



AIR PRODUCTS PLC PENSION PLAN
ANNUAL REPORT
FOR THE YEAR ENDED 5 APRIL 2023
Scheme Registration Number: 10168409

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

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Trustees, Sponsoring Employer and Advisers

Trustees

Employer-nominated Trustees

Mr G Wyatt - Chairman

Mr P Curtis

Mrs R Hanafin

Ms K Larkin

Mr P Wallace

Member-nominated Trustees

Mr R Blamey

Mr R Fairhurst

Mr M Reeves

Secretary to the Trustees

Pinsent Masons Pension Services

Sponsoring Employer

Air Products PLC

Plan Actuary

Samer Hafiz, F.I.A.

Hymans Robertson LLP

Independent Auditor

RSM UK Audit LLP

Administrator

Mercer Limited

Investment Managers

Legal & General Investment Management Limited

Wellington Management

Investment Adviser

Mercer Limited

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Trustees, Sponsoring Employer and Advisers

Additional Voluntary Contribution (AVC) Provider
Standard Life Assurance Limited

Life Assurance Company
Canada Life Group Insurance

Bank
HSBC Bank plc

Legal Adviser
Shoosmiths

Contact for further information and complaints about the Plan

Air Products PLC
c/o Pinsent Masons Pension Services
30 Crown Place
Earl Street
London
EC2A 4ES
Email: AirProducts@TrusteeSolutions.co.uk

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Trustees' Report

Introduction

The Trustees of the Air Products PLC Pension Plan (the Plan) are pleased to present their report together with the audited financial statements for the year ended 5 April 2023. The Plan is a defined benefit scheme.

The Plan was closed to new entrants, but not future accrual, with effect from 1 January 2005.

Constitution

The Plan was established on 1 January 1966 and is governed by the 2019 definitive trust deed and rules.

Management of the Plan

Trustees

The Trustees who served during the year are listed on page 1.

In accordance with the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member-nominated Trustees.

The three Member-nominated Trustees, as shown on page 1, are nominated by the members under the rules notified to the members of the Plan. They may be removed before the end of their term only by agreement of all the remaining Trustees, although their appointment ceases if they cease to be members of the Plan.

In accordance with the trust deed, the Sponsoring Employer, Air Products PLC, has the power to appoint and remove the other Trustees of the Plan.

Statement of Trustees' Responsibilities

The Statement of Trustees' Responsibilities is set out on page 21 and forms part of this Trustees' Report.

Governance and risk management

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

The Trustees have also focused on risk management. A risk register has been put in place which sets out the key risks to which the Plan is subjected to along with the controls in place to mitigate these. This register is regularly reviewed and updated by the Trustees.

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and which was revised and reissued in November 2009. The Trustees have agreed a training plan to enable them to meet these requirements.

Sponsoring Employer

The Plan is provided for all eligible employees of the Sponsoring Employer whose registered address is Air Products PLC, Hersham Place Technology Park, Molesey Road, Walton-on-Thames, Surrey, KT12 4RZ.

Financial development

The financial statements on pages 25 to 38 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund decreased from £1,137,008,000 at 5 April 2022 to £833,330,000 at 5 April 2023.

The decrease shown above comprised net withdrawals from dealings with members of £25,334,000 together with net returns on investments of £(278,344,000).

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Report on actuarial liabilities

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

The most recent full actuarial valuation of the Plan was carried out as at 5 April 2021. An updated valuation was performed on 5 April 2022. These showed:

	5 April 2022	5 April 2021
The value of Technical Provisions was:	£1,072.4 million	£1,105.9 million
The value of assets was:	£1,130.9 million	£1,124.2 million
Percentage of Technical Provisions	105%	102%

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles).

Method

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

Significant actuarial assumptions

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

Derivation of actuarial assumptions for valuation as at 5 April 2022	
Discount interest rate:	Pre retirement discount rate: Market implied gilt yield curve at 5 April 2022 plus 2.5% p.a. Post retirement discount rate: Market implied gilt yield curve as at 5 April 2022 plus 0.75% p.a.
Future Retail Price inflation:	Market implied gilt yield curve at 5 April 2022 with no inflation risk premium (RPI curve)
Future Consumer Price inflation:	Assumed to be 1.0% p.a. lower than RPI inflation pre 2030 and 0.1% lower post 2030
Pay increases:	RPI curve at 5 April 2022 plus 0.8% p.a.
Pension increases in payment:	Measured by reference to the CPI or RPI inflation curves described above with an appropriate adjustment for any caps or collars.

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Mortality:	<p>For the period in retirement:</p> <p>Base table: Scheme specific mortality as derived by Club Vita's longevity analytics service.</p> <p>Future improvements: Assumed to be in line with the projection model issued by the Continuous Mortality Investigation of the Institute and Faculty of Actuaries with a long term rate of 1.5%.</p> <p>Improvements have assumed to have peaked and to decline at older ages.</p> <p>For the period before retirement:</p> <p>Base table: 100% of the S3NXA_L tables</p> <p>Future improvements: Assumed to be in line with the projection model issued by the Continuous Mortality Investigation of the Institute and Faculty of Actuaries with a long term rate of 1.5%.</p> <p>Improvements have assumed to have peaked and to decline at older ages.</p>
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GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Following on from the original judgment, a further High Court ruling on 20 November 2020 has provided clarification on the obligations for trustees. This judgement focused on the GMP treatment of historic transfers out of members' benefits, an issue which had not been addressed in the 2018 GMP ruling. Under this ruling, trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to be paid to the receiving scheme, to reflect members' rights to equalised GMP benefits. Based on an initial assessment of the likely top up payments for historic transfers out and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Going concern

The financial statements are prepared on a going concern basis, which the Trustees believe to be appropriate as they believe the Plan has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustees have considered the impacts of the economic backdrop with rising interest rates and high inflation. Despite the market backdrop, the Plan's funding level has remained stable in 2023. The Plan is well hedged against interest rate and inflation changes and the Trustee monitors the liquidity of assets to ensure cashflow requirements can be met as they fall due. The Plan has sufficient liquid assets to support its LDI investments and was not negatively impacted by the gilt market volatility in September 2022. The latest actuarial valuation carried out at 5 April 2021 showed the Plan to be 102% funded with a surplus of £18m – more recent monitoring indicates that the funding level has improved to c106% at 30 April 2023 with a surplus of c£41m. As part of the actuarial valuation, the Trustees also agreed a Schedule of Contributions with the sponsoring employer which would result in a payment of £11m should the Plan's funding level fall below 96% at two consecutive half-yearly measurements. The Trustees regularly monitor the funding position of the Plan, the investments of the Plan and the covenant provided by the sponsoring employer. Furthermore, the Trustees continue to monitor the wider economic backdrop and will respond to emerging issues as necessary.

This assessment gives the Trustees confidence to prepare the financial statements on a going concern basis.

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Membership

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

	Actives	Deferreds	Pensioners	Total
At 6 April 2022	296	1,551	2,202	4,049
Retirements	(25)	(41)	66	-
Deaths	(1)	(5)	(92)	(98)
Leavers with refunds	-	(1)	-	(1)
Leavers with no benefits	-	(2)	-	(2)
Transfers out	-	(7)	-	(7)
Spouses and dependants	-	-	39	39
Pensions commuted for cash	-	-	(6)	(6)
Pensions ceasing	-	-	(1)	(1)
At 5 April 2023	<u>270</u>	<u>1,495</u>	<u>2,208</u>	<u>3,973</u>

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

Included within pensioners above there were 72 (2022: 82) pensioner annuitants at the year end. These annuitants remain members of the Plan and have had some of their benefits secured by the purchase of group annuities from Phoenix Life, Friends Life and Scottish Widows.

Pensioners include individuals receiving a pension upon the death of their spouse.

Pension increases

A statutory increase to GMPs in respect of service after April 1988 was made to pensions in payment in April 2023 of 3.0% (2022: 3.0%). A statutory increase was made to pensions in payment in April 2023 of 5.0% (2022: 3.1%) for Post 1997 service and 2.5% (2022: 2.5%) for Post 2005 service. No discretionary increase was made to pensions in payment in April 2023 nil (2022: nil).

Billingham and Anchor members increases were made in accordance with the Trust Deed and Rules and as follows:

Billingham Section - A statutory increase to GMPs in respect of service after April 1988 was made to pensions in payment in April 2023 of 3.0% (2022: 3.0%). A statutory increase was made to pensions in payment in April 2023 of 5.0% (April 2022: 4.9%) for Post 1997 service. A guaranteed increase was made to pensions in payment in April 2023 of 5.0% (2022: 4.9%) for Pre 1997 service.

