



Snap-on Tools Limited Pension & Benefit Plan

Contents

Chair's Statement	Pages 2-11
Statement of Investment Principles	Pages 12-25
Annual Implementation Statement	Pages 26-40

The Snap-on Tools Limited Pension and Benefits Plan (the 'Plan') Annual Chair's Statement

Plan year-ended 30 April 2023

Regulations effective from 6th April 2015 require the Trustees to prepare a statement showing how they have met certain minimum governance standards in relation to the Plan's defined contribution benefits. This is published online at <https://www.snapon.co.uk/wp-content/uploads/2023/01/Pension-and-Benefit.pdf>, with members being notified of this in the annual benefit statements. These standards cover four principal areas namely:

- The default investment arrangement;
- Core financial transactions;
- Value from member borne deductions and
- The Trustees' knowledge and understanding.

As Chair of Trustees, it is my pleasure to report to you on how the Trustees have embedded these minimum standards over the period 1 May 2022 to 30 April 2023.

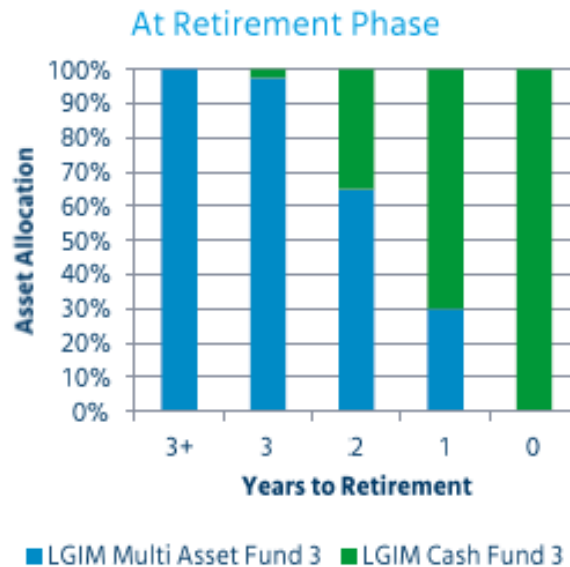
The investment arrangements

The Trustees' Statement of Investment Principles (SIP) dated September 2023, which includes the principles in relation to the Plan's default investment arrangement, is attached to this statement. This covers our aims and objectives in relation to the default investment arrangement as well as our policies in relation to matters such as risk and diversification. It also states why we believe that the default investment arrangement is designed in members' best interests. Following the review referred to later in this section, and the ongoing review of the performance of the Plan's default investment strategy, we believe the performance is consistent with the aims and objectives outlined in the SIP.

The Trustees are responsible for setting the Plan's investment strategy and for appointing investment managers to carry out that strategy. They must also establish a default investment arrangement for members who do not select their own investment options from the fund range that is available.

The Plan's investment platform is held through Legal and General (L&G). The current default fund for all DC members of the Plan is the Legal & General Cash Lifestyle. The L&G Multi-Asset fund adopts a lifestyle approach to manage risk throughout a member's lifetime in the Plan until three years prior to the member's selected retirement date, at which point a member's pension pot will gradually be moved into the L&G Cash fund so that at a members' selected retirement age 100% of a member's assets will be invested in the L&G Cash fund.

The structure of the default is shown in more detail below:



The Trustees undertake a holistic and strategic review of the Plan's investment arrangements periodically. Ad hoc reviews of strategy and/or investment policy are also undertaken in the event of significant legislative, market or member demographic changes.

The last strategic review of the default investment strategy was undertaken and completed on 25 April 2023 to ensure the Trustees offer members access to a default option, appropriate investment strategies, funds and options to consolidate assets in an appropriate range of funds, taking account of the type of membership.

The investment review that was undertaken included a review of the default strategy and performance of the default arrangement. It covered the following:

- Analysis of the membership
- Consideration of market trends
- Review of the objective for the default strategy, including the growth phase and at retirement portfolios
- Review of the switching period
- ESG considerations.

Given the membership of the Plan will retire with Defined Benefit ("DB") retirement benefits as the bulk of their retirement pot, it is likely that most members will use their savings from this Plan as a means of drawing tax free cash to supplement any retirement income from the DB section. The DC section of the Plan is not used for automatic enrolment purposes but there is active membership. The outcome of the review confirmed this position and the Trustees agreed to maintain the current default investment strategy as it still aligns with the current membership profile and performance remains consistent with the aims and objectives of the Statement of Investment Principles. The Trustees also considered the composition of the self-select fund range and concluded that no changes should be made to the fund range as a result of this review.

The Plan also holds Additional Voluntary Contribution (AVC) assets with Prudential via a With-Profits fund, which is closed to future contributions.

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustee must ensure that “core financial transactions” are processed promptly and accurately. Core financial transactions are (broadly):

- Investment of contributions made to the Plan by members and their employer;
- Transfer of members’ assets into and out of the Plan;
- Switches of members’ investments between different funds within the Plan; and
- Payments from the Plan to, or in respect of, members (e.g. payment of death benefits).

The Trustees monitor the extent to which the Plan’s core financial transactions are processed promptly and accurately through the receipt of reports from L&G.

The Trustees recognise the importance of processing financial transactions promptly and accurately as failure to do so may have an adverse effect on member outcomes and may result in members disengaging with the Plan.

The Plan’s administration is outsourced to L&G. Service levels and timescales have been agreed for the processing of all member-related services, including core financial functions such as investment switches and benefit payments. The Trustees have a service level agreement (“SLA”) in place with the administrator, which covers the accuracy and timeliness of all core transactions. A report is received at least annually from L&G that references the SLA in place and the performance of core financial transactions against SLA.

L&G operate a workflow system, which allows work requests with SLAs to allow improved flexibility for creating reports and also being able to drill down to specific work requests, teams and individuals, to measure and monitor their performance. This workflow system enables L&G to produce regular dashboards, which, using RAG (Red, Amber, Green) status reporting will provide this information at individual task level. L&G’s quality assurance team uses the workflow system to ensure that quality standards are met and maintained.

The L&G report for the year ending 31 March 2023 shows service in a number of areas related to core financial transactions (figures as at 30 April were unavailable). 100% of cases related to core financial transactions were achieved within SLA, which the Trustees have deemed to be satisfactory in so much as core financial transactions have been processed promptly and accurately.

Prudential perform administration services in relation to the Prudential With-Profits fund. There are no active members invested in this fund.

The Trustees will continue to monitor administration service and are aware of the escalation points if service falls below expectations.

Costs and Charges

The Trustees are required to report on the charges and transaction costs for the investments used in the default arrangement as well as the wider fund choice available, and assess the extent to which the charges and costs represent good value for members. When preparing this statement, the Trustees have taken account of statutory guidance when producing this section.

