AIR PRODUCTS PLC PENSION PLAN

ANNUAL REPORT

FOR THE YEAR ENDED 5 APRIL 2024

Scheme Registration Number: 10168409

Contents

Trustees, Sponsoring Employer and Advisers

Trustees

Employer-nominated Trustees

Mr G Wyatt - Chairman
Mr P Curtis
Mrs R Hanafin
Ms K Larkin (resigned 17 July 2024)
Mr A Marwah (appointed 17 July 2024)
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, FIA
Hymans Robertson LLP

Independent Auditor

RSM UK Audit LLP

Administrator

Aptia UK Limited (from 1 January 2024)
Mercer Limited (until 31 December 2023)

Investment Managers

Legal & General Investment Management Limited
Wellington Management

Investment Adviser

Mercer Limited

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

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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 2024. 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 11 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. In March 2024, the Pensions Regulator published their new General Code of Practice to assist trustees on these matters, combining ten existing codes and introducing new obligations not covered by the existing codes, intending to improve scheme governance and administration. 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.

Scheme Administrator

On 1 January 2024, the Mercer Limited UK pension administration business was acquired by Aptia UK Limited. As a result, Aptia UK Limited is now the pension administration service provider for the Plan.

Financial development

The financial statements on pages 15 to 28 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 £833,330,000 at 5 April 2023 to £820,640,000 at 5 April 2024.

The decrease shown above comprised net withdrawals from dealings with members of £23,218,000 together with net returns on investments of £10,528,000.

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. Updated estimates of the funding position were made on 5 April 2022 and 5 April 2023. These showed:

	Actuarial valuation 5 April 2021	Actuarial update 5 April 2022	Actuarial update 5 April 2023
The value of Technical Provisions was:	£1,105.9 million	£1,072.4 million	£759.4 million
The value of assets was:	£1,124.2 million	£1,130.9 million	£801.3 million
Percentage of Technical Provisions	102%	105%	106%

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 2021	
Discount interest rate:	Pre retirement discount rate: Market implied gilt yield curve plus 2.5% p.a. Post retirement discount rate: Market implied gilt yield curve plus 0.75% p.a.
Future Retail Price inflation:	Market implied gilt yield curve 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 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.
Mortality:	*For the period in retirement:* Base table: Scheme specific mortality as derived by Club Vita's longevity analytics service. Future improvements: Assumed to be in line with the CMI_2020 projection model issued by the Continuous Mortality Investigation of the Institute and Faculty of Actuaries with with an initial rate of mortality improvement of 0.5% and a long term rate of improvement of 1.5% p.a. Improvements have assumed to have peaked and to decline at older ages. *For the period before retirement:* Base table: 100% of the S3NXA tables 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 an initial rate of mortality improvement of 0.5% and a long term rate of improvement of 1.5% p.a. Improvements have assumed to have peaked and to decline at older ages.

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

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.

The Trustee of the Plan is aware that both of these issues will affect the Plan and a project is underway to rectify current and past leaver benefits in respect of GMP equalisation. An additional reserve of 0.34% of liabilities was included in the 5 April 2021 technical provisions in respect of the 2018 judgement, plus an additional £0.3m in respect of the 2020 past transfers judgement.

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.

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 it's LDI investments. 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 c109% at 30 April 2024 with a surplus of c£63m (calculated on the 5 April 2021 Technical Provisions basis). As part of the 5 April 2021 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, and are currently undertaking the next actuarial valuation at 5 April 2024. 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.

Membership

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

	Actives	Deferreds	Pensioners	Total
At 6 April 2023	270	1,495	2,208	3,973
Adjustments	-	1	-	1
Retirements	(21)	(59)	80	-
Leavers with deferred benefits	(8)	8	-	-
Deaths	-	(3)	(86)	(89)
Leavers with no benefits	-	(1)	-	(1)
Transfers out	-	(1)	-	(1)
Spouses and dependants	-	-	29	29
Pensions commuted for cash	-	(1)	(3)	(4)
At 5 April 2024	241	1,439	2,228	3,908

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

Included within pensioners above there were 61 (2023: 72) 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 2024 of 3.0% (2023: 3.0%). A statutory increase was made to pensions in payment in April 2024 of 5.0% (2023: 5.0%) for Post 1997 service and 2.5% (2023: 2.5%) for Post 2005 service. No discretionary increase was made to pensions in payment in April 2024 nil (2023: 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 2024 of 3.0% (2023: 3.0%). A statutory increase was made to pensions in payment in April 2024 of 5.0% (April 2023: 5.0%) for Post 1997 service. A guaranteed increase was made to pensions in payment in April 2024 of 5.0% (2023: 5.0%) 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 2024 of 3.0% (2023: 3.0%). A statutory increase was made to pensions in payment in July 2024 of 5.0% (2023: 5.0%) for Post 1997 service and 2.5% (2023: 2.5%) for Post 2005 service.

A guaranteed increase was made to pensions in payment in July 2024 of 3.0% (2023: 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.

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 June 2024 to reflect the revised investment position. 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.

The Trustee will publish its climate change governance report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the Occupational Pension Schemes Climate Change Governance and Report. The report can be found on the homepage of the https://www.airproducts.co.uk/company/governance.