Anchor Chemical - A statutory increase to GMPs in respect of service after April 1988 was made to pensions in payment in July 2023 of 3.0% (2022: 3.0%). A statutory increase was made to pensions in payment in July 2023 of 5.0% (2022: 3.1%) for Post 1997 service and 2.5% (2022: 2.5%) for Post 2005 service.

A guaranteed increase was made to pensions in payment in July 2023 of 3.0% (2022: 3.0%) for Pre 1997 service.

Calculation of transfer values

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

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Investment management

General

All investments have been managed during the year under review by the investment managers and AVC providers detailed on page 1 & 2. There is a degree of delegation of responsibility for investment decisions.

The investment strategy is agreed by the Trustees after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the Plan's asset portfolio, which includes full discretion for stock selection, is the responsibility of the investment managers.

Investment principles

The latest Statement of Investment Principles ("SIP") was agreed in March 2023 to reflect the revised investment position. At the end of the year the Plan was not strictly compliant with the SIP due to the volatility of markets resulting from Covid-19. The Trustees carried out a rebalancing exercise after the year end to ensure the Plan was compliant.

The main priority of the Trustees when considering the investment policy is to ensure that there are sufficient funds to pay benefits as they fall due with regard to the strength of the employer covenant.

A copy of the SIP is available on the Company website here: <https://www.airproducts.co.uk/-/media/airproducts/files/en/air-products-plc-pension-plan-statement-of-investment-principles.pdf?la=en&hash=4C8FCF8F779DD6D37020FF839A072527>

Responsible investment and corporate governance

The Trustees believe that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment returns. 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.

Similarly, the Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Equity managers who are regulated by appropriate UK (or other relevant) authorities are expected to report on their adherence to the UK Stewardship Code on an annual basis.

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Trustees' Report

Implementation statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the SIP produced by the Trustees, has been followed during the year to 5 April 2023. This statement has been produced in accordance with The Pension Protection Plan (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Members should be aware that this Statement is part of a wider set of information available on the Plan's governance and investment responsibilities undertaken by the Trustees:

- Members can view the SIP (mentioned above) on the company's website which discloses, in detail, the investment principles, policies, objectives, and strategy followed.
- Members can request a copy of the Annual Report and Financial Statements of the Plan, which contains certain information on the management of the Plan, its governance, investment risks management and level of Trustees' knowledge and understanding.

Investment Objectives of the Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The primary objective of the Plan included in the SIP is to invest the Plan's assets in the best interests of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. This objective is in line with the Statutory Funding Objective, which states that the Plan must have sufficient and appropriate assets to cover the expected costs of providing members' past service benefits on a technical provisions basis.

The secondary Funding Objective for the Plan is to have sufficient and appropriate assets to be able to meet all future costs without taking on any additional company contributions (self-sufficiency basis). In moving towards this objective, the Plan has invested in a range of credit based asset classes, broadly designed to generate income to meet pension outgo as it falls due.

Over the year to 5 April 2023, the SIP was updated to reflect the changes to the Plan's investment strategy. These changes consisted of consolidating the Plan's Global ex-UK equity and UK equity holdings into one Global equity mandate, and further reducing the strategic allocation to equities in favor of an increased allocation to Multi-Asset Credit.

The SIP includes the Trustees' policies on ESG, Stewardship and Climate Change, as well as the Trustees' position on member views relating to the Plan's investments.

Assessment of how the policies in the SIP have been followed for the year to 5 April 2023

The information provided in the following 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.

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

The changes to the investment strategy made over the year to 5 April 2023 served to reduce risk within the portfolio in light of the strengthened funding position, and improve cashflow generation. These changes are in line with the investment objectives of the Plan as outlined in the previous section.

Policies in relation to the Plan's investment strategy, day-to-day management of the assets, and associated risks

Please refer to Sections 5, 6, 7, 8, 11 and 12 of the SIP for the Plan's policies around its investment strategy, the day to day management of the assets, and the associated risks.

The Trustees reviewed the Plan's investment strategy over the year, considering the Plan's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk (including financially material risks such as Environmental, Social and Governance risks, including climate change), the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees also received written advice from their Investment Adviser.

In light of the New Funding Regime put forward by The Pensions Regulator, consideration was given to the Plan's long-term objective, and how this could be aligned with the Sponsoring Employer. Following analysis undertaken by the Investment Advisor, it was agreed that the Plan would adopt a long-term objective of achieving full funding (with a high level of confidence) on a "low-dependency" basis by 2035. This was deemed to be a sufficiently prudent approach based on prior asset liability modelling undertaken by the Plan Actuary in 2021, following the latest Actuarial Valuation.

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Trustees' Report

Implementation statement - continued

The basis of the Trustees' strategy for the Plan, is to divide the Plan's assets between a "growth" portfolio, comprising equities and Multi-Asset Credit, and a "matching" portfolio, comprising buy and maintain credit and liability driven investments ("LDI"). The Trustees regard the basic distribution of the assets to be appropriate for the Plan's objectives and liability profile, and the funds in which the Plan invests are expected to provide an investment return commensurate with the level of risk being taken.

The Trustees use Trustees' meetings and Investment Sub Committee meetings to ask questions of the investment advisor, and also will invite managers to present directly to the Trustees from time to time.

The Trustees recognise risk (both investment and operational) from a number of perspectives in relation to the investments held within the DB Section. As detailed in Section 5 of the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, and the choice of fund managers.

As the Plan invests in pooled investment vehicles, the Trustees 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. For the bespoke pooled fund mandate which invests the Plan's matching strategy of buy and maintain credit and LDI, the Plan is able to tailor (to a certain extent) the guidelines around the holdings. As such, the Trustees have set these in line with the advice received from the investment advisor, with the prime objective being to match the sensitivity of the Plan's liabilities.

The Trustees recognise the need to hold investment managers and advisers to account. Whilst the day-to-day management of the Plan's assets is delegated to the Investment Managers, all other investment decisions including strategic asset allocation and selection and monitoring of Investment Managers is based on advice received from the Investment Consultant. Mercer Limited has been appointed for this purpose.

In November 2019, the Trustee put in place investment objectives for its Investment Consultancy Provider, Mercer, and its performance is reviewed on a regular basis. The objectives may be revised at any time but will be reviewed at least every three years, and after any significant change to the Plan's investment strategy and objectives. The Trustees reviewed the objectives in December 2022 and concluded no changes were required.

The intention of these objectives is to ensure the Trustees are receiving the support and advice they need to meet their investment objectives. The objectives set covered both short and long term objectives across strategy, monitoring, compliance and regulation, client servicing and relationship management and member engagement and communications.

Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed in March 2023.

In order to better inform these beliefs and produce this policy, the Trustees undertook investment training in June 2019 provided by their investment consultant on responsible investment which covered what ESG factors were, and why ESG integration within investment processes was important. The training also covered the requirements from the Trustees from a legal standpoint in regards to responsible investment within the Plan's investment portfolio. The Trustees keep their policies under regular review with the SIP subject to review at least triennially.

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustees will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

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Implementation statement - continued

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis by receiving updates from investment managers and by Mercer providing the Trustees with ESG ratings for the strategies in which the Plan invests.

The Trustees are supportive of the UK Stewardship Code (the "Code"). The Trustee expects its managers who are authorised in the UK to comply with the UK Stewardship Code, including public disclosure of support via an external website. All investment managers confirmed that as at 5 April 2023, they remain signatories of the current UK Stewardship Code 2020 that took effect on 1 January 2020.

The Plan's performance is reviewed by the Trustees on a quarterly basis, and any changes to investment manager ratings (both general and specific ESG) are communicated by the investment advisers. Both of the Plan's investment managers remained generally highly rated during the year. Where managers may not be highly rated from an ESG perspective the Trustees continue to monitor. When implementing a new manager the Trustees consider the ESG rating of the manager.

The Trustees also received details of relevant engagement activity for the year from each of the Plan's investment managers, which are set out in the section below.

Voting and Engagement Activity

The Trustees have delegated their voting rights to the investment managers, who are expected to provide voting summary reporting on a regular basis, at least annually. The reports will be reviewed by the Trustees to ensure that they align with the Trustees' policy.

When the investment managers present to the Trustees, the Trustees will ask the investment managers to highlight key voting activity and the impact on the portfolio.

