# IBM Pension Plan
# Annual Report and Financial Statements
# Year Ended 31 December 2024

Pension Scheme Registry Number: 10000175

## Contents



All enquiries about the Plan should be addressed to:

IBM United Kingdom Pensions Trust Limited
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www.smartpensionsuk.co.uk

| | |
|---|---|
| **Corporate Trustee** | IBM United Kingdom Pensions Trust Limited<br>Building D West, Ground Floor, IBM Hursley Office, Hursley Park Road, Winchester, Hampshire SO21 2JN |
| **Trustee directors** | **Non-member appointed:**<br>Mark Hobbert<br>Frederick Klutey<br>Naomi Hill [a]<br>Zoe Hughes<br>Christopher McBrayne [a] (resigned 31 May 2024)<br>Kathleen Sullivan [a] (appointed 27 January 2025)<br>The Law Debenture Pension Trust Corporation P.L.C. [c]<br><br>**Member nominated:**<br>Robert Tickell (Chair) [b]<br>Ian Shore [a]<br>Robert Clark[b]<br><br>(a) Member of an IBM Pension Trust plan<br>(b) Retiree member of an IBM Pension Trust plan<br>(c) Represented by Andrew Harrison and Anna Eagles |
| **Company secretary** | Claire Smith (appointed 10 June 2024)<br>Paul Butler (resigned 10 June 2024) |
| **Administrator** | Legal & General Assurance Society Limited ("LGAS") (DC Sections)<br>XPS Pensions Group ("XPS") (DB sections)<br>IBM Pensions Trust for retained responsibilities |
| **Actuary** | Graham McLean FIA,<br>Towers Watson Limited t/a Willis Towers Watson |
| **Independent auditors** | PricewaterhouseCoopers LLP |
| **Legal advisers** | CMS Cameron Mckenna Nabarro Olswang LLP<br>Sacker & Partners LLP |
| **Investment advisers** | Towers Watson Limited t/a Willis Towers Watson (appointed 3 April 2024)<br>Mercer Limited (terminated 13 April 2024) |
| **Investment custodians** | The Northern Trust Company |
| **Employer covenant** | Cardano Advisory Limited |
| **Bankers** | The Northern Trust Company<br>Barclays Bank Plc |

| | |
|---|---|
| **Sponsoring employer** | IBM United Kingdom Holdings Limited |
| **Participating employers** | IBM United Kingdom Limited<br>IBM United Kingdom Financial Services Limited |
| **Annuity Insurance Provider** | Rothesay Life Plc |
| **Investment managers** | |
| **Defined benefit sections** | |
| **Growth assets** | |
| *Property* | CBRE Global Investors Limited |
| *Private equity* | Bain Capital LLC - until January 2024.<br>HarbourVest Partners LLC<br>Warburg Pincus LLC (terminated December 2024) |
| Alternative<br>*Reinsurance* | Nephila Capital Limited<br>Securis Investment Partners LLP (terminated October 2024) |
| **Matching assets** | |
| *Global credit* | PIMCO Europe Limited<br>Wellington Management International Limited |
| *Global bond* | Northern Trust Fund Services (Ireland) Limited |
| *Core credit* | PIMCO Europe Limited<br>Western Asset Management Company Limited (terminated 7 April 2025)<br>Goldman Sachs Asset Management International<br>abrdn Investments Limited (appointed 28 March 2025) |
| *Liability matching* | BlackRock Advisors (UK) Limited |
| *Cash* | Northern Trust Global Funds plc |
| *Currency overlays* | Russell Implementation Services Limited |
| **Defined contribution sections** | |
| *Managed funds* | Legal & General Assurance (Pensions Management) Limited<br>HSBC Global Asset Management |
| *With profits funds* | Aviva Life & Pensions UK Limited |

The Trustee of IBM Pension Plan (the "Plan") presents its annual report and financial statements for the year ended 31 December 2024.

**PLAN CONSTITUTION**
The Plan is an occupational pension plan set up under trust to provide retirement benefits for certain groups of employees of IBM United Kingdom Limited and IBM United Kingdom Financial Services Limited (together referred to as "IBM" or the "Company").

