ZF UK Pension Plan

(Plan Registration Number 12009911)

Annual Report For The Year Ended 31 March 2024

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The Trustee's Report

Introduction

This report relates to the operation of the ZF UK Pension Plan ("the Plan") during the year ended 31 March 2024.

The Plan was established and governed by a Trust Deed dated 6 August 2014 and subsequent amendments. The Plan was a contracted-out salary related scheme. The Plan is a registered pension scheme under Schedule 36 of the Finance Act 2004. It was registered with Her Majesty's Revenue and Customs (HMRC) on 11 August 2014.

The Plan was formerly known as the TRW Pension Plan. All sections of the Plan were closed to any future accrual from 5 April 2024.

With effect from 30 September 2022 (the "Merger Date") all of the assets and liabilities of the WABCO Automotive UK Limited Pension Scheme (the "WABCO Scheme") were transferred into the Plan. As a result of this "Plan Merger" a new Segregated Section (the "WABCO Section") was established in the Plan for those former members of the WABCO Scheme who were active members of the WABCO Scheme as at 30 June 2022. The WABCO Section has subsequently been closed to future accrual with effect from 5 April 2024 and the Plan was then "de-segregated" with effect from 7 April 2024.

Details of the Plan's benefits can be found on the Plan website (www.zfukpensions.co.uk).

Management of the Plan

The Plan has a sole corporate professional Trustee, BESTrustees Limited who were appointed to replace ZF UK Pensions Trust Limited with effect from 16 November 2022.

The Professional Trustees authorised to act for and on behalf of BESTrustees Limited in respect of the Plan during the year were Mr M Smaje and Mr C Parrott.

The names of the Directors of BESTrustees Limited are as follows:

Name	Date of appointment	Date of resignation
AJ Boorman	1 July 2019	
HM Evans	1 April 2018	
AP Rigby	1 June 2021	
Z Fazal	1 January 2010	23 June 2023

The Principal Employer makes all appointments and replacements.

An occupational pension scheme is exempt from the requirement to have member nominated trustees where the sole trustee is independent within the meaning given by section 23(3) of the Pensions Act 1995.

The Trustee held seven full meetings during the period to consider matters relating to the administration of the Plan.

The Trustee has delegated the day-to-day management and operation of the Plan's affairs to professional organisations.

The Trustee's Report (Cont)

Changes to Plan Rules

A Deed of Amendment was signed on 16 November 2023 to a) allow certain deferred members retiring late (rather than at Normal Retirement Date) to receive a late retirement uplift; b) allow the Trustee to reduce the level of discretionary dependant's pension payable in respect of a deferred member dying without a spouse where a lump sum is also automatically payable; and c) introduce the ability for charities to be nominated as lump sum death benefit beneficiaries.

A Deed of Amendment, Participation, Desegregation and Flexible Apportionment Arrangement was signed on 3 April 2024 to give effect to the Desegregation of the WABCO and Main Sections of the Plan by (a) the Trustee entering into a Flexible Apportionment Arrangement with the removal of ZF CV Distribution UK Limited as a Participating Employer in the WABCO Section and the readmission of ZF CV Distribution UK Limited as a Participating Employer in the Plan following the Desegregation; (b) admitting ZF Automotive UK Limited as a participating employer in the WABCO Section; (c) closing the WABCO Section to the future accrual of benefits from 5 April 2024.

An Employment-cessation Event therefore occurred in respect of ZF CV Distribution UK Limited on 5 April 2024, but for a Flexible Apportionment Arrangement entered into by the Participating Employers and the Trustee. The Trustee notified the Pensions Regulator about the Flexible Apportionment Arrangement as required by section 69 of the Pensions Act 2004 and the Employer Debt Regulations. The Participating Employers and the Trustee agreed that a debt did not become due under sections 75 or 75A of the Pensions Act 1995 to the Plan from any party as a result of the steps taken under the Deed.

The Deed of Amendment, Participation, Desegregation and Flexible Apportionment Arrangement also amended the Rules of the Plan, on an overriding basis, such that former In-Service Deferred Members of the former ZF Lemforder UK Pension Plan continue to be eligible for certain benefits, provided by the ZFL Merger Deed, while being employed by any entity in the ZF Group.

The Principal Employer

The Principal Employer is ZF Pension Sponsor UK Limited, which is a wholly owned subsidiary of ZF Friedrichshafen AG.

Participating Employers

The participating employers whose employees were entitled to be members of the Plan were ZF Automotive UK Limited, ZF Lemforder UK Limited and ZF Services UK Limited (Main Section) and ZF CV Distribution UK Limited (WABCO Section).

Trust Deed and Rules

A copy of the Trust Deed and Rules is available for examination in Human Resource Departments and personal copies can be obtained on written applications to the Trustee Secretary at a cost of £25.

Plan advisers

The Trustee retains a number of professional advisers in connection with the operation of the Plan. In line with UK pension scheme best practice, the Trustee has a policy of periodically reviewing all of its external advisers and service providers.

The Trustee's Report (Cont)

Plan advisers

The advisers currently appointed are as follows:

Scheme Actuary	Mr M Davis
Advising Actuaries	Hymans Robertson LLP
Administrator of the Plan benefits	Barnett Waddingham XPS Administration (in respect of the former WABCO Scheme) (from 1 October 2022 to 30 April 2023)
Legal Advisers	Travers Smith LLP
Independent Auditor	Crowe U.K. LLP
Investment Adviser	Hymans Robertson LLP (until 30 April 2023) Isio Group Limited (from 1 May 2023)
Custodian of the Plan assets	Bank of New York Mellon
Investment Performance Measurement	Mellon Analytics
Investment Managers	Arcmont Asset Management Barings Global Investment Funds Plc CBRE Global Investors (to December 2023) Legal & General Investment Management (to December 2023) M&G Investments Schroders Investment Management BlackRock Investment Management (WABCO Section) Partners Group (Guernsey) (to January 2024) LGT Capital (from December 2023) PGIM Funds Plc (from December 2023) Pantheon (from December 2023) Swiss Life (from December 2023) Quoniam (from December 2023)
Bankers	Lloyds Bank Plc Bank of Scotland (to August 2023) ING Bank NV (to October 2023) Barclays Bank Plc (to September 2023)
Medical Adviser	Health Management Limited
Secretary to the Trustee	Mr A Saker

Changes in and other matters relating to Plan advisers

Except as noted above there have been no other changes to Plan advisers and other matters during the Plan year under review.

The Trustee's Report (Cont)

Financial development of the Plan

During the year the value of the net assets increased by £8,688,000 to £1,003,616,000 as at 31 March 2024. The increase comprised net withdrawals from dealings with members of £11,059,000 together with a net increase from the return on investments of £19,747,000.

Plan Audit

The financial statements on pages 22 to 38 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Tax status of Plan

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why the Plan's registered status should be prejudiced or withdrawn.

Plan membership

	Number as at start of year	Changes in year	Number as at end of year
Active members	34		
New joiners		1	
Leavers		(1)	
Retired		(5)	
			29
Deferred pensioners	7,353		
Late notifications		(23)	
New joiners (from active)		1	
Left		(8)	
Transferred out		(16)	
Retired		(446)	
Retired (small pensions paid as a lump sum)		(20)	
Died		(28)	
			6.813
Pensioners and dependants	5,152		
Late notifications		(71)	
New pensioners		451	
Small pensions paid as a lump sum		(3)	
Dependant ceased		(15)	
New dependant		49	
Died		(227)	
			5,336
	12,539		**12,178**

The member numbers shown above reflect the number of member records held by the Plan.

The late notifications above are in respect of movements with an effective date prior to the Plan year.

Included within the pensioners and dependants are 518 (2023: 551) pensions paid from annuities held with Legal & General in relation to WABCO members.

The Trustee's Report (Cont)

Pension increases

The increases to pensions from 1 April 2024 were dependent on which section of the Plan each person is a member.

For pensions in deferment:

Section	Pension Element	Increase
All sections excluding members of the sections listed below	All pension	4.0% (1)
	Temporary and Early Retirement Allowance	6.7% (2)
Steering Systems and UK (leavers pre 1 January 1986)	All pension	0.0%
Steering Systems and UK (leavers post 31 Dec 1985 and pre 1 Jan 1991)	Pension accrued pre 1 January 1985	0.0%
	Pension accrued post 31 December 1984	4.0% (3)
Steering Systems and UK (leavers post 31 December 1990), 100ths (2004), Closed SRBS A (2004), and 100ths (2006)	Pension accrued pre 6 April 2009	4.0% (3)
	Pension accrued post 5 April 2009	2.5% (4)
ZF Lemforder	All pension	5.0% (5)
ZF Great Britain	Pension accrued pre 6 April 2009	5.0% (5)
	Pension accrued post 5 April 2009	2.5% (6)
WABCO (leavers pre 1 January 1986)	All pension	0.0%
WABCO (leavers post 31 Dec 1985 and pre 1 Jan 1991)	Pension accrued pre 1 January 1985	0.0%
	Pension accrued post 31 December 1984	5.0% (5)
WABCO (leavers post 31 December 1990)	Pension accrued pre 6 April 2009	5.0% (5)
	Pension accrued post 5 April 2009	2.5% (6)

Notes:

(1) Annual CPI increase (January 2024) up to a maximum of 7%
(2) Annual CPI increase (September 2023)
(3) Annual CPI increase (January 2024) up to a maximum of 5%
(4) Annual CPI increase (January 2024) up to a maximum of 2.5%
(5) The Occupational Pensions (Revaluation) Order – Higher revaluation percentage
(6) The Occupational Pensions (Revaluation) Order – Lower revaluation percentage

The Trustee's Report (Cont)

Pension increases (Cont)

For pensions in payment:

Section	Pension Element	Increase
All sections excluding members of the sections listed below	Pension in excess of GMPs	4.0% (1)
	Temporary pensions	6.7% (2)
SRBS A, C, A (57.5), and C (57.5)	All pension	4.0% (1)
	Temporary pensions	6.7% (2)
Steering Systems	Pension in excess of GMPs accrued pre 1 April 1992	2.5% (3)
	Pension in excess of GMPs accrued post 31 March 1992	4.9% (4)
UK	Pension in excess of GMPs	4.9% (4)
100ths (2004), and SRBS A (2004)	Pension accrued pre 6 April 2005	4.0% (5)
	Pension accrued post 5 April 2005	2.5% (6)
	Temporary pensions	6.7% (2)
100ths (2006)	All pension	2.5% (6)
	Temporary pensions	6.7% (2)
ZF Lemforder	Pension in excess of GMP accrued pre 6 April 2006	5.0% (7)
	Pension in excess of GMP accrued post 5 April 2006	2.5% (8)
ZF Great Britain (increases applied with effect from 1 January 2024)	Pension in excess of GMP accrued pre 1 July 2001 and pension accrued from 1 April 2005 to 5 April 2006	5.0% (9)
	Pension accrued from 1 July 2001 to 31 March 2005	7.0% (10)
	Pension accrued post 5 April 2006	3.0% (11)
WABCO	Pension in excess of GMP accrued pre 6 April 1997	0.0%
	Pension in excess of GMP accrued post 5 April 1997	5.0% (14)
Guaranteed Minimum Pensions:		
GMP earned between 6 April 1978 and 5 April 1988		N/A (12)
GMP earned between 6 April 1988 and 5 April 1997		3.0% (13)

Notes:

(1) Annual increase in CPI (January 2024) up to a maximum of 7%
(2) Annual increase in CPI (September 2023)
(3) Fixed 2.5% a year
(4) Annual increase in RPI (January 2024) up to a maximum of 5%
(5) Annual increase in CPI (January 2024) up to a maximum of 5%
(6) Annual increase in CPI (January 2024) up to a maximum of 2.5%
(7) Annual increase in RPI (October 2023) up to a maximum of 5%
(8) Annual increase in RPI (October 2023) up to a maximum of 2.5%
(9) Fixed 5% a year
(10) Annual increase in RPI (September 2023) up to a maximum of 7% and a minimum of 5%
(11) Annual increase in RPI (September 2023) up to a maximum of 3%
(12) All increases are provided by the State
(13) Annual increase in CPI (September 2023) up to a maximum of 3%. Additional inflationary increases are provided by the State.
(14) Annual increase in RPI (September 2023) up to a maximum of 5%

The Trustee's Report (Cont)

Additional Voluntary Contributions (AVCs)

The Actuary has certified that the rate of interest to be applied to cash accumulation AVC balances held for the year ended 31 March 2024 for the Plan is 5% (2023: 2.3%).