Implementation statement

The Plan's Implementation Statement, covering the period 6 April 2023 to 5 April 2024, forms part of this Trustees ' Report and is set out in Appendix 1 to this Annual 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 2024		5 April 2023	
	£000's	%	£000's	%
World Emerging Markets Equity Index	21,199	3.0	22,307	3.0
World Developed Equity Index	134,117	19.0	150,506	20.0
Global Dev Small Cap Index	22,228	3.0	22,685	3.0
TLEA - BESPOKE (31951)	546,224	75.0	558,436	74.0
Total Pooled Investment Vehicles	**723,768**	**100.0**	**753,934**	**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.

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 produced by the Plan's Actuary, was provided to LGIM was calculated by the Plan Actuary as at 28 February 2021, and has since been refreshed to 30 November 2023 to allow for more recent market conditions. The Plan's LDI mandate hedges interest rate and inflation risk but does not provide longevity hedging. The Trustees will review the target level of hedging as part of any investment strategy review and following the triennial actuarial valuation.

Following a review of the Plan's growth portfolio in May 2021 the Trustees agreed to implement a Multi-Asset Credit mandate with Wellington in order to reduce the Plan's reliance on equities as the key driver of returns. This mandate provides exposure to a diverse range of high yield 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 they have since agreed and implemented an allocation of 10% of total assets.

In Q2 2023, the Trustees enhanced the collateral waterfall framework in order to enable LGIM to meet any capital calls that may arise from the Plan's Bespoke Pooled Fund, via disinvestments from the LGIM daily dealing Global Equity Fund.

The Trustees have assessed the expected return of the below strategy and believe it is appropriate to deliver the objectives as set out in the SIP

Wellington Investments

The Valuation of Wellington Multi-Sector Credit Fund as at 5 April 2024 was £83,581,297 (2023: £65,288,632).

Performance

The time-weighted investment returns on the Legal & General portfolio to 31 March 2024 on the Plan's assets were:

	One year (%)	Three years (%)	Five years (%)
World Developed Equity Index	22.65		
MSCI World Small Cap ESG Excl Fund	13.87		
World Emg Markets Equity Index Fund	6.11	(0.66)	3.63
TLEA - BESPOKE	(5.14)		
Total	**(0.34)**	**(8.71)**	**(3.09)**

Source: Legal & General (excludes cash Fund)

Market Commentary (Prepared by Legal and General)

Economic overview

Over the year, the focus has steadily shifted from heightening inflationary pressures and tighter monetary policy to when, not if, developed-market central banks commence wholesale interest rate cuts. Since the Bank of England fired the first monetary tightening shot in late 2021, the direction of travel for developed-market interest rates has been one way with rates moving higher. However, central banks are now flagging that the path of interest rates could now change course.

In March, the Swiss National Bank became the first G10 central bank to cut interest rates in this cycle, and the US Federal Reserve, Bank of England and European Central Bank are set to follow suit over the course of 2024. Japan aside, this era of monetary tightening looks to be over; looser policy is on its way.

In the UK, headline inflation fell to an annualised rate of 3.4% in February – a far cry from the 10.4% reading 12 months earlier – beating expectations and heightening talk of interest-rate cuts later this year. That said, inflation still remains above the Bank of England's target. UK interest rates have been unchanged in 2024 to date, sitting at a 16-year high of 5.25%, and the BoE held firm once again in March, however, rhetoric is softening with Governor Andrew Bailey signalling that markets are correct to expect more than one interest-rate cut in 2024. Meanwhile, the UK economy returned to growth in January, growing by 0.2%; it had entered a technical recession in the second half of 2023.

In the US, Federal Reserve (Fed) rhetoric shifted dovish once again over the month, despite rates being held unchanged at a 23-year high of between 5.25% and 5.5%; Fed Chair Jerome Powell indicated that the central bank's rate-setting committee wasn't far off taking the plunge and reducing rates. Powell also eased concerns over the stubborn nature of US inflation numbers – prices rose at an annualised rate of 3.2% in March – suggesting that higher-than-expected inflation prints this year have been the result of seasonal factors and shouldn't alter the policy easing plan. Expectations are for three rate cuts in 2024, starting in June or July.

The Swiss National Bank stole the headline as it became the first G10 central bank to cut rates this cycle, reducing its headline rate by 25 basis points to 1.5%, in a sign of confidence that the inflation fight is being won. The European Central Bank (ECB) kept rates unchanged at an all-time high of 4% at its March meeting but weaker-than-expected inflation prints in France and Italy suggested that cuts aren't too far off; indeed, the ECB's newest board member, Piero Cipollone, indicated that the bank should be ready to 'swiftly dial back' its restrictive monetary policy stance if inflation indicators continue their current downward trajectory. Elsewhere, forecasters have slashed predictions for Germany's 2024 economic growth to a measly 0.1%, as Europe's largest economy grapples with weak exports and sluggish domestic demand. The German economy was the worst performing major economy in 2023.

The days of ultra-loose central bank monetary policy appear to be over, with the Bank of Japan (BoJ) – the last bastion of such an approach – making the notable move to scrap its yield curve controls in December. The policy, in place since 2016, had originally limited the movement of the 10-year bond yield to 0.5%. It has been replaced by a reference rate of 1%, rather than a cap, which will negate the need for unlimited BoJ purchases and allows some long-term interest rate flexibility. In March, the BoJ finally ended the era of negative interest rates, lifting borrowing costs for the first time in 17 years.

Equities

Global equity indices rose very strongly in US dollar terms over the past year, despite ongoing inflationary worries, increasingly tighter developed market monetary policy and recessionary fears.