LGIM

LGIM note that they have established a fully integrated framework for responsible investing to strengthen long-term returns. Their framework for responsible investing is based on stewardship with impact and active research across asset classes. These activities enable LGIM to deliver responsible investment solutions to their clients and conduct engagement with the aim of driving positive change.

LGIM describe their core responsible investment beliefs as follows:

1. "Responsibility: We have a responsibility to many stakeholders. When we allocate capital, we conduct extensive research into potential environmental and societal outcomes.
2. Financial materiality: We believe ESG factors are financially material. Responsible investing is essential to mitigate risks, unearth opportunities and strengthen long-term returns.
3. Positive outcomes: We strive to effect positive change in the companies and assets in which we invest, and for society as a whole."

In partnership with, and on behalf of, their clients, LGIM target a broad range of ESG objectives. These include:

1. Reaching net-zero greenhouse gas emissions by 2050 or sooner across all assets under management
2. Setting an interim target of 70% of eligible AUM to be managed in alignment with this net-zero ambition by 2030
3. Achieving net-zero carbon across their real estate portfolio by 2050

In 2022, LGIM's campaigns involved expanding their work on diversity to emerging markets; efforts to tackle commodity-driven deforestation; and fighting for equal voting rights, particularly in the US.

In 2022, LGIM launched 19 new responsible investment strategies and, as at year end, managed £332.2 billion of assets in responsible investment strategies.

There are 90 LGIM employees with roles dedicated to ESG activity. In addition, there are a further 65 colleagues whose roles involve a very substantial contribution to their responsible investing capabilities and whose objectives reflect this, although their responsibilities are broader than solely ESG.

As a major long-term investor with global coverage, LGIM engages with policymakers at an early stage to help them identify and address emerging risks, so they can take transformative steps to tackle systemic market issues and accelerate progress against complex global sustainability challenges.

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Trustees' Report

Implementation statement - continued

LGIM's policy dialogue aims to produce real tangible change by designing, implementing and monitoring an effective and coherent policy, including a regulatory and legislative system that governs society, the environment and the economy.

In 2022, LGIM cast over 171,000 votes at over 15,750 meetings.

For the purposes of this statement, the Trustees have considered their own stewardship priorities as they relate to defining the "most significant" issues subject to voting activity during the year. The Trustees have elected to consider "most significant votes" to be those in the following areas, where the subject company of the vote constitutes one of the top 10 holdings within the relevant pooled fund:

- **Good corporate governance:** in particular board diversity and independence
- **Climate change:** for example, votes relating to low-carbon transition plans consistent with the Paris Agreement goals
- **Diversity, equity and inclusion ("DEI"):** including votes relating to board diversity and inclusive/diverse decision making

Below are examples of votes classified as "most significant" over the year to 31 March 2023 (latest information available prior to the Plan year end of 5 April 2023), based on the criteria as set out above.

A summary of the voting activity undertaken by LGIM on behalf of the Trustees over the last 12 months is set out below. This in relation to the Plan's holdings in the World Developed Equity Index Fund, the Global Developed Small Cap Index and the World Emerging Markets Equity Index.

In regards to the Plan's LDI holdings, LGIM have more limited scope for engagement as they have no voting rights. In regards to the buy and maintain credit holdings, again there is limited power as bond investors to formally vote on engagement issues. Despite this challenge, LGIM do formally engage with companies to get greater clarity and raise issues that concern them.

Fund	Number of meetings LGIM were eligible to vote at	Number of resolutions LGIM were eligible to vote on	% of resolutions voted on for which they were eligible	Of the resolutions on which LGIM voted, what % did they vote with/against management?*	Of the resolutions on which LGIM voted, what % did they vote contrary to the recommendation of the proxy advisor?
World Emerging Markets Equity Index Fund	4,231	36,506	100%	80% / 18%	7%
World Developed Equity Index Fund	2,518	32,086	99.8%	79% / 21%	14%
Global Developed Small Cap Index Fund	3,985	41,691	99.8%	75% / 25%	16%

Source: LGIM. Figures subject to rounding.

*Balance refers to % of resolutions from which the manager abstained from voting.

**Same voting data is applicable to the currency hedged versions of the funds.

Most significant votes undertaken by LGIM to the equity holdings for the 12 months to 31 March 2023.

Below are examples of votes classified as "most significant" over the year to 31 March 2023 (latest information available prior to the Plan year end of 5 April 2023), based on the criteria as set out above. Summary voting information is also included for each relevant fund.

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1 - World Emerging Markets Equity Index Fund**Company:** Meituan**Size of holdings (% of total fund portfolio):** 1.3**AGM date:** May 2022**How the manager voted:** Against**Outcome of the vote:** Pass

Voting rationale: A vote against is applied as LGIM expects a company to have at least one female on the board. Joint Chair/CEO: LGIM expects the roles of Chair and CEO to be separate. LGIM argues that a vote against the election of Xing Wang and Rongjun Mu is warranted given that their failure to ensure the company's compliance with relevant rules and regulations raise serious concerns on their ability to fulfil fiduciary duties in the company.

Why the vote is significant: Under the diversity, equity and inclusion category**Company:** China Construction Bank Corporation**Size of holdings (% of total fund portfolio):** 1.1**AGM date:** June 2022**How the manager voted:** Against**Outcome of the vote:** Pass

Voting rationale: A vote against is applied under LGIM's Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.

Why the vote is significant: Under the climate change category**2 - World Developed Equity Index Fund****Company:** Amazon.com, Inc.**Size of holdings (% of total fund portfolio):** 1.9**AGM date:** May 2022**How the manager voted:** Against**Outcome of the vote:** Pass**Summary Of the resolution:** Elect Director Daniel P. Huttenlocher

Voting rationale: 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.

Why the vote is significant: Under the diversity, equity and inclusion category

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Company: Alphabet Inc.

Size of holdings (% of total fund portfolio): 1.2

AGM date: June 2022

How the manager voted: For

Outcome of the vote: Rejected

Summary Of the resolution: Report on Physical Risks of Climate Change

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

Why the vote is significant: Under the climate change category

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2 - World Developed Equity Index Fund**Company:** Meta Platforms, Inc.**Size of holdings (% of total fund portfolio):** 0.82**AGM date:** May 2022**How the manager voted:** LGIM voted in favour of the shareholder resolution (management recommendation: against).**Outcome of the vote:** Rejected**Summary Of the resolution:** Require Independent Board Chair**Voting rationale:** Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.**Why the vote is significant:** Under the diversity, equity and inclusion category**Company:** NVIDIA Corporation**Size of holdings (% of total fund portfolio):** 0.80**AGM date:** June 2022**How the manager voted:** Against**Outcome of the vote:** Pass**Summary Of the resolution:** Elect Director Harvey C. Jones**Voting rationale:** A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.**Why the vote is significant:** Under the diversity, equity and inclusion category**2 - World Developed Equity Index Fund****Company:** Exxon Mobil Corporation**Size of holdings (% of total fund portfolio):** 0.64**AGM date:** May 2022**How the manager voted:** For**Outcome of the vote:** Rejected**Summary Of the resolution:** Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal**Voting rationale:** A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.**Why the vote is significant:** Under the climate change category

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Trustees' Report

3 - Global Developed Small Cap Index Fund

Company: Jabil Inc.

Size of holdings (% of total fund portfolio): 0.16

AGM date: January 2022

How the manager voted: Against

Outcome of the vote: N/A

Summary Of the resolution: Elect Director Mark T. Mondello

Voting rationale: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.

Why the vote is significant: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Trustees' Report

Implementation statement - continued

Engagement undertaken by Wellington for the year to 31 March 2023.

Integrating ESG factors has played an increasingly important role in Wellington's investment process, as they believe that positive ESG alignment can contribute to their pursuit of maximizing risk-adjusting returns. ESG risks represent real drivers of a security's long-term value. As high-severity, difficult-to-quantify tail events, these risks are slow to be priced into securities markets, making them a persistent area of market inefficiency. Wellington's philosophy does not preclude them from purchasing securities with significant ESG risks when they are adequately reflected in valuations. They seek to identify underappreciated risks to minimize the impact of underappreciated downside scenarios.

The Multi-Sector Credit team employs an investment process that combines top-down strategy with bottom-up fundamental research, and ESG factors are most relevant in the bottom-up part of the process. The sector specialist teams responsible for security selection invest in individual issuers on the basis of research and recommendations from their credit analysts, who consider ESG factors in their research. Their fixed income credit analysts sit in on meetings with company management with both their equity analysts and ESG analysts at which time ESG issues may be discussed. ESG factors are less prominent in top down sector rotation strategies within Multi-Sector Credit portfolios.