For those who retire, die or transfer their AVCs in the year ended 31 March 2024, no terminal bonus will be paid. AVCs paid to an external provider receive the return declared by those providers. The Plan's AVC arrangements were closed to further contributions from 5 April 2006, except for certain active members that transferred into the Plan following the WABCO merger.

Money Purchase Underpin Account

This is applicable to members of the Closed 80ths Section of the Plan. Each year, twice the member's contributions are credited to the account. Interest is applied to the balance of the account on an annual basis equal to the full rate of return of the Plan.

The full rate of return in the Plan for the year ended 31 December 2023 was 7.09% (2022: -48.2%).

Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pension Schemes Act 1993 and subsequent amendments. No discretionary benefits are included in the calculation of transfer values.

A cash equivalent is the amount which a Plan member is entitled under social security legislation to have applied as a transfer payment to another permitted pension arrangement or a buy-out policy.

Data Protection Act 2018 and General Data Protection Regulation

Under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 regulations, pension scheme trustees are classed as data controllers, with legal responsibility for compliance falling to them. Scheme Actuaries are also classed as data controllers (jointly with the Trustee) in accordance with guidance issued by the Actuarial Profession. Barnett Waddingham LLP act as a data processer as the administrators of the Plan.

The Trustee has worked with its advisers to receive relevant training, and continues to do so to ensure continued compliance with data protection legislation.

Codes of Practice

The Trustee is aware of and adheres to the Codes of Practice issued by The Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good administration.

Following the publication of the Pension Regulator's new General Code of Practice on 10 January 2024, the Trustee will be considering the impact of this on the Scheme's governance arrangements to ensure there is an appropriate effective system of governance.

The Trustee's Report (Cont)

The Pensions Regulator: Record Keeping

TPR issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the trustees) and those who administer pension schemes. The guidance covers both common data and scheme-specific data (conditional). The guidance sets out good practice in helping trustees to assess risks associated with record keeping. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded.

More information can be found at:

https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/record-keeping

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 the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustee of the Plan is aware that the issue will affect the Plan, and has already considered this in detail. Work is ongoing as further guidance becomes available. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Plan has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements in future years.

At the date of signing these financial statements, it is not possible to estimate the value of any such adjustments at this time. The Trustee does not consider the adjustments will be material to the financial statements.

Further details are disclosed in Note 25 of the financial statements.

Contact for further information

If, as a Plan member, you wish to obtain further information about the Plan, including copies of the Plan documentation, your own pension position, or who to contact in the event of a problem or complaint, please write to or telephone: Barnett Waddingham the Plan administrators:

Barnett Waddingham LLP
3 Devon Way
Birmingham
B31 2TS

Tel: 0330 135 9988

Alternatively you may contact the Plan administrators online at:
https://logon.bwebstream.com/shared/contact

Or email: ZFUKmembers@Barnett-Waddingham.co.uk

The Trustee's Report (Cont)

Additional information

Pensions Act 1995 and 2004

Appointment of Advisers

The Pensions Act 1995 requires the Trustee to appoint its own advisers. All the advisers have formally accepted the appointments and confirmed that they will notify the Trustee should any conflicts of interest arise in relation to the Plan. The advisers are listed on page 3.

Internal Disputes Resolutions Procedure

The Trustee has an internal disputes resolution procedure in place. Information on how to refer a complaint to the internal disputes resolution procedure is available by writing to the Trustee Secretary at:

ZF UK Pension Plan
The Hub
Central Boulevard
Blythe Valley Park
Shirley
Solihull
B90 8BG

Funding Documents

The Plan's latest Statement of Funding Principles was produced as part of its latest actuarial valuation, which was calculated as at 31 March 2021 and completed on 31 August 2022. A Schedule of Contributions for the Plan was signed on 31 August 2022, which took effect from 31 August 2022.

Internal Controls

A compliance statement is produced annually by the Trustee Secretary and the Plan's administrator for the Trustee, to provide information regarding the administration of the Plan. The Statement outlines the statutory requirements along with non-statutory best practice. It details any breaches that have occurred during the year. In response to the Pensions Regulator's code on internal controls the Trustee has prepared a schedule of risks faced by the Plan. The contents of the risk register are taken into account when the Trustee set its goals, as part of its annual business plan.

The Trustee’s Report (Cont)

Statement of Trustee's Responsibilities

Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, is the responsibility of the Trustee. Pension scheme regulations requires the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

(i) 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 the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- assessing the Plan’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Plan, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee’s annual report, information about the Plan prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee is responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The Trustee is responsible for the maintenance and integrity of the Plan and financial information included on the Plan’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, maintaining, and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable 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 Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for procuring that contributions are made to the Plan in accordance with the schedule.

The Trustee's Report (Cont)

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, the Plan 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 Trustee and the 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 31 March 2021. This showed that on that date:

The value of the Technical Provisions was:	£1,492 million
The value of the assets was:	£1,674 million

The next full actuarial valuation will have an effective date no later than 31 March 2024.

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

Method

The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit Method.

Significant Actuarial assumptions:

Discount rate before retirement:	Dependent on term and assumed to be 0.85% p.a. above the market implied gilt yield curve.
Discount rate after retirement:	Dependent on term and assumed to be 0.85% p.a. above the market implied gilt yield curve.
Price inflation (Retail Price Inflation):	Market expectation of future inflation dependent on term as measured by the market implied gilt based inflation curve.
Price inflation (Consumer Price Inflation):	1.0% p.a. lower than the market implied RPI assumption up to 2030 and 0.0% p.a. lower thereafter.
Pension increases:	Inflation linked increases are assumed to be in line with price inflation adjusted to take account of any maximum or minimum increase that may apply.
Deferred revaluation:	Inflation linked increases are assumed to be in line with the relevant price inflation assumption capped at any maximum or minimum increase that may apply. Fixed increases are assumed to increase at the appropriate fixed rate.
Mortality:	A suite of bespoke assumptions which reflect the characteristics of the Plan membership. The "VitaCurves" adopted will be based on pooled experience from occupational pension schemes as collated by Club Vita. They will make allowance for observed variations in mortality according to age, gender, reason for retirement (illness or normal health), pension amount, salary and postcode based lifestyle group. Future improvements in longevity will be assumed to be in line with the CMI 2020 model, with a long term rate of improvement of 1.5% for males and females.

The financial statements on pages 22 to 38 do not take into account liabilities which fall due after the year end. As part of the triennial valuation, the Scheme Actuary considers the funding position of the Plan and the level of contributions payable.

The Trustee's Report (Cont)

Investment managers

As at 31 March 2024 the following investment managers were appointed by the Trustee:

- Arcmont Asset Management
- Legal & General Investment Management (to December 2023)
- CBRE Global Investors (to December 2023)
- M&G Investments
- Barings Global Investment Funds Plc
- Schroders Investment Management
- BlackRock Investment Management (WABCO Section)
- Partners Group (Guernsey) (to January 2024)
- LGT Capital (from December 2023)
- PGIM Funds Plc (from December 2023)
- Pantheon (from December 2023)
- Swiss Life (from December 2023)
- Quoniam (from December 2023)

The Trustee's appointed investment managers were regulated during the year by either the Prudential Regulation Authority, the Financial Conduct Authority or the Commission de Surveillance de Secteur Financier. In addition, CBRE Global Investors is a member of the Royal Institution of Chartered Surveyors. The investment management costs are borne by the Plan and detailed in the financial statements.

When choosing investments, the Trustee and the fund managers (to the extent delegated) is required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The Trustee' responsibilities also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Plan's assets.

The Trustee expects that the investment managers will take into account these responsibilities in the exercise of their delegated duties. These matters are, however, kept under review by the Trustee, in consultation with their investment adviser and investment managers.

Internal controls

The Trustee has received and reviewed the following reports dealing with the internal controls of its appointed investment managers and custodian:

Company	Appointment	Reporting period
Bank of New York Mellon	Custodian	1 April 2023 to 31 March 2024
Legal & General Investment Management	Investment Manager	1 January 2023 to 31 December 2023
CBRE Global Investors	Investment Manager	1 January 2023 to 31 December 2023
M&G Investments	Investment Manager	1 January 2023 to 31 December 2023
Barings Global Investment Funds Plc	Investment Manager	1 October 2023 to 30 September 2023
Schroder Investment Management	Investment Manager	1 October 2023 to 30 March 2024
PGIM Funds Plc	Investment Manager	1 October 2022 to 30 September 2023
LGT Capital	Investment Manager	1 October 2022 to 30 September 2023

The Trustee's Report (Cont)

Asset allocation

The Trustee acts on the advice of its Investment Sub-Committee, its investment adviser and the Plan Actuary to put in place an investment structure whereby the Plan's liabilities determine the type of assets held by the Plan. This approach to investments is called 'liability driven investment' (LDI). The Trustee considers the investments to be suitable to the Plan's stated objectives. The central features of this strategy are as follows:

- To manage the interest rate and inflation risk inherent in the Plan's liabilities by the use of physical and derivative assets.
- A controlled use of derivatives to increase the yield on the Plan's physical assets through exposure to credit markets.

At the year end the majority of the Plan's assets were managed by Schroders. These assets form a 'collateral pool' designed to support the LDI strategy. The collateral pool comprises the following physical assets:

- UK Gilts
- UK Index-linked Gilts
- Money Market Instruments'
- Cash

The remainder of the Plan's assets are a combination of:

- Property
- Asset backed securities
- Secured Loans
- Global high yield credit
- Bonds
- Private Loans

The Plan's largest physical investments

The Plan's largest 20 physical holdings excluding pooled investment vehicles, cash and derivatives at the year end is shown in the table below.

Asset Class	Security	Maturity	Market Value (£m)	% of total net assets
UK Treasury	Fixed 4.250%	07/12/40	42.80	4.26
UK Treasury	Fixed 4.250%	07/12/49	30.00	2.99
UK Treasury	Indexed Linked 1.250%	22/11/55	25.90	2.58
UK Treasury	Fixed 1.750%	22/07/57	23.00	2.29
UK Treasury	Indexed Linked 0.250%	22/03/52	22.62	2.25
UK Treasury	Indexed Linked 0.125%	22/11/36	21.00	2.09
UK Treasury	Indexed Linked 0.125%	10/08/31	20.66	2.06
UK Treasury	Indexed Linked 0.625%	22/11/42	16.88	1.68
UK Treasury	Indexed Linked 1.125%	22/11/37	16.78	1.67
UK Treasury	Indexed Linked 0.125%	10/08/41	16.29	1.62
UK Treasury	Indexed Linked 0.625%	22/03/40	16.18	1.61
UK Treasury	Indexed Linked 0.125%	22/03/29	16.06	1.60
UK Treasury	Indexed Linked 0.375%	22/03/62	15.46	1.54
UK Treasury	Indexed Linked 0.125%	22/03/46	15.11	1.51
UK Treasury	Indexed Linked 0.500%	22/03/50	14.97	1.49
UK Treasury	Indexed Linked 0.125%	22/03/39	14.75	1.47
UK Treasury	Indexed Linked 1.250%	22/11/32	14.71	1.47
UK Treasury	Indexed Linked 0.750%	22/11/47	13.75	1.37
UK Treasury	Indexed Linked 0.125%	22/03/44	13.23	1.32
UK Treasury	Indexed Linked 0.625%	22/03/45	11.94	1.19
			382.09	**38.06**

The Trustee's Report (Cont)

Statement of Investment principles

The Statement of Investment Principles deals with the following topics:

- Governance
- Investment objectives
- Investment strategy
- Leverage and collateral management
- Investment management arrangements
- Investment manager monitoring and engagement
- Employer-related investments
- Direct investments
- Compliance

The current statement, implemented from 23 April 2024, is included on pages 59 to 62. A separate copy of the statement can be obtained by writing to the Trustee Secretary.

