

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

**Report and Financial Statements for the year ended
31 December 2022**

Scheme Registration No: 10247314



XPS Administration is a trading name of XPS Administration Limited
Registered No. 9428346 Registered Office: Phoenix House, 1 Station Hill, Reading RG1 1NB.
Part of XPS Pensions Group

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

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THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

TRUSTEE AND THEIR ADVISERS

Trustee :

Atkin Trustees Limited

Directors of Atkin Trustees Limited

Christopher Atkin
Nicholas Atkin
Robert Dales

Contact for enquiries :

Richard Bryant
Atkin Trustees Limited
Cornwall House
Blythe Valley Business Park
Solihull B90 8AF
Email: Richard.Bryant@atkin.uk.com

Actuary :

David Dickson FFA
XPS Pensions
3rd Floor, East Wing
40 Torphichen Street
Edinburgh EH3 8JB

Auditor :

JW Hinks LLP
19 Highfield Road
Edgbaston
Birmingham B15 3BH

Legal Advisers :

TLT LLP
One Redcliff Street
Bristol BS1 6TP

Bankers :

Barclays Bank plc
1 Churchill Place
London E14 5HP

Investment Managers :

Seven Investment Management LLP
125 Old Broad Street
London EC2N 1AR
Royal London Asset Management Limited
1 Thistle Street
Edinburgh EH2 1DG

AVC Provider :

ReAssure Ltd
Windsor House
Telford Centre
Telford TF3 4NB

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

TRUSTEE AND THEIR ADVISERS - Continued

Consultants & Administrators :

XPS Administration
3rd Floor, East Wing
40 Torphichen Street
Edinburgh EH3 8JB

Principal Employer :

Aalberts Surface Technologies Heat Limited
Blackhorse Road
Letchworth Garden City
Hertfordshire SG6 1HD

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Trustee presents to the members the annual report and financial statements for the year ended 31 December 2022.

Trustee

The Trustee ensures that the Scheme is governed in accordance with the Trust Documents & Rules. Members may inspect the Trust Documents & Rules at any reasonable time on application to the Trustee.

Under the Pensions Act 2004, from 6 April 2006 the Trustee is required to ensure that at least one third of Trustees, or Directors of a trustee company, are nominated by and selected by the members.

As the Trustee, Atkin Trustees Limited, is an independent trustee company within the meaning given by the Pensions Act 1995 the Scheme is exempt from this requirement.

The Trustee is appointed or removed by the board of directors of Aalberts Surface Technologies Heat Limited as the Principal Employer.

Scheme information

The Scheme has been set up under irrevocable Trusts. The principal objective is to achieve long-term growth in income and capital to enable, as far as possible, the protection of present and future pensions.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment.

The Scheme had a multiple benefit structure consisting of a defined benefit section whereby benefits are payable to members in accordance with the Scheme rules based on length of service and their average salary prior to retirement and a defined contribution section whereby the contributions for each member were invested until retirement when the accumulated value of each member's investment account was available to purchase benefits.

Defined Benefit Section

The contributions are invested in a group pension policy issued by Royal London Mutual Insurance Society and administered by the XPS Pensions Group. The group pension policy has the majority of the investments managed by Seven Investment Management LLP and the remainder by Royal London Asset Management Limited. These are for the purpose of paying pensions and other benefits in accordance with the Trust Documents & Rules.

Members of the defined benefit section were contracted-out of the earnings related part of the state scheme under the Pensions Act 1993.

The defined benefit section was closed to the future accrual of benefits with effect from 30 September 2007.

Defined Contribution Section

The contributions in respect of members were held under a group pension policy issued by Royal London Mutual Insurance Society and invested with Legal and General. After a decision made by the previous Trustees, all benefits held by members in this section were transferred to a Master Trust arrangement on 1 June 2017 and the defined contribution section officially closed on 20 June 2017. This was mainly to allow members greater flexibility to access their pension benefits in the future.

During the year the Trustee and other parties met regularly to review the management of the Scheme and to monitor the performance of the investment managers, administrators and advisers.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 - Continued

Membership

The number of members as at the year end was:	2022	2021
Deferred pensioners	54	58
Pensioners	105	101

Included in the 'Deferred pensioners' above there are six (2021: seven) members who have passed their Normal Retirement Date.

Pension increases

For executive members, the pension benefits earned prior to 6 April 1997 will escalate in course of payment at the rate of 3.5% per annum. For this period there will be no increase for staff members. Benefits earned post 5 April 1997 until 30 September 2007 will escalate in course of payment at the lower rate of 5% per annum, or the increase in the Retail Price Index over the year up to date for both executive members and staff members.

The pensions escalation referred to above does not apply to the element of the pensions in payment representing the Guaranteed Minimum Pension (GMP).

During the year deferred pensions increased in line with legislative requirements.

The increase to pension benefits in late retirement is determined by the Trustee, in consultation with the Scheme Actuary, to be reasonable having regard to the length of period between the normal retirement date and the date the pension commences.