In recent years, they have further developed their specialized, in-house ESG Research team to help their portfolio managers and analysts gather deeper intelligence on ESG topics and integrate these considerations in to the investment process. Core to their ESG integration philosophy is the belief that material ESG issues are strategic business issues, so they focus on understanding these material issues so that they can make more informed investment decisions for their clients.

ESG analysis is integrated throughout the investment decision making process, from the overall holistic portfolio level to the sector specialists responsible for sourcing issuer-specific investment ideas. Wellington believe that positive ESG alignment can maximize risk-adjusted portfolio returns. They seek to minimize the impact of downside ESG risks and instead favour names with positive ESG profiles. They believe that strong ESG practices can lead to strong long-term performance and therefore it is a constant consideration.

Wellington's centralized ESG Team plays a key role in their investment process and therefore their input is integrated at several points in their process. ESG analysts attend their strategy meetings where they share their perspectives on various environmental and social topics. On an annual basis Wellington's ESG analysts conduct a deep-dive portfolio review with the portfolio managers to highlight and discuss holdings with the greatest ESG risks and opportunities. Finally, their ESG analysts have developed materiality frameworks to analyse issuers and assign ESG rating signals to communicate where they have differentiated ESG research insights. Importantly, the rating is not a buy or sell signal but rather helps identify potential issues and provides a starting point for deeper analysis.

ESG analysis is a core consideration within the individual sleeves of the portfolio.

Engagement Examples

American Tower - Wellington engaged with American Tower's (AMT) sustainability team to better understand how it is thinking about emissions reduction targets and the social co-benefits of sustainable projects in emerging markets. AMT acknowledges the increasing importance to investors and customers of emissions reduction. This is evident in its work in emerging markets and candor on how greater energy efficiency can help its customers further their own goals and lower costs. Africa and Asia account for more than 90% of the company's emissions. AMT informed Wellington that while it has made notable progress on its initial 10-year goal to reduce emissions in these regions by 60%, the feasibility of setting science-based targets (SBTs) has been a challenge. Wellington were encouraged to hear AMT has accelerated its process for setting SBTs and are eager to see the company improve. Wellington also learned of the positive social outcomes associated with AMT's significant investments in energy-efficient projects, including the use of solar power and back-up energy storage. These efforts have enabled the company to create jobs and expand online education in emerging markets. AMT was receptive to Wellington's feedback. A few weeks after the engagement, the company announced its adoption of SBTs in line with a well-below 2°C scenario. AMT's ability to work effectively with local communities, governments, and strategic partners should increase its social impact and facilitate the rollout of similar projects.

Overall, Wellington feels that the company has strong commitments and good reporting of sustainability goals and performance.

Air Products PLC Pension Plan

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Trustees' Report

Code of Best Practice

The principles set out in the Code of Best Practice are high level principles which aid trustees in their investment and governance decision making. While they are voluntary, pension scheme trustees are expected to consider their applicability to their own scheme and report on a 'comply or explain' basis how they have used them.

The principles emphasise the essentials of investment governance, notably the importance of effective decision making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities.

The Trustees consider that their investment policies and their implementation are in keeping with these principles.

Investment report

Assets are mainly in the unitised vehicle of Legal & General which is designed for corporate and public sector pension schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the Plan is invested in sections within the policy with the value of units fluctuating directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

Legal & General's investment brief is to apply cash flows in accordance with instructions received from the Trustees or their authorised administrators.

The funds are free from charge or lien except for the provisions of the floating charge or any liens put in place by counterparties for custodians (please note that this is normal practice within the industry). The floating charge was put in place for the benefit of all policyholders. All clients were notified of the change, which was also discussed with the FCA and it confirmed that it had no objections to it. We believe that this method is similar to that adopted by most providers of insured pooled funds.

Asset Allocation

The assets managed by Legal & General at the beginning and end of the year were:

Investment Sector	5 April 2023		5 April 2022	
	£000's	%	£000's	%
World Emerging Markets Equity Index	22,307	3.0	29,483	2.7
World Developed Equity Index	150,506	20.0	253,446	23.7
Global Dev Small Cap Index	22,685	3.0	29,283	2.7
TLEA - BESPOKE (31951)	558,436	74.0	753,595	70.2
Cash	-	-	7,011	0.7
Total Pooled Investment Vehicles	753,934	100.0	1,072,818	100.0

The unit prices for these valuations were based on market closing prices on the previous working day. The values shown include any activity that took place on the valuation days.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Trustees' Report

Investment report - continued

Wellington Investments

The Valuation of Wellington Multi-Sector Credit Fund as at 5 April 2023 was £65,288,632 (2022: £.55,398,492).

Performance

The time-weighted investment returns on the Legal & General portfolio to 31 March 2023 on the Plan's assets were:

Plan	One year (%) (26.04)	Three years (%) (4.22)	Five years (%) (1.79)
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Source: Legal & General (excludes cash Fund)

Market Commentary (Prepared by Legal and General)

Economic overview

Over the year, inflationary pressures and tighter monetary policy have increasingly dominated the thoughts of market participants. Fears of an economic slowdown are now at the forefront of the minds of investors and, with signs that inflation has peaked in a number of developed markets, there's now even tentative talk of when central banks might start cutting rates.

In the US, the Federal Reserve (Fed) has continued with its monetary tightening; having hiked in four successive 75 basis-point increments, it slowed its pace of rises with a 50 basis-point rise in December and 25-basis point hikes in February and March, to take the headline rate to between 4.75% and 5.00%. High inflation and a stubbornly tight labour market persist, with Fed Chair Jerome Powell indicating that a return to 50 basis point hikes is not off the cards, adding that "the ultimate level of interest rates is likely to be higher than previously anticipated". Annualised inflation fell to 5% in March, its ninth consecutive tick lower.

Having blinked first among developed market policymakers, the UK continued to raise rates during the year, hitting 4.25% in March – its 11th consecutive hike and taking rates to their highest level since 2008 – while inflation has remained stubbornly high, sitting at 10.4% in March.

The days of widespread central-bank asset purchasing look numbered, with the Bank of Japan seemingly the last bastion of such a policy, and even it intervened late in the period to allowing the 10-year government bond greater yield move freedom. However, in September the first (and last) 'mini budget' of UK Chancellor Kwasi Kwarteng's tenure – which included a number of sizeable unfunded spending pledges – prompted gilt yields to soar and sterling to plummet to its lowest level versus the US dollar in almost 40 years.

However, Kwarteng's tenure proved to be short-lived, while Prime Minister Liz Truss resigned after just 50 days in office. Rishi Sunak was chosen by Conservative MPs to replace her in double-quick time, making him the UK's third premier in just two months. The prospect of more fiscally responsible governance saw gilt yields retreat significantly from their September highs, while sterling bucked the long-term trend and made up ground versus the US dollar.

In Europe, the European Central Bank (ECB) continued to raise rates over the period; in October it hiked by 0.75% and it followed up with 50 basis-point hikes in December, February and March, to take rates to 3.5%; they are expected to rise to 3.75% by September, matching the ECB's 2001 all-time high. Annualised inflation for the region fell from 6.9% in March, its lowest level in over a year, as energy cost pressures continued to ease.

Elsewhere, Silicon Valley Bank* was a notable US casualty of the banking woes that reared their heads in late February, although contagion risk seemed to be well contained. Meanwhile, Swiss regulators helped usher through a speedy takeover of the beleaguered Credit Suisse*, with its rival UBS* stepping in to rescue the challenged business in a cut-price all-share deal.

Meanwhile, the effects of Russia's invasion of Ukraine in February 2022 continued to be seen, with lingering fears of a global geopolitical crisis while the ramifications for the energy sector, and energy consumers, continue to be felt.

Market Commentary - continued

Equities

The result of a notably volatile few months midway through the period, global equity indices fell significantly over the past year as inflationary worries, the prospect of tighter monetary policy and recessionary fears increasingly took their toll.

Against this backdrop, UK equities made marginal losses but comfortably outperformed the global average over the year,

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Trustees' Report

led by the energy sector-heavy large caps. Indeed, energy was the standout sector over the year, with consumer discretionary and industrials also posting solid positive returns. Meanwhile, telecoms endured a difficult period while real estate was a notable laggard during the period under review.