Departures from investment principles

There were no significant departures from the stated principles during the year under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

Employer related investments

During the year the Plan had no investment in ZF Friedrichshafen AG, and no direct investments in any connected employer.

Stock lending

As at 31 March 2024, the majority of the Plan's assets were held under the segregated custody of Bank of New York Mellon, which did not engage in any stock lending.

Review of investments

During the year the Trustee, with the help of its professional advisers, has carefully considered the Plan's investments. They are satisfied that the investments conform to all the statutory criteria.

Investment performance

Independent performance measurement is provided to the Plan by Mellon Analytics.

Benchmark

The investment performance benchmark for the Plan is the Plan's liabilities. The Plan's liabilities are measured on a Technical provisions basis (Statutory Funding Basis) and other actuarial bases. In order to meet the Plan's immediate and long term funding objectives, the Plan's assets must outperform its liabilities. The performance of the Plan's assets measured against its liabilities for the Plan year ended 31 March 2024 is shown on the next page.

Asset performance	Liabilities measured on a Technical provisions basis	Liabilities measured on an Economic basis[1]
2.13%	-4.4%	-7.7%

The Trustee's Report (Cont)

As a consequence of the Plan's asset and liability performance, the Plan's estimated funding position as at 31 March 2024 is:

Date	Funding position on a Technical Provisions basis	Funding position measured on an Economic basis
31 March 2024	102.2%	93.3%

[1]An Economic basis refers to a level of funding that incorporates more prudent assumptions about future investment returns (i.e. a discount rate in line with yields available from UK Government bonds or swaps) and life expectancy than the Technical Provisions basis. At this level of funding the Plan would be expected to be in a position to deliver benefits on a self sufficient basis with a high degree of certainty.

Returns

The return of the Plan measured over one, three and five years is detailed below.

Period to 31 March 2024	Annual Return
Last Year	2.13%
Last 3 years	-14.87%
Last 5 years	-7.77%

Source: Mellon Analytics (for asset performance) and Hymans Robertson (for Liability performance). These figures are based upon various estimates and assumptions and have been provided for the sole use and benefit of the Trustee of the ZF UK Pension Plan and not for any other party. Hymans Robertson LLP makes no representation or warranty to any third party as to the accuracy or completeness of the information.

Custody of Investments

The majority of the Plan's segregated assets are held by the Trustee's appointed custodian, Bank of New York, Mellon. A custodian agreement between Bank of New York Mellon and BESTrustees Limited in their capacity as Trustee of the ZF UK Pension Plan details the terms on which the custodian holds the Plan's assets and the respective responsibilities of the custodian and the Trustee. All of the title documents of the Plan's assets are held by the custodian under the control of the Trustee. Physical documents are held in a strong room and access is limited by the custodian's own strict security procedures.

Regular reconciliations of the holdings are carried out and a copy of the custodian's report on internal controls is kept and revised by the Plan Administrator. The Plan's investments held by the custodian are registered as follows:

- United Kingdom investments are in the name of the nominee of the custodian with the designation account 'ZF UK Pensions Trust Limited' or some other account designation specifying they are the assets of ZF UK Pensions Trust Limited.
- United Sates investments are in the name of a nominee with designation on the books and records of the custodian which is specific to ZF UK Pensions Trust Limited.
- Other investments are in the name of either the custodian or a nominee with a designation to make clear the registered holder is not the beneficial owner.

The custodian will only release title documents after a series of security checks have taken place. These include:

- A dual electronic instruction to the custodian involving the use of passwords.
- The custodian has received payment

Cash is placed on short-term deposit with banks in the name of ZF UK Pensions Trust Limited.

The Trustee’s Report (Cont)

Climate Change Report

The Trustee has published its 2024 Climate Change Report which is available to download at https://www.zfukpensions.co.uk/documents/TCFD_report.pdf. The report follows the framework set out by the Taskforce for Climate-related Financial Disclosure (TCFD). It covers the Trustee’s assessment of the potential impact of climate-related financial risk on the Plan and how the Trustee is responding to and managing this risk.

Approval of Trustee's Report

This report was approved by the Trustee on

Date: 26/09/2024

Signed on behalf of the Trustee:

M. Smaje

Professional Trustee, on behalf of BESTrustees Limited

Summary of contributions payable in the year

During the year, the contributions payable to the Plan by the Employer under the Schedule of Contributions were as follows:

	£'000
Employer deficit contributions	30,000
Employer normal contributions	528
Employee normal contributions	55
Contributions payable under the Schedule of Contributions (as reported on by the Plan auditor)	30,583
Member additional voluntary contributions	271
Total contributions reported in the financial statements	30,854

The Actuary notified the Trustees in February 2023 the funding level at 31 December 2022 was the third consecutive month end where the funding level was below 99%, so contributions of £2.5m per month were due from February 2023. Following negotiations with the Employer the April 2023 contribution was paid on 19 June 2023, 31 days late.

Date: 26/09/2024

Signed on behalf of the Trustee:

M. Smaje

Professional Trustee, on behalf of BESTrustees Limited

Independent Auditor's Statement about Contributions to the Trustee of the ZF UK Pension Plan

Qualified statement about contributions payable under the Schedules of Contributions

We have examined the summary of contributions to the ZF UK Pension Plan for the Plan year ended 31 March 2024, which is set out on page 17.

In our opinion, except for the late payment of deficit funding contributions as detailed below contributions for the Plan year ended 31 March 2024 as reported in the 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 31 August 2022.

Basis for qualified statement about contributions

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

The Schedule of Contributions states that no contributions are due to the Plan, unless the funding level of the Plan, calculated on the Technical Provisions Basis, has been less than 99% for any three consecutive month ends. The Actuary notified the Trustees in February 2023 the funding level at 31 December 2022 was the third consecutive month end where the funding level was below 99%, so contributions of £2.5m per month were due from February 2023. Following negotiations with the Employer the April 2023 contribution was paid on 19 June 2023, 31 days late.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out 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 Trustee is 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.

Auditor's responsibilities for the statement about 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 Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Plan 's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee for our work, for this statement, or for the opinion we have formed.

Crowe U.K. LLP
Statutory Auditor
London

Date: 1 October 2024

Independent Auditor’s Report to the Trustee of the ZF UK Pension Plan

Opinion

We have audited the financial statements of the ZF UK Pension Plan for the year ended 31 March 2024 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the 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 Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The Trustee is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 audit or otherwise appears to be materially misstated.

Independent Auditor's Report to the Trustee of the ZF UK Pension Plan (Cont)

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 the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 10, the Trustee is responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the 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 Trustee either intends to wind up the Plan or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias
- Misappropriation of investment assets owned by the Plan. This is addressed by obtaining direct confirmation from the investment fund managers of investments held at the Statement of Net Assets date.
- Non-receipt of contributions due to the Plan from the Employer. This is addressed by testing contributions due are paid to the Plan in accordance with the Schedule of Contributions agreed between the Employer and the Trustee.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

Independent Auditor's Report to the Trustee of the ZF UK Pension Plan (Cont)

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

Use of our report

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

Crowe U.K. LLP
Statutory Auditor
London

Date: 1 October 2024

The Financial Statements

Fund Account

for the year ended 31 March 2024

	Note	31 March 2024 £'000	31 March 2023 £'000
Contributions and benefits			
Employer contributions	4	30,528	5,304
Employee contributions	4	326	40
Total contributions		30,854	5,344
Transfers in	5	-	74,442
		30,854	79,786
Benefits paid or payable	6	(37,472)	(30,260)
Payments to and on account of leavers	7	(1,066)	(32,784)
Administrative expenses	8	(3,375)	(2,772)
		(41,913)	(65,816)
Net (withdrawals) / additions from dealings with members		(11,059)	13,970
Returns on investments			
Investment income	9	29,658	27,987
Change in market value of investments	10	(8,087)	(660,185)
Investment management expenses	11	(1,824)	(2,768)
Net return on investments		19,747	(634,966)
Net increase / (decrease) in the fund during the year		8,688	(620,996)
Net assets of the Plan			
At 1 April		994,928	1,615,924
At 31 March		1,003,616	994,928

The notes on pages 24 to 38 form part of these financial statements.

The Financial Statements (Cont)

Statement of Net Assets

available for benefits as at 31 March 2024

	Note	31 March 2024	31 March 2023
		£'000	£'000
Investment assets:			
Bonds	10	614,166	640,542
Pooled investment vehicles	14	590,324	633,354
Insurance policies	13	23,700	26,100
Derivatives	15	960	1,706
Additional voluntary contributions	18	3,208	3,144
Reverse repurchase agreements	16	-	69,109
Cash	10	78,933	20,258
Other investment balances	17	3,076	4,213
		1,314,367	1,398,426
Investment liabilities:			
Derivatives	15	(214)	(2,201)
Repurchase agreements	16	(315,030)	(400,095)
Other investment balances	17	(2,539)	(8,294)
		(317,783)	(410,590)
Total net investments	10	996,584	987,836
Current assets	22	8,572	10,084
Current liabilities	23	(1,540)	(2,992)
Net assets of the Plan at 31 March available for benefits		1,003,616	994,928

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the 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 11 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 24 to 38 form part of these financial statements.

These financial statements were approved by the Trustee on

Date: 26/09/2024

Signed on behalf of the Trustee:

M. Smaje

Professional Trustee, on behalf of BESTrustees Limited

Notes to the Financial Statements

1. Basis of preparation

The individual 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 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that 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 twelve months from the date of approval of these financial statements. In reaching this conclusion, the Trustee have taken into account plausible downside assumptions of the Principal Employer to gain comfort that it will continue to make contributions as they fall due. This assessment, together with income and capital growth from its assets, gives the Trustee confidence to prepare the financial statements on a going concern basis.

2. Identification of the financial statements

The Plan is established as a trust under English law. The address for enquiries to the Plan is included in the Trustee's Report.

3. Accounting policies

The principal accounting policies of the Plan which are applied consistently are as follows:

Currency

- The Plan’s functional and presentational currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Plan year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

Contributions

- Contributions made by the Employer are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are payable.

Other income

- Claims on term insurance policies and other forms of income are accounted for on an accruals basis.

Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or death.
- Where members have a choice regarding the form and timing of their benefit, benefits are accounted for on an accruals basis on the later of the date of retiring or leaving and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retiring or leaving.
- 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.
- Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member’s benefits receivable from the Plan, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within “Benefits paid or payable”.

Expenses and other payments

- Expenses are accounted for on an accruals basis.
- Investment management expenses and rebates are accounted for on an accruals basis and shown net within “Returns on investments”. Transaction costs are included in the cost of purchases and sale proceeds.

Notes to the Financial Statements (Cont)

3. Accounting policies (Cont)

Investment income

- Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- Income from the M&G European Loan Fund is accounted for when declared by the fund manager.
- Investment income arising from the underlying investments of the remaining pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".
- Income from cash and short-term deposits is accounted for on an accruals basis.
- Receipts from annuity policies are accounted for as investment income on an accruals basis.
- Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income.
- Interest payable on repurchase agreements is accounted for in the period it falls due.