Details of these benefits are contained in the member's copy of the Scheme booklet.

The Scheme provides both Life Assurance benefits and Widow's/Widower's Pension benefits on death in service. The first of these is provided by Zurich Insurance and the latter provided by Unum Limited.

The Scheme rules allow the Trustee, at their discretion, to further increase pensions after they have become payable. There was one discretionary increase made during the year in respect of the spouse of a deceased member. This increase applied from the date the pension commenced.

Transfer values

Any transfer values paid to other pension schemes or credits given in respect of transfer values received from other pension schemes are calculated and verified by the Scheme's Actuary or calculated in accordance with instructions prepared by the Scheme Actuary, in accordance with statutory regulations.

After taking advice of the Scheme Actuary the previous Trustees resolved during the year ended 31 December 2021 to reduce any cash equivalent transfer values (CETVs) paid in the future to reflect the actuarial position of the Scheme on the "Trustees' Cash Equivalent Transfer Value basis". Up until October 2022 any CETVs would have been reduced by 32%. In October 2022 the new Trustees made the decision that any CETVs were no longer to be reduced.

Benefit/Scheme changes

There were no changes during the year under review in the conditions of membership of the Scheme.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED

GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 - Continued

Contributions

Recovery Plan Contributions

After the actuarial valuation with an effective date of 31 December 2018 was completed a Schedule of Contributions was agreed between the previous Trustees and the employer. This was certified by the Scheme Actuary on 14 February 2020. The employer was impacted like many other UK business by the Coronavirus. Due to this a new Schedule of Contributions was agreed between the previous Trustees and the employer. This was certified by the Scheme Actuary on 22 April 2020.

As agreed on this Schedule of Contributions the employer agreed to pay the amounts specified below per annum towards the funding of the current deficit. These were intended to be paid by monthly contributions from 1 January 2019 until 31 December 2025.

Period	£
1 January 2019 to 31 December 2019	548,400
1 January 2020 to 31 March 2020	548,400
1 April 2020 to 31 March 2021	552,300
1 April 2021 to 31 December 2021	423,000
1 January 2022 to 31 December 2022	612,000
1 January 2023 to 31 December 2023	660,000
1 January 2024 to 31 December 2024	708,000
1 January 2025 to 31 December 2025	756,000

After the actuarial valuation with an effective date of 31 December 2021 was completed a new Schedule of Contributions was agreed between the previous Trustees and the employer. This was certified by the Scheme Actuary on 31 January 2023.

As agreed on this Schedule of Contributions the employer agreed to pay the amounts specified below per annum towards the funding of the current deficit. These were intended to be paid by monthly contributions from 1 January 2022 until 28 February 2027.

Calendar year	£
1 January – 31 December	per month
2022	51,000
2023	55,000
2024	59,000
2025	63,000
2026	63,000
2027 (until 28 February 2017)	63,000

Included in the April and May 2023 monthly contributions of £55,000 to be paid, are amounts of £27,851.50 per month that will be used to clear the amount due from the employer for Scheme expenses at 31 December 2021 of £55,703.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 - Continued

Contributions - Continued

Scheme Expenses

It was agreed on the Schedule of Contributions certified by the Scheme Actuary on 14 February 2020 that the employer will pay Pension Protection Fund levies and standard ongoing administration expenses over the period except that over the period from 1 April 2020 to 1 October 2020 standard ongoing administration expenses may be paid from Scheme assets in the first instance and reimbursed by the employer by 31 March 2021.

After the Schedule of Contributions was certified It was later agreed between the previous Trustees and employer that after 1 October 2020 standard ongoing administration expenses could continue to be paid from Scheme assets in the first instance and reimbursed by the employer later. It was agreed that they will not be reimbursed until after the actuarial valuation with an effective date of 31 December 2021 has been completed.

It was agreed on the new Schedule of Contributions certified by the Scheme Actuary on 31 January 2023 that the employer will pay Pension Protection Fund levies and standard ongoing administration expenses going forward. It was also agreed that expenses to be reimbursed as at 31 December 2021 would be paid in April and May 2023 as part of the monthly contributions.

Going Concern

The Trustee of the Scheme have made an assessment on going concern and given the funding position and the support from the Principal Employer, the Trustee concludes that the Scheme retains sufficient liquidity that the going concern basis remains appropriate for the foreseeable future and at the very least for the next twelve months.

Financial Development of the Scheme

Changes in the Scheme's net assets during the year were as follows:

	£
Net assets at 31 December 2021	13,066,749
Net withdrawals from dealings with members	(47,783)
Net returns on investments	(861,166)
Net assets at 31 December 2022	<u>12,157,800</u>

The financial statements for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 - Continued

Actuarial review

The financial statements set out on pages 18 to 27 do not take into account the liabilities to provide pension benefits which fall due after the year end. These liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of these liabilities every three years and issues a report showing the results. This valuation considers the funding position of the Scheme and the level of contributions payable. The most recent full actuarial valuation was carried out with an effective date of 31 December 2021 and the next is due to be carried out with an effective date of 31 December 2024.