The total charges payable will vary depending on the stage that each member has reached in the default arrangement’s growth and de-risking phase. The Annual Management Charges (“AMCs”) and Total Expense Ratios (“TERs”) applicable to each of the Plan’s funds that are available to members are detailed below:

Default arrangement

Manager	Fund	AMC (% p.a.)	TER (% p.a.)
Legal & General (L&G)	Cash Fund	0.35	0.44
	Multi-Asset Fund	0.35	0.48

These funds are also available to self-select

Self-select funds

Manager	Fund	AMC (% p.a.)	TER (% p.a.)
Legal & General (L&G)	UK Equity Fund	0.35	0.45
	Retirement Income Multi Asset Fund	0.35	0.66
	All Stocks Index Linked Gilts Index Fund	0.35	0.43
	All Stocks Gilts Index Fund	0.35	0.43
	Global Equity Market Weights (30:70) Index Fund 75% GBP Currency Hedged Fund	0.35	0.49

AVCs

Manager	Fund	AMC (% p.a.)	TER (% p.a.)
Prudential	With-Profits Fund	No explicit charges	No explicit charges

Source: L&G, Prudential

The charges provided in the tables above have been provided by L&G as at 31 March 2023. This detail is only disclosed quarterly, hence charges are not as at Plan Year End. The charges quoted are paid by members whilst invested in those funds.

Transaction costs

The charges referred to above do not include transaction costs. These are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds. The transaction costs shown are calculated on a methodology known as 'slippage cost'. This compares the price of the stocks being traded when a transaction was executed with the price at which the transaction was requested. Market movements during any delay in transacting may be positive or negative and may also outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative as well as positive.

When buying and selling investments, transaction charges are often applied to the funds being bought or sold. In the below table, we set out the transaction charges applied in the Plan's default fund.

Manager	Fund	Transaction Cost (% p.a.)
Legal & General (L&G)	Cash Fund	0.04
	Multi-Asset Fund	0.04
	UK Equity Fund	0.03
	Retirement Income Multi Asset Fund	0.12

	All Stocks Index Linked Gilts Index Fund	0.18
	All Stocks Gilts Index Fund	0.15
	Global Equity Market Weights (30:70) Index Fund 75% GBP Currency Hedged Fund	0.08
Prudential	With-Profits Fund	Data not available

Source: L&G

Transaction costs quoted in this statement were applicable as at 31 March 2023. Data from Prudential was requested but not available at the time of reporting. Transaction costs are paid by members.

Using the charges and transaction cost data provided by L&G, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

The below illustration has taken into account the following elements:

- Savings pot size;
- Contributions;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges; and
- Time.

Active member illustration (typical member):

Projected Pot sizes in Today's Money						
Lifestyle Option						
	Default Arrangement		Most expensive fund: Retirement Income Multi Asset		Cheapest fund: Cash	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
54	£21,080	£21,080	£21,080	£21,080	£21,080	£21,080
55	£22,894	£22,778	£22,889	£22,715	£22,221	£22,123
60	£33,060	£32,148	£33,016	£31,661	£28,045	£27,378
65	£42,620	£40,651	£45,221	£42,040	£34,077	£32,701

Active member illustration (youngest member):

Projected Pot sizes in Today's Money			
Lifestyle Option			
	Default Arrangement	Most expensive fund: Retirement Income Multi Asset	Cheapest fund: Cash

Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
43	£23,070	£23,070	£23,070	£23,070	£23,070	£23,070
45	£26,923	£26,656	£26,910	£26,512	£25,387	£25,169
50	£37,921	£36,710	£37,863	£36,066	£31,324	£30,463
55	£51,191	£48,536	£51,062	£47,150	£37,472	£35,826
60	£67,202	£62,449	£66,968	£60,009	£43,838	£41,258
65	£81,284	£74,152	£86,136	£74,928	£50,430	£46,760

Deferred member illustration (typical member):

Projected Pot sizes in Today's Money						
Lifestyle Option						
	Default Arrangement		Most expensive fund: Retirement Income Multi Asset		Cheapest fund: Cash	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
55	£9,810	£9,810	£9,810	£9,810	£9,810	£9,810
60	£11,836	£11,540	£11,822	£11,381	£10,158	£9,937
65	£13,404	£12,759	£14,247	£13,204	£10,519	£10,065

Deferred member illustration (youngest member):

Projected Pot sizes in Today's Money						
Lifestyle Option						
	Default Arrangement		Most expensive fund: Retirement Income Multi Asset		Cheapest fund: Cash	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
40	£3,760	£3,760	£3,760	£3,760	£3,760	£3,760
45	£4,537	£4,423	£4,531	£4,362	£3,893	£3,809
50	£5,474	£5,203	£5,461	£5,061	£4,032	£3,858
55	£6,605	£6,121	£6,580	£5,871	£4,175	£3,908
60	£7,969	£7,200	£7,930	£6,812	£4,323	£3,958
65	£9,024	£7,961	£9,557	£7,902	£4,476	£4,009

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. Inflation is assumed to be 2.5% each year.

3. For active members, the starting pot size is assumed to be £23,070 for the youngest member and £21,080 for the typical member; this is representative of the average for the Plan.
4. For deferred members, the starting pot size is assumed to be £3,760 for the youngest member and £9,810 for the typical member; this is representative of the average for the Plan.
5. For active members, salary is assumed to be £33,000 p.a. for the youngest member and £33,000 p.a. for the typical member. Future salary increases are assumed to be zero in real (inflation-adjusted) terms.
6. For active members, total contributions are assumed at 3% of salary each year. No contributions are assumed for deferred members.
7. Values shown are estimates using long-term expected rates of return, and understate the level of market volatility experienced. These outcomes are not guaranteed.
8. For the default arrangement, which is a lifestyle strategy, the projections take into account the changing proportion invested in the different underlying funds over time and the growth rates may be a blend of those shown below where there is a blend of different asset classes.
9. The projected growth rates (including inflation) for each fund are as follows and use the same underlying assumptions as the Statutory Money Purchase Illustration assumptions plus any transaction costs:
 - LGIM UK Equity Index: 6.4%
 - LGIM Global Equity Market Weights 30:70 Index: 7.1%
 - LGIM Multi Asset: 6.2%
 - LGIM All Stocks Index Linked Gilt Index: 3.2%
 - LGIM All Stocks Gilts Index: 3.2%
 - LGIM Cash: 3.2%
 - LGIM Retirement Income Multi Asset: 6.2%
10. Fund charges consist of Total Expense Ratios and Transaction Charges.

The Trustees acknowledge the requirement to publish these illustrations on a website and this Chair's Statement with the charge illustrations above will be available on a website. The 2023 benefit statements will include the web address.

Value for Money

The Trustee is required to assess the extent to which the Scheme delivers value for members across three key areas:

Assessment area	Type of assessment
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.