Investments

- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
- Quoted securities in active markets are usually valued at the current bid prices 31 March 2024, or at the valuation date nearest to the year end.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment manager.
- Bonds are stated at their clean prices. Accrued income is accounted for within "Investment income" and within "Investment income receivable" included as "Other investment balances".
- Annuities purchased by the Trustee which fully provide the benefits for certain members are not included as assets of the Plan as they are deemed not material.
- The Buy-in insurance policy has been valued by the Scheme Actuary at the present value of the related obligation, determined using the most recent Scheme Funding Valuation assumptions updated for market conditions at the reporting date.
- With profit AVC policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.
- Over the counter (OTC) derivatives are valued using the following valuation techniques:
  - Swaps – current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
  - Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- Repurchase agreements are accounted for as follows:
  - Repurchase agreements (repo) – the Plan continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.
  - Reverse repurchase agreements (reverse repo) – the Plan does not recognise the securities received as collateral in its financial statements. The Plan does recognise the cash delivered to the counterparty as a receivable in the financial statements.

Notes to the Financial Statements (Cont)

4. Contributions

	2024	2023
	£'000	£'0000
Employer contributions		
Normal	528	304
Deficit	30,000	5,000
Employee contributions		
Normal	55	32
Additional voluntary contributions	271	8
	30,854	5,344

The current Schedule of Contributions states that no contributions are due to the Plan, unless the funding level of the Plan, calculated on the Technical Provisions Basis, has been less than 99% for any three consecutive month ends.

The Actuary notified the Trustees in February 2023 the funding level at 31 December 2022 was the third consecutive month end where the funding level was below 99%, so contributions of £2.5m per month were due from February 2023. Following negotiations with the Employer the April 2023 contribution was paid on 19 June 2023, 31 days late.

5. Transfers in

	2024	2023
	£'000	£'000
Group transfers in from other schemes	-	74,442

The group transfer in represents the assets and liabilities transferred in respect of the WABCO merger on 30 September 2022. The transfer comprised £73,895,801 investments, £964,681 cash and £418,462 liabilities.

6. Benefits paid or payable

	2024	2023
	£'000	£'0000
Pensions	25,392	21,205
Commutation of pensions and lump sum retirement benefits	11,400	8,771
Lump sum death benefits	680	284
	37,472	30,260

7. Payments to and on account of leavers

	2024	2023
	£'000	£'000
Individual transfers to other schemes	1,066	32,784

Notes to the Financial Statements (Cont)

8. Administrative expenses

	2024 £'000	2023 £'000
Administration and processing	838	726
Actuarial fees	389	431
Audit fee	48	45
Website	5	1
Investment adviser fees	706	475
Consultancy fees	12	23
Legal and other professional fees	647	448
Medical fees	6	8
Financial advice	80	15
Trustee and Secretarial expenses	561	488
PPF Levy	24	94
Longevity analysis	10	10
Covenant review	49	8
	3,375	2,772

9. Investment income

	2024 £'000	2023 £'000
Income from bonds	21,559	20,563
Income from pooled investment vehicles	17,777	13,710
Income from swaps	(3,189)	543
Annuity income	2,649	1,352
Interest on cash deposits	287	587
Net interest on repurchase agreements	(9,425)	(8,768)
	29,658	27,987

10. Reconciliation of investments

	Value at 31 March 2023 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 March 2024 £'000
Bonds	640,542	762,275	(743,949)	(44,702)	614,166
Pooled investment vehicles	633,354	377,469	(452,864)	32,365	590,324
Derivatives	(495)	2,610	(7,522)	6,153	746
Insurance policies	26,100	-	-	(2,400)	23,700
AVC investments	3,144	117	(521)	468	3,208
	1,302,645	1,142,471	(1,204,856)	(8,116)	1,232,144
Cash deposits	20,258			29	78,933
Repurchase agreements	(330,986)				(315,030)
Other investment balances	(4,081)				537
	987,836			(8,087)	996,584

Cash deposits includes £73m (2023: £2.4m) of cash funds that have not been classified as pooled investment vehicles in line with historical treatment.

Notes to the Financial Statements (Cont)

10. Reconciliation of investments (Cont)

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Plan such as fees, commissions and stamp duty. There were no direct transaction costs incurred during the year or prior year.

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect costs is not separately provided to the Plan.

11. Investment management expenses

	2024	2023
	£'000	£'000
Legal & General Investment Management	72	954
M&G Investments	627	879
Bank of New York Mellon	64	80
Schroders	100	99
Barings	969	769
Other	(8)	(13)
	1,824	2,768

12. 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.

13. Insurance policies

The Plan holds an insurance policy with Legal & General and pays out income to fund pensions for certain members. The value at the year-end is as follows:

	2024	2023
	£'000	£'000
Buy-in policy with Legal & General	23,700	26,100

14. Pooled investment vehicles

The Plan's investments in pooled investment vehicles at the year-end comprised:

	2024	2023
	£'000	£'000
Loans Fund	90,038	129,947
Liquidity Fund	4,586	180,847
Multi-Credit Strategy Fund	38,626	144,418
Global Bond Fund	53,783	48,557
Global High Yield Bond Fund	44,899	-
Senior Loan Fund	52,323	48,812
Emerging Markets Bond Fund	28,753	-
Private Lending Fund	56,026	59,031
Diversified Growth Fund	5,845	5,712
Alternative Fund	-	11,599
Securitised Credit Fund	140,223	-
Flexible ABS Fund	71,460	-
LDI Fund	3,762	4,431
	590,324	633,354

Notes to the Financial Statements (Cont)

15. Derivatives

Objectives & policies

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Plan as follows:

Swaps – the Trustee's aim is to match off the Plan's long term liabilities with its fixed income assets, in particular in relation to the liabilities' sensitivities to interest rate movements and inflation. The Trustee has entered into interest rate, inflation and credit default swaps to better align the Plan's assets to the long term liabilities of the Plan.

Forward FX – the Trustee has taken out a number of foreign exchange forwards to hedge its overseas currency assets back into sterling.

At the year end the Plan had the following derivatives:

	2024		2023	
	Asset £'000	Liability £'000	Asset £'000	Liability £'000
OTC Swaps	960	(214)	1,106	(2,191)
Forward FX contracts	-	-	600	(10)
	960	(214)	1,706	(2,201)

A summary of the Plan's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

(1) OTC Swaps

Nature	Notional amounts £'000	Duration	Asset value £'000	Liability value £'000
Inflation swaps	(9,340)	Less than 1 yr	960	-
Zero coupon swaps	40,000	Less than 1 yr	-	(214)
Total 2024	**30,660**		**960**	**(214)**
Total 2023	517,100		1,106	(2,191)

At the Plan year end the counterparties had deposited £Nil (2023: £Nil) of cash collateral and the Scheme posted cash collateral amounting to £994,154 (2023: £3,230,643).

(2) Forward FX

Type	Notional amounts £'000	Duration	Asset value £'000	Liability value £'000
Total 2024	**-**		**-**	**-**
Total 2023	91,871		600	(10)

Notes to the Financial Statements (Cont)

16. Repurchase agreements

The Plan has entered into repurchase agreements using its UK government index linked securities as the underlying security. The Plan retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date. The securities are included in the financial statements as assets of the Plan at their market value. At 31 March 2024 the market value of securities sold under repurchase agreements was £317,426k (2023: £340,673k).

Cash received from counterparties in respect of the securities that have been sold has been used by the Plan to increase its matching assets portfolio. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Plan's financial statements under investment liabilities. At 31 March 2023 this amounted to £315,030k (2023: £400,095k) excluding £2,539k (2023: £8,374k) of accrued interest.

In addition, at 31 March 2024 there was collateral in the form of bonds pledged of £Nil (2023: £69,684k) against the difference in valuation between the underlying securities and the repurchase agreements. The Plan also holds collateral in the form of bonds from counterparties. As at 31 March 2024, the value of such collateral was £12,405k (2023: £4,498k).

17. Other investment balances

The other investment balances held by the Plan at the year-end are as follows:

	2024	2023
Investment assets	**£'000**	**£'000**
Interest receivable – bonds	2,757	1,814
Dividends receivable	319	47
Accrued interest on reverse repurchase agreements	-	2,352
	3,076	4,213

	2024	2023
Investment liabilities	**£'000**	**£'000**
Accrued interest on repurchase agreements	(2,539)	(8,294)
Net other investment balances	537	(4,081)

18. AVC investments

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

	2024	2023
	£'000	**£'000**
Clerical Medical (unitised)	76	90
Royal London (with-profits)	93	116
Standard Life (unitised)	46	48
Phoenix (with-profits)	13	13
Prudential (with-profits)	2,980	2,877
	3,208	3,144

Notes to the Financial Statements (Cont)

19. Fair value hierarchy

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

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

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

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

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 and liabilities fall within the above hierarchy levels as follows:

	As at 31 March 2024			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	614,166	-	614,166
Pooled investment vehicles	-	481,974	108,350	590,324
Derivatives	-	746	-	746
AVC investments	-	122	3,086	3,208
Insurance policies	-	-	23,700	23,700
Cash	78,933	-	-	78,933
Repurchase agreements	-	(315,030)	-	(315,030)
Other investment balances	537	-	-	537
	79,470	781,978	135,136	996,584

	As at 31 March 2023			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	-	640,542	-	640,542
Pooled investment vehicles	-	513,912	119,442	633,354
Derivatives	-	(495)	-	(495)
AVC investments	-	138	3,006	3,144
Insurance policies	-	-	26,100	26,100
Cash	20,258	-	-	20,258
Repurchase agreements	-	(330,986)	-	(330,986)
Other investment balances	(4,081)	-	-	(4,081)
	16,177	823,111	148,548	987,836

Notes to the Financial Statements (Cont)

20. Investment risk disclosures

Investment risks

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

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Market risk: this comprises currency risk, interest rate risk and other price risk.

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

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

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Plan.

Investment strategy

The investment objective of the Trustee is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Plan payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the Plan 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).

During the year under review, the target strategy was to have:

- 50% in investments that move in line with the long term liabilities of the Plan. This is referred to as Liability Driven Investment LDI and comprises UK government bonds, interest rate swaps and inflation swaps, the purpose of which is to hedge against the impact of interest rate and inflation movement on long term liabilities.
- 50% in return seeking investments comprising exposure to property, asset backed securities, global high yield credit, secured loans and other credit markets.

Credit risk

The Plan is subject to credit risk as it invests in bonds, OTC derivatives, repurchase agreements, asset backed securities and has cash balances. The Plan also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

A summary of exposure to credit risk is given in the following table, the notes below which explain how this risk is managed and mitigated for the different classes:

Notes to the Financial Statements (Cont)

20. Investment risk disclosures (Cont)

Analysis of direct credit risk

As at 31 March 2024	Investment Grade £'000	Non-Investment Grade £'000	Unrated £'000	Total £'000
Bonds & asset backed securities	614,166	-	-	614,166
OTC Derivatives (assets)	746	-	-	746
Repurchase agreements	(315,030)	-	-	(315,030)
Cash	78,933	-	-	78,933
Pooled investment vehicles	-	-	590,324	590,324
	378,815	-	590,324	969,139

As at 31 March 2023	Investment Grade £'000	Non-Investment Grade £'000	Unrated £'000	Total £'000
Bonds & asset backed securities	640,542	-	-	640,542
OTC Derivatives (assets)	1,106	-	-	1,106
Repurchase agreements	(300,986)	-	-	(300,986)
Cash	20,258	-	-	20,258
Pooled investment vehicles	-	-	633,354	633,354
	360,920	-	633,354	994,274

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The table above shows the position at the year-end.

Credit risks on cash lent to counterparties under a reverse repurchase agreement is mitigated by bonds held by the Scheme under these agreements as set in note 16. Credit risk on repurchase agreements is mitigated through use of a range of collateral arrangements as disclosed in note 16.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 15). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

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

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

A summary of pooled investment vehicles by type of arrangement is as follows:

	2024 £'000	2023 £'000
Authorised unit trusts	9,607	21,743
Open ended investment companies	580,717	611,611
	590,324	633,354

Indirect credit risk arises in relation to the underlying investments of pooled investment vehicles. This risk is mitigated by ensuring the investment manager diversifies the portfolio to minimise the impact of default by any one issuer.