In light of the deficit arising from the 2021 actuarial valuation, a five year Recovery Plan has been introduced. A Schedule of Contributions, to this effect, was agreed between the Trustee and the employer and has been certified by the Scheme Actuary on 31 January 2023 as adequate to meet the funding objective of the Scheme over the period from 31 January 2023 February 2020 to 31 January 2028.

The formal actuarial certificate required by statute to be included in this annual report from the Scheme Actuary appears on page 13. In addition, as required by FRS 102, the Trustee has included the Report on Actuarial Liabilities on page 12, which forms part of the Trustee's report.

Enquiries

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme Trustee:

c/o Richard Bryant
Atkin Trustees Limited
Cornwall House
Blythe Valley Business Park
Solihull B90 8AF

Email: Richard.Bryant@atkin.uk.com

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. MoneyHelper can be contacted at:

MoneyHelper
Holborn Centre
120 Holborn
London EC1N 2TD

Tel: 0800 011 3797

Email: pension.enquiries@moneyhelper.org.uk

Website: www.moneyhelper.org.uk

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 - Continued

Pensions Ombudsman

If a member has a complaint against the Scheme that has not been resolved to his or her satisfaction through the Scheme's Dispute Procedure, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustee or Scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

The Pensions Regulator (tPR)

The Pensions Regulator can intervene if they consider that a Scheme's Trustee, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton BN1 4DW

Tel: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10247314. The data held by the Registry is used by the Pension Tracing Service to assist members of Scheme to trace their Scheme benefits. The Pension Tracing Service can be contacted at:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton WV98 1LU

Tel: 0800 731 0193

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

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

INVESTMENT REPORT

Investment Strategy

The Trustee is responsible for determining the Scheme's investment strategy. They have delegated the management of the investments to the investment managers listed on page 2 who also appoint Custodians to hold the assets.

The main priority of the Trustee when considering the investment strategy is to ensure that promises made about members' pensions may be fulfilled. The Trustee determines their investment strategy after taking advice from their investment adviser and taking into account considerations such as the strength of the Employer covenant, the long term liabilities and the funding agreed with the Employer.

During the year, the Trustee took advice from its investment adviser after there were significant fluctuations in the government bond market, particularly following the September budget. Investments were made into government bonds with the aim of hedging certain risks whilst conditions were favourable.

The majority of the Scheme's assets are held in pooled investments, the Trustee accepts that it is the manager of the pooled investments who exercises the voting rights attached to the underlying investments on behalf of all participants in the pooled funds. The Trustee also accepts that the policy on social, environmental and ethical factors is set by the investment manager in respect of the pooled investments held.

Statement of Investment Principles

A Statement of Investment Principles has been produced as required under Section 35 of the Pensions Act 1995 and a copy is available on request. All investments made during the year were in accordance with this Statement.

Selection of Investments

The investments of the remaining section of the Scheme, the defined benefit section are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 2005. The Trustees selected as the latest investment media for the Scheme the managed funds run by Seven Investment Management LLP, UK Government Bonds purchased by Seven Investment Management LLP and managed funds run by Royal London Asset Management Limited. The nature and disposition of the investments of the Scheme are set out below, together with the actual value of investments at the year-end:

	2022 £	2021 £
Seven Investment Management		
Multi asset funds	9,743,636	10,947,453
UK Equity funds	-	399,925
Global Equity funds	-	1,199,014
Cash funds	21,306	2,894
UK Government Bonds	1,925,671	-
Royal London Asset Management		
Cash funds	85,192	84,042
	<u>11,775,805</u>	<u>12,633,328</u>

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

INVESTMENT REPORT - Continued

Investment Performance

The performance statistics quoted by the investment managers for the funds and UK Government bonds invested in at 31 December 2022 are provided below including the performance benchmarks (Index) if available.

	1 year		3 years		5 years	
	Fund %.	Index %	Fund %.	Index %.	Fund %	Index %
Seven Investment Management						
7IM AAP Moderately Cautious Fund	-9.2	-10.5	-1.0	-4.4	1.2	0.4
UK Government Bond 22.03.58	-55.5	*1	-49.9	*1	-40.0	*1
UK Government Bond 22.03.68	-63.9	*1	-57.8	*1	-48.8	*1
UK Government Bond 22.03.73	-67.2	*1	*2	*2	*2	*2

Royal London Asset Management

Deposit Fund	0.5	0.4	-0.5	-0.4	-0.3	-0.4
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*1 There are not any performance benchmarks (Index) available that the performance of the UK Government bonds can be compared against.

*2 As the UK Government Bond 22.03.73 was issued in 2021 no performance statistics over 3 or 5 years are available.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED

GROUP PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed at least every three years using the assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out with an effective date of 31 December 2021. This showed the following results on that date:

The value of the Technical Provisions was:	£20,875,000
The value of the assets at that date was:	£13,045,000
as a percentage of Technical Provisions	62%

The next full actuarial valuation of the Scheme is due to be carried out with an effective date of 31 December 2024.