Against this backdrop, UK equities rose in sterling terms, but comfortably underperformed the global average. There were notably strong showings from technology and industrials, but these were largely offset by a woeful 12 months for telecoms, consumer staples, utilities and basic materials.

Market Commentary-continued

US equity markets delivered stellar double-digit returns for the year, outperforming the global average, in US dollar terms. Over the past year, the knock-out performance of the technology (boosted by excitement over the potential of artificial intelligence), communication services, consumer discretionary and financials sectors drove the strong index-level performance. The utilities sector was the only area of the market to lose ground over the period.

European equities made strong gains over the year but underperformed the global average in euro terms. At the sector level, technology, banks and financials were the standout performer, while double-digit returns also came from healthcare, real estate, autos and parts and general industrials. All areas of the market made gains over the period, with the exception of utilities, telecoms and consumer staples.

Asia Pacific ex Japan equity markets rose over the past year in US dollar terms but comfortably underperformed global equities. While Chinese equities had rallied briefly after Beijing announced an easing of its pandemic restrictions at the turn of the 2023 following an end to its 'zero-COVID' approach, along with a raft of support measures for its struggling property sector, they then lagged significantly over the past year, despite repeated efforts from Beijing to bolster the country's economic prospects. In contrast, India enjoyed a very positive year, posting a stellar double-digit return.

Emerging markets endured a tough 12 months but finished in the black in US dollar terms, albeit some way behind the global average. As mentioned above, China lost ground, India made strong gains, while Brazil also finished firmly in the black.

Bonds

Benchmark developed market government bond yields painted a mixed and nuanced picture over the period. At the headline level, the yield on the 10-year US treasury and 10-year UK Gilt rose (prices fell) over the period but that masks moves of more than 100 basis point higher and then lower over the course of the year. Indeed, Treasury yields fell sharply (prices rose) in December on expectations that Fed rate hiking has finished and rate-cutting was on the agenda in 2024, before rising once again.

The yield on the 10-year UK gilt jumped in May, June and July to match the heady highs it reached during the brief tenure of the Liz Truss-led Conservative government during September and October of 2022, before moving lower on better-than-expected inflation data late on in the period. It then rose again in January and February. Elsewhere, the yield on the 10-year German Bund moved marginally lower over the period as whole.

Meanwhile, Japanese government bond yields moved higher over the year. Towards the end of the period the BoJ made the notable move to effectively scrap its yield curve control, having eased the limits over the course of the past year. The policy, in place since 2016, had limited the movement of the 10-year bond yield to 0.5%.

Investment-grade bond spreads in the US, UK and Europe all narrowed over the review period. High yield bond spreads similarly narrowed over the year as a whole. Despite the headwinds of tight Fed monetary policy, fears of a US recession and ongoing worries around the economic growth prospects of the world's second largest economy, China, emerging market debt held up remarkably well over the period, making decent gains.

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

Approval

The Trustees' Report on pages 3 to 10, and the Implementation Statement on pages 35 to 49, were approved by the Trustees and signed on their behalf by:

G P Wyatt
.... Trustee

Date: 12/10/24

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 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 judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the 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.

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 2024 which comprise the Fund account, 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 2024, 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.

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, 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.otg.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

Date 14/10/24

Fund Account

	Note	2024 Total £000	2023 Total £000
Employer contributions		**10,667**	9,474
Employee contributions		**980**	843
Total contributions	4	**11,647**	10,317
Other income	5	**326**	270
		11,973	10,587
Benefits paid or payable	6	**(33,944)**	(31,655)
Payments to and on account of leavers	7	**(147)**	(2,836)
Administrative expenses	8	**(1,004)**	(1,339)
Other payments	9	**(96)**	(91)
		(35,191)	(35,921)
Net withdrawals from dealings with members		**(23,218)**	(25,334)
Returns on investments			
Investment income	10	**6,134**	3,510
Change in market value of investments	11	**5,032**	(281,064)
Investment management expenses	12	**(638)**	(790)
Net returns on investments		**10,528**	(278,344)
Net decrease in the fund during the year		**(12,690)**	(303,678)
Net assets at 6 April		**833,330**	1,137,008
Net assets at 5 April		**820,640**	833,330

The notes on pages 17 to 28 form part of these financial statements.

Statement of Net Assets available for benefits

	Note	2024 Total £000	2023 Total £000
Investment assets			
Pooled investment vehicles	14	**807,349**	819,223
AVC investments	15	**7,800**	7,342
Other investment balances		**-**	948
Total investments	11	**815,149**	827,513
Current assets	20	**7,107**	6,909
Current liabilities	21	**(1,616)**	(1,092)
Net assets at 5 April		**820,640**	833,330

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 page 4 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 17 to 28 form part of these financial statements.

The financial statements on pages 15 to 28 were approved by the Trustees and signed on their behalf by:

G P Wyatt
.... Trustee

Date: 12/10/24..........

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. 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 it’s LDI investments. 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 c109% at 30 April 2024 with a surplus of c£63m (calculated on the 5 April 2021 Technical Provisions basis). As part of the 5 April 2021 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. The 5 April 2024 actuarial valuation is currently ongoing. 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 received or paid.

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.

4. Contributions

	2024 Total £000	2023 Total £000
Employer contributions:		
Normal	**7,789**	6,748
EPP	**1,169**	1,183
Other - expense contributions	**1,709**	1,543
	10,667	9,474
Employee contributions:		
Normal	**176**	168
Additional voluntary contributions	**804**	675
	980	843
	11,647	10,317

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.