Notes to the Financial Statements (Cont)

20. Investment risk disclosures (Cont)

Currency Risks

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, either as segregated investments or through pooled investment vehicles. The Plan limits overseas currency exposure through a currency hedging policy using forward foreign currency contracts.

31 March 2024	Gross Exposure	Hedged Exposure	Net Unhedged Exposure
	£'000	£'000	£'000
Euro	133,339	131,010	2,329
US Dollar	537,341	541,274	(3,933)
Other	41,936	(269,207)	311,143
	712,616	403,077	309,539

31 March 2023	Gross Exposure	Hedged Exposure	Net Unhedged Exposure
	£'000	£'000	£'000
Euro	215,253	214,782	471
US Dollar	220,785	225,197	(4,412)
Other	2,776	2,701	75
	438,814	442,680	(3,866)

Interest rate risk

The Plan is subject to interest rate risk because some of the Plan's investments are held in bonds, interest rate swaps and cash. Under the Plan's LDI strategy, if interest rates fall, the value of the LDI investments will rise to help match the increase in the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year-end the LDI portfolio comprised:

	2024	2023
	£'000	£'000
Direct		
Bonds	614,166	640,542
Swaps	746	(1,085)
Indirect		
Cash PIV	4,586	180,847
	619,498	820,304

Other price risk

Other price risk arises principally in relation to the Plan's return seeking portfolio which included exposure to equities (through the use of derivatives).

The Plan managed this exposure to other price risk by constructing a diverse portfolio of investments across various markets. Equity risk was managed through the use of derivative collars to limit the volatility associated with equity investments.

Notes to the Financial Statements (Cont)

21. 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	%
Barings Global Multi-Credit Strategy Fund	-	-	144,418	14.5
Arcmont Senior Loan Fund	52,323	5.2	-	-
SISF Global Multi-Credit Fund	53,783	5.4	-	-
Schroder AAA Flexible ABS Fund	71,460	7.1	-	-
SISF Securitised Credit Fund	140,223	14.0	-	-
M&G Versatile European Loan Fund	90,038	9.0	129,947	13.1
Barings Global Private Loan Fund	56,026	5.6	59,031	5.9
L&G Sterling Liquidity Fund	-	-	179,580	18.0
Repurchase agreement 0% 7 Dec 2049	-	-	(102,847)	(10.3)

22. Current assets

	2024	2023
	£'000	£'000
Cash at Bank	8,433	4,914
Contributions due from Employer	44	5,055
Administration VAT receivable	95	105
Cash in transit	-	10
	8,572	10,084

23. Current liabilities

	2024	2023
	£'000	£'000
Unpaid benefits	(772)	(534)
Advisers' fees payable	(768)	(2,458)
	(1,540)	(2,992)

24. Related party transactions

Transactions with related parties of the Plan have been disclosed in the annual report as follows:

- During the year £Nil (2023: £20,850) was paid to the former Trustee Ross Russell Limited in respect of fees as an independent Trustee director.
- During the year £83,576 (2023: £52,617) was paid to BESTrustees in respect of fees for independent professional Trustee services.
- £478,060 (2023: £414,579) was reimbursed to ZF Automotive UK Limited in respect of costs incurred directly in relation to the internal Pensions Administration Department.

All of the above transactions were made in accordance with the Plan Rules.

Notes to the Financial Statements (Cont)

25. Contingent Liabilities

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 the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does 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.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Plan has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these financial statements, it is not possible to estimate the value of any such adjustments at this time.

Ruling on amendment of Contracted-Out Salary-Related pension schemes

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. On 25 July 2024, the Court of Appeal upheld the High Court's decision that the statutory actuarial confirmation of amendments to benefits was required, and without this, alterations are void. The question appealed was whether a confirmation was required for changes to future service benefits or just past service benefits. The Court of Appeal has upheld the High Court's decision that such a confirmation was required for amendments to future accruals, before legislation changed in 2013. The Trustee will investigate the possible implications with their advisers but, it is not possible at present to estimate the potential impact, if any, on the Plan.

26. Employer-related investments

There were no direct employer-related investments at the year-end. Any potential indirect employer-related investment through pooled investment vehicles is unintentional and would represent a trivial amount of Plan net assets.

27. Capital commitments

As at 31 March 2024 the Plan had outstanding capital commitments with Arcmont Asset Management of £21.8m (2023: £25.4m), Pantheon of £46,0m (2023: £Nil), Swiss Life of €73.5m (2023: €Nil) and Barings Global Investment Funds Plc of £6.1m (2023: £6.1m).

28. Subsequent events

The desegregation of the WABCO Section and Main Section of the Plan took effect by way of a desegregation deed dated 3 April 2024, with the desegregation occurring on 7 April 2024.

Notes to the Financial Statements (Cont)

29. Net assets split by section

Fund Account for the year ended 31 March 2024

	Note	Main Section £'000	WABCO Section £'000	Total £'000
Contributions and benefits				
Employer contributions	4	30,000	528	30,528
Employee contributions	4	-	326	326
Total contributions		30,000	854	30,854
Benefits paid or payable	6	(36,682)	(790)	(37,472)
Payments to and on account of leavers	7	(1,066)	-	(1,066)
Administrative expenses	8	(3,284)	(91)	(3,375)
		(41,032)	(881)	(41,913)
Net withdrawals from dealings with members		(11,032)	(27)	(11,059)
Returns on investments				
Investment income	9	29,316	342	29,658
Change in market value of investments	10	(7,564)	(523)	(8,087)
Investment management expenses	11	(1,815)	(9)	(1,824)
Net returns on investments		19,937	(190)	19,747
Net increase / (decrease) in the fund during the year		8,905	(217)	8,688
Net assets of the Plan				
At the beginning of the year		982,832	12,096	994,928
At the end of the year		991,737	11,879	1,003,616

Notes to the Financial Statements (Cont)

29. Net assets split by section (Cont)

Statement of Net Assets available for benefits as at 31 March 2024

	Note	Main Section £'000	WABCO Section £'000	Total £'000
Investment assets:				
Bonds	10	614,166	-	614,166
Pooled investment vehicles	14	580,717	9,607	590,324
Insurance policies	13	23,700	-	23,700
Derivatives	15	960	-	960
Additional voluntary contributions	18	2,882	326	3,208
Cash	10	77,256	1,677	78,933
Other investment balances	17	3,076	-	3,076
		1,302,757	11,610	1,314,367
Investment liabilities:				
Derivatives	15	(214)	-	(214)
Repurchase agreements	16	(315,030)	-	(315,030)
Other investment balances	17	(2,539)	-	(2,539)
		(317,783)	-	(317,783)
Total net investments	10	984,974	11,610	996,584
Current assets	22	8,302	270	8,572
Current liabilities	23	(1,539)	(1)	(1,540)
Total net assets available for benefits		991,737	11,879	1,003,616

Certificate of Adequacy of Contributions

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS AS REQUIRED BY REGULATION 10(6) OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME FUNDING) REGULATIONS 2005

Name of scheme: ZF UK Pension Plan

ADEQUACY OF RATES OF CONTRIBUTIONS

1. In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 31 March 2021 can be expected to continue to be met for the period for which this schedule is to be in force.

   The contributions shown in this schedule are not lower than I would have set had I had responsibility for setting the schedule of contributions, the statement of funding principles and any recovery plan.

ADHERENCE TO STATEMENT OF FUNDING PRINCIPLES

2. In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 31 August 2022.

Please note that 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.

Date	31 August 2022
Name	Matthew Davis FIA CERA
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	One London Wall, London, EC2Y 5EA

Schedule of Contributions

ZF UK Pension Plan

Schedule of Contributions

Period of Schedule: 5 years from 31 August 2022 (or until such time as a revised Schedule of Contributions is agreed)

Under Section 227 of the Pensions Act 2004, the Trustee of the ZF UK Pension Plan ('the Plan') must put in place a Schedule of Contributions which is certified by the Scheme Actuary. This is the required Schedule of Contributions. The Scheme Actuary's certification is included in the appendix.

This schedule replaces the previous schedule which came into effect on 23 May 2019.

This schedule has been prepared with the agreement of ZF Pension Sponsor UK Limited and after taking the advice of Matthew Davis (the 'Scheme Actuary'). ZF Pension Sponsor UK Limited has been nominated as the employer representative to act on behalf of all participating employers in the Plan for scheme funding purposes. The participating employers are ZF Pension Sponsor UK Limited, ZF Automotive UK Limited, ZF Lemforder UK Limited and ZF Services UK Ltd ('the employers').

This schedule will take effect from 31 August 2022 and will be in force for a period of five years or until such time as a revised Schedule of Contributions is agreed.

The Plan is closed to future accrual and so there are no members' contributions or employer contributions to cover the accrual of new benefits.

The Plan was over 100% funded on its Technical Provisions basis as at 31 March 2021. Consequently no employer contributions are required in respect of the Technical Provisions position.

Employee contributions

No employee contributions are required under the Rules of the Plan.

Employer contributions: ordinary

No ordinary employer contributions are required.

Employer Contributions: Additional

In addition, the employers will:

1. Commence (or recommence) paying monthly contributions of £2.5 million per month to the Plan in the month immediately following the event that the funding level of the Plan, calculated on the Technical Provisions Basis, has been less than 99% for any three consecutive month ends[1];

2. Once contributions have commenced under 1. above, cease paying monthly contributions of £2.5 million per month to the Plan with effect from the month immediately following the event that the funding level of the Plan, calculated on the Technical Provisions Basis, has exceeded 101% for three consecutive month ends.

Monthly contributions may commence and cease multiple times.

Under the rules of the Plan, ZF Pension Sponsor UK Limited as principal employer of the Plan shall at its sole discretion determine how the liability to pay such contributions shall be allocated between the employers having regard to the need to enable the Trustee to provide the benefits under the Plan and to preserve the solvency of the Plan (provided that the principal employer must allocate the full amount of such contributions and where there is no principal employer or the principal employer is unable to allocate the liability to pay such contributions, the power to do so shall be exercisable by the Trustee alone).

If monthly employer contributions are due to commence or cease the Scheme Actuary will inform the Secretary to the Trustee who will inform the employers. The Scheme Actuary will provide such confirmation as soon as practical following the month end at which contributions are due to commence or cease.

All employer contributions shall fall due to be paid not later than 19 days after the end of the calendar month to which they relate or, if later, no later than 19 days after the end of the calendar month in which the Secretary to the Trustee informs the employers that contributions are due to commence.

The employers shall also pay to the Plan any additional employer contributions required from time-to-time on the advice of the Scheme Actuary in respect of augmentations or discretionary benefits, as required from time to time under the Plan's trust deed and rules.

Expenses, Levies and Fees

All expenses, levies (including the Pension Protection Fund levy[2]) and fees in connection with the Plan are met by the Plan.

1 assessed at the end of each month based on the monthly funding updates provided to the Trustee by the Scheme Actuary.
2 in the Plan accounts for the year ending 31 March 2021 there were annual levies of £64,000.

Prepared by the Trustee of the Plan

Print name	Russell Hines
	on behalf of ZF UK Pensions Trust Limited
Position	Director
Date	31 August 2022

Agreed by the employer

Print name	Steve Batterbee
	on behalf of ZF UK Pensions Limited for the employers
Position	Director
Date	31 August 2022

Schedule of Contributions – WABCO Section

ZF UK Pension Plan - WABCO Section

Interim Schedule of Contributions

Interim Schedule running from Date of Merger until the effective date of the first Schedule of Contributions from the first actuarial valuation of the WABCO Section

Background

The WABCO Section of the ZF UK Pension Plan contains former active members of the WABCO Automotive UK Pension Scheme. The WABCO Section was set up so that at 30 June 2022 it was estimated to be c.110% funded on the Technical Provisions basis used for the most recent triennial actuarial valuation of the WABCO Automotive UK Pension Scheme.