Method

The actuarial method that was used in the calculation of the technical provisions was the Current Unit Method.

Significant actuarial assumptions

Discount rate	Initial rate of 3.8% p.a. (gilts +2.7% reducing uniformly over 10 years to 1.1% p.a. (gilts)
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Future Retail Price Inflation (RPI)	3.7% p.a.
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Pension increase in deferment

Guaranteed Minimum Pension (GMP)	Fixed Rates
Pension in excess of GMP	3.7% p.a.

Price inflation volatility for Black-Scholes pricing model to determine pension increase assumptions	1.5% p.a.
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Increases in pension payment

Staff members

- GMP earned on or after 06/04/1988	3.0% p.a.
- Pension earned before 05/04/1997	3.0% p.a.
- Pension earned on or after 06/04/1997	3.5% p.a.

<i>Executive members</i>	3.5% p.a.
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Mortality

Base tables:	S3PMA & S3PFA for males and females as appropriate with ages rates up one year
Future improvements:	CMI 2020 mortality projection model for males and females subject to a 1.5% annual long term rate of improvement

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME



The Aalberts Surface Technologies Heat Limited Group Pension Scheme

Actuary's certification of the schedule of contributions


Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 27 January 2023

Adherence to statement of funding principles

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	31 January 2023
Name	David J Dickson	Qualification	FFA
Name of Employer	XPS Pensions (RL) Limited		
Address	40 Torphichen Street, Edinburgh EH3 8JB		

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

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

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

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

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

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

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

Approval of the Trustee's Report

The Trustee's Report, which includes the Investment Report, the Report on Actuarial Liabilities and the Statement of Trustee's Responsibilities has been approved by Atkin Trustees Limited on:

Signed:


.....
Director

Date:

May 12, 2023
.....

Signed:


.....
Director

Date:

May 15, 2023
.....

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

Opinion

We have audited the financial statements of The Aalberts Surface Technologies Heat Limited Group Pension Scheme ('the Scheme') for the year ended 31 December 2022 which comprise the fund account, the statement of net assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME - Continued

Responsibilities of Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 14, the Scheme's Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and discussed the policies and procedures regarding compliance.

Specific areas considered were as follows:

- Enquiring with management and others to gain an understanding of the organisation itself including operations, financial reporting and known fraud or error.
- Evaluating and understanding the internal control system.
- Confirming investment valuations and bank balances directly with investment managers and bankers.
- Testing to ensure that contributions have been received in accordance with the Schedule of Contributions.
- Testing benefits payable to members.
- Performing analytical procedures as expected or unexpected variances in account balances or classes of transactions appear.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected all irregularities including those leading to material misstatements in the financial statements or non-compliance with regulation, even though we have properly planned and performed our audit in accordance with auditing standards.

This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME - Continued

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

JW Hinks LLP

Statutory Auditor
19 Highfield Road
Edgbaston
Birmingham B15 3BH

Date: 15 May 2023

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED

GROUP PENSION SCHEME

FUND ACCOUNT

For the year ended 31 December 2022

	Note	2022 £	2021 £
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	612,000	590,804
Total contributions		<u>612,000</u>	<u>590,804</u>
Other income	5	79,872	-
		<u>691,872</u>	<u>590,804</u>
Benefits paid or payable	6	726,858	534,994
Administrative expenses	7	12,797	52,350
		<u>739,655</u>	<u>587,344</u>
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		(47,783)	3,460
RETURNS ON INVESTMENTS			
Investment income	8	16,073	16,813
Change in market value of investments	10	(853,513)	851,679
Investment management expenses	9	(23,726)	(17,473)
NET RETURN ON INVESTMENTS		<u>(861,166)</u>	<u>851,019</u>
NET (DECREASE)/INCREASE IN THE FUND FOR THE YEAR		(908,949)	854,479
OPENING NET ASSETS		13,066,749	12,212,270
CLOSING NET ASSETS		<u>12,157,800</u>	<u>13,066,749</u>

The notes on pages 20 to 27 form part of these financial statements.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 December 2022

	Note	2022 £	2021 £
INVESTMENT ASSETS	10		
Pooled investment vehicles	11	9,850,134	12,633,328
Bonds	12	1,925,671	-
AVC investments	13	20,148	21,503
		<u>11,795,953</u>	<u>12,654,831</u>
CURRENT ASSETS	17	374,550	413,456
CURRENT LIABILITIES	18	(12,703)	(1,538)
CLOSING NET ASSETS		<u>12,157,800</u>	<u>13,066,749</u>

The notes on pages 20 to 27 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities shown on page 12 of the Annual report and these financial statements should be read in conjunction with this report.