Active members paid by the employer under the Effective Pension Plan (EPP) 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 an additional 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

	2024 Total £000	2023 Total £000
Claims on term insurance policies	**-**	138
Interest on cash deposits held by the Trustees	**326**	132
	326	270

6. Benefits paid or payable

	2024 Total £000	2023 Total £000
Pensions	**29,169**	28,290
Commutation of pensions and lump sum retirement benefits	**4,605**	2,622
Lump sum death benefits	**11**	196
Purchase of annuities	**-**	1
Taxation where lifetime or annual allowance exceeded	**159**	546
	33,944	31,655

7. Payments to and on account of leavers

	2024 Total £000	2023 Total £000
Individual transfers out to other schemes	**147**	2,836

8. Administrative expenses

	2024 Total £000	2023 Total £000
Actuarial fees	**140**	209
Administration fees	**510**	461
Audit fees	**30**	31
Legal fees	**15**	6
Plan levies	**98**	425
Secretarial services	**128**	144
Miscellaneous expenditure	**83**	63
	1,004	1,339

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

9. Other payments

	2024 Total £000	2023 Total £000
Premiums on term insurance policies	**96**	91

10. Investment income

	2024 Total £000	2023 Total £000
Income from pooled investment vehicles	**5,852**	3,240
Annuity income	**282**	270
	6,134	3,510

11. Reconciliation of investments

	Market value at 6 April 2023 £000	Cost of investments purchased £000	Proceeds of sales of investments £000	Change in market value £000	**Market value at 5 April 2024 £000**
Pooled investment vehicles	819,223	91,700	(107,895)	4,321	**807,349**
AVC investments	7,342	804	(1,057)	711	**7,800**
	826,565	92,504	(108,952)	5,032	**815,149**
Other investment balances	948			-	**-**
	827,513			5,032	**815,149**

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

	2024 Total £000	2023 Total £000
Administration, management and custody fees	**638**	790

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.

14. Pooled investment vehicles

	2024 Total £000	2023 Total £000
Equities	**177,544**	195,499
Bonds	**546,224**	558,435
Multi sector credit	**83,581**	65,289
	807,349	819,223

LGIM TLEA Bespoke fund included in the pooled investment vehicles as at 5 April 2024 is £546,224 (2023: £558,435). 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:

	2024 £000	2023 £000
TLEA Bespoke		
- ABS	**120**	137
- Cash & Accruals	**18,946**	11,901
- Corporate Bonds	**224,280**	224,766
- Exchange Cleared Interest Rate Swaps	**(52,086)**	(44,414)
- Government Agencies	**4,237**	4,529
- Government Bonds	**171,132**	149,135
- Index-Linked Government Bonds	**176,144**	137,402
- Inflation Swaps	**33,785**	32,993
- Liquidity Fund	**29,885**	41,986
- Repurchase Agreements	**(60,172)**	-
	546,271	558,435

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:

	2024 Total £000	2023 Total £000
Standard Life Assurance Limited	**7,800**	7,342

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:

	2024 Level 1 £000	**2024 Level 2 £000**	**2024 Level 3 £000**	**2024 Total £000**
Pooled investment vehicles	**-**	**807,349**	**-**	**807,349**
AVC investments	**-**	**7,800**	**-**	**7,800**
Cash	**-**	**-**	**-**	**-**
	-	**815,149**	**-**	**815,149**

Analysis for the prior year end is as follows:

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

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 of currency risk) whether those changes are caused by factors specific to the individual financial instrument of its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine the investment strategy after taking advice from a professional investment advisor (Mercer). The Plan has exposure to these risks 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.

(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 produced by the Plan's Actuary, was provided to LGIM was calculated by the Plan Actuary as at 28 February 2021, and has since been refreshed to 30 November 2023 to allow for more recent market conditions. The Plan's LDI mandate hedges interest rate and inflation risk but does not provide longevity hedging. The Trustees will review the target level of hedging as part of any investment strategy review and following the triennial actuarial valuation.

Following a review of the Plan's growth portfolio in May 2021 the Trustees agreed to implement a Multi-Asset Credit mandate with Wellington in order to reduce the Plan's reliance on equities as the key driver of returns. This mandate provides exposure to a diverse range of high yield 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 they have since agreed and implemented an allocation of 10% of total assets.

In Q2 2023, the Trustees enhanced the collateral waterfall framework in order to enable LGIM to meet any capital calls that may arise from the Plan's Bespoke Pooled Fund, via disinvestments from the LGIM daily dealing Global Equity Fund.

The Trustees have assessed the expected return of the below strategy and believe it is appropriate to deliver the objectives as set out in the SIP.

17. Investment risks

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

Asset Class	Strategic Allocation
LGIM World Emerging Markets Equity Index Fund	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%**

The Trustees set the investment strategy for the DB Section taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the Plan and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles ("SIP").

(i) 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 £807.3m (2023: £819.2m).

The Plan is subject to indirect credit risk due to bonds, 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 £628.7m (2023: £622.2m). 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 (predominantly) 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 within the Trustee bank account is mitigated by the use of regular sweeps and invested 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.

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

Investment Type	2024 (£m)	2023 (£m)
Unit Linked Insurance Contracts	723.8	753.9
SICAV	83.6	65.3
Total	**807.4**	**819.2**

Source: LGIM and Wellington.

Valuations are based on Bid prices, wherever available.

17. Investment risks

– 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 carry out due diligence checks before appointing new-pooled investment managers.