The WABCO Automotive UK Pension Scheme received monthly employer contributions of 38.0% of Pensionable Salaries in respect of future accrual following agreement of a Schedule of Contributions dated December 2020. Contributions in respect of future accrual will be set based on this rate. The rate will be reduced by 0.8% of Pensionable Salaries on the basis that the WABCO Section will not provide a death in service lump sum benefit.

In the period until a first actuarial valuation of the WABCO Section is completed, the Trustee and the employer have agreed that:

- No employer deficit reduction contributions will be due.
- No employer contributions will be due in respect of WABCO Section expenses.
- The employer will pay monthly employer contributions in respect of future accrual of 37.2% of Pensionable Salaries.

This Interim Schedule of Contributions documents contribution requirements for the WABCO Section in the period until a first actuarial valuation is completed[1].

Contributions

This schedule has been prepared with the agreement of WABCO Automotive U.K. Limited ('the employer') as the participating employer for the WABCO Section of the ZF UK Pension Plan.

[1] For the avoidance of doubt, this Interim Schedule of Contributions does not fall under Section 227 of the Pensions Act 2004 and as such is not certified by the Scheme Actuary. As part of the first actuarial valuation of the WABCO Section a Schedule of Contributions falling under Section 227 of the Pension Act 2004 would need to put in place and this would need to be certified by the Scheme Actuary.

1

Member contributions in respect of future accrual

4.0% of Pension Salaries, payable monthly.

In addition, members can elect to pay Additional Voluntary Contributions ('AVCs').

Employer contributions in respect of future accrual

37.2% of Pension Salaries, payable monthly.

Pensionable Salary definition

Basic salary (including profit related pay) plus regular bonuses and shift premium, less the basic state pension for a single person. This excludes overtime.

Additional employer contributions for augmentations or discretionary benefits

As required from time to time under the ZF UK Pension Plan's trust deed and rules, the employer shall also pay to the WABCO Section any additional employer contributions required from time-to-time on the advice of the Scheme Actuary in respect of agreed augmentations or discretionary benefits.

Timing of contributions

All contributions shall fall due to be paid not later than 19 days after the end of the calendar month to which they relate.

Expenses, Levies and Fees

All expenses, levies (including the Pension Protection Fund levy) and fees in connection with the WABCO Section will be met by the WABCO Section unless otherwise agreed by the Trustee and the employer.

Prepared by the Trustee of the Plan

Signature SM Batterbee on behalf of ZF UK Pensions Trust Limited

Print name SM BATTERBEE

Position DIRECTOR

Date 8/9/22

Agreed by the employer

Signature A Sykes on behalf of WABCO Automotive U.K. Limited

Print name Andrew Sykes

Position Director

Date 31/08/2022

2

Implementation Statement

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as Environmental, Social and Governance ('ESG') considerations become increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has maintained their focus around ESG policies and stewardship activities and is continuing to encourage compliance with regulatory guidance relating to voting and engagement policies and activities. The regulatory guidance recognises the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Statement

This paper is to provide evidence that the Trustee continues to follow and act on the principles outlined in the Statement of Investment Principles ('SIP').

The SIP can be found online at the web address:

https://www.zfukpensions.co.uk/documents/sip.pdf?20240501

This Implementation Statement details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2024 for and on behalf of the Plan including the most significant votes cast

Summary of key actions undertaken over the Plan reporting year

The Plan selected climate change as a stewardship priority following discussions with the Plan's investment committee ('IC') and in consultation with its investment consultant. The Trustee recognises that climate change could pose systemic risks which could in turn impact the returns achieved from the investment strategy.

Over the reporting period, the Trustee implemented a new investment strategy. This involved appointing 6 new investment managers, 5 of which were funded during the Plan year and the sixth was implemented in May 2024. The most significant change was the appointment of Schroders as the Plan's Liability Driven Investment ('LDI') and Asset-Backed Securities manager, with a revised interest rate and inflation hedge ratio of 60% on a gilts flat basis being implemented. This led to the Plan's SIP being updated, which included reference to the Trustee's updated ESG beliefs policy.

As the Trustee has delegated the day-to-day management of the Plan's investments to the fund managers, it is important that the Trustee understands how they consider ESG and climate related risks and opportunities. A sustainable impact assessment was produced by the Plan's investment consultant which summarised the fund managers' ESG capabilities. This occurred alongside an ESG metrics data collection exercise in which the Plan's investment managers provided Scope 1, 2 & 3 carbon emissions data (to the extent this was available). The Trustee also received Task Force on Climate-Related Financial Disclosures ('TCFD') training, and this will be repeated in future years as / when appropriate and as the industry evolves.

Implementation Statement

This report demonstrates that the Trustee of the ZF UK Pension Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed	**M Smaje**
Position	**Professional Trustee, on behalf of BESTrustees Limited**
Date	**11 September 2024**

Managing risks and policy actions: DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Plan's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge an agreed proportion of these risks using an LDI strategy to limit exposure, whilst ensuring compliance with all regulatory guidance in relation to leverage and collateral management.	Following the strategy change which took place during the year, the Trustee appointed Schroders as the Plan's LDI manager, consequently updating the target hedge ratios. At year end the target hedge ratios were 60% on both interest rates and inflation, on a gilts flat liability basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay the Plan's routine cashflow requirements, and to meet regulatory guidance around providing collateral to the LDI portfolio.	During the reporting period the Trustee appointed Schroders as the Plan's LDI manager. The Trustee also invested in two, daily dealt, asset-backed securities ('ABS') mandates with Schroders. These two mandates act as 'first-call' collateral for the Plan's LDI portfolio. The Trustee has an agreement with Schroders that gives them discretion to disinvest capital from the ABS mandates if needed to meet collateral requirements in the LDI portfolio. This arrangement reduces the governance burden on the Trustee and reduces risk by making the process of moving capital into the LDI portfolio more efficient. More widely, 75% of the investment strategy can be liquidated on a daily basis to either meet collateral calls from the LDI mandate or to meet Plan cashflows.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustee considered diversification in setting and implementing a new Strategic Asset Allocation ('SAA') over the year. The Trustee reduced market risk by diversifying the SAA across a range of asset classes and investment managers. The Plan's actual asset allocations are monitored on a quarterly basis relative to the SAA (set out in the SIP) in the Investment Performance Report. The Trustee has set the SAA on the basis that the Plan is a long-term investor and therefore can manage some short term market volatility.

Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who look to manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default. For derivative contracts held directly by the Plan, the counterparties will be limited to those on the manager's approved panel and the contracts will be marked to market, with collateral posted frequently. The manager is expected to manage and limit excessive counterparty concentration.	The Trustee aims to reduce credit risk by diversifying its assets across a range of different credit issuers, providing exposures to a range of sectors and geographies. These positions are monitored on a quarterly basis relative to the SAA in the Investment Performance Report. The Trustee has appointed specialist investment managers to oversee the credit mandates. These managers are expected to use their expertise to help manage credit risk on behalf of the Trustee.
Environmental, Social and Governance ('ESG')	Exposure to ESG factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	When appointing a new manager, the Trustee considers how they integrate ESG factors into its investment strategy.	The Trustee reviewed their ESG policy and set Climate Change as it's Stewardship priority over the year. These are set out in the 'ESG policy and approach' section and detailed further in a separate policy document. The Trustee undertook a Sustainability Integration Assessment exercise in March 2024. This report summarised the managers' policies and approaches for managing ESG risks and the Trustee has provided feedback to the managers, highlighting areas where the Trustee would like to see improvement going forward. On behalf of the Trustee, the Plan's investment consultant collected TCFD metrics data from all of the Plan's investment managers. This data looked at the carbon emissions of the Plan's investments and the Trustee is hoping these metrics improve over time. The Trustee has also completed training on TCFD.

Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	The Trustee regularly monitors the level of unhedged currency risk in the Plan's investment strategy. If the unhedged currency position increases to a level that is deemed unacceptable, then the Trustee can introduce currency hedging.	The Trustee reviewed the unhedged currency exposure during the year and elected not to hedge this back to GBP. This was decided following discussions with the investment consultant, through which the Trustee considered the current level of unhedged currency exposure and considered the pros and cons of hedging this. It was noted that should the unhedged currency exposure increase in the future, this decision could be reviewed. The Trustee expects to review this from time to time, for example when considering any changes to the SAA.

Changes to the SIP

Over the period to 31 March 2024, the Trustee made changes to the SIP to reflect the following points:

- The Plan's new SAA and investment objective
- The governance structure for investment decision making
- The Trustee's updated leverage and collateral management policy, linked to the changes to the SAA
- The Trustee's policies for managing the Plan's investments, including financially material considerations and investment management arrangements
- The Trustee's ESG beliefs and Stewardship Priority

The Trustee's new SIP can be found here:
https://www.zfukpensions.co.uk/documents/sip.pdf?20240501

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan's policy with regards to ESG as a financially material risk. The Trustee has agreed a more detailed ESG policy which describes how it manages ESG risks in the Plan's investments. The Trustee believes that it should be responsible stewards of the Plan's assets.

The Trustee has an "integrated approach" to sustainable investing, with the policy stating that they will manage ESG risks whilst seeking positive ESG outcomes. The Trustee has formulated a set of ESG beliefs which underpin any investment decision, these are summarised below:

ESG Beliefs	
1.	Climate change and the expected transition to a low carbon economy is a financial risk to the Plan. The Trustee should consider climate risk factors in its investment decisions along with other risks.
2.	The Trustee should set the policies for Responsible Investment and climate risks, and delegate management to investment managers who will act in line with the Plan's policies where practical. It is necessary to know investment managers' policies and performance to do this properly.
3.	The Trustee believes that engaging with managers is more effective to initiate change than disinvesting and so will seek to communicate key ESG actions to the managers in the first instance. The Trustee prefers engagement to achieve this but would consider disinvestment, whilst also considering a range of other factors, if this is not effective.
4.	ESG factors can be financially material, and it is important to consider them for risk management. Managing these risks forms part of the fiduciary duty of the Trustee and can lead to better risk adjusted outcomes.
5.	The Trustee will seek to monitor key ESG metrics within the Plan's investment portfolio to understand the impact of its investments. The Trustee will consider its own and the Sponsor's ESG priority areas when setting targets for the managers.

The Trustee will implement the policy through the following steps:

Implementing the Policy	
1.	The Trustee will continue to develop its understanding of ESG factors through regular training on ESG and keep itself up to date on the latest sustainable investment opportunities.
2.	The Trustee's ESG beliefs will be reviewed regularly.
3.	The Trustee will consider ESG factors when selecting new investment managers.
4.	The Trustee will undertake regular reviews of the investment managers' approach to integrating ESG factors.
5.	After the review, the Trustee will feedback key comments and proposed actions to the managers, and then periodically receive updates on the managers' progress.
6.	The investment managers' stewardship and engagement activities will be monitored on an ongoing basis via the Plan's implementation statement.
7.	The Trustee has agreed climate change as its stewardship priority, and this will be clearly shared with the investment managers with the aim of influencing their stewardship activity.

ESG summary and actions with the investment managers

The Trustee has reviewed the managers' policies and processes for managing ESG factors and Isio will feed back areas for improvement on behalf of the Trustee.