These financial statements were approved by Atkin Trustees Limited and signed on their behalf by:

Signed:

Director

Date:

May 12, 2023

Signed:

Director

Date:

May 15, 2023

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. BASIS OF PREPARATION

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

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

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is:

Richard Bryant
Atkin Trustees Limited
Cornwall House
Blythe Valley Business Park
Solihull B90 8AF

Email: Richard.Bryant@atkin.uk.com

3. ACCOUNTING POLICIES

(a) **Currency**

The Scheme's presentational and functional currency is pound sterling (GBP).

(b) **Contributions**

Employer deficit funding contributions are recognised on the due dates in accordance with the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

(c) **Payments to Members**

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

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type and amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

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

(d) **Expenses**

Expenses are accounted for on an accruals basis.

(e) **Investment income**

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

Income arising on the underlying investments of accumulation funds is reflected within the change in market value.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED

GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2022

3. ACCOUNTING POLICIES - Continued

(f) *The 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.

(g) *Investments*

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager at the year end.

Investments in Bonds in active markets are usually valued at the current bid price at the reporting date.

Investments in respect of Additional Voluntary Contributions (AVC's) are disclosed at the amount advised by the AVC provider at the year end.

4. CONTRIBUTIONS	2022	2021
	£	£
Employer contributions		
Deficit funding	612,000	561,075
Additional iro Scheme expenses	-	29,729
	<u>612,000</u>	<u>590,804</u>

The deficit funding contributions were made by the employer in order to improve the funding position of the Scheme. These were agreed on the Schedules of Contributions certified by the Actuary on 22 April 2020 and 31 January 2023.

5. OTHER INCOME	2022	2021
	£	£
Claims on term insurance policies	<u>79,872</u>	<u>-</u>

6. BENEFITS PAID OR PAYABLE	2022	2021
	£	£
Pension payments	528,279	493,114
Commutation of pensions and lump sum retirement benefits	109,917	41,880
Lump sum death benefits	79,872	-
Refunds of contributions on death	8,790	-
	<u>726,858</u>	<u>534,994</u>

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED

GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2022

7. ADMINISTRATIVE EXPENSES

	2022	2021
	£	£
Administration	4,080	3,312
Legal fees	-	8,452
Trustees fees	8,717	40,586
	<u>12,797</u>	<u>52,350</u>

With regards the year ended 31 December 2022, all of the £12,797 above are classed as non standard ongoing administration expenses that could be paid from the Scheme assets. With regards the year ended 31 December 2021 all of the £52,350 above were also classed as non standard apart from £29,729 of the Trustees fees of £40,586. Contributions were received post 31 December 2022 to reimburse for these fees classed as standard administration expenses.

The employer will pay the Pension Protection Fund levies.

8. INVESTMENT INCOME

	2022	2021
	£	£
Income from pooled investment vehicles	15,986	16,787
Bank interest	87	26
	<u>16,073</u>	<u>16,813</u>

9. INVESTMENT MANAGEMENT EXPENSES

	2022	2021
	£	£
Investment fees - management & custody	<u>23,726</u>	<u>17,473</u>

10. RECONCILIATION OF INVESTMENTS

	Value at 31.12.2021 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31.12.2022 £
Pooled investment vehicles	12,633,328	21,077,671	(22,594,311)	(1,266,554)	9,850,134
Bonds	-	1,511,275	-	414,396	1,925,671
AVC investments	21,503	-	-	(1,355)	20,148
	<u>12,654,831</u>	<u>22,588,946</u>	<u>(22,594,311)</u>	<u>(853,513)</u>	<u>11,795,953</u>

There were no direct transaction costs charged to the Scheme such as fees, commission and stamp duty. Indirect transaction costs are borne by the Scheme in relation to transactions in pooled investment vehicles and Bonds. Such costs are taken into account in calculating the unit price of these investments. It has not been possible for the Trustee to quantify such indirect transaction costs.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED

GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2022

11. POOLED INVESTMENT VEHICLES

The majority of the Scheme's investments are held in pooled investment vehicles managed by Seven Investment Management LLP and Royal London Asset Management Limited, both companies registered in the UK. The investments held at the year-end comprised:

	2022 £	2021 £
Multi asset funds	9,743,636	10,947,453
UK Equity funds	-	399,925
Global Equity funds	-	1,199,014
Cash funds	106,498	86,936
	<u>9,850,134</u>	<u>12,633,328</u>

12. BONDS

Some of the Scheme's investments are held in bonds via segregated funds run by Seven Investment Management LLP, a company registered in the UK. At 31 December 2022 the holding had a value of £1,925,671 (2021: nil).