(ii) 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 £807.4m (2023: £819.2m). 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. The Plan's equity holdings are not currency hedged.

(iii) 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 set a benchmark allocation of 85.0%, implemented post 5 April 2024, to LDI and MAC. If interest rates fall, the value of the LDI assets is expected to 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 are expected to 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 90.0% (2023: 90.0%) of the change in actuarial liability value due to interest rate movements.

(iv) 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 (all else equal), 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.

(v) 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 15.0% to non-bond assets. The Plan manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

	2024 (£m)	2023 (£m)
Equity*	177.6	195.5
Total	**177.6**	**195.5**

Source: LGIM

Valuations are based on Bid prices.

** Rebalancing trades were undertaken in August 2023 and March 2024 which saw c. £15m and c. £10m transferred from the Plan's equity holdings to the Plan's LDI holdings in order to bring the asset allocation back in line with the target and to reduce leverage.*

18. Concentration of investments

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

	2024		2023	
	£000	**%**	£000	%
Legal & General TLEA - BESPOKE	**546,224**	**66.6**	558,436	67.0
Legal & General World Developed Equity Index	**134,117**	**16.3**	150,507	18.1
Wellington - Multi Sector Credit Fund	**83,581**	**10.2**	65,289	7.8

19. Employer-related investments

There was no employer-related investment as at 5 April 2024 (5 April 2023: none).

20. Current assets

	2024 Total £000	2023 Total £000
Contributions due from the employer in respect of:		
- Employer	**737**	782
- Employees	**14**	15
Life assurance paid in advance	**-**	95
VAT recoverable	**15**	17
AVC maturity value receivable	**159**	-
Cash deposits held with HSBC	**6,182**	6,000
	7,107	6,909

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.

21. Current liabilities

	2024 Total £000	2023 Total £000
Lump sums on retirement payable	**708**	163
Death benefits payable	**1**	9
Taxation payable	**441**	393
Administrative expenses payable	**144**	172
Investment management expenses payable	**322**	355
	1,616	1,092

The taxation payable amount shown above relates to a Pay as You Earn pension accrual of £441,000.

22. Related party transactions

(a) Key management personnel of the Plan or its parent (in aggregate)

As at 5 April 2024, of the eight Trustees, four are active members, three are retired members and one was employed by the US Parent.

(b) Other related parties

During the year the Trustees incurred expenses in the course of their duties of £72,000 (2023: £63,000) which were charged to the Plan. These are included within miscellaneous expenses in note 8. At the year end, amounts of £18,000 were outstanding (2023: £15,000).

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

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 Trustee of the Plan is aware that both of these issues will affect the Plan and a project is ongoing to rectify current and past leaver benefits in respect of GMP equalisation. An additional reserve of 0.34% of liabilities (c£3.8m) was included in the 5 April 2021 technical provisions in respect of GMP equalisation, plus an additional £0.3m in respect of past transfers. The 5 April 2024 actuarial valuation is currently ongoing. 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.

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 Schedule of Contributions

We have examined the summary of contributions payable to the Air Products PLC Pension Plan on page 30, in respect of the Plan year ended 5 April 2024.

In our opinion, contributions for the Plan year ended 5 April 2024 as reported in the attached summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the actuary on 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 30 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 11 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

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

Date: 14/10/24

Summary of Contributions

During the year ended 5 April 2024, the contributions payable to the Plan by the Employer were as follows:

	2024 Total £000
Contributions payable under the Schedule of Contributions:	
Employer contributions:	
- Normal	**7,789**
- Effective Pension Plan (EPP)	**1,169**
- Other - expense contributions	**1,709**
	10,667
Employee contributions:	
- Normal	**176**
Additional voluntary contributions	**804**
	980
Contributions payable under the Schedule of Contributions (as reported on by the Plan Auditor) and reported in the financial statements	**11,647**

Approved by the Trustees and signed on their behalf by:

G P Wyatt
.... Trustee

Date: 12/10/24

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.

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 complaint 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.

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: *Jose Escorihuela* on behalf of the company (Air Products Plc)

Name: Jose Escorihuela Position:Director

Date: 14 June 2022

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

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
Address	1 London Wall Barbican, London EC2Y 5EA

The Implementation Statement required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 is set out on the following 14 pages.

Air Products PLC Pension Plan – Annual 2024 Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (‘SIP’) produced by the Trustees, has been followed during the year to 5 April 2024. 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 12 months to 5 April 2024, the SIP was updated to reflect a change in the Plan’s investment strategy. The changes to the investment strategy over the year were:

- The implementation of a daily-dealt Global Equity holding. This change consisted of moving £50m from the Plan’s weekly dealt LGIM World Developed Equity Index Fund to the daily dealt LGIM World Developed Equity Index Fund.

- A 5% increase in the Wellington Multi-Asset Credit allocation, which was funded via a reduction in LGIM World Developed Equity Index Fund.

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.

<u>Assessment of how the policies in the SIP have been followed for the year to 5 April 2024</u>

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 2024 served to increase the liquidity of the Plan's invested assets and increase the regular income the Plan receives. **These changes are in line with the investment objectives of the Plan, as outlined in the previous section.**

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

Please refer to Sections 5-8, 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 and 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's Actuary in 2021, following the latest Actuarial Valuation.