Governance and administration	Standalone assessment of the Scheme's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest
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The Trustee has carried out a value for members assessment as at 30 April 2023. The conclusions of this assessment are set out in the table below:

Assessment area	Conclusion
Costs and charges	The Trustees have assessed the Plan as offering reasonable value from a costs and charges perspective. Whilst charges were lower for two of the three comparators, this did not include additional fees that the assessment does not account for.
Net investment performance	The Trustees have assessed the Plan as offering reasonable value from a net investment performance perspective. Whilst performance was below that of both the Aviva and NEST comparators, the notable differences in asset allocation meant these were not true like-for-like comparisons.
Governance and administration	The Trustee has assessed the Scheme as offering good value from a governance and administration perspective.
Overall	<p>Overall, considering all three areas set out above, the Trustees have assessed the Plan as offering reasonable value for members. Based on its assessment, the Trustees have identified the following areas for improvement, which the Trustees believe will help ensure the Plan provides good value for members going forward.</p> <ul style="list-style-type: none"> - Explore the possibility of engaging in discussions with L&G to negotiate their fee, thereby enhancing competitiveness against comparable entities. - The Trustees should review the Common and Scheme specific Data and put actions in place to improve the data quality. - The Trustees should consider members' preferences for mode of communication. - The AAF report should be reviewed annually by the Trustees in future. - The Trustees should consider whether quarterly meetings would be beneficial to the Plan's operation in future. <p>The Trustees believe making these improvements will result in better value for members being offered, than winding up the Plan and transferring members' assets to a larger occupational Plan.</p>

Trustee Knowledge and Understanding

The Trustees are required to maintain an appropriate level of knowledge and understanding which, together with the professional advice that is available to them, enables them to properly exercise their functions and duties in relation to the Plan. In addition, the Trustees receive advice and recommendations on investment and other issues from Mercer Limited. The Trustees receive advice from their advisers on new issues that require Trustee decisions.

There were changes to the group of Trustees in this and the prior Plan year.

The Chair and the new Trustees have been directed to The Pension Regulator's Toolkit in order to acquire the necessary knowledge to support them in fulfilling their duties. All Trustees have completed the Toolkit. The new Trustee has committed to completing the Toolkit within six months of his appointment.

During the course of the Plan year, the Trustees have also received training related to the following topics:

- ESG in your investment strategy – 5 July 2022
- Long term funding objective and investment de-risking journey planning – 5 October 2022
- Trustee Induction Training – 30 March 2023
- DC Investment Strategy – 25 April 2023

The Trustees have a working knowledge of the Plan's Trust Deed & Rules and Plan documents. The Trustees have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the fund and investment of occupational pension schemes. The Trustees are conversant with Plan policies and other important documentation, such as investment and administration reports to assess whether the Plan is working effectively. The Trustees have a working knowledge of the SIP having reviewed it as part of the strategy review during the year. Additionally, at each Trustee meeting the Trustees review the L&G investment and governance reports, ensuring contributions have been invested on time.

The advisers provide the Trustees with updates and current topics in relation to DC schemes and the Trustees have taken action where needed.

During the next Plan year, it is proposed that the Trustees undertake a knowledge gap analysis to determine further training requirements. This will include a plan to implement training to rectify any knowledge gaps.

Taking into account the actions taken individually and as a group, the knowledge and experience of the Trustees, and the professional advice available to it, the Trustees consider they are able to exercise their responsibilities but are seeking continued development over the coming year, given the changes to the composition of the Trustee board.

Net investment returns

The Occupational Pensions Plans (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 introduced new requirements for trustees of 'relevant' occupational pension schemes to calculate and publish the investment returns for the Plan's default arrangements, any additional default arrangements and those self-select investment options in which members have invested, after taking account of transaction costs and charges.

The following tables provide the net investment disclosures as at 31 March 2023 for all funds available to members. The Trustees have taken account of the statutory guidance when preparing these disclosures.

(i) Default investment strategy

Default strategy	Annualised returns to 31 March 2023	
Age of member at start of period	1 year	5 years
25	-5.5	3.9
45	-5.5	3.9
55	-5.5	3.9

Source: L&G.

(ii) Self Select funds in which members were invested over the year to 31 March 2023

Self Select funds	Annualised returns to 31 March 2023	
	1 year	5 years
L&G (PMC) Global Equity Market Weights (30:70) Index Fund	-4.4	7.4
L&G (PMC) UK Equity Fund	2.3	5.2
L&G (PMC) Multi-Asset	-5.5	3.9
L&G (PMC) Retirement Income Multi Asset	-3.3	3.5
L&G (PMC) All Stocks Index Linked Gilts Index	-25.8	-3.1
L&G (PMC) All Stocks Gilts Index	-16.5	-3.2
L&G (PMC) Cash	2.2	0.8

Source: L&G.

I confirm that the above Statement has been produced by the Trustees to the best of their knowledge.

Signature: .....
Name:  Danny Johnston.....
Position: Trust Chair.....
Date: 30/11/2023.....

Appendix:



Snap-On SIP
September 2023 (cle

Statement of Investment Principles.

Snap-on Tools Limited Pension & Benefit Plan

Statement of Investment Principles

1. Introduction

The Trustees of the Snap-on Tools Limited Pension & Benefit Plan (“the Plan”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. The Plan’s investment arrangements, based on the principles set out in this Statement, are outlined in the Investment Implementation Policy Document (“IIPD”), which is available to Plan members on request.

The Trustees have obtained and considered written professional advice from Mercer Limited (the “Investment Consultant”) in preparing this Statement. The Trustees believe that this meets the requirement of the Act and subsequent legislation. In matters where the investment policy may affect the Plan’s funding policy, input has also been obtained from the Plan Actuary. The Trustees will obtain similar advice whenever it reviews this Statement.

The Trustees seek to maintain a good working relationship with the Principal Employer and will discuss any proposed changes to the Statement with the Principal Employer. However, the Trustees’ fiduciary obligations to the Plan’s members will take precedence over the Principal Employer’s wishes, should these ever conflict.

The Trustees will review this Statement in response to any significant changes to any aspect of the Plan, its liabilities, finances and the attitude to risk of the Trustees and the Principal Employer that it judges to have a bearing on the Statement. This review will occur no less frequently than triennially.

2. Structure of the Plan

The Plan has both Defined Benefit (“DB”) and Defined Contribution (“DC”) Sections. This Statement covers both the DB and DC Sections.

3. Asset Management

3.1 Process for Choosing Investments

The stewardship of the Plan's investment arrangements falls into the following three main areas of responsibility:

- i. The *strategic management* of the assets, which is fundamentally the responsibility of the Trustees, acting on expert advice, and is driven by the investment objectives set out in Section 4 below.
- ii. The *day to day management* of the assets, which is largely delegated to the Trustees' selected investment managers. Details are outlined in Section 5 below, with full details in the IIPD.
- iii. The *ongoing measurement and monitoring* of the performance of the appointed managers against predetermined benchmarks. Again, this is the responsibility of the Trustees.

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Trustees look to their Investment Consultant for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in. The Investment Consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and realisation of manager appointments.

If the approach to investment process or the investment objective for a particular manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

As the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Act (as amended).

The trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.

For the open-ended Fixed Income and Equity funds, there is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Trustees have decided to terminate – see the IIPD on realisation of assets.

For DC investments, all the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

3.2 Asset Manager Evaluation

The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1, 3 and 5 years. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustees' focus is on long term performance but will put a manager 'on watch' if there are short term performance concerns.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustees may ask the manager to review their fees – either the Annual Management Charge or the performance related fee element.

The remuneration for the investment managers used by the Plan is based on assets under management. As part of the annual Value for Money ("VfM") assessment for the DC section, the Trustees review the investment manager fees.

3.3 Portfolio Turnover Cost Monitoring

The Trustees ask investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustees.

The Trustees do not currently define target portfolio turnover ranges for funds. However, the Trustees will engage with a manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover across the same asset class, on a year-for-year basis for the same manager fund, or relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

Regarding the DC investments, the Trustees consider portfolio turnover costs as part of the annual VfM assessment.

