTERNAL DISPUTE RESOLUTION

The Pensions Act 1995 (as amended by the Pensions Act 2004) requires that all pension schemes have a formal internal dispute resolution procedure in place allowing members, prospective members, beneficiaries and contingent beneficiaries an avenue for complaint.

It is hoped that members and beneficiaries will always be satisfied with the service provided by the ITB Pension Funds. However, in the unlikely event that a complaint arises, and a member of the Funds' staff fails to provide a satisfactory answer, then a copy of the formal internal dispute resolution procedure is available upon request from the Chief Executive at the Contact details provided on page 93.

THE PENSIONS OMBUDSMAN

The Pensions Ombudsman is an independent organisation set up by law to deal with pension complaints.

When the Ombudsman receives a complaint, it will consider whether it can be dealt with under its Early Resolution Service (ERS) whereby an informal approach is taken which seeks for all parties to agree to a proposed resolution.

Where the Ombudsman considers that informal resolution would not be possible, or where any of the parties does not want to use the ERS, the complaint will be dealt with under the Ombudsman's more formal Adjudication process. This process can usually only be used if there has been a failure to achieve a resolution through the Funds' internal dispute resolution procedures.

The Pensions Ombudsman can be contacted at:

10 South Colonnade, Canary Wharf, London E14 4PU

Email: **enquiries@pensions-ombudsman.org.uk**

Telephone: **0800 917 4487** (Monday to Friday 10am to 2pm)

To find out more about the Pensions Ombudsman visit its website at **www.pensions-ombudsman.org.uk**

THE PENSIONS REGULATOR

The Pensions Regulator is the UK regulator of work-based pension schemes, including the ITB Pension Funds. It can intervene in the running of schemes where trustees, employers or professional advisers are not carrying out their duties correctly. Should you have any concerns about the way a pension scheme is being run, these can be reported to The Pensions Regulator at:

Telecom House, 125-135 Preston Road, Brighton BN1 6AF

Email: **report@tpr.gov.uk**

Telephone: **0345 600 7060**

To find out more about The Pensions Regulator visit its website at **www.thepensionsregulator.gov.uk**

THE PENSION PROTECTION FUND

The Pension Protection Fund (PPF) is a public corporation, run by an independent Board which acts as the safety net for members of pension schemes where the employer has become insolvent and there are insufficient assets in the pension scheme to cover PPF levels of compensation.

The PPF is also responsible for the Fraud Compensation Fund which pays compensation to occupational pension schemes which have lost out financially due to dishonesty. For more information about the PPF:

Email: **information@ppf.co.uk**

Telephone: **0345 600 2541**

Website: **www.ppf.co.uk**

MONEYHELPER AND PENSION WISE

MoneyHelper is a Government-backed money advice service which provides free and impartial money and pensions guidance for people across the UK.

Moneyhelper offers a service called Pension Wise through which appointments can be made with a specialist for anyone who is aged 50 or over, has a defined contribution (DC) pension and wishes to obtain free and impartial guidance about their retirement options. As Pension Wise is not regulated by the Financial Conduct Authority, it will not offer any personalised pensions advice or specific product recommendations. A regulated financial adviser or legal advice should be sought for these.

To contact Pension Wise go to its website at **www.moneyhelper.org.uk** and use the webchat facility or submit an online enquiry. Other contact options:

Write to: Pension Wise, PO Box 10404, Ashby-de-la-Zouch, Leicestershire LE65 9EH

Email: **contact.pensionwise@moneyhelper.org.uk**

Telephone: **0800 138 3944**

PENSION SCAMS

Pension scams attempt to defraud individuals of their pension savings. Often this involves false promises and attractive sounding offers to entice the victim to transfer their pension savings from their existing pension scheme to a new arrangement. Once the pension savings have been transferred, they are partly, or wholly, taken by the fraudster for example, through unreasonable fee charges, outright theft or by placing in high-risk investments in which the fraudster has a financial interest.

There are many different types of pension scams and anyone who has concerns, or wants to find out more about how to avoid them, can obtain further information from the following sources:

- **The Financial Conduct Authority (FCA)**

  Website: **www.fca.org.uk/scamsmart**

  Consumer **Helpline: 0800 111 6768**

- **Action Fraud**

  Website: **www.actionfraud.police.uk**

  Telephone: **0300 123 2040**

If you are unsure what to do, seek advice from MoneyHelper whose contact details are provided above.

If you become aware of a pension scam, it should be reported to the FCA and Action Fraud.

INDEPENDENT FINANCIAL ADVICE

An Independent Financial Adviser (IFA) can, for a fee, provide more detailed advice taking account of individual financial circumstances. MoneyHelper has guidance about how to find an IFA and the IFA directory can be accessed at:

Website: **www.unbiased.co.uk/life/pensions-retirement**

PENSION TRACING SERVICE

The UK Government's Pension Tracing Service is for anyone who is trying to trace a pension that they think they have from a previous employer but is unsure of the details. The Service will provide details of whom to contact to arrange for the pension to be paid out.

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

Website: **www.gov.uk/find-pension-contact-details**

Telephone: **0800 731 0193**

TAX ENQUIRIES

Any member who is in receipt of a monthly pension and has a query about their tax code or income tax deductions should contact HM Revenue and Customs at the details provided below:

Pay As You Earn and Self Assessment,
HM Revenue and Customs BX9 1AS

Website: **https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees**

Telephone: **0300 200 3300**

The Funds' tax references are:

Open Fund: 073/I1012A
Closed Fund: 073/I1012

AGE UK

Age UK is the country's largest charity dedicated to helping everyone make the most of later life.

Website: **www.ageuk.org.uk**

Telephone: **0800 678 1602**

KEEPING US INFORMED

Please ensure that you keep the Trustee of the ITB Pension Funds advised of any change of address. You can do this by writing to the Funds' Office, at the address below, or using the Funds' website **www.itb-online.co.uk**

CONTACT

The ITB Pension Funds, 23 King Street, Watford, Hertfordshire WD18 0BJ

Telephone: **01923 226264**

E-mail: **pensions@itbpen.com**

Website: **www.itb-online.co.uk**

Pension Scheme Registry Number: **10169800**

INVESTORS IN PEOPLE

Pension Scheme
Registry No. 10169800

ITB

The ITB Pension Funds

23 King Street, Watford,
Herts, WD18 0BJ
Telephone: 01923 226 264
Website: www.itb-online.co.uk

RTITB SETTING THE STANDARD

citb

Cogent skills for science industries

ECITB

Enginuity

LANTRA

Tt SCOTTISH ELECTRICAL CHARITABLE TRAINING TRUST