US equity markets underperformed the global average and lost significant ground. Over the past year, the energy sector has been the standout performer (up by around 9%); indeed, it was the only sector to post a positive return. Communication services, real estate and consumer discretionary were the weakest sectors over the year.

European equities lost marginal ground (they were effectively flat) over the 12 months but outperformed the global average, bouncing back strongly late on having endured significant volatility. The impact of Russia's invasion of Ukraine was particularly damaging for the asset class during the first half of the period. At the sector level, travel and leisure was the standout performer, while good showings were also seen from general industrials, consumer discretionary and banks. On the negative front, real estate lagged.

Asia Pacific equity markets lost ground over the year, underperforming global equities. China's commitment to a 'zero COVID' policy weighed heavily on its equity market for much of the reporting period, while the country also grappled with a struggling property sector and general economic growth concerns. However, Chinese equities rallied late on as Beijing announced an easing of its pandemic restrictions, seen as indication of an end to its 'zero-COVID' approach, along with a raft of support measures for its struggling property sector. Still, Chinese equities lost significant ground over the period. India, by contrast, enjoyed a better 12 months, albeit still ending it in negative territory.

Emerging markets endured a very tough 12 months. Although many emerging market countries benefited from a higher oil price because of improved consumption forecasts, the rise of the US dollar against emerging market currencies weighed heavily on returns for much of the period. The dollar has since weakened somewhat, as has the oil price. The headline decline in emerging market equities over the year masks significant variation between the index's various constituent countries. As mentioned above, China saw heavy selling amid fears of an economic slowdown and regulatory worries but enjoyed a late rebound, India held up better, while Brazil endured a very tough 12 months.

Bonds

Yields on government bonds rose strongly (prices fell) over the period. Yields rose initially as the improving economic backdrop since the onset of the pandemic led investors to favour equities, although the rise tailed off a couple of months into the review period on inflationary worries. Yields then rose strongly once again as inflationary pressures and monetary tightening action re-took the reins. US and UK 10-year yields edged lower once again late in the period.

The effect of the UK government's 'mini-budget' on UK gilt yields was particularly stark midway through the period; in September alone, the yield on the 10-year gilt rose by an eye-watering 120 basis points, although it subsequently fell back significantly. Meanwhile, the yield on the 10-year Japanese government bond rose very late in the period on an announcement from the Bank of Japan that it was tweaking its yield curve control measures, allowing yields to move by as much as 0.5%, up from 0.25%.

Investment-grade bond spreads in the US, UK and Europe effectively tracked underlying government bond yields for much of the review period, widening early on following Russia's invasion of Ukraine, while the widening moves seen in UK and European investment-grade bond yields later in the period were significantly larger than their US counterpart. Over the 12 months as a whole, though, spreads widened somewhat across the board. High yield bonds saw spreads widened notably early on in the reporting period, exaggerated by the Ukraine invasion in February 2022, and indeed widened over the year as a whole.

Property

The UK commercial property market endured a difficult period, against a challenging backdrop of volatile finance costs. Meanwhile, the past year has seen a continued gradual uptrend in office occupancy, currently fluctuating around 30% to 35%, while investment volumes weakened towards the end of the period. Elsewhere, retail sales volumes also softened towards the end of 2022. Finally, the UK residential property market continued to weaken as interest rates sustained their ascent; indeed, the Nationwide House Price Index fell by 3.1% in the year to March, the seventh consecutive monthly fall, its worst run since October 2008.

Custodial arrangements

The Plan's pooled investments are held in the name of the Trustees.

The Trustees are responsible for ensuring the Plan's assets continue to be securely held. They review the custodial arrangements from time to time.

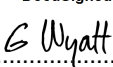
The Trustees have appointed HSBC Bank plc as custodian of the cash held in connection with the administration of the Plan.

Air Products PLC Pension Plan
Annual Report for the year ended 5 April 2023
Trustees' Report

Further information

Approval

The Trustees' Report was approved by the Trustees and signed on their behalf by:

DocuSigned by:

..... Trustee
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Date: 18 September 2023
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Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Statement of Trustees' 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 Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan 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 Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustees are also responsible for making available certain other information about the Plan in the form of an Annual Report.

The Trustees also have 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 Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Independent Auditor's Report to the Trustees

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE AIR PRODUCTS PLC PENSION PLAN

Opinion

We have audited the financial statements of the Air Products PLC Pension Plan for the year ended 5 April 2023 which comprise the Fund account and Statement of net assets (available for benefits) 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 5 April 2023, and of the amount and disposition at that date of its assets and liabilities, other than the 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 Plan 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 Plan's Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Plan'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 Plan's Trustees 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 Plan's Trustees are 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.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Independent Auditor's Report to the Trustees

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 19, the Trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Plan'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 Trustees either intend to liquidate the Plan 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Plan operates in and how the Plan is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Independent Auditor's Report to the Trustees

Use of our report

This report is made solely to the Plan's Trustees as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements 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 Plan's Trustees 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 Plan and the Plan's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
25 High Street
Crawley
West Sussex
RH10 1BG

19 September 2023
Date.....

DocuSigned by:
RSM UK Audit LLP
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Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Financial Statements

Fund Account

	Note	2023 Total £000	2022 Total £000
Employer contributions		9,474	8,568
Employee contributions		843	1,072
Total contributions	4	10,317	9,640
Other income	5	270	-
		10,587	9,640
Benefits paid or payable	6	(31,655)	(30,417)
Payments to and on account of leavers	7	(2,836)	(3,245)
Administrative expenses	8	(1,339)	(1,465)
Other payments	9	(91)	(84)
		(35,921)	(35,211)
Net withdrawals from dealings with members		(25,334)	(25,571)
Returns on investments			
Investment income	10	3,510	1,544
Change in market value of investments	11	(281,064)	31,986
Investment management expenses	12	(790)	(1,109)
Net returns on investments		(278,344)	32,421
Net (decrease)/ increase in the fund during the year		(303,678)	6,850
Net assets at 6 April		1,137,008	1,130,158
Net assets at 5 April		833,330	1,137,008

The notes on pages 27 to 38 form part of these financial statements.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Financial Statements

Statement of Net Assets available for benefits

	Note	2023 Total £000	2022 Total £000
Investment assets			
Pooled investment vehicles	14	819,223	1,128,217
AVC investments	15	7,342	7,843
Other investment balances		948	642
Total investments	11	827,513	1,136,702
Current assets	20	6,909	1,451
Current liabilities	21	(1,092)	(1,145)
Net assets at 5 April		833,330	1,137,008

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 4 to 5 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 27 to 38 form part of these financial statements.

The financial statements on pages 25 to 38 were approved by the Trustees and signed on their behalf by:

DocuSigned by:

G Wyatt

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Trustee

18 September 2023

Date:

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

1. Identification of the financial statements

The Plan is established as a trust under English law.

The Plan was established to provide retirement benefits to certain groups of employees of Air Products PLC. The address of the Plan's principal office is Hersham Place Technology Park, Molesey Road, Walton-on-Thames, Surrey, KT12 4RZ.

The Plan is a defined benefit scheme.

2. Basis of preparation

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

The financial statements are prepared on a going concern basis, which the Trustees believe to be appropriate as they believe the Plan has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustees have considered the impacts of the economic backdrop with rising interest rates and high inflation. Despite the market backdrop, the Plan's funding level has remained stable in 2023. The Plan is well hedged against interest rate and inflation changes and the Trustee monitors the liquidity of assets to ensure cashflow requirements can be met as they fall due. The Plan has sufficient liquid assets to support its LDI investments and was not negatively impacted by the gilt market volatility in September 2022. The latest actuarial valuation carried out at 5 April 2021 showed the Plan to be 102% funded with a surplus of £18m – more recent monitoring indicates that the funding level has improved to c106% at 30 April 2023 with a surplus of c£41m.

As part of the actuarial valuation, the Trustees also agreed a Schedule of Contributions with the sponsoring employer which would result in a payment of £11m should the Plan's funding level fall below 96% at two consecutive half-yearly measurements. The Trustees regularly monitor the funding position of the Plan, the investments of the Plan and the covenant provided by the sponsoring employer. Furthermore, the Trustees continue to monitor the wider economic backdrop and will respond to emerging issues as necessary.

3. Accounting policies

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

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

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

3.3 Contributions

Employer Normal Contributions, Additional Effective Pension Plan Contributions, Member Normal Contributions and Additional Voluntary Contributions are accounted for on an accruals basis in the month to which the corresponding pay relates and in accordance with the Schedule of Contributions.