The ability to assess the appropriateness of portfolio turnover costs is limited by the availability of data. The Trustees will monitor industry developments in how to assess these costs and incorporate this in future VfM assessments. Importantly, performance is reviewed net of portfolio turnover costs.

4. Investment Objectives and Risk Management

4.1 DB Section

Investment Objectives

The Trustees aim to invest the DB Section's assets in the best interests of the members and beneficiaries. The Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control the various risks to which the DB Section is exposed. The Trustees' primary objectives are as follows:

- To ensure that members and beneficiaries receive their promised benefits.
- To pay due regard to the Principal Employer's requirements relating to the amount and frequency of contributions to the DB Section.

At the latest actuarial valuation, the Actuary assumed that the DB Section's assets will achieve an investment rate of return on assets which exceeds that available from gilts. Based on advice from the Investment Consultant about realistic long-term assumptions, the Trustees expect the investment return resulting from the strategy adopted to at least meet the prudent expectations of the Actuary.

Risk

The Trustees recognise that it is not necessarily possible, or even desirable, to select investments that exactly match the DB Section's estimated liabilities. Given the ongoing commitment of the Principal Employer, a degree of investment risk can be taken on, in the expectation of generating excess returns relative to the lowest risk strategy, since it is also acceptable to the Principal Employer.

The Trustees are aware that accepting a degree of investment risk means that there is a chance that one or more of the Trustees' objectives will not be met. Accordingly, the Trustees have considered the following risks to which the DB Section is exposed:

- The risk of deterioration in the DB Section's ongoing funding level. Volatility in the DB Section's funding level may be minimised by adopting a "least risk" investment strategy (i.e. one invested entirely in government bonds, whose value best matches fluctuations in the liabilities). However, in order to seek higher returns the Trustees must, to some extent, invest in riskier assets. This increases the risk that the funding level will deteriorate and may also increase the short-term volatility of the Principal Employer's contribution rate.
- The risk of a shortfall of assets relative to the liabilities as determined if the DB Section were to wind up.
- The risk that the day-to-day management of the assets will not achieve the rate of investment return within each asset class expected by the Trustees.

The Trustees have taken advice on these issues from the Investment Consultant and the Plan Actuary. It has also held related discussions with the Principal Employer.

The Trustees' willingness to take investment risk is dependent on the continuing financial strength of the Principal Employer and its willingness to contribute appropriately to the DB Section. The financial strength and perceived commitment of the Principal Employer to the DB Section is monitored and the Trustees will review the level of investment risk relative to the liabilities should either of these deteriorate.

There are various risks to which any pension plan is exposed. The Trustees consider the risks set out below to be financially material to the DB Section and has therefore adopted various policies in order to manage these risks over the DB Section's anticipated lifetime:

- The risk arising through a mismatch between the DB Section's asset and liabilities. The Trustees aim to mitigate this risk by investing a proportion of the DB Section's assets in instruments that are expected to react in a similar way to movements in long term interest rates and inflation expectations as the DB Section's liabilities.
- The Trustees also recognise the market risk associated with the different asset classes in which the DB Section invests. The Trustees believe that diversification by asset class limits the impact of any single risk. The Trustees therefore aim to ensure that the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of the DB Section's assets, and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The Trustees acknowledge that currency risk may also arise due to investment in overseas markets and has sought to mitigate this risk by establishing a currency hedging policy (details of which are outlined in the IIPD).
- The Trustees recognise that there is a risk in holding assets that cannot easily be sold, should the need arise, and therefore looks to invest in funds which are readily marketable. Where this is not the case, consideration is given to the overall liquidity of the DB Section's assets with the aim of ensuring that there is sufficient liquidity to meet the DB Section's ongoing cash flow requirements.
- The Trustees believe that Environmental, Social and Governance ("ESG") issues, including climate change, may have substantive impacts on the global economy and therefore investment returns. The Trustees seek to minimise the risks associated with such issues by taking them into account in the selection, retention and realisation of the investment managers. Section 7 of this Statement documents the Trustees' policy on ESG integration.

The Trustees acknowledge that the above list of risks is not exhaustive and it is not possible to monitor all risks at all times. However, the Trustees only seek to take on those risks it expects to be rewarded for over time, in the form of excess returns, in a diversified manner.

Investment Strategy

The exact details of the DB Section's investment strategy are outlined in the IIPD. The Trustees implement an investment strategy consistent with its investment objectives. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

4.2 DC Section

Investment Objectives

The Trustees recognise that members of the DC Section of the Plan have differing investment needs and that these may change during the course of members' working lives.

The Trustees believe that members should be encouraged to make their own investment decisions based on their individual circumstances. The Trustees regard their duty as making available a range of investment funds that will suit members' needs and risk tolerances through their working life.

The Trustees recognise that members may not believe themselves qualified, or may not wish to make their own investment decisions. As such, the Trustees make available a Default Investment Strategy. The Trustees acknowledge that this strategy will not meet the needs of every individual member.

Risk Management and Measurement

The Trustees have considered investment risk for the Defined Contribution Section of the Plan from a number of perspectives. These are set out in the table below:

Risk		Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension.	The Trustees make available a range of funds, across various asset classes, with the majority expected to keep pace with inflation.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	Members are able to set their own investment allocations, in line with their risk tolerances.
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	Within active funds management of many of these market risks is delegated to the fund manager.

Risk	Description	How is the risk monitored and managed?
Equity, property and other price risk	<p>The protection of capital, over at least the medium-term (i.e. periods over 3 years), is fundamental in supporting the long-term growth of the members' individual accounts.</p> <p>The value of securities, including equities and interest bearing assets, can go down as well as up.</p> <p>Members may not get back the amount invested.</p>	
Environmental, Social and Corporate Governance risk	<p>The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Plan's assets.</p>	<p>The management of ESG related risks is delegated to investment managers.</p> <p>The Trustee's' responsible investment and corporate governance statement is contained in section 8 of this document.</p>
Investment Manager risk	<p>The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.</p>	<p>The Trustees regularly review performance of investment funds.</p>
Liquidity risk	<p>The risk that the members' investments do not provide the required level of liquidity and members are unable to realise their investments.</p>	<p>Members invest in a range of daily dealt pooled investment vehicles that facilitate the availability of assets to meet benefit outflows.</p>

Risk	Description	How is the risk monitored and managed?
Pension Conversion risk	The purchasing power of members may fall relative to how they wish to take benefits at retirement or the risk that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	<p>The Trustees make available three lifestyle strategies for DC members.</p> <p>Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.</p> <p>Members are communicated with in the lead up to retirement reminding them of the need to assess their needs for retirement options.</p>

The Trustees have considered these risks when choosing the funds to make available to members. The Trustees believe that the investment strategy for the Defined Contribution Section of the Plan is appropriate for meeting the risks outlined above.

The Trustees pay close regard to the risks which may arise from the lack of diversification of investments. The Trustees believe that the choice of funds in place provide an adequately diversified distribution of assets.

The Trustees recognise that many of these risks are inherent to investing and understand that the above list is not exhaustive.

Investment Strategy

The Trustees have selected a range of investment options for members to utilise in structuring their assets according to their individual objectives. Details of the fund options, including the investment strategies of the default option, can be found in the IIPD.