The basis of the Trustees' strategy for the Plan is to divide the Plan's invested assets between a "growth" portfolio, comprising equities and Multi-Asset Credit ("MAC"), 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 are comfortable that 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 ("ISC") meetings to ask questions of the Investment Advisor, and wil also 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 (i.e. single-client) pooled mandate that comprises the Plan’s matching strategy of Buy and Maintain Credit and LDI, the Plan is able to tailor (to a certain extent) the manager’s investment approach via production and maintenance of a set of Plan-specific investment guidelines in relation to these holdings. The Trustees have set these in line with the advice received from the Investment Advisor, with the prime objective being to match the interest rate and inflation 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 Advisor. Mercer Limited has been appointed for this purpose.

In December 2022, the Trustees reviewed the existing investment objectives in place for their Investment Consultancy Provider, Mercer, as per regulatory requirements, and concluded no changes were required. The objectives may be revised at any time but are to be reviewed at least every three years, and after any significant change to the Plan’s investment strategy and objectives.

The intention of the objectives is place is to ensure the Trustees are receiving the support and advice they need to meet their investment objectives. The objectives cover both short and long term objectives across strategy, monitoring, compliance and regulation, client servicing, relationship management, member engagement and communications, and the Trustees conduct an annual review of Mercer against these objectives, in line with regulatory requirements.

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 May 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 regard 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 the Plan's 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.

The Trustees consider how ESG, climate change and stewardship are 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. The Plan's investment managers were all signatories of the current UK Stewardship Code as of the latest formal update published by the Financial Reporting Council as at 21 February 2024.

The Plan's investment performance is reviewed by the Trustees on a quarterly basis, and any changes to investment manager ratings (both general and specific ESG ratings) are communicated by the Investment Advisor. 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 will continue to monitor this and may consider reviewing a manager's appointment if deemed necessary. When appointing a new manager or allocating funds to a new strategy with an existing manager, the Trustees consider the ESG rating of the manager or strategy being selected.

The Trustees have 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. These reports are reviewed by the Trustees to ensure that they align with the Trustees' policies and priorities.

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

<u>LGIM</u>

LGIM 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:

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

Over 2023, LGIM's stewardship activities involved: formalising their approach on human rights, expanding their diversity voting sanctions to the executive committee level for the largest companies in the US and the UK, applying vote sanctions for the first time on companies not meeting their expectations on deforestation, and initiating a campaign on income inequality at supermarkets across five continents.

In 2023, LGIM launched 17 new responsible investment strategies and, as at year-end, managed £378.1 billion of assets in responsible investment strategies.

There are c.100 LGIM employees with roles dedicated exclusively to ESG activity. This covers leadership positions to implement their responsible investing strategy across their Investment Stewardship, Investments, Distribution, Product, and ESG IT and Change teams.

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.

LGIM's policy dialogue aims to produce 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 2023, LGIM cast almost 149,000 votes at over 15,580 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 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 2024 (latest information available prior to the Plan year end of 5 April 2024), 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 LGIM LDI and Buy and Maintain Credit holdings, as well as the Wellington Multi-Asset Credit holdings, the managers have limited scope for engagement as these are fixed income portfolios that have no voting rights. LGIM and Wellington do however 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	4,238	33,716	99.9%	80% / 19%	7%
World Developed Equity Index Fund	2,338	30,515	99.8%	78% / 22%	16%
Global Developed Small Cap Index Fund	4,088	43,857	99.8%	74% / 26%	17%

Source: LGIM. Figures subject to rounding.
**Balance refers to % of resolutions from which the manager abstained from voting. LGIM have not voted on 100% of the eligible resolutions, as in some markets/countries you cannot abstain and as such LGIM can only "abstain" by not voting at all.*
***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 2024.

Below are examples of votes classified as “most significant” over the year to 31 March 2024 (latest information available prior to the Plan year end of 5 April 2024), based on the criteria as set out above. Summary voting information is also included for each relevant fund.

1 - World Emerging Markets Equity Index Fund
Company: Tencent Holdings Limited **Size of holdings (% of total fund portfolio):** 4.2 **AGM date:** May 2023 **How the manager voted:** Against (against management recommendation) **Outcome of the vote:** Pass **Summary Of the resolution:** Elect Jacobus Petrus (Koos) Bekker as Director **Voting rationale:** A vote against has been applied because LGIM expects the Committee to comprise independent directors. **Why the vote is significant:** Under the good corporate governance category

2 - World Developed Equity Index Fund
Company: Apple Inc. **Size of holdings (% of total fund portfolio):** 4.4 **AGM date:** February 2024 **How the manager voted:** Against **Outcome of the vote:** Fail **Summary Of the resolution:** Report on Risks of Omitting Viewpoint and Ideological Diversity from Equal Employment Opportunities (“EEO”) Policy **Voting rationale:** A vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice. **Why the vote is significant:** Under the diversity, equity and inclusion category

2 - World Developed Equity Index Fund
Company: Amazon.com, Inc. **Size of holdings (% of total fund portfolio):** 1.7 **AGM date:** May 2023 **How the manager voted:** For (against management recommendation) **Outcome of the vote:** Fail **Summary Of the resolution:** Report on Median and Adjusted Gender/Racial Pay Gaps **Voting rationale:** A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society. **Why the vote is significant:** Under the diversity, equity and inclusion category
Company: Alphabet Inc. **Size of holdings (% of total fund portfolio):** 1.4 **AGM date:** June 2023 **How the manager voted:** For (against management recommendation) **Outcome of the vote:** Fail **Summary Of the resolution:** Approve Recapitalization Plan for all Stock to Have One-vote per Share **Voting rationale:** A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard. **Why the vote is significant:** Under the good corporate governance category