Manager, fund	ESG Summary	Actions identified
Arcmont – Senior Loan Fund II	Arcmont, while presently without a net zero commitment, is embracing proactive measures towards environmental sustainability. The establishment of a dedicated Responsible Investing team exemplifies their commitment. The company's foremost stewardship focus is mitigating climate change. A signatory of the 2020 UK Stewardship Code and supporter of TCFD, Arcmont is preparing to publish a TCFD report in 2024. At fund level, Arcmont tracks greenhouse gas ('GHG') emissions by collecting data from all its primary borrowers through an annual ESG questionnaire. Investors are provided with fund-level ESG risk scores, and a comprehensive ESG report. The report is published on a quarterly basis.	Arcmont should look for ESG opportunities when selecting investments. Arcmont should consider joining collaborative investor initiatives focussed on ESG issues. Arcmont should consider setting stewardship priorities at the fund-level.
Barings – Global Multi Credit Strategy Fund III	Barings have a purpose-built Responsible Investing team and firm-level stewardship priorities with a focus on climate change. While the Fund lacks explicit ESG or climate objectives, it deploys a process to identify ESG opportunities via a proprietary scoring system. Barings declines deals with high ESG risks and encourages positive ESG behaviours with incentives for borrowers. An annual firm-level ESG report is produced, and a specialised ESG questionnaire is used by the European Private Finance team.	Barings should introduce regular ESG reporting at a fund-level. Barings could consider a greater focus on climate risk, given the Trustee's stewardship priority.
LGT – EM Frontier LC Bond Sun-Fund	LGT commits to net zero portfolio emissions by 2050, aligned with the Paris Agreement. They have a large ESG team and data analytics team and use various databases to enrich ESG assessments. Engagement is focused on climate action, with ongoing dialogues about ESG events. They publish bi-annual ESG reports for the Fund, outlining portfolio ESG scores and positions. While they haven't signed the 2020 UK Stewardship Code, they're UNPRI signatories and received a 90% score for the 2023 UNPRI's "Policy Governance and Strategy" module.	LGT should consider modelling the fund under different climate scenarios.
M&G – European Loan Fund	M&G has committed to a net zero emissions across all of its assets by 2050. The manager is actively engaged with firms responsible for 70% of their financed emissions, ensuring their alignment with Paris agreements. A thorough ESG training program is offered to all employees. M&G's ESG and Portfolio Management teams work in tandem on all voting and engagement activities, including an engagement escalation policy.	M&G should implement a process for assessing the effectiveness of green bonds/loans. M&G should consider setting investee company specific performance targets.

	They are part of multiple initiatives such as Climate Action 100+ and are signatories to the 2020 UK Stewardship Code and the Net Zero Asset Manager Initiative. The Fund supports net-zero carbon emissions, company-specific KPIs, screens UNGC violations, and excludes controversial weapons/thermal coal. It uses ESG scorecards but lacks independent assessment of green loans. It prompts decarbonisation strategies, with 79.45% GHG emissions coverage.	
PGIM – Global High Yield Bond Fund	PGIM applies a broad ESG policy across all asset classes, although the fixed income department has not set any net zero commitments or journey plans. They have a dedicated ESG team and undertake regular training. An ESG scorecard is used in the Fund's investment processes, with considerations for environmental, social and governance factors, such as labour rights. GHG emissions data covers 74.1% of the fund, demonstrating environmental commitment. PGIM is not part of the Net Zero Asset Managers Initiative yet, but actively participates in various climate- and ESG-focused organisations.	PGIM should improve engagement coverage within the Fund. PGIM should set firm-wide ESG stewardship priorities. PGIM should consider introducing a net zero commitment at firm and fund level.
Schroders – LDI Portfolio	Schroders integrates ESG factors throughout its counterparty selection process and actively engages with the fossil fuel financing sector. Schroders has commitments to manage climate risk and achieve net zero by 2050 and has made allocations to green gilts. Engagement is a key element of its stewardship, engaging over 66% of holdings on ESG topics in the past year. Schroders are dedicated to supplementing regular reports with ESG data.	Schroders should consider setting climate, nature, and social related objectives. Schroders should introduce ESG reporting for all mandates. Schroders should consider tar/oil sand exclusions for the ABS funds.
Schroders – AAA Flexible ABS Fund (SAAAF) and ISF Securitised Credit Fund (SISZL)	Schroders utilises a unique governance and sustainability criterion for selecting investments, focusing on securities with positive ESG impacts. Schroders enforces policies against controversial weapons, thermal coal, and tobacco but lacks explicit climate, social or nature-linked objectives. Active engagement with investment companies and collaboration with multiple industry organisations express Schroders' commitment to sustainable practices. The firm develops research to facilitate ESG standards and data normalization, though it doesn't currently produce sustainability reports for its fund.	
Schroders - SISF Sustainable Global Multi Credit	Schroders are aiming for net-zero emissions before 2050. They use sector-specific ESG scorecards and diverse data from external sources to assess company risks, including climate, social, and biodiversity factors.	

	Their active stewardship approach recorded 402 engagement activities in the past year, with 22% of issuers in the Fund being engaged. GHG emissions data coverage stands at 87% as of November 2023. Schroders' proprietary tool, SustainEx, is used for transparency on environmental and social impact. However, a particular report on the Fund's impact isn't provided as the Fund doesn't have an impact objective. Schroders aligns with cautions towards controversial sectors and prioritises environmental and social factors.	
Pantheon	Pantheon implements a broad ESG policy in their investment process, though they haven't committed to Net Zero on their Assets Under Management but are considering it. While there's no specific ESG focus, they avoid sectors like controversial weapons, tobacco, and thermal coal. A dedicated ESG team and ongoing professional training support this. A revised ESG policy in Q2 2023 includes company-level ESG assessments, capturing a diverse range of risks. Engagement strategies utilise ESG due diligence scorecards. Pantheon reports annual ESG metrics and collaborates with several environmental bodies, although, there's no available research on the impact of ESG on portfolio returns or risks.	Pantheon could proactively seek ESG opportunities and/or set ESG objectives. Pantheon should consider producing climate modelling or ESG reporting at a fund-level. Pantheon should share evidence of ESG considerations around deals (once they happen).
Swiss Life	Swiss Life manages nearly 90% of its Assets under Management sustainably and is committed to achieving net-zero GHG emissions by 2050. The firm lacks explicit ESG objectives but is stringent on exclusions, such as businesses involved in manufacturing controversial weaponry or those significantly dependent on non-renewable resources. A robust team of 45 ESG experts and 103 ambassadors lead the firm's ESG initiatives. Their ESG policies consider up-to-date sectoral, regulatory, climate, and social risks. Swiss Life reports ESG scores annually and provides specific data quarterly. It's a signatory to UK Stewardship Code and the Net Zero Asset Manager Initiative. Swiss Life has high UNPRI scores, indicating its commitment to ESG issues.	Swiss Life should consider setting explicit ESG objectives at a fund level.

Engagement

As the Plan invests via fund managers the managers provided details on their engagement actions for the 12 month period to 31 March 2024. The below table reflects the Plan's managers at 31 March 2024, some managers may not have been in place for the entire reporting period.

Fund name	Engagement summary	Commentary
Arcmont – Senior Loan Fund II	Total engagements: 15 Number of entities engaged: 15 Environmental: 14 Social: 8 Governance: 0 Strategy: 10	Arcmont endeavours to include a climate change-related Key Performance Indicator ('KPI') in every performance target given to borrowers. There is specific focus on encouraging borrowers to measure, publicly disclose and reduce their GHG emissions in line with the Paris Agreement. Example of firm level engagement: Lafayette Conseil – Arcmont set key performance indicators ('KPIs') and sustainable performance targets ('SPTs') that financially reward the company if they meet certain climate criteria. Arcmont set five KPIs: • Percentage of employees trained • Number of prevention campaigns implemented • Amount donated to non-profit charitable associations that promote public health for all • Percentage share of eco-responsible packaging for proprietary brands • Carbon footprint assessment and definition of actions to reduced carbon emissions for propriety brands. Each KPI has five SPTs within it and as of March 2024, Lafayette Conseil have met the first SPT within each KPI. Therefore, Arcmont have awarded the company a lower rate of interest on their loan.
Barings – Global private Loan Fund III	Total engagements: 15 Number of entities engaged: 9 Environmental: 3 Social: 3 Governance: 0 Strategy: 9	Barings' Global Private Finance ('GPF') team may identify material ESG topics to engage on with private equity sponsors and management teams, typically during the due diligence process. Focus areas of such engagement may comprise of improved disclosure or changed behaviour related to the ESG topics identified. Example of Fund level engagements: European Stairlift Manufacturer- At the point of takeover of the company, backed by Barings, documentation was included proposing the implementation of ESG performance targets that, if met, led to a reduction in the interest on the borrower's loan. Up to 0.1% discount on the interest on the loan would be offered upon completion on these goals. The performance targets agreed include: • Reduction in scope 1 & 2 carbon emissions • Reduction in scope 3 carbon emissions • Increase proportion of women in management positions • Avoid product waste through recycling • Employment of people with disabilities Targets were agreed with management in March 2024 and will be monitored going forward.
Barings – Global Multi Credit Strategy Fund III	Total engagements: 260 Number of entities engaged: 176 Environmental: 88	Barings' Global High Yield ('GHY') team utilises an active management approach to investment and ESG topics. The GHY team engages with management and financial sponsors during the initial due diligence stage of analysis and post-investment as part of ongoing monitoring. Example of Fund level engagement: Global Tugboats Business - Due diligence on the issuer by Barings' investment analyst highlighted areas of potential improvement on

	Social: 38 Governance: 16 Strategy: 118	environmental topics. Environmental standards are expected to become increasingly important for port tender renewals requiring a leading environmental profile to reduce operational and financial risk. Barings undertook an engagement with the CEO and CFO at a conference event regarding emissions reduction. It requested that (i) the company continues to work with port authorities to install electric charging points across the port network to reduce idling emissions (ii) the company explores options for use of lower emissions fuel types on new vessels and its existing fleet. Barings' Environmental score was maintained at 3/Average with a 'Stable' outlook. An upgrade to 'Improving' would be possible should the company begin to report a clear strategy and performance indicators on these topics as part of its 2024 sustainability report (and future such reports).
LGT – EM Frontier LC Bond Sub-Fund	Total engagements: 15 Number of entities engaged: 10 Environmental: 6 Social: 0 Governance: 0 Strategy: 2 Other*: 7 *'Other' includes engagement on country specific issues, vulnerability to external shocks and financial needs.	LGT's engagement consists of a constructive dialogue between the investment team and an issuer. This dialogue is important to understanding the recent development of a country, as well as in validating the data used in the country classification process. Active interaction with the local institutions gives LGT access to early signals, which are important when evaluating potential short-term ESG risks and opportunities in a country. Example of Fund level engagement: Jamaica – LGT have seen that a primary concern for the country is finding different ways to raise funding that does not involve foreign currency, for example the US Dollar. Being able to raise more money using local currency, reduces the impact felt by Jamacia in the event of shocks to the US dollar. LGT have discussed the benefits of local currency investment products with country representatives of Jamacia. Since then, Jamaica has issued their first-ever Jamaican Dollar (local currency) dominated bond on the international bond market and LGT have invested in it. They suggest this will provide Jamacia with another way to raise money, without the dependence on the US Dollar. Example of Firm level engagement: Geberit- LGT and other investors set an objective for Geberit to develop a net zero transition plan to be achieved by 2050. The first stage engagement involved seeking confirmation on how the company intended to manage climate-related financial risks. LGT identified some gaps on certain matters (the 1.5°C aligned net zero commitment, for example) and provided information on how the plan could be strengthened. Following this engagement, the company has said it is very positive that its reduction plan as of 2024 will be aligned with a 1.5°C scenario, which LGT views positively. Geberit also saw a double-digit reduction in CO_2 intensity over 2023.
M&G – Versatile European Loan Fund	Total engagements: 32 Number of entities engaged: 15 Environmental: 13 Social: 11 Governance: 5 Strategy: 3	M&G engage across corporates, governments, regulators, and industry bodies. M&G both seek positive change/impact at individual issuers and seek to improve market-wide or system risks (such as climate). Example of Fund level engagement: LGC Group - M&G engaged with the company to strengthen its existing 2050 Net Zero target by i) disclosing greater detail on their decarbonisation strategy and ii) for the target to become accredited by the Science Based Targets initiative, which is an internationally recognised ESG framework for companies. M&G recommended that LGC set an interim carbon reduction target to ensure progress towards their net zero goal, to which LGC confirmed their commitment.