13. AVC INVESTMENTS

The Trustee holds assets invested separately from the main fund to investments to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. In previous years, members elected to pay them. During the year no members paid additional voluntary contributions to the Scheme. There are two members (2021: two) with retained benefits in respect of additional voluntary contributions. The aggregate amount of AVC investments at the year-end is as follows:

	2022 £	2021 £
ReAssure Ltd (Unit Linked)	<u>20,148</u>	<u>21,503</u>

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED

GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2022

14. FAIR VALUE DETERMINATION

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

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	At 31 December 2022			Total
	Level 1 £	Level 2 £	Level 3 £	
Pooled investment vehicles	-	9,850,134	-	9,850,134
Bonds	1,925,671	-	-	1,925,671
AVC investments	-	20,148	-	20,148
	<u>1,925,671</u>	<u>9,870,282</u>	<u>-</u>	<u>11,795,953</u>

	At 31 December 2021			Total
	Level 1 £	Level 2 £	Level 3 £	
Pooled investment vehicles	-	12,633,328	-	12,633,328
AVC investments	-	21,503	-	21,503
	<u>-</u>	<u>12,654,831</u>	<u>-</u>	<u>12,654,831</u>

15. INVESTMENT RISK DISCLOSURES

(a) Investment risks

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

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

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

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

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2022

15. INVESTMENT RISK DISCLOSURES - Continued

(a) Investment risks - Continued

The Trustee determines their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

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

(i) Credit risk

The Scheme is subject to credit risk because it invests in pooled investment vehicles and has cash balances. It is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

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

Indirect credit risk arises in relation to underlying assets of the pooled investment vehicles and is managed by requiring pooled managers to diversify the portfolio to minimise the impact of default of any one issuer.

(ii) Currency risk

All of the Scheme's assets are priced in sterling. The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via the 7IM AAP Moderately Cautious Fund managed by Seven Investment Management. In certain circumstances, the pooled managers may seek to manage exposure to currency movements by using currency forward contracts.

(iii) Interest rate risk

The Scheme is subject to interest rate risk because some of the investments are held in the Deposit fund managed by Royal London Asset Management, some are held in the 7IM AAP Moderately Cautious Fund managed by Seven Investment Management and some are invested on UK Government bonds. Under this strategy, if interest rates fall, the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

(iv) Other price risk

The Scheme is subject to other price risk also. This arises in relation to the Scheme's investments in the 7IM AAP Moderately Cautious Fund managed by Seven Investment Management. This risk is monitored by the Trustee by having regular reviews of the Scheme's assets.

The SORP recommends these risk disclosures are made for all investments.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2022

15. INVESTMENT RISK DISCLOSURES - Continued

(a) Investment risks - Continued

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

	Credit risk	Currency risk	Interest rate risk	Other price risk	2022 £	2021 £
Multi asset funds	Y	Y	Y	Y	9,743,636	10,947,453
UK Equity funds	N	N	N	Y	-	399,925
Global Equity funds	Y	Y	N	Y	-	1,199,014
Cash funds	Y	N	Y	N	106,498	86,936
UK Government bonds	N	N	Y	Y	1,925,671	-
					<u>11,775,805</u>	<u>12,633,328</u>

16. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme at either the current or previous year end:

	2022 £	2022 %	2021 £	2021 %
7IM AAP Balanced Fund	-	-	7,766,056	59.4
7IM AAP Moderately Cautious Fund	9,743,636	80.1	1,698,304	13.0
Scottish Mortgage Investment Trust	-	-	691,447	5.3
UK Government Bond 22.03.58	977,292	8.0	-	-
UK Government Bond 22.03.68	645,424	5.3	-	-

The investments in the 7IM AAP Moderately Cautious Fund are investments in a pooled investment vehicle which have multiple underlying assets none of which exceeds 5% of the net assets of the Scheme.

17. CURRENT ASSETS

	2022 £	2021 £
Cash at bank	284,696	321,964
Pensions paid in advance	34,151	35,789
Amount due from employer for Scheme expenses	<u>55,703</u>	<u>55,703</u>
	<u>374,550</u>	<u>413,456</u>

It has been agreed between the Trustee and employer that the amount of £55,703 that is in respect of standard Trustees fees will be reimbursed by the employer during the months of April and May 2023.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS - Continued

For the year ended 31 December 2022

18. CURRENT LIABILITIES

	2022	2021
	£	£
Unpaid benefits on death	8,790	-
Accrued expenses	3,913	1,538
	<u>12,703</u>	<u>1,538</u>

19. EMPLOYER RELATED INVESTMENTS

There were no employer related investments during the year (2021: nil).

20. CONTINGENT LIABILITIES

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

Under the rulings, schemes are required to backdate benefit and transfer out adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The Trustee will consider next steps as the scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. The estimated value of any such adjustments is not known at this time.

21. CONTINGENT ASSETS

Aalberts Industries NV, the Dutch holding company of the principal employer, has entered into a guarantee with the Trustee in favour of the Scheme whereby the Guarantor undertakes to guarantee the entire aggregate liability of the employer to the Scheme from time to time, subject to a maximum commitment of £15.5 million.

22. RELATED PARTY TRANSACTIONS

The corporate trustee, Atkin Trustees Limited received remuneration of £17,772 for their services in the year.

Except as disclosed in note 7, all the other costs of managing and administering the Scheme are borne by the Principal Employer.