2 - World Developed Equity Index Fund
Company: Meta Platforms, Inc. **Size of holdings (% of total fund portfolio):** 1.1 **AGM date:** May 2023 **How the manager voted:** Withhold (against management recommendation) **Outcome of the vote:** Fail **Summary Of the resolution:** Elect Director Mark Zuckerberg **Voting rationale:** A vote withheld (against management recommendation) is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. Shareholder rights: A vote against is applied because LGIM supports the equitable structure of one-share-one-vote. We expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure. Withhold votes are further warranted for Mark Zuckerberg, the owner of the supervoting shares. **Why the vote is significant:** Under the good corporate governance category

3 - Global Developed Small Cap Index Fund
Company: Camden Property Trust **Size of holdings (% of total fund portfolio):** 0.20 **AGM date:** May 2023 **How the manager voted:** Against (against management recommendation) **Outcome of the vote:** Pass **Summary Of the resolution:** Elect Director Richard J. Campo **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:** Under the good corporate governance category

Note: Over the period there were no votes undertaken that align with the Trustees' definition of a "significant vote". However, we have included the above vote as an example of voting undertaken over the period that aligns with the Trustees' focus areas, set out earlier in this Statement.

Engagement undertaken by LGIM for the 12 months to 31 March 2024.

Engagement Example 1 – Climate Change – JP Morgan Chase

Rationale: LGIM believe banks have a prominent role to play in financing the global transition to net zero. As one of the world's leading financial institutions with an extensive financial geographical footprint, including in emerging markets, JPMorgan's commitments to green financing have a big potential impact across many emitting sectors. LGIM have therefore selected the bank as one of our 'in depth' engagement companies under the Climate Impact Pledge.

LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under LGIM's Climate Impact Pledge, they publish their minimum expectations for companies in 20 climate-critical sectors. LGIM select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).

LGIM's Climate Impact Pledge 'red lines' for banks are:

- Does the company have restrictions around financing/investing in thermal coal, including new thermal coal projects?
- Does the company disclose its scope 3 emissions associated with its financed emissions?
- Does the company disclose its climate-related lobbying activities, including trade association memberships, and explain the action it will take if these are not aligned with a 1.5°C scenario?

What has been done: In 2020, following more than three years of dedicated engagement by LGIM, JPMorgan announced plans to align its financing of three sectors with the goals of the Paris Agreement. In 2021, they published their interim targets for decarbonisation. In signing up to the Net Zero Banking Alliance, JPMorgan has made a commitment to set targets to transition to net zero greenhouse gas emissions by 2050 or sooner, and to set interim targets for 2030, consistent with a 1.5C trajectory.

LGIM's voting at their AGMs and their decisions to publish pre-declarations on certain votes at the company, in order to increase public pressure and clarify LGIM's views to the market, have formed a regular feature of their overall engagement. LGIM pre-declared their voting intention on a number of resolutions at JPMorgan's 2022 AGM. These included supporting one of two of the shareholder resolutions on climate change, which LGIM felt was aligned with their expectations. It should also be noted that LGIM chose not to support the other shareholder proposal on climate change as it was drafted in such a way as to seek to micromanage the board – while LGIM agreed with the overall aim, LGIM did not agree with the drafting and details. LGIM maintains a case-by-case approach to shareholder resolutions. Other pre-declarations on their 2022 AGM reflected LGIM's concerns with their governance structures. LGIM's votes ranged from the rejection of Jamie Dimon's re-election in the dual role of CEO and Chair, the re-election of other directors and auditors, and LGIM's dissent regarding their ‘Say on Pay’ vote, amid uncapped, overly generous pay structures without clear pre-set performance criteria being disclosed.

At the bank's 2023 AGM, LGIM supported three climate-related shareholder proposals, reflecting the further steps that LGIM wanted the bank to take; LGIM pre-declared their voting intention. LGIM’s other voting decisions reflect their ongoing concerns relating to broader governance topics, including the combined Chair/ CEO roles and remuneration.

LGIM will continue to follow developments closely, particularly how these targets are reflected in the bank’s financing mix going forward. LGIM continue to engage with the company directly, particularly on their approach to climate change, under LGIM’s Climate Impact Pledge engagement program.

Outcomes and next steps: Under LGIM’s Climate Impact Pledge, they have had in-depth discussions with JPMorgan on their coal policy, their scope 3 emissions and the sectors to which their 1.5 degree alignment applies. LGIM are also monitoring how they meet the commitments they have signed up to under the Net Zero Banking Alliance, which include a commitment to set targets to transition to net zero greenhouse gas emissions by 2050 or sooner, and to set interim targets for 2030, consistent with a 1.5C trajectory.

As one of the early banks to disclose sectoral interim targets, these targets were set against the IEA's SDS scenario, quickly becoming outdated following the IEA's publication of its revised Net-Zero Economy 2050 (NZE50) scenario. LGIM therefore pushed the bank to increase the number of sectors covered by its interim targets and review the target ranges and base lines.

LGIM have continued to speak to JPMorgan, alongside our climate solutions team at LGIM, engaging in a mutual exchange of views and understanding, including with their climate-focused team in the Centre for Carbon Transition, during 2023.

In November 2023, JPMorgan have published their recent climate report, which includes updated targets on 9 sectors, which are now based on the IEA NZE50 scenario, including updated targets on oil & gas and energy mix and absolute emissions disclosures to augment intensity target ranges. LGIM welcome the tightened targets and additional sectors. Following the update to its emissions targets, LGIM encourage the bank to review its coal policy and continue to monitor the company's progress against targets.