The Plan is currently governed by the Trust Deed and Rules dated 24 April 1997 (as amended) comprising:

i) The 1997 Definitive Trust Deed setting out the general provisions governing the Plan as a whole;
ii) A Deed comprising the 1997 Defined Benefit Section Rules setting out the Rules for the C, E, N, and DSL Plans and other defined benefit ("DB") sections;
iii) A Deed establishing the 1997 Money Purchase Section Rules ("M Plan") setting out the Rules for the defined contribution ("DC") sections.

The Plan has separate DB and DC sections. The DB sections comprise the following structure:

i) 'N Plan' - closed to new joiners with effect from 5 July 1983;
ii) 'C Plan' - closed to new joiners with effect from 5 April 1997;
iii) 'E Plan' – closed to new joiners with effect from 5 July 1983;
iv) 'DSL Plan' – in practice closed from its inception, being the product of a scheme merger under which a cohort of members transferred into the Plan;
v) All the DB sections of the Plan were closed to future accrual with effect from 6 April 2011.

The DC sections comprise the following structure:

i) 'M Plan';
ii) 'Enhanced M Plan' - established with effect from 6 July 2006 to which members of the DB section of the Plan had a one-off option to transfer into at that time;
iii) 'Hybrid M Plan' – established with effect from 6 April 2011 to provide a DC option to those members which had been excluded from the DB section of the Plan because of the closure of the DB section to future accrual.
iv) All the DC sections of the Plan were closed to new entrants from 6 April 2011.

## CHANGES TO THE PLAN

There were no changes to the Plan during 2024. On 1 July 2024, a Deed of Amendment was approved providing for discretionary increases to pre-6 April 1997 pensions in April 2025. An interim Deed of Amendment was approved on 1 July 2024 which gave the Trustee a discretionary power to offer the new Pension Commencement Excess Lump Sum (PCELS) as defined in [paragraph 3C of Schedule 29 to the Finance Act 2004} from 6 April 2024. On 26 June 2025, a further Deed of Amendment was approved, this amended Rule 9 of Schedule D, permitting certain discretionary pension increases for 21 years up to 6 April 2026.

## PLAN MANAGEMENT

The Board of Directors of the corporate trustee, IBM United Kingdom Pensions Trust Limited, is responsible for all aspects of the administration and management of the Plan. The corporate trustee is appointed by the Company.

The Articles of Association of IBM United Kingdom Pensions Trust Limited set out the rules for the appointment and removal of Trustee Directors. There will be a maximum of nine Trustee Directors, one third of whom must be Member Nominated Directors ("MNDs") nominated and selected by a process which involves all of the active and all retiree members of the Plan. MNDs shall hold office for a period of four years from the date of their appointment. The sponsoring employer, IBM United Kingdom Holdings Limited, retains the authority to appoint and remove Non-Member Appointed Directors.

The Board of Directors of the corporate trustee was chaired by Robert Tickell.

The Trustee has delegated overall responsibility for the day-to-day administration, investment services and management of the Plan to IBM Pensions Trust (“PT”). From 6 January 2021, Legal & General Assurance Society Limited ("LGAS") were appointed as administrator of the DC sections of the Plan and from 1 June 2021, XPS Pensions Group ("XPS") were appointed administrator of the DB sections of the Plan, together referred to as the Third-Party Administrators ("TPAs").

The Trustee reviews the performance and manages the activities of the Plan through regular Trustee Management Meetings. There were four Trustee Management Meetings held during the year.

### Plan management activities

To ensure the effective management of its responsibilities, the Trustee has delegated certain responsibilities to the Trustee Committees as noted below, and operational responsibility to IBM Pensions Trust. IBM Pensions Trust is a department within, but independent from, IBM United Kingdom Limited and IBM United Kingdom Holdings Limited, whose sole objective is to provide secretarial, investment and certain administrative services to the Trustee of the Plan. Ultimate responsibility for the delegated functions remains with the Trustee. All Trustee committee meetings are minuted, with decisions being passed by simple majority voting.

**PLAN MANAGEMENT** (continued)

**Plan management activities** (continued)

The ***Investment Committee***, which is supported by independent investment advisers, has been appointed by the Trustee to direct the policies governing the investment of Plan assets and to supervise the execution of that policy for both the DB and DC sections of the Plan. The Investment Committee met on four occasions for the DB section and five occasions for the DC section during the year to review and monitor investment performance and to consider the investment strategy for the Plan. The Investment Committee considers the risks and opportunities arising from climate change and the investment beliefs of the Trustee. The Investment Committee reviewed how the investment managers, responsible for the management of the Scheme's assets, complied with the UK Stewardship Code and how well the managers integrated Environmental, Social & Governance ("ESG") factors into their investment process.