		The ESG policy committee at LGC, chaired by the CEO, meets quarterly, and has ultimate accountability for the ESG strategy, direction, and process. Overall, M&G are pleased with LGC's progress and steps towards sustainability and look forward to the upcoming ESG report in August.
PGIM – Global High Yield Bond Fund	Total engagements: 10 Number of entities engaged: 10 Environmental: 12 Social: 4 Governance: 0 Strategy: 9	PGIM consider engagement to be a meaningful direct dialogue with an issuer or stakeholder on an ESG topic (e.g. climate change, biodiversity, human rights, etc) and believe that engagement is a key tool in their investment process. Example of Fund level engagement: Cox Media Group (CMG) - PGIM note that whilst they believe that radio and television stations that CMG own are good from an ESG perspective, the lack of ESG disclosures mean that CMG has a lower impact rating than many of its peers, which is limiting investor participation in their loans/bonds. PGIM highlighted their concerns to Apollo (who own a 70% stake) and Apollo have since organised an ESG conference for all their portfolio companies. The purpose of the conference is to discuss in more detail initiatives across ESG. Apollo noted that CMG has identified four key areas regarding diversity and inclusion, community impact, responsible content, and cyber security. Following feedback from PGIM on CMG's lack of disclosures, Apollo have acknowledged the need for a formal ESG policy at CMG. This engagement did increase PGIM's confidence in CMG and despite the lack of disclosures, PGIM have elected to upgrade their ESG impact rating on CMG.
Schroders – LDI Portfolio	No. of engagements*: >30 *No. of meetings with public bodies / market participants conducted by the LDI team specifically.	Schroders engage with a wide range of market participants on ESG issues, including the Bank of England and the Debt Management Office on market liquidity and gilt issuance. They also engage with, governments, and clearing houses in addition to existing and potential counterparty banks. Schroders actively engage on industry initiatives and regulation within the LDI sphere to represent views of their clients to key public bodies. Example of firm level engagement: HSBC- Schroders have actively engaged with HSBC, an LDI Counterparty Bank, who they viewed as laggards versus peer counterparty banks in the context of their approach to climate related reporting, engagement, and actions. Through their engagements, Schroders emphasised the importance of the banks' disclosure of their activities to support its clients' transition to net zero. Following engagement, HSBC has been part of the Banks Climate Engagement effort which has been running since 2022. They have progressed a long way from a laggard (at least vs UK peers) to an open engagement process and a genuine desire to get to best in class.
Schroders – AAA Flexible ABS Fund (SAAAF)	Schroders do not currently provide this level of reporting within this fund.	Given the underlying investments in the securitised credit fund, Schroders are unable to provide a full data report on engagements. Schroders' primary engagement in securitised credit has been around agreeing an industry wide format to report climate data. Note: Isio and the Trustee will continue to seek updates from Schroders on this, to see what reporting is possible in future.

Schroders – ISF Securitised Credit Fund (SISZL)	Schroders do not currently provide this level of reporting within this fund.	Given the underlying investments in the securitised credit fund, Schroders are unable to provide a full data report on engagements. Schroders' primary engagement in securitised credit has been around agreeing an industry wide format to report climate data. Note: Isio and the Trustee will continue to seek updates from Schroders on this, to see what reporting is possible in future.
Schroders – ISF Sustainable Global Multi-Credit Fund	Total engagements: 301 Number of entities engaged: 85 Environmental: 190 Social: 57 Governance: 42 Other: 12	The fund predominately invests in corporate debt, and hence Schroders' engagement efforts are focused on interactions with companies. Schroders encourage management teams to adapt to ESG changes and hold them accountable for doing so. Example of Fund level engagement: SSE PLC – Schroders proactively engage with electricity transmission owners, government, regulator, and other stakeholders to ensure investment levels are sufficient to achieve 2035 power sector decarbonisation target. In April 2023, Schroders provided feedback on the potential large-scale changes in price control frameworks due to the ongoing transformation of the energy system. Schroders discussed the need for reform, increased strategic planning, and the importance of periodic reviews for investment transparency. The engagement also delved into the material benefits of change and possible implications of the net zero obligation introduced with the new Energy Bill. Over the course of Schroders' engagement, they have welcomed the company's targets on reducing carbon intensity and have held several technical and high-level discussions regarding climate targets and technologies that could help accelerate decarbonisation. At the end of 2023, Schroders were invited to be the co-lead engager for the company, as part of our participation in the Institutional Investors Group on Climate Change and the CA100+.
WABCO – BlackRock- Index-linked Gilt Flex Funds Gilt Flex Fund	BlackRock do not currently provide this level of reporting within these funds.	Given the underlying investments in the Index-linked and nominal Gilt funds, BlackRock are unable to produce engagement data for these funds. Note: Isio and the Trustee will continue to seek updates from BlackRock on this, to see what reporting is possible in futur.
WABCO – BlackRock – Dynamic Diversified Growth Fund	Total engagements: 331 Number of entities engaged: 193 Environmental: 128 Social: 201 Governance: 648	Blackrock have strong firm wide ESG policies, large, dedicated ESG teams and uses a wide range of internal and third-party data sources all to support and implement its sustainable approach to investing. BlackRock's engagement priorities are: • Board quality and effectiveness • Strategy, purpose, and financial resilience • Incentives aligned with financial value creation • Climate-related risk and Natural capital • Company impacts on people BlackRock did not provide specific case studies of engagement activities.

Voting (for equity/multi asset funds only)

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Plan's investment managers on its behalf.

The Plan's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2024.

Fund name	Voting summary	Examples of most significant votes	Commentary
WABCO – BlackRock – Dynamic Diversified Growth Fund	Votable Proposals: 7,166 Proposals Voted: 6,762 (94%) For votes: 6,389 (94%) Against votes: 373 (5%) Abstain votes: 111 (1%)	Broadcom Inc - On 3rd April 2023 BlackRock voted against the election of 4 directors to the compensation committee. BlackRock voted against all four on the grounds that pay is not properly aligned with performance or peers. BlackRock's votes were unsuccessful, and the 4 motions passed.	BlackRock's approach to corporate governance and stewardship is explained in their Global Principles which describe their philosophy on stewardship, including how they monitor and engage with companies. These high-level principles are the framework for BlackRock's more detailed, market-specific voting guidelines. BlackRock have ongoing direct dialogue with companies to explain their views and how they evaluate their actions on relevant ESG issues over time. Where BlackRock have concerns that are not addressed by these conversations, they may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, BlackRock monitor developments and assess whether the company has addressed their concerns.

Statement of Investment Principles

Purpose of this Statement

This SIP has been prepared by the Trustee of the ZF UK Pension Plan (the "Plan"). This statement sets out the principles governing the Trustee's decisions to invest the assets of the Plan.

The Plan's investment strategy is derived from the Trustee's investment objectives. These objectives have been taken into account at all stages of planning, implementing and monitoring the investment strategy.

Details on the Plan's investment arrangements are set out in the Investment Implementation Document ("IID").

Governance

The Trustee of the Plan makes all major strategic decisions including, but not limited to, decisions on the Plan's asset allocation and the appointment and termination of investment managers.

It is the Trustee's policy to exercise its investment powers in line with the Plan rules and applicable legislation. To this end, the Trustee takes appropriate written investment advice, including where required to do so by law, and other professional advice as necessary for securing compliance with its legal obligations. The Trustee believes that its investment advisers, Isio, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be via a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Plan.

The Trustee has established an Investment Committee ("IC") to oversee the implementation of the Plan's investment strategy, and to speed up the process of consultation with the Company on investment matters. The IC comprises representatives from:

- The Trustee
- The Company
- The Plan Secretary

The role of the IC is to conduct in-depth research on investment strategies and review objectives and the changes to investment strategies to achieve them.

Investment objectives

The Trustee invests the assets of the Plan with the aim of ensuring that all members' current and future benefits can be paid. The Plan's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Plan's circumstances. The Plan's funding target is specified in the Statement of Funding Principles.

The Plan's present investment objective is to achieve a return of around 2.0% per annum above the return on a liability matching portfolio of UK Government bonds.

Investment strategy

The Trustee takes an holistic approach to considering and managing risks when formulating the Plan's investment strategy. The Trustee's policies in relation to investment matters aim to be pragmatic and proportionate in the context of the circumstances of the Plan.

The Plan's investment strategy was derived following careful consideration of the risks and financially material considerations set out in Appendix B. The considerations include the nature and duration of the Plan's liabilities, the risks of investing in the various asset classes and also the strength of the sponsoring companies' covenant. The Trustee considered the merits of a range of asset classes.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in some "matching" assets and investing in a suitably diversified portfolio of assets, which overall are expected to perform in excess of the liabilities over the long term. The matching assets are designed to mirror movements in the Plan's liabilities to hedge risks associated with interest rates and inflation. This portfolio is expected to gain exposure to these factors through physical holdings in UK government bonds or derivatives. Outside of this portfolio, the Plan is expected to hold predominantly credit-based sub assets classes, however, may also make allocations to other growth asset classes such as equity and property. The balance between "matching" and "non-matching" assets is decided by considering the risks outlined in Appendix B and in particular, a key consideration is the strength of the Plan's sponsoring employer.

The assets of the Plan consist predominantly of investments which are traded on regulated markets. The majority of investments can be realised quickly, if necessary, although there would be a risk of capital loss. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet cash flow requirements, both for benefit payments and collateral calls, in most foreseeable scenarios.

The Trustee may use derivatives for efficient portfolio management to manage the Plan's risk profile, including the Plan's inflation and interest rate exposure, and to rebalance the Plan's asset allocation as required from time to time. The Trustee authorises the use of derivatives within parameters agreed with each investment manager.

Leverage and collateral management

The Trustee will consider, and implement as required, all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Plan's liability hedging (LDI) portfolio.

The Trustee has a stated collateral management policy. The Trustee has agreed a process for meeting collateral calls, should these be made by the Plan's LDI investment manager. The Trustee will review this policy on a regular basis.

Further details on this can be found in the IID.

Investment Management Arrangements

The Trustee has appointed several investment managers to manage the assets of the Plan as listed in the IID. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments, although the Trustee will explain to its investment managers in advance, what they consider to be most significant votes in line with the Plan's stewardship priority;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies, processes and views into account when selecting and monitoring managers. Alignment between the investment managers' management of the Plan's assets and the Trustee's policies and objectives are a fundamental part of the appointment process of an investment manager and the ongoing oversight of the activity undertaken by the investment managers, as set out in the table below, on behalf of the Plan. The Trustee also takes into account the performance targets the investment managers are evaluated on when monitoring the investment managers' performance.

The investment managers are required to exercise their discretion in selecting investments in accordance with all applicable laws and regulations, including section 36 of the Pensions Act 1995. The investment managers are also expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

The Trustee has appointed a custodian to operate alongside the investment managers in place. The custodian provides safekeeping for the assets and performs all associated administrative duties such as the collection of dividends.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Plan's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustee receives a quarterly performance report which details information on the underlying investments' performance and asset allocation, which are considered at the relevant IC meeting. • The Plan's investment managers are invited, in person, to present to the Trustee on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • Underperformance versus the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustee receives information from its investment advisers on the investment managers' approaches to engagement. • The Trustee will engage, via its investment adviser, with investment managers and/or other relevant persons about relevant matters (including the Plan's stewardship priorities) regularly. The Trustee will share any agreed stewardship priorities to ensure alignment in voting and engagement activity.	• The manager has not acted in accordance with their policies and frameworks (including stewardship priorities). • The manager's stewardship policies and priorities are not in line with the Trustee's policies and any priorities in this area.

The Trustee's policies in relation to the Trustee's arrangement with asset managers, including the Trustee's policies in relation to the exercise of rights and engagement activities, are set out in more detail in Appendix C.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will, where appropriate, review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Plan invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Plan's total asset value. The Trustee will monitor this periodically to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from its investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed: Mike Smaje

Position: Trustee

Date: 23 April 2024