Transparency and improving disclosures enables investors and the market to assess risks and opportunities related to the climate transition and price these more accurately. Appropriate pricing of climate-related risks and opportunities in the market can also be an important incentive for change.

Engagement Example 2 – Diversity, Equity and Inclusion – Walmart

Rationale: Ensuring companies take account of the ‘employee voice’ and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of our stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, LGIM’s work on income inequality and LGIM’s expectations of companies regarding the living wage have acquired a new level of urgency. LGIM’s expectations of companies are:

i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their Tier 1 and ideally Tier 2 supply chains;
ii) LGIM expect the company board to challenge decisions to pay employees less than the living wage;
iii) LGIM ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees;
iv) In the midst of the pandemic, LGIM went a step further by tightening our criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.

Certain industries have an inherent propensity to use lower skilled, lower wage employees, the retail sector being one of them.

What has been done: LGIM is a member of three collaborative engagement groups; ShareAction's Good Work Coalition; the Platform for Living Wage Financials; and ICCR Living wage for US workers. The Good Work Coalition aims to encourage UK companies to pay their employees a real living wage and to become accredited living wage employers. LGIM have been working with this coalition since 2015. LGIM joined the Platform for Living Wage Financials (PLWF) in 2022, to encourage, support, assess and monitor investee companies on their commitment to enable living wages and incomes for workers in their supply chains. LGIM carried out the assessment, scoring and engagement with three companies, one of which was Walmart.

Typical levels of individual engaged with include Head of Sustainability and Investor Relations.

LGIM have held direct engagement calls with Walmart on a number of ESG topics, focusing more recently in 2022 on supply chains and human capital management. LGIM continue to engage with the company and to express their views through voting.

At Walmart's 2022 AGM, LGIM supported a shareholder proposal (Resolution 7) demanding a report on the alignment of racial justice goals and starting wages. LGIM voted in favour of this proposal because LGIM expects Walmart to pay all employees at least a living wage. The additional disclosure should ensure that all employees are being paid fairly and at least a living wage for the region they are working in.

In Walmart's 2023 AGM, LGIM supported a shareholder resolution requesting that the company consider the pay disparity between the CEO and other employees. LGIM expects the remuneration committee to take into account the pay and benefits provided throughout the organisation when setting the CEO's compensation. LGIM supported a number of other social-related shareholder proposals.

Outcome and Next Steps: Although LGIM acknowledge that Walmart has made increases to the wages of its employees, the new pay levels fall short of being a living wage.

In 2023, LGIM launched its own income inequality engagement campaign targeting 15 of the largest global food retailers. Walmart being the largest food retailer in the World is one of the 15 companies in the campaign. In addition to setting objectives regarding the living wage for these companies' own operations, LGIM also expect them to take certain actions regarding their supply chains; companies within this campaign that do not meet LGIM’s expectations may be subject to a vote against the Chair at their 2025 AGM.

Calls to date have been with Investor Relations, ESG Strategy and engagement team members and the Corporate Governance and board support team.

The milestones set under this campaign relate to expectations that, should they be achieved, they would not only improve wages for significant numbers of low-paid workers around the world but also, given these companies' influence in their respective countries and supply chains, LGIM would expect there to be a knock-on impact as competitors and smaller peers would then be compelled to follow suit. LGIM would hope that this would improve the livelihood of thousands of workers and their families but also boost GDP.

LGIM may consider co-filing some shareholder resolutions in 2024 at some of the companies targeted under this campaign.

Engagement undertaken by Wellington for the 12 months to 31 March 2024.

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 into 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

FANNIE MAE

Over the period Wellington engaged with the Federal National Mortgage Association (Fannie Mae). The social impacts of investments in agency mortgage-backed securities, including Fannie Mae mortgage-backed pass-through securities, are of broad interest across Wellington’s investment platform.

The engagement was requested by Fannie Mae, who sought feedback on its proposed Single-Family Social Index, a scoring system designed to provide market participants with insights into the social composition of its mortgage pools.

Fannie Mae’s proposed scoring system is comprised of three dimensions: income, borrower, and property characteristics. This scoring system is a positive step in providing transparency into government-sponsored, mission-oriented lending activities. Fannie Mae proposes providing aggregated scores reflecting pools’ performance across eight social criteria, rather than disclosing the underlying data itself, as the issuer believes that enhanced disclosure could have implications for the mortgage-backed security market and borrower privacy. For example, rather than disclose the proportion of loans to low-income borrowers, Fannie Mae instead plans to disclose the proportion of loans addressing one or more of its social criteria within the income, borrower, and property categories.

In Wellington’s view, since the issuer is using eight broad social criteria under these three categories, there is a high chance that a borrower would qualify for at least one of them, potentially limiting the insights of the scoring system that could be most useful for impact investors seeking to support a particular impact thesis. Wellington expressed their desire for greater disclosure and data granularity. That said, Wellington are cognisant of the importance of identity protection and hopeful that Wellington can work with the issuer on a solution that strikes this balance.

Understanding the metrics underpinning Fannie Mae’s mortgage pools, such as average borrower income as a percentage of a region’s median income, would enable Wellington to identify additional mortgage pools outside of our current investable universe that may be aligned with themes in our impact portfolios.

Through Wellington’s engagement, they also highlighted differences in their definition of what they deem socially impactful, again reiterating the benefits of increasing data granularity.

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