The ***Governance Committee*** is responsible for monitoring Plan risks, compliance with regulatory requirements, monitoring the effectiveness of IBM Pensions Trust, the oversight of the preparation and annual audit of this annual report and financial statements, and monitoring the effectiveness of the Trustee Board. There were four meetings of the Governance Committee during the year.

The review and approval of benefits payable to the spouse or dependants of recently deceased Plan members is delegated to the ***Benefits Allocation Committee***. The Benefits Allocation Committee met on eight occasions during the year.

The ***Disputes Resolution Committee*** meets as required to review complaints made by Plan members, together with any other related matters referred to it by the Trustee Board, and to make recommendations in respect of these matters to a meeting of the full Trustee Board of the Plan. The Disputes Resolution Committee met on three occasions during the year.

In addition to the four Trustee Committees, sub-committees are established where a small number of Trustee Directors are tasked with a detailed investigation into one or more defined issues on behalf of the Trustee Board.

The ***ESG Sub-Committee*** was established in 2021 to support and guide the Trustee's work on ESG related topics, improve engagement reporting, and to ensure compliance with Climate Change Regulations. The ESG Sub-Committee met on one occasion during the year to review the energy efficiency, diversity, equity and inclusion ("DEI") and the Trustee Climate Change Report. With the appointment of WTW as Investment Advisor to the plan, matters relating to ESG were agreed to be brought to the full Investment Committee for approval, with future ESG Committee's only being called if significant new areas of focus were identified. ESG is an integral part of the Investment Committee's strategy and risk management consideration.

**PLAN MANAGEMENT** (continued)

**Plan management activities** (continued)

The Trustee Directors holding office for the year ended 31 December 2024, their membership of the delegated committees, and their attendance at meetings of the Trustee board and relevant committees, is summarised below. The full movement of Trustee Directors, including up to the date of approval of this Trustee's report, is set out on page 2.

| Trustee directors | Trustee Board Meeting (TMM) | Investment Committee Meeting (ICM) | | Governance Committee Meeting (GCM) | Benefits Allocation Committee (BAC) | Disputes Resolution Committee (DRC) |
|---|---|---|---|---|---|---|
| | | DB | DC | | | |
| Robert Tickell | 4 of 4 | 4 of 4 | 5 of 5 | - | - | 3 of 3 |
| Frederick Klutey | 4 of 4 | 4 of 4 | 5 of 5 | - | - | - |
| Mark Hobbert | 3 of 4 | 4 of 4 | 5 of 5 | - | - | 3 of 3 |
| Naomi Hill | 4 of 4 | 1[2] of 4 | 1[2] of 5 | 2 of 4 | - | 2 of 3 |
| Ian Shore | 4 of 4 | 4[2] of 4 | 5[2] of 5 | 4 of 4 | 7 of 8 | 3 of 3 |
| Robert Clark | 4 of 4 | 4[2] of 4 | 5[2] of 5 | 4 of 4 | 8 of 8 | - |
| Zoe Hughes | 4 of 4 | 4[2] of 4 | 5[2] of 5 | - | 8 of 8 | - |
| Christopher McBrayne | 1 of 1 | 1 of 1 | 1 of 1 | - | - | - |
| The Law Debenture Pension Trust Corporation P.L.C. [1] | 4 of 4 | 4 of 4 | 5 of 5 | 4 of 4 | 8 of 8 | - |

[1] Represented by Andrew Harrison (TMM, ICM) and Anna Eagles (GCM, BAC).

[2] Not required to attend, attended as observer only.

**Conflicts of interest**

The Trustee Directors recognise that they are in a position of trust and need to have policies and arrangements in place to identify, monitor, and manage conflicts. The Trustee has implemented a formal Conflicts of Interest Policy, and maintains a log of any potential or actual conflicts which are identified. Trustee Directors are also required to declare any potential or actual conflicts at the start of each Trustee Meeting.

**Risk and control**

The Trustee has overall responsibility for risk management and internal controls. The Trustee is committed to identifying, evaluating, and managing risk, and to implementing and maintaining control procedures to reduce significant risks to an acceptable level. A risk register, documenting the major risks faced by the Plan together with associated control mechanisms and mitigation/recovery plans is maintained and reviewed quarterly and is approved annually by the Governance Committee.