23. TAXATION STATUS

The Scheme is a registered pension scheme within the meaning of Section 153 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

We have examined the Summary of Contributions to The Aalberts Surface Technologies Heat Limited Group Pension Scheme for the year ended 31 December 2022 which is set out on page 29.

Statement about Contributions payable under the Schedule of Contributions

In our opinion contributions for the Scheme year ended 31 December 2022 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 22 April 2020 and 31 January 2023.

Scope of work on Summary of Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions on page 29 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of the Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

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

Use of our Report

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

JW Hinks LLP

Statutory Auditor
19 Highfield Road
Edgbaston
Birmingham
B15 3BH

Date: 15 May 2023

THE AALBERTS SURFACE TECHNOLOGIES HEAT LIMITED GROUP PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

During the year, the contributions paid to the Scheme by the employer under the Schedules of Contributions were as follows:

	£
Employer	
Deficit funding contributions	612,000
Contributions paid under the Schedule of Contributions	<u>612,000</u>

This summary was approved by Atkin Trustees Limited and signed on their behalf by:

Signed:

Director

Date:

May 12, 2023

Signed:

Director

Date:

May 15, 2023

Aalberts Surface Technologies Heat Limited Group Pension Scheme

Implementation Statement for the year ended 31 December 2022

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Aalberts Surface Technologies Heat Limited Group Pension Scheme ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 31st December 2022 ("the reporting year"). In addition, the statement provides a summary of the voting behavior and most significant votes cast during the reporting year

The Trustees' updated policy under the Statement of Investment Principles (SIP)

The Trustees have incorporated their expectations on Environmental, Social, and Corporate Governance (ESG) and climate change into the selection process for each Investment Manager to ensure that it understands the extent to which ESG is incorporated into the Manager's investment philosophy and process.

There is no specific ethical steer and the Trustees do not wish to adopt an exclusionary policy. However, the Trustees require their Investment Managers to have integrated ESG factors as part of their investment analysis and decision - making process.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises

The Trustees have delegated responsibility with regard, to the extent to which social, environmental, or ethical considerations and climate related risks are considered in the selection, retention, and realization of investments to the discretion of the appointed investment managers. These matters are kept under review by the Trustees in consultation with their investment consultant and investment managers.

The Trustees seek advice from their advisors on the extent to which their views on ESG and climate change risks may be considered in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behavior of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree, namely, to delegate this activity to the underlying investment managers.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to equities through the following funds:

7IM AAP Adventurous S Acc

A summary of the voting behavior and most significant votes cast for each of these funds is shown below.

7IM AAP Adventurous S Acc

Voting Information
7IM AAP Adventurous C Acc The manager voted on 100% of resolutions of which they were eligible to vote on.
Investment Manager Client Consultation Policy on Voting
7IM consult a broad range of large and small clients on their concerns regarding ESG and factor their responses into our engagement with companies.
Investment Manager Process to determine how to Vote
<p>7IM seeks to vote on all shares held actively and passively where voting rights are held. In doing so, 7IM considers the UK Corporate Governance Code and other international guidance on governance when voting, such as board structure, remuneration and shareholder rights seeking to vote with management, unless dissatisfied by a company's adherence to these governance codes. 7IM does not use an advisory service to recommend how to vote. It considers that, by undertaking this activity using internal resources, it better reflects 7IM's governance views rather than by taking an external adviser's recommendation with which 7IM may disagree. There are relatively few direct holdings which need to be voted on and so this is seen as being better managed in-house</p> <p>For listed equity assets that are held directly, the voting policy is to decide how to vote following discussion within the 7IM Investment Management team on the proposals. For 7IM, there are relatively few direct equity holdings, so most of the voting on listed equities is managed by the managers of the third-party funds. 7IM engages with the managers, asking them to disclose their approach to Environmental, Social, and Governance (ESG) both as a company as well as for the fund and their voting policies. While 7IM cannot vote on these third-party funds, we can seek to influence how a fund is going to vote. The house policy on voting is to vote significant shareholdings when held directly, which means holdings where a significant percentage of a company is held or where the holding is a significant percentage of overall assets under management. This is taken to be the top 10 in each category.</p>

The policy on disclosure of voting activity is to make records available on the 7IM website on an annual basis. 7IM have found that there have been relatively few requests to view voting records, but if a client wants to see specific votes, such as for an individual company or for a fund, then these are available. If the number of requests to see the voting records were to increase, 7IM would consider moving to half-yearly or even quarterly reporting. Procedure A member of the Investment Management team is designated to vote shares held in the funds through the Broadridge proxy voting platform, Proxy Edge, which is a service available for the funds which are held at Northern Trust. For funds held by HSBC, for which 7IM has discretion, the voting is managed through the ISS platform.