4.3 Default Investment Option for the DC Section

Typically, a proportion of members will actively choose the default option because they feel it is most appropriate for them. However, it is expected that the vast majority of members will not make an active investment decision and will therefore automatically be invested in the default option.

The default option aims to generate investment returns over the working lives of members and has been designed for members who want to take their savings as cash when they retire.

Objectives of the default option

The Trustees' objectives in relation to the default option, and the ways in which the Trustees seek to achieve these, are detailed below:

- To provide long-term investment growth through exposure to a diversified range of asset classes, with some protection against inflation erosion, and an element of diversification to reduce volatility and downside risk.

The lifestyle investment strategy offers members the potential to grow the pension pot in the long term, by investing in a diversified range of assets.

- To counter the greater impact of investment risk on member outcomes, as retirement savings grow, and reduce investment risk as each member approaches retirement.

As a member gets closer to retirement the member's pension pot is gradually moved into lower risk funds in order to provide capital protection. This is achieved via automated lifestyle switches over a three year switching period. This strategy aims to reduce the risk of a sharp fall in markets reducing the value of a member's pension pot as the member approaches retirement.

- To offer to members a portfolio of assets at retirement that are appropriate for an individual intending to take their pension pot as cash.

At the selected retirement date, 100% of the member's assets will be invested in a cash fund, which is the expected method of taking benefits given the nature of the membership.

Policies in relation to risk management of the default option

In designing the default option, the Trustees have explicitly considered the trade-off between risk and expected returns. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members. In particular, when reviewing the investment strategy of the default investment option, the Trustees consider risk quantitatively in terms of the variability of investment returns and potential retirement outcomes for members. From a qualitative perspective, the Trustees also consider risk in terms of the (mis)alignment of investments with the retirement benefits targeted by the default investment option.

In arriving at their investment strategy for the default investment option the Trustees have considered investment risk from a number of perspectives. These are:

Type of Risk	Risk	Description	How is the risk monitored and managed?
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Type of Risk	Risk	Description	How is the risk monitored and managed?
Market risks	Inflation risk	The risk that the investment return over members' working lives will not keep pace with inflation and do not secure adequate retirement benefits.	The default option has an explicit allocation to assets that are expected to outperform inflation over the long term. The Trustees monitor performance of the growth phase against inflation.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	The strategy for the default option is set with the intention of diversifying these risks to reach a level of risk deemed appropriate. The default option is a lifestyle strategy which automatically and gradually reduces the level of investment risk members are exposed to as they approach retirement. The strategy is outsourced to Legal & General.
	Equity, property and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit.	Within active funds the management of many of these market risks is delegated by Legal & General to the underlying investment manager.
Environmental, Social and Corporate Governance risk		The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Plan's assets.	Managed in line with the main Plan, as set out in Section 4.2.

Type of Risk	Risk	Description	How is the risk monitored and managed?
	Investment Manager risk	The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines.	Managed in line with the main Plan, as set out in Section 4.2.
	Liquidity risk	The risk that the Plan's assets cannot be realised at short notice in line with member demand.	Managed in line with the main Plan, as set out in Section 4.2.
	Pension Conversion risk	The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	<p>The default option is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile relative to cash as the member approaches retirement age.</p> <p>As part of the triennial default strategy review, the Trustees ensure the default destination remains appropriate.</p>

The above items are in relation to what the Trustees consider 'financially material considerations' specifically related to the default option. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire. It is partly for this reason that the default investment option is a lifestyle strategy.

Suitability of the default option

Based on the Trustees' understanding of the Plan's membership, an investment strategy that targets a cash lump sum at retirement is expected to be broadly appropriate to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement, it merely determines the investment strategy that will be in place pre-retirement.

Assets in the default option are invested in the best interests of members and beneficiaries, taking into account the profile of members. Considering the demographics of the Plan's membership and the Trustees' views of how the membership might behave at retirement,

the Trustees believe that the current default option is appropriate and will continue to review this regularly, and more strategically at least triennially, or after significant changes to the Plan's demographic (if sooner).

5. Day to Day Management of the Assets

5.1 DB Section and DC Section

The Trustees delegate the day to day management of the assets to a number of investment managers. The Trustees have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience to manage the Plan's investments and that they are carrying out their work competently.

Each investment manager is regulated by a recognised authority body and the Trustees assess the suitability of regulation in place prior to investing with any manager.

The Trustees review the continuing suitability of the Plan's investments, including the appointed managers, which may be adjusted from time to time.

Details of the appointed managers for the DB and DC Sections, as well as the investment options available for the DC Section, can be found in the IIPD.

5.2 Additional Voluntary Contributions

Arrangements in respect of members' Additional Voluntary Contributions are set out in the IIPD.

6. Realisation of Investments

In general, the Plan's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments within the parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The investment managers are responsible for generating any cash required to pay benefits and other expenditure on the instruction of the Trustees.

7. Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and ESG issues, including climate change, can have a financially material impact on the risk and return outcomes of investment portfolios and should therefore be considered as part of the Plan's investment process.

The Trustees believe that good stewardship can enhance long-term portfolio performance and is therefore in the best interests of the Plan's beneficiaries and aligned with fiduciary duty.

The Trustees have given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments.

The Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies. The Trustees expect the Plan's managers to take into account current best practice, including the UK Corporate Governance Code and the UK Stewardship Code, of which the Trustees are supportive. Equity managers who are registered in the UK are expected to report on their adherence to the UK Stewardship Code on an annual basis.

The Trustees will also consider the Investment Consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustees review an annual stewardship monitoring report, which includes details of voting and engagement activities associated with each of the funds invested in. The Trustees will challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Plan.

The Trustees review investment managers' compliance against the UK Stewardship Code on an annual basis.

Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity. Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

Member views and non-financially material issues are not currently explicitly taken into account in the selection, retention and realisation of investments.

Compliance with and Review of this Statement

The Trustees will monitor compliance with this Statement regularly.

The Trustees will review the Statement at least every three years and without delay after any significant changes in investment policy. The Statement will also be reviewed in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustees and the Principal Employer which they judge to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and the Principal Employer will be consulted.

For and on behalf of the Trustees of the Snap-on Tools Limited Pension & Benefit Plan

Dates of amendment:

- Drafted August 2010
- Amended September 2012
- Amended October 2014
- Amended September 2019
- Amended August 2020
- Reviewed September 2021
- Reviewed September 2023

Snap-on Tools Limited Pension & Benefit Plan ('the Plan')

Annual Implementation Statement for the Year Ended 30 April 2023

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustees has been followed during the year to 30 April 2023 (the "**Plan Year**"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

Sections 2.1 and 2.2 of this statement set out the investment objectives of the Plan and the changes which have been made to the SIP during the Plan Year.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP have been followed.

Sections 3 and 4 include information on the engagement and key voting activities of the Plan's appointed investment managers.

The latest SIP, covered in this Implementation Statement, is available online at [Pension-and-Benefit.pdf \(snapon.co.uk\)](https://snapon.co.uk/Pension-and-Benefit.pdf).



2. Statement of Investment Principles

2.1. Investment Objectives of the Plan

The Trustees believe it is important to consider the policies in place in the context of the objectives they have set.