**PLAN MANAGEMENT** (continued)

**Trustee training**

The Trustee has a formal Training Policy which is based upon the Trustee Knowledge and Understanding (TKU) framework issued by the Pensions Regulator, ("tPR"), and education requirements are reassessed annually.

An induction programme is provided for new Trustee Directors on appointment. The induction programme covers a significant amount of material and will usually take several months to complete.

Training is provided in a range of formats by a variety of providers. Trustee Directors are required to complete the tPR's Trustee Toolkit, and are encouraged to support this formal training by accessing other resources such as pensions related publications and industry conferences and seminars. Records of all training undertaken are maintained in respect of each individual Trustee Director.

In addition, a Trustee Effectiveness programme is followed as per tPR's requirements. At the December 2023 Governance Committee Meeting, the Governance Committee agreed that the focus for 2024 would be on continuing to work on the Trustee's effectiveness through compliance with tPR's new General Code of Practice, developing a process to monitor an "Effective System of Governance" in preparation for the creation of the new "Own Risk Assessment" by December 2026. Further details on Effectiveness activities can be seen on pages 80 and 81 of this Annual Report and Financial Statements.

## FINANCIAL DEVELOPMENTS AND FINANCIAL STATEMENTS

The financial statements included in this annual report are the financial statements required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

### Guaranteed Minimum Pension ("GMP") Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is still reviewing, with its advisers, the implication of this ruling on the Plan and the equalisation of guaranteed minimum pensions between men and women, in the context of the rules of the Plan and the value of any liability. As soon as this review is finalised and any liability quantified, members will receive further communication, and any financial impact will be considered by the Trustee.

There was a further High Court judgement, in November 2020, in relation to the equalisation of GMP benefits. This judgement focused on the GMP treatment of historic transfers out of members, an issue which had not been addressed in the 2018 ruling. Under the recent ruling, trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to the receiving scheme, to reflect the member’s right to equalised GMP benefits. As soon as this review is finalised and any liability quantified, the financial impact will be considered by the Trustee.

## MEMBERSHIP AND BENEFITS

The change in membership during the year is as follows:

| | DB Sections | DC Sections | Total |
|---|---|---|---|
| **Active members brought forward** | - | 2,387 | 2,387 |
| In year adjustment | - | 1 | 1 |
| At the start of the year | - | 2,388 | 2,388 |
| Members leaving (retiring & transfers out) | - | (1) | (1) |
| Members deferring | - | (193) | (193) |
| Deaths | - | (2) | (2) |
| At the end of the year | - | 2,192 | 2,192 |
| **Pensioners brought forward** | 15,545 | - | 15,545 |
| In year adjustment | (10) | - | (10) |
| At the start of the year | 15,535 | - | 15,535 |
| Deferred members retiring | 473 | - | 473 |
| Deaths | (360) | - | (360) |
| Pensioners ceasing of supplement pension | (9) | - | (9) |
| New spouse and dependant pensions | 209 | - | 209 |
| Cessation of dependant pensions | (139) | - | (139) |
| At the end of the year | 15,709 | - | 15,709 |
| **Deferred members brought forward** | 2,994 | 12,524 | 15,518 |
| In year adjustment | (2) | 48[1] | 46 |
| At the start of the year | 2,992 | 12,572 | 15,564 |
| Active members moving to deferred | - | 193 | 193 |
| Deferred members retiring | (473) | (81) | (554) |
| Deferred members leaving / transferring out | (6) | (823) | (829) |
| Deaths | (6) | (10) | (16) |
| At the end of the year | 2,507 | 11,851 | 14,358 |
| **Total at the end of the year** | **18,216** | **14,043** | **32,259** |

[1] one off adjustment needed to include opted out members who were omitted from 2023 membership.

Included within the above are:

- 324 (2023: 405) of the deferred DB members are also active members of the DC section
- 362 (2023: 454) of the deferred DB members are also deferred members of the DC section
- Of the 15,709 pensioners, 3,060 are spouses and dependants (2023: 3,005 of 15,545)
- 139 (2023: 123) of the "cessation of dependant pensions" are due to dependant / spouse deaths
- 54 (2023: 63) of the active DC members (Enhanced or Hybrid members of the IBM Pension Plan DC Section) are also deferred members of the IBM I.T. Solutions Pension Scheme
- 491 (2023: 521) of the deferred DC members (Enhanced or Hybrid members of