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

Deficit contributions and other expense contributions receivable under the Schedule of Contributions are accounted for in accordance with any due dates specified. The due date is taken to be the earlier of the payment date specified in the Schedule of Contributions and the date actually paid as agreed by the principal employer and the trustees as permitted by the Schedule of Contributions.

3.4 Transfers

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

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

3.5 Other income

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

3.6 Payments to members

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

The Plan has purchased annuity policies to cover certain pensions in payment. The cost of acquiring these policies is included in the fund account in the year of purchase and represents the cost of discharging the obligations of the Plan to the relevant members at the time of purchase.

3.7 Administrative and other expenses

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

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

Other payments are accounted for in the period in which they fall due on an accruals basis.

3.8 Investment income

Income arising from annuity policies is included in investment income and the pensions paid are included in the benefits payable.

3.9 Change in market value of investments

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

3.10 Valuation of investments

Pooled investment vehicles which are not traded on active markets, but where the investment manager has provided a daily or weekly trading price, are valued using the last bid price, provided by the investment manager at or before the year end.

Annuities were previously valued by the Plan Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date. A decision was taken by the Trustee not to include a valuation of the annuities at 5 April 2021 after review as the amount is not considered material when considered against the total Plan investment valuation.

The AVC investments include policies of assurance underwritten by The Standard Life Assurance Limited. The market value of these policies has been taken as the transfer values of the policies at the year end, as advised by the AVC providers.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

4. Contributions

	2023	2022
	Total	Total
	£000	£000
Employer contributions:		
Normal	6,748	5,906
Additional	1,183	1,262
Other - expense contributions	1,543	1,382
Augmented contribution	-	18
	9,474	8,568
Employee contributions:		
Normal	168	162
Additional voluntary contributions	675	910
	843	1,072
	10,317	9,640

Other contributions are an annual contribution by the Company to the Plan to cover expenses, levies, fees and insurance premiums beginning 1 October 2016. These contributions shall be increased each year in line with the Retail Price Inflation.

Additional contributions relate to employee contributions paid under the Effective Pension Plan (EPP) arrangement under a salary sacrifice arrangement.

As set out in the Schedule of Contributions dated 14 June 2022, If the technical provisions funding level over two consecutive half-yearly measurement dates falls below 96% then this triggers a contribution of £11,000,000, payable at the beginning of the next quarter. In other words, if the funding level is below 96% when measured as at 30 June and also below 96% when measured as at 31 December then a payment of £11,000,000 will be made on 1 April or, if the funding level falls below 96% when measured as at 31 December and then also below 96% when measured as at 30 June a payment of £11,000,000 is required on 1 October of that year.

These triggers have not been met during the year.

5. Other income

	2023	2022
	Total	Total
	£000	£000
Claims on term insurance policies	138	-
Interest on cash deposits held by the Trustees	132	-
	270	-

6. Benefits paid or payable

	2023	2022
	Total	Total
	£000	£000
Pensions	28,290	26,850
Commutation of pensions and lump sum retirement benefits	2,622	2,855
Lump sum death benefits	196	14
Purchase of annuities	1	177
Taxation where lifetime or annual allowance exceeded	546	521
	31,655	30,417

AVC's were used to purchase annuities to cover pension in payments from Phoenix Life.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

7. Payments to and on account of leavers

	2023	2022
	Total	Total
	£000	£000
Individual transfers out to other schemes	2,836	3,245

8. Administrative expenses

	2023	2022
	Total	Total
	£000	£000
Actuarial fees	209	278
Administration fees	461	405
Audit fees	31	22
Legal fees	6	9
Plan levies	425	578
Secretarial services	144	120
Miscellaneous expenditure	63	53
	1,339	1,465

In addition to the above, other costs of the administration of the Plan are borne by Air Products PLC.

9. Other payments

	2023	2022
	Total	Total
	£000	£000
Premiums on term insurance policies	91	84

10. Investment income

	2023	2022
	Total	Total
	£000	£000
Income from pooled investment vehicles	3,240	1,258
Annuity income	270	286
	3,510	1,544

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

11. Reconciliation of investments

	Market value at 6 April 2022 £000	Cost of investments purchased £000	Proceeds of sales of investments £000	Change in market value £000	Market value at 5 April 2023 £000
Pooled investment vehicles	1,128,217	105,853	(133,949)	(280,898)	819,223
AVC investments	7,843	675	(1,010)	(166)	7,342
	<u>1,136,060</u>	<u>106,528</u>	<u>(134,959)</u>	<u>(281,064)</u>	<u>826,565</u>
Other investment balances	642			-	948
	<u>1,136,702</u>			<u>(281,064)</u>	<u>827,513</u>

11.1 Transaction costs

Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles.

12. Investment management expenses

	2023 Total £000	2022 Total £000
Administration, management and custody fees	<u>790</u>	<u>1,109</u>

13. Taxation

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

14. Pooled investment vehicles

	2023	2022
	Total	Total
	£000	£000
Equities	195,499	312,213
Bonds	558,435	753,595
Cash	-	7,011
Multi sector credit	65,289	55,398
	819,223	1,128,217

LGIM TLEA Bespoke fund included in the pooled investment vehicles as at 5 April 2023 is £558,435 (2022: £753,595). The fund is bespoke to the Plan, such that it is the sole participator and investor.

The fund is composed of the following underlying assets:

	2023	2022
	£000	£000
TLEA Bespoke		
- ABS	137	175
- Cash & Accruals	11,901	(12,028)
- Corporate Bonds	224,766	266,651
- Exchange Cleared Interest Rate Swaps	(44,414)	(19,101)
- Government Agencies	4,529	6,444
- Government Bonds	149,135	155,418
- Index-Linked Government Bonds	137,402	281,043
- Inflation Swaps	32,993	30,176
- Liquidity Fund	41,986	44,817
	558,435	753,595

The pooled investments are held in the name of the Plan. Income generated by these units is not distributed, but retained within the pooled investments and reflected in the market value of the units.

15. AVC investments

The Trustees hold assets which are separately invested from the main fund in the form of individual bank and building society accounts and policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and the movements during the year.

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

	2023	2022
	Total	Total
	£000	£000
Standard Life Assurance Limited	7,342	7,843

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

16. Fair value hierarchy

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

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

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

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

	2023	2023	2023	2023
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Pooled investment vehicles	-	819,223	-	819,223
AVC investments	-	7,342	-	7,342
Cash	-	-	-	-
Other investment balances	948	-	-	948
	948	826,565	-	827,513

Analysis for the prior year end is as follows:

	2022	2022	2022	2022
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Pooled investment vehicles	-	1,128,217	-	1,128,217
AVC investments	-	7,843	-	7,843
Cash	642	-	-	642
Other investment balances	-	-	-	-
	642	1,136,060	-	1,136,702

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

17. Investment risks

(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 the following elements:

- *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 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 Trustees determine their investment strategy after taking advice from a professional investment advisor. The Plan has exposure to the risks above because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk, within agreed parameters which are set taking into account the Plan's strategic investment objectives.

These investment objectives are implemented through the investment management agreements in place with the Plan's investment managers and monitored by the Trustees by regular review of the investment portfolio. The Plan's AVC holdings and Trustee Bank Account balance are not included in these disclosures.

Further information on the Trustees' approach to risk management, credit and market risk is set out below.

Defined Benefits Section

(i) Investment Strategy

The Trustees' objective is to invest the Plan's assets in the best interests of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.

Within this framework, the Trustees are aiming to generate an investment return, over the long term, above that of the actuarial assumptions under which the funding plan has been agreed.

It was agreed in March 2021, following advice from the investment consultant, that the Plan would target interest rate and inflation hedge ratios of 90% of total liabilities, as valued on a gilts + 0.5% p.a. basis. The Liability Benchmark Portfolio ("LBP") provided to LGIM was calculated by the Plan Actuary as at 28 February 2021 and sets out the key characteristics of the Plan's liabilities. The Plan's LDI mandate hedges interest rate and inflation risk but does not provide longevity hedging.

In 2021, the Trustees implemented a Multi-Asset Credit ("MAC") mandate with Wellington in order to reduce the Plan's reliance on equities as a key driver of investment returns. This mandate provides exposure to a diverse range of credit assets and distributes income which can be used to meet cashflows out of the Plan. The Trustees agreed initially to a 5% allocation to MAC, however over the year to 5 April 2023 this position has been reviewed, and a decision reached to increase the allocation to 10% of total assets, with implementation of this change being completed in two stages over Q1 and Q2 2023.