The Trustees' objective is to invest the DB Section's assets in the best interests of the members and beneficiaries. The Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Plan is exposed. The Trustees' primary objectives are as follows:

- To ensure that members and beneficiaries receive their promised benefits.
- To pay due regard to the Principal Employer's requirements relating to the amount and frequency of contributions to the DB Section.

At the latest actuarial valuation, the Actuary assumed that the DB Section's assets will achieve an investment rate of return on assets which exceeds that available from government bonds. Based on advice from the Investment Consultant about realistic long-term assumptions, the Trustees expect the investment return resulting from the strategy adopted to at least meet the prudent expectations of the Actuary.



For the DC section of the Plan, the Trustees recognise that members have different investment goals and that these may change during the course of their working lives. They also recognise that members have different attitudes to risk. The Trustees' objective is to make available a range of investment options which seek to allow members to set an investment strategy that meets their needs and risk tolerances. The Trustees also recognise that members may not believe themselves qualified to take investment decisions. As such, the Trustees make available a Default Lifestyle Option.

2.2. Review of the SIP/IIPD



The current SIP is dated August 2020.

During the year, the Trustee reviewed the DB Section's investment strategy and, following formal advice from the Investment Consultant (Mercer Limited, "Mercer"), agreed to two de-risking steps that resulted in a 15% reduction in the DB Section's strategic allocation to equities in aggregate. Proceeds were invested into bonds in order to increase the level of protection the assets provide against the impact of movements in long term interest rates and inflation expectations on the value of the DB Section's liabilities. These changes were implemented in Q3 2022 and Q1 2023. At the Plan year-end, the SIP had not been updated to reflect this de-risking, given that de-risking discussions were still ongoing. Post year-end, the Trustee intends to update the SIP to reflect the Plan's current investment strategy.

2.3. Assessment of how the policies in the SIP have been followed for the Plan Year

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the DB Section and DC Section of the Plan.



In summary, it is the Trustees' view that the policies in the SIP have been followed during the Plan Year.



Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustees consult a suitably qualified person when making investment selections by obtaining written advice from the Investment Consultant.

How has this policy been met over the Plan Year?



The Trustees reviewed the DB Section's investment strategy over the year and, following formal advice from Mercer, agreed to de-risk the DB Section's investment arrangements by transferring 15% of the DB Section's assets from equities to bonds. This involved the introduction of a strategic allocation to a new Fund, BlackRock's Aquila Life Over 25 Years UK Gilt Index Fund. The Trustee received advice from Mercer regarding the suitability of the Fund prior to the point of investment.

There were no changes to the DC Section's investments over the Plan Year. The Trustees have historically received advice in line with the Pensions Act 1995 (as amended) when making investment selections.

Realisation of Investments

Policy

The Trustees' policy is that there should be sufficient liquidity within the Plan's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Plan's overall investment policy.



How has this policy been met over the Plan Year?

All funds are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. As such, assets should be realisable at short notice.

Disinvestments are applied in order to tighten the asset allocation towards the strategic target.



How has this policy been met over the Plan Year?

All funds used by the DC section are daily-dealt pooled investment arrangements, with assets mainly invested on regulated markets. As such, assets should be realisable at short notice, based on member demand. There were no liquidity concerns arising in respect of the Plan's investment fund holdings over the Plan year.



Environmental, Social and Governance (“ESG”)

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

The Plan’s SIP outlines the Trustees’ beliefs on ESG factors (including climate change). Further details are included in Section 7 (Responsible Investment and Corporate Governance) of the SIP, which applies to the DB and DC Sections of the Plan. The Trustees keep their policies under regular review.

How has this policy been met over the Plan Year?



The Trustees have given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, in particular in relation to the selection, retention, and realisation of underlying investments. In order to monitor the extent to which ESG factors are integrated into the managers’ investment decision making, the Trustees review the Mercer ESG ratings assigned to the strategies in which the Plan invests. Such ratings are also considered as part of the annual Value for Members Assessment in respect of the DC Section.

In addition, the Trustees have asked managers to comment on these areas when they have presented at meetings, however no such instances have occurred over the year. All managers remained generally highly rated during the year. When implementing a new manager, the Trustees consider the ESG fund rating of the manager.

The Trustees do not require the Plan’s investment managers to take non-financial matters into account in their selection, retention and realisation of investments.



Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters).

Policy

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the investment managers. Further details are set out in Section 7 (Responsible Investment and Corporate Governance) of the SIP, which applies to the DB and DC Sections of the Plan. In addition, it is the Trustees' policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

How has this policy been met over the Plan Year?



The voting and engagement summary reports from the Plan's investment managers were provided to the Trustees for review to ensure that they were aligned with the Trustees' policy during the Plan Year. Outside of those exercised by the investment managers on behalf of the Trustees, no other engagement activities were undertaken and the Trustees do not use the direct services of a proxy voter.

Section 3 includes examples of engagement activity undertaken by the Plan's investment managers, while section 4 sets out a summary of voting activity and the most significant votes cast on behalf of the Trustees.

The Trustees support the aims of the UK Stewardship Code and the investment managers are encouraged to report their adherence to the Code. All of the Plan's investment managers within the DB and DC Sections are currently signatories to the current UK Stewardship Code.



Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustees' policies

Policy

The Trustees' policy is set out in Section 3 (Asset Management) of the SIP, which applies to the DB and DC Sections of the Plan.

How has this policy been met over the Plan Year?



As the Trustees invest predominately in pooled investment funds, they accept that they cannot specify the risk profile and return targets for these funds. However, the Trustees have continued to review the appropriateness of the funds to ensure that they are aligned with the investment strategies being targeted.

Evaluation of asset managers' performance and remuneration for asset management services

Policy

The Trustee's policy is set out in Section 3 (Asset Management) of the SIP, which applies to the DB and DC Sections of the Plan.

How has this policy been met over the Plan Year?



Over the year, the Trustees have received quarterly investment performance reports which show performance (versus relevant benchmarks and targets) over shorter and longer-term periods. Performance was also considered as part of the annual Value for Members assessment carried out in respect of the DC Section. There were no performance concerns over the Plan Year.



Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Trustees' policy is set out in Section 3 (Asset Management) of the SIP, which applies to the DB and DC Sections of the Plan.



How has this policy been met over the Plan Year?

The Trustees do not explicitly monitor portfolio turnover costs with respect to the DB Section of the Plan. Performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets). In addition, where possible, performance objectives have been set on a net basis. This provides an incentive for the manager to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.



How has this policy been met over the Plan Year?

The Trustees considered the level of transaction costs as part of the annual Value for Members assessment. There were no concerns raised in relation to transaction costs as part of the assessment

There is little flexibility for the Trustees to impact transaction costs, as managers essentially pass on the underlying costs of buying and selling securities in the market. Further, the turnover level of trading will impact the level of costs i.e. passive managers will have low levels of trading and low levels of cost whilst active managers will have the opposite. As such, it is difficult to compare managers, even between active managers. The Trustees will continue to monitor transaction costs on an annual basis and will monitor developments on assessing these costs for value.

Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Plan.

The duration of the arrangements with asset managers

Policy

The Trustees are long-term investors and do not seek to change the investment arrangements on a frequent basis. Further details of the Trustees' policy are set out in Section 3 (Asset Management) of the SIP, which applies to the DB and DC Sections of the Plan.