The Stewardship specialist on the Investment Management team receives emails from Broadridge and ISS on upcoming votes. Voting procedure: • The Broadridge and ISS Proxy Voting service currently defaults to automatically vote in line with management on all company proposals. When a ballot is published on Proxy Edge or the ISS Proxy Service, the Stewardship specialist engages with the sector specialist and if there are any concerns over voting in line in line with management, this is then taken up by the ESG Investment Committee and the members of the committee debate the proposals. • The main proposals voted against tend to be around executive compensation, removal of pre-emption rights and reduction of notice periods of meetings. • Other proposals which merit attention are shareholder proposals around, for instance, independence of the chair, climate change, greenhouse gas emissions and diversity and inclusion.

• If the Investment Management team chooses to override the management recommendation, then the action is noted and a reason for the vote written up by the sector manager or a member of the ESG Investment Committee for inclusion in that year's Stewardship Statement. 7IM prioritises votes where 7IM holds a significant number of shares in the company or where the holding is viewed as substantial. • In some cases, the shares held in the funds may not be available for voting. This is because some shares can only be voted on when a power of attorney (POA) is in place and an assessment is made by the Investment Management team whether the cost implications of putting such a POA in place are merited and if it is considered, this will not be in the best interests of the shareholders, the shares are not voted. • In other cases, the shares may have been lent, in which case they are not available for voting. If the Investment Management team wish to vote on these proposals, it will be necessary to get the shares back in time for the vote. There is a procedure in place whereby one share is retained by the Depository so that the Investment Management team is aware of forthcoming votes and can call back the shares in time to vote. The Operations team manage stock lending, so any requests to pull shares back to vote needs to be directed to them. • Voting activity and the reasons for voting are disclosed in the 7IM Stewardship report.

How does this manager determine what constitutes a 'Significant' Vote?

The house policy on voting is to vote significant shareholdings when held directly, which means holdings where a significant percentage of a company is held or where the holding is a significant percentage of overall assets under management. This is taken to be the top 10 in each category.

Does the manager utilise a Proxy Voting System? If so, please detail

7IM makes use of the ProxyEdge voting system which is part of Broadridge. 7IM does not use a proxy voting advisor because they have relatively few direct equity and bond holdings and make decisions on how to vote within the team and in line with the 7IM voting policy. 7IM vote on all eligible votes in line with its voting policy. In the case of the AAP Adventurous fund over the period end 31st December 2021 - 31st December 2022 7IM voted in line with management of all proposal bar 3. We voted against the Berkshire Hathaway management on 3 proposals.

Top 5 Significant Votes during the Period

As outlined above 7IM assess what is in the best interests of its clients when deciding how to vote and in line with its voting policy. 7IM hold very few direct equities or bonds so as far as the Select funds are concerned, as a fund of funds manager, the most significant votes are likely made by the third-party managers' funds which are held in the 7IM Select Balanced and Moderately Cautious funds. 7IM have engaged with these third-party managers to ensure that their ESG and Stewardship policies are in line with what 7IM expect from its managers and they have shared some of their engagements with 7IM one of which is an engagement by a bond fund manager:

Geode/Fidelity tracker funds: Thanks to the initial roll-out of our ESG questionnaire in 2021, we identified Fidelity's passively managed product range, managed by a firm called Geode, as an area of engagement. We challenged Geode, which manage more than \$800bn assets with just over 100 staff, on their stewardship capabilities. As a result, they increased their proxy voting and engagement team from two in 2021 to four in 2022, with a view to raise this to six in 2023.

Civitas plc: We engaged with this company again in 2022 after the regulator expressed concerns that the registered providers Civitas signs leases with are not sufficiently capitalised and therefore there is a risk of these providers failing. Following ongoing controversies in 2021 and 2022, we did not believe the potential investment gains of holding Civitas cover the risk of holding the company in an investment sense or from a reputation risk sense. Therefore, we sold out of our position by the start of December 2022.

BlackRock iShares Overseas Corporate Bond Index fund: We engaged with BlackRock on a change in the index of the iShares Overseas Corporate Bond Index fund, which consists of increasing the ESG profile of the fund with the addition of some baseline screens. We examined how the addition of the screens might affect performance, yield and duration, as well as climate and carbon screens. The results showed minimal impact on performance, yield and duration, therefore we encouraged the index change. The addition of ESG criteria to this fund made it a potential fund for us to use to implement our 2022 carbon reduction target across our fund range

BlueBay AT1s: We engaged with BlueBay Asset Management around exposure to fossil fuel financing in European banks through the BlueBay AT1 funds held in a number of 7IM funds. We directed the conversation to focus on BNP, one of the largest pan European banks. The outcome from this engagement came mainly in the form of further understanding the significance of the energy sector in global GHG emissions. We were satisfied with BlueBay's comprehensive response.

Usonian Japan Value: We had been engaging with Usonian on their very limited considerations of ESG aspects in Usonian's investment process, while recognising the constraints on Usonian from their parent, GMO. As a result of these conversations, they developed a GMO proprietary ESG rating system with an aim to have a minimum MSCI rating of BBB in all the companies held in the fund. They have also added a pre-trade ESG analysis into the ESG integration process.