The Trustees have assessed the expected return of the Plan's overall strategy and believe it remains sufficient and appropriate to deliver the objectives as set out in the SIP.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

17. Investment risks - continued

At a total Plan level, the agreed investment strategy is set out in the table below. The investment objective of Plan is to invest the assets in the following funds:

Asset Class	Strategic Allocation
LGIM World Emerging Markets Equity Index	2.5
LGIM Global Developed Small Cap Equity Index Fund	2.5
LGIM Global Equity Index Fund	15.0
Wellington Multi-Sector Credit	10.0
Total Growth	30.0
LGIM Bespoke Pooled Fund (LDI and Buy & Maintain Credit)	70.0
Total Matching	70.0
Total	100.0

* Implementation of the agreed changes was completed post Plan year-end.

The Trustees set the investment strategy taking into account considerations such as the strength of the employer covenant, the long-term liabilities and the funding agreed with the Employer. The investment strategy is set out in its SIP with details of any changes during the year included in the Trustees' report.

(ii) Credit Risk

To gain exposure to certain asset classes in a cost effective way (in both monetary and governance terms), the Plan invests in pooled investment vehicles. Therefore, the Plan is directly exposed to credit risk of these pooled investment vehicles. The value of assets invested in pooled funds and therefore directly exposed to credit risk as a result of this at year end was £819.2m (2022: £1.1bn).

The Plan is subject to indirect credit risk due to bonds, over-the-counter ("OTC") derivatives and cash held within pooled investment vehicles. The value of assets exposed indirectly to credit risk as a result of this at year end was £622.2m (2022: £816.0m). This value includes pooled investment vehicles that have only a partial allocation to these asset classes. Some of the pooled investment vehicles may also undertake stock lending which will also introduce indirect credit risk.

In respect of the Trustees' approach to managing credit risk arising from the various asset classes, we note the following positions at year end:

- The credit risk from Sovereign Government bonds held indirectly is considered to be minimal. These assets are primarily held for risk management purposes.
- The credit risk from corporate (investment grade) bonds held indirectly is mitigated by investing in a diversified mix of investment grade rated bonds. These assets are held for income and return generating as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk.
- The credit risk from corporate (sub-investment grade) and other bonds held indirectly is mitigated via diversification to minimise the impact of default by any one issuer. These assets are held for return generating purposes, and the expected return from these assets is considered appropriate for the associated risk.
- The credit risk associated with direct cash balances held by the Plan's custodian or within the Trustee bank account is mitigated by the use of regular sweeps and investment of such balances into a liquidity fund or other pooled funds if required.
- Pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

17. Investment risks - continued

- A summary of the pooled investment vehicles by type of arrangement is shown below.

Investment Type	2023 (£ms)	2022 (£ms)
Unit Linked Insurance Contracts	753.9	1,072.8
SICAV*	65.3	55.4
Total	819.2	1,128.2

Source: LGIM and Wellington.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices, wherever available.

* Valuation for Wellington is as at 31st March 2023.

- 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 environment in which the pooled fund manager operates and diversification of investments amongst a number of pooled arrangements. The Trustees carries out due diligence checks before appointing new-pooled investment managers.

(iii) Currency Risk

The Plan is subject to indirect currency risk because the underlying holdings of the pooled investment vehicles held may be denominated in a non-sterling currency and are not fully currency hedged by the investment manager. The value of holdings subject to this risk total £819.3m (2022: £1,1bn). This value includes pooled investment vehicles that have only a partial exposure to currency risk.

The Trustees have no fixed currency hedging policy, however the Multi-Asset Credit mandate is hedged to GBP, as is the Buy & Maintain Credit mandate within the bespoke pooled fund.

(v) Interest rate risk

The Plan is subject to interest rate risk via its Liability Driven Investment ("LDI") and Multi-Asset Credit ("MAC") holdings via pooled investment vehicles.

The Trustees have set a benchmark allocation of 80.0% (2022: 75%) to LDI and MAC. If interest rates fall, the value of the LDI assets will rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value (as will the actuarial liabilities) due to an increase in the discount rate. As at year end, the Trustees expect these assets to capture 90% (2022: 90%) of the change in actuarial liability value due to interest rate movements, in line with the target interest rate hedge ratio set by the Trustees.

(vi) Inflation Risk

The Plan holds Index-Linked Gilts and derivatives to manage against inflation risk associated with pension liability increases. Under this strategy, if inflation expectations rise, the value of Index-Linked Gilt investments and derivatives will rise to help match the increase in the present value of the actuarial liabilities arising from increasing inflation expectations and vice versa. As at year end, the Trustees expect these assets to capture 90% (2022: 90%) of the change in actuarial liability value due to interest rate movements, in line with the target interest rate hedge ratio set by the Trustees.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

17. Investment risks - continued

(vii) Other price risk

Other price risk arises principally in relation to the Plan's non-bond assets, which includes Equity Funds.

The Plan has set a target allocation of 30% to non-bond assets. The Plan manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

	2023 (£m)	2022 (£m)
Equity	195.5	312.2
Total	195.5	312.2

Source: LGIM

Figures may not sum to total due to rounding.

Valuations are based on Bid prices.

* Rebalancing was undertaken in Q4 2022 which saw c. £75m transferred from the Plan's equity holdings to the Plan's LDI portfolio in order to bring the asset allocation back in line with the strategic target, and to ensure sufficient collateral buffer within the LDI portfolio. As part of the phased increase in the Plan's Multi-Asset Credit allocation, a further c. £30m was transferred from the Plan's equity holdings to the Plan's Multi-Asset Credit mandate in Q1 2023

18. Concentration of investments

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

	2023		2022	
	£000	%	£000	%
Legal & General TLEA - BESPOKE	558,436	67.0	753,595	66.3
Legal & General World Developed Equity Index	150,507	18.1	253,446	22.3
Wellington - Multi sector credit fund	65,289	7.8	N/A	N/A

19. Employer-related investments

There was no employer-related investment as at 5 April 2023 (5 April 2022: none).

20. Current assets

	2023 Total £000	2022 Total £000
Contributions due from the employer in respect of:		
- Employer	782	581
- Employees	15	14
Life assurance paid in advance	95	80
VAT recoverable	17	5
AVC maturity value receivable	-	103
Cash deposits held with HSBC	6,000	668
	6,909	1,451

The cash deposits held with HSBC Bank PLC represents the balance on the account.

The contributions were received post year end in line with the Schedule of Contributions.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Notes to the Financial Statements

21. Current liabilities

	2023	2022
	Total	Total
	£000	£000
Reimbursement of pensions received in advance	-	2
Lump sums on retirement payable	163	384
Death benefits payable	9	13
Taxation payable	393	361
Administrative expenses payable	172	138
Investment management expenses payable	355	247
	1,092	1,145

The taxation payable amount shown above relates to a Pay as You Earn pension accrual of £393,000.

22. Related party transactions

As at 5 April 2023, of the eight Trustees, five are active members, two are retired members and one was employed by the US Parent.

During the year the Trustees incurred expenses in the course of their duties of £53,000 (2022: £43,000) which were charged to the Plan. These are included within miscellaneous expenses in note 8. At the year end, amounts of £ 15,000 were outstanding (2022: £10,000).

23. Contingent Liability

As explained on page 5 of the Trustees' Report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Following on from the original judgment, a further High Court ruling on 20 November 2020 has provided clarification on the obligations for trustees. This judgement focused on the GMP treatment of historic transfers out of members' benefits, an issue which had not been addressed in the 2018 GMP ruling. Under this ruling, trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to be paid to the receiving scheme, to reflect members' rights to equalised GMP benefits.

The impact of this court case will be considered by the Trustee at its next meeting and decisions will be made as to the next steps.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Independent Auditor's Statement about Contributions to the Trustees

Independent Auditor's Statement about Contributions under Regulation 4 of the occupational Pensions Schemes (requirement to obtain Audited Accounts and Statement from the Auditor) Regulations 1996, to the Trustees of the Air Products PLC Pension Plan

Statement about contributions payable under Schedules of Contributions

We have examined the summary of contributions payable to the Air Products PLC Pension Plan on page 38, in respect of the Plan year ended 5 April 2023.