How has this policy been met over the Plan Year?



No changes were made to the appointed investment managers during the Plan Year. The Trustees remain comfortable with the Plan's appointed investment managers.



Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments



Policy

The Trustees' policy on the kinds of investments to be held and the balance between different kinds of investments can be found under Section 4 (Investment Objectives and Risk Management) of the SIP.

How has this policy been met over the Plan Year?

The Trustees review the DB Section's investment strategy from time to time to determine whether the targeted levels of risk and return remain appropriate.

During the year, the Trustee reviewed the DB Section's investment strategy and, following formal advice from Mercer, agreed to implement the following two phases of investment de-risking:

- Phase one was implemented in Q3 2022 and involved a 5% transfer from equities to bonds, in order to target a 45% strategic allocation to equities.
- This was followed by a further 10% transfer from equities to bonds in Q1 2023, to target a 35% strategic allocation to equities.

The de-risking led to reductions in the allocations to developed global equities (split equally between the hedged and unhedged mandates) and an increase in the allocation to both fixed and index linked gilts, which acted to enhance the DB Section's level of liability hedging.

The Trustees receive quarterly investment performance reports which monitor the risk and return of the funds used within the DB Section of the Plan.



Policy

The Trustees' policy on the kind of investments to be held and the balance between different kinds of investments can be found under Section 4 (Investment Objectives and Risk Management) of the SIP.

The Default Lifestyle Option has been designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach, in so far as is practical, to the needs of the Plan's members. The Trustees carry out regular assessments of the performance of the Default Lifestyle Option and its design to ensure it continues to remain appropriate for the membership.

The Trustees recognises that the Default Lifestyle Option will not meet the needs of all members and as such, alternative investment options are available for members to choose from, including a range of self-select funds.

How has this policy been met over the Plan Year?

The strategic asset allocation of the Default Lifestyle Option is reviewed on a triennial basis, with expected risk and return requirements being considered as part of the review. The date of the last review was March 2020. A review of the self-select options also formed part of the triennial investment review.

The Trustees receive a quarterly investment performance report which monitors the risk and return of the funds used within the DC Section of the Plan.

Investment performance was also assessed as part as the annual Value for Members assessment to ensure that members are invested in funds providing commensurate value.



Strategic Asset Allocation

Risks, including the ways in which risks are to be measured and managed

Policy

The Trustees recognise a number of risks involved in the investment of the assets of the DB and DC Sections and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under Section 4 (Investment Objectives and Risk Management) of the SIP



How has this policy been met over the Plan Year?

The risk inherent within the DB Section's investment arrangements remains consistent with the Trustees' risk appetite. The Trustees only take on those risks they expect to be rewarded for over time, in the form of excess returns, in a diversified manner. The Trustees receive quarterly investment performance reports that help monitor the risk and return of the funds used within the DB Section of the Plan. The report considers both quantitative and qualitative measures of risk.

The overall risk to which the Plan is exposed decreased over the Plan year, following the implementation of de-risking.



How has this policy been met over the Plan Year?

Members can combine the investment funds in any proportion in order to achieve the desired level of return and risk, in line with their own attitude and risk tolerance.

Within the Default Lifestyle Option, the strategic asset allocation is set to achieve the expected return required to meet the objective.

The asset allocation of the Default Lifestyle Option is reviewed on a triennial basis, in line with regulatory requirements. As already mentioned, the date of the last review was March 2020. The review considered the diversification of the underlying fund structure, projected fund values for different demographics of the membership, as well as wider market trends at retirement.

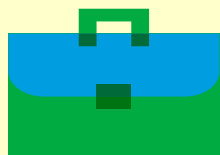
No changes have been made to the Default Lifestyle Option over the course of the year, with the strategy still targeting cash at retirement.

3. Engagement Activity by the Plan's Equity and Diversified Growth Fund Investment Managers

The following are examples of engagement activity undertaken by the Plan's investment managers.



BlackRock's engagement on executive pay policies



BlackRock has engaged Koninklijke Ahold Delhaize NV, a Dutch wholesale and retail conglomerate, to encourage the company to align their executive pay policies with long-term shareholder interests. The manager did not support the company's remuneration reports at the 2020 and 2021 AGMs due to a lack of transparency in their pay policies, particularly performance measures and targets.

BlackRock engaged again with the company after the 2021 annual general meeting to explain their concerns about their policies and reporting on pay. The company improved disclosures with clearly stated targets for short and long-term incentives in their 2022 report. BlackRock supported both reports at the April 2022 and 2023 annual general meetings.



LGIM's engagement for change on climate

LGIM continued to hold directors to account for their management of climate risk: ~80 companies were identified as subject to potential voting sanctions for not meeting LGIM's minimum standards, two companies were divested and one was reinstated

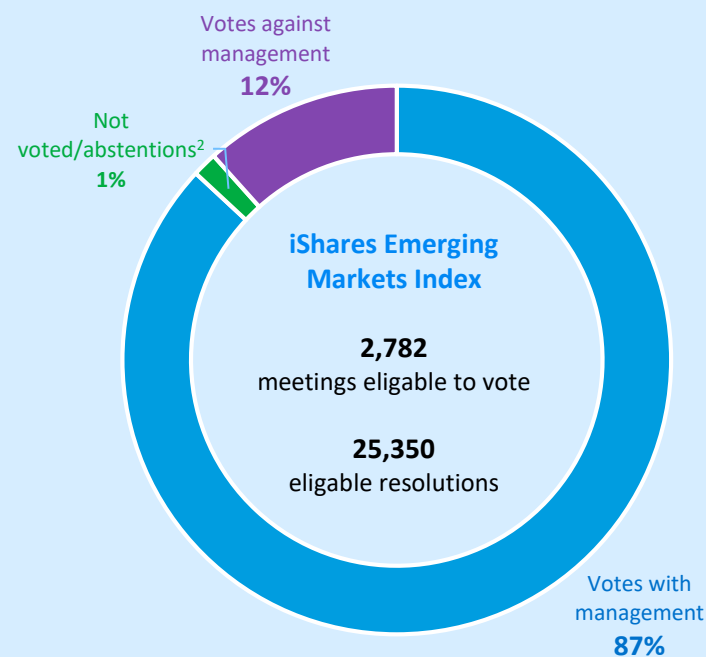
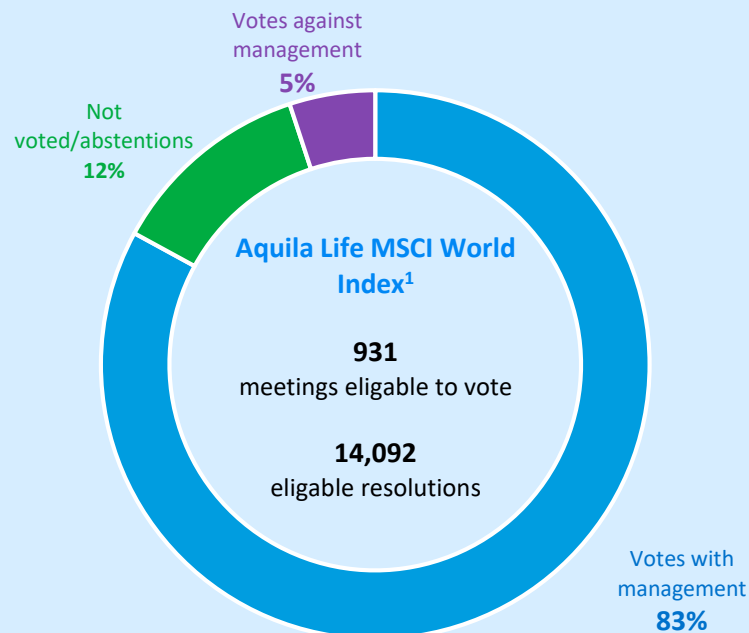
In October 2022, LGIM expanded the Climate Impact Pledge from covering c. 1,000 companies in 15 sectors to now cover 5,000+ companies across 20 'climate-critical' sectors; and LGIM have increased the number of companies subject to deep engagement to over 100

In September 2022, LGIM published their deforestation policy and launched an engagement campaign, writing to 300 companies from a set of deforestation-critical sectors explaining their expectations and potential



4. Voting Activity during the Plan Year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DB Section of the Plan. Due to unavailability of data at the time writing, the reported votes are relative to the 1 April 2022 – 31 March 2023 period.



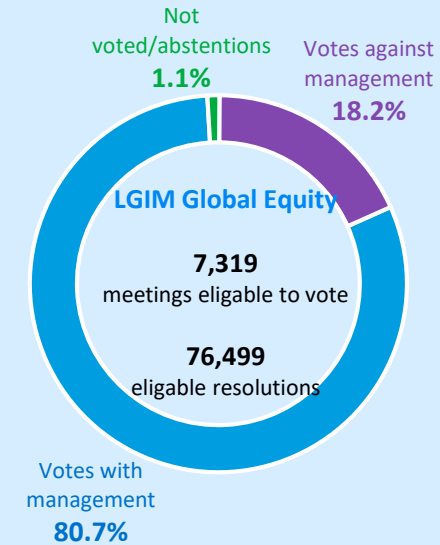
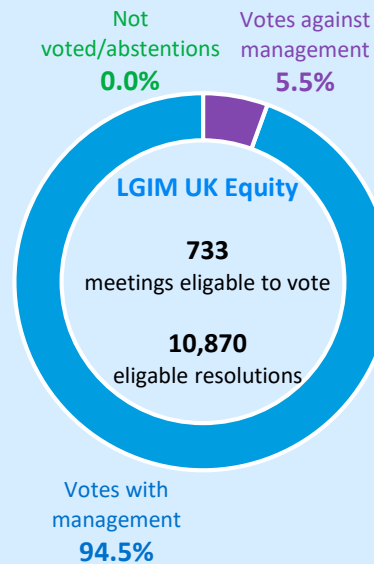
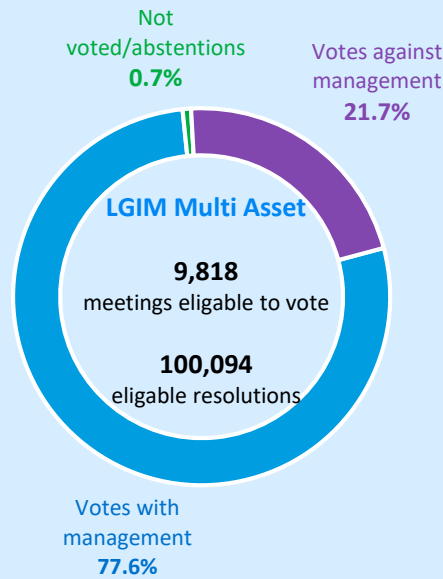
Source: BlackRock. Data may not sum due to rounding.

¹ Same voting data is applicable to the currency hedged version of the fund.

Voting Activity during the Plan Year



Set out below is a summary of voting activity for this reporting period relating to the relevant strategies (those that contain equities) in the DC Section of the Plan.





Significant votes



Following the Department of Work and Pensions' consultation response and outcome regarding Implementation Statements on 17 June 2022, updated guidance was produced which is effective for all scheme year ends on or after 1 October 2022. The updated guidance requires trustees to include a description of what constitutes a significant vote within Implementation Statements (amongst other things). The Trustees' significant vote definition is based on the following key stewardship themes/priorities agreed over the course of the Plan Year:

- Environmental: Climate change
- Social: Modern slavery

The Trustees determined these priorities based on their ESG beliefs, taking into account the Principal Employer's strategic priorities on ESG and sustainability matters. The investment managers are aware of the Trustee's policies on stewardship and engagement.

The Trustees only considers a vote to be significant if it relates to a holding that represents at least 1% of the relevant fund (where data is available).

Based on the Trustee's definition, and the data provided by the investment managers at the time of writing, there were no significant votes in respect of the DB Section over the period 1 April 2022 – 31 March 2023.



Sample of the most significant votes

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares.

LGIM's voting behaviour was aligned with the scheme's stewardship priorities. The Trustees will challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Plan.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

The Trustees have agreed that what constitutes a significant vote in the section below are any votes:

- That make up at least 1% of the total fund's portfolio, and
- That are related to climate change of human slavery.



Voted **against**
management



Voted **with**
management

Manager	Fund	Company	Holding size	Date of vote	How the Manager voted	Rationale of Manager vote	Voting versus management
LGIM	UK Equity Index	Royal Dutch Shell Plc	6.8%	24/05/2022	Against approving the Shell Energy Transition Progress Update	Climate change: A vote against is applied, though not without reservations. We 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, we 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.	
	UK Equity Index	BP Plc	3.1%	12/05/2022	For approving Net Zero - From Ambition to Action Report	Climate change: A vote FOR is applied, though not without reservations. While we note the inherent challenges in the decarbonisation efforts of the Oil & Gas sector, LGIM 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 our 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, we remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.	
	UK Equity Index	Rio Tinto Plc	2.7%	08/04/2022	Against approving Climate Action Plan	Climate change: We recognise 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 we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain 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.	
UK Equity Index	Glencore Plc	2.7%	28/04/2022	<u>Against</u> approving Climate Progress Report	Climate change: A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While we note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, we remain concerned over the company's activities around thermal coal and lobbying, which we deem inconsistent with the required ambition to stay within the 1.5°C trajectory.	✗
UK Equity Index	Anglo American Plc	2.0%	19/04/2022	<u>Against</u> approving Climate Change Report	Climate change: We recognise the substantial progress the company has made in climate reporting, primarily on transparency and the expansion of GHG emissions reduction targets (including the ambition to work to decarbonise its value chain), as well as the importance of the company's products in enabling the low-carbon transition. However, we remain concerned that the company's interim operational emissions targets (to 2030) are insufficiently ambitious to be considered aligned with the 1.5C trajectory.	✗
Global Equity Market Weights 30:70 Index - GBP 75% hdgd	Royal Dutch Shell Plc	2.1%	24/05/2022	<u>Against</u> approving the Shell Energy Transition Progress Update	Climate change: A vote against is applied, though not without reservations. We 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, we 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.	✓
Global Equity Market Weights 30:70 Index - GBP 75% hdgd	Amazon.com, Inc.	1.4%	12/05/2022	<u>Against</u> electing Director Daniel P. Huttenlocher	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	✗

Source: LGIM.