In our opinion, contributions for the Plan year ended 5 April 2023 as reported in the attached 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 actuary on 26 June 2019 and 14 June 2022.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 38 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustees and auditor

As explained more fully on page 19 in the Statement of Trustees' Responsibilities, the Plan's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

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

Use of our statement

This statement is made solely to the Plan's Trustees as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan's Trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

DocuSigned by:

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Date: 19 September 2023

Air Products PLC Pension Plan

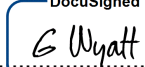
Annual Report for the year ended 5 April 2023

Summary of Contributions

During the year ended 5 April 2023, the contributions payable to the Plan by the Employer were as follows:

	2023 Total £000
Contributions payable under the Schedules of Contributions:	
Employer contributions:	
- Normal	6,748
- Additional - Effective Pension Plan	1,183
- Other - Administration costs	1,543
	<u>9,474</u>
Employee contributions:	
- Normal	168
Additional voluntary contributions	675
	<u>843</u>
Contributions payable under the Schedules of Contributions (as reported on by the Plan Auditor) and reported in the financial statements	<u><u>10,317</u></u>

Approved by the Trustees and signed on their behalf by:

DocuSigned by:

..... Trustee
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18 September 2023
Date:

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Actuarial Information

Schedule of Contributions

For the period from 14 June 2022 to June 2027

Principal Employer Air Products PLC

This schedule sets out the contributions that will be paid to the Air Products PLC Pension Plan (the "Plan"). This schedule is dated June 2022 and applies from the date it is certified until June 2027. It replaces the previous schedule dated June 2019.

This schedule has been prepared with the agreement of Air Products Plc (the "Company" or "Sponsor") and after taking the advice of Samer Hafiz (the scheme actuary). This schedule has been certified by the scheme actuary and the certificate is included in the appendix.

Pensionable Salary definition

Some of the contributions which are due to be paid to the Plan are based on the salaries of the members

For the majority of active members, Pensionable Salary for contribution purposes is defined in the Plan Rules to be the annual rate of member's basic pay less the Lower Earnings Limit. For members who joined the Plan before 1 April 1978, Pensionable Salary is the annual rate of member's basic pay plus £598 less the Lower Earnings Limit. There are some historical categories within the Plan who have different Pensionable Salary definition. For these cases, the definition can be found in the Plan's Trust Deed and Rules dated 20 March 1997. For active members who participate in the Air Products Effective Pension Plan ("the EPP"), Pensionable Salary is calculated as if they had not participated in the EPP.

For active members who participate in the Air Products Effective Pension Plan ("the EPP"), Pensionable Salary is calculated as if they had not participated in the EPP.

Member contributions

Active members, who do not participate in the EPP, shall pay contributions at a rate of 8% of Pensionable Salary, as set out in the amendment to the Plan's Trust Deed and Rules effective from 1 August 2012.

These contributions and any voluntary contributions are due to be paid to the Plan not later than 19 days (22 days if payment is made electronically and compliant with legislation) from the end of the month in which the deduction from pay is made.

Sponsor contributions for new benefits

The sponsor shall pay the following contributions to the Plan on a monthly basis in respect of the accrual of new benefits :

Until 31 September 2022

- contributions at the rate of 33.2% of monthly pensionable salary roll

From 1 October 2022

- Contributions at the rate of 46.8% of monthly pensionable salary roll

For active members who participate in the EPP, the company shall also pay to the Plan the contributions these members would have been expected to pay had they not been participating in the EPP.

All monthly Company Contributions shall be paid to the Plan not later than 19 days after the end of the calendar month to which they relate.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Actuarial Information

Schedule of contributions - continued

Additional Contribution - Sponsor deficit reduction contributions

The 5 April 2021 actuarial valuation showed that the Plan had no funding deficit relative to the Plan's statutory funding objective and so no deficit reduction contributions are payable.

Additional Contributions - Company Contingent payments

Whilst the 2021 actuarial valuation revealed a surplus, the funding level remains volatile so the Trustees and the Company have agreed that commencing in 2022 and continuing until October 2023, the Trustees will review the funding position as at 30 June and as at 31 December each year, such that:

- If the technical provisions funding level over two consecutive half-yearly measurement dates falls below 96% then this triggers a contribution of £11,000,000, payable at the beginning of the next quarter. In other words, if the funding level is below 96% when measured as at 30 June and also below 96% when measured as at 31 December then a payment of £11,000,000 will be made on 1 April or, if the funding level falls below 96% when measured as at 31 December and then also below 96% when measured as at 30 June a payment of £11,000,000 is required on 1 October.
- Should the additional contribution fall due in accordance with the procedure above, and the technical provisions funding level subsequently improve to 100% before the payment is due to be made, the additional contribution will be waived.
- For the avoidance of doubt, the need for an additional contingent contribution of £11,000,000 will be assessed at each 30 June and 31 December in the period up to and including 30 June 2023, and triggering a payment at one assessment does not automatically mean the payment must be paid in subsequent assessments nor does any obligations arise relating to previous assessments.

The technical provisions funding position over a sustained period will be:

- Assumptions specified in the Statement of Funding Principles dated June 2022;
- A funding level recorded daily by 3DAnalytics;
- Membership data as at 5 April 2021, and will use the latest asset and cashflow data available as at the measurement date, rolled forward with index returns.

Note: Hymans Robertson's 3DAnalytics funding level monitoring tool may be substituted with another appropriate monitoring tool, at the discretion of the Trustees.

Timing of Payments

All sponsor contributions are due to be paid to the plan not later than 19 days after the end of the month to which they relate (22 days if the payment is made electronically and compliant with legislation).

The Company may make the payments in advance of the dates set out in this schedule. Payments more than 30 days in advance must be stated clearly as such, and will be acknowledged by the Trustees in writing and will also be notified to the Plan's auditor for their approval.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Actuarial Information

Schedule of contributions - continued**Other payments**

The sponsor shall also pay to the Plan any additional contributions required from time-to-time on the advice of the scheme actuary as required from time to time under the Plan's trust deed and rules.

Expenses, Levies, Fees and Insurance Premiums

Annual contributions at a rate of £1.38 million in respect of expenses adjusted for inflation increases are paid by the Company to the Plan from the year beginning October 2021. These contributions shall be increased each year in line with Retail Price inflation over the twelve-month period to the previous June and will continue for the duration of this Schedule, commencing with the payment in October 2022. These contributions will cover:

- Levies required by the Pension Protection Fund, except if the amount of the levy in any year should exceed £0.6m an additional contribution* should be paid by the Company in respect of the excess;
- Such other pension scheme levies as are payable by the Company or the Trustees under the terms of the Pension Schemes Act 1993 and the Pensions Act 2004;
- The premium required to obtain life insurance cover;
- Any fees falling due to the Plan administrator or other professional advisors; and
- Other expenses of the Trustees that are reasonably incurred in the course of performing their duties as Trustees.

*the additional contribution amount will be equal to the amount by which the aggregate of the Pension Protection Fund levies exceed £0.6m, and must be paid within 30 days of a request being received from the Trustees.

Note: Investment manager fees are allowed for within the setting of the discount rate and therefore will be met out of the fund without further payment from the Company.

Other Payments

The Company shall also pay to the Plan any additional contributions required from time-to-time on the advice of the scheme actuary as required under the augmentation provisions of the Plan's Trust Deed and Rules.

Prepared by the Trustees of the Plan

Signature: *G P Wyatt*

on behalf of Trustees

Print name: G P Wyatt

Position: Chair of Trustees

Date: 14 June 2022

Agreed by the Company

Signature: *David Leney*

on behalf of the company (Air Products Plc)

Name: David Leney

Position: Director

Date: 14 June 2022

This schedule of contribution is provided to meet the requirements of section 227 of the Pensions Act 2004.

Air Products PLC Pension Plan

Annual Report for the year ended 5 April 2023

Actuarial Information

Certification of Schedule of Contributions

Adequacy of rates of contributions

1. In my opinion, the contributions shown in this Schedule are such that the statutory funding objective on 5 April 2021 was met at the Certification date and can continue to be met for the remainder of the period for which this schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 14 June 2022.

The certification of the adequacy of contributions statement in this certificate relates to the Plan's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Plan's full liabilities with annuities if the Plan were to wind up.

Signature

S Hafiz

Scheme Actuary

Samer Hafiz

Qualification

Fellow of the Institute and Faculty of Actuaries

Date of signing

14 June 2022

Name of employer

Hymans Robertson LLP

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EC2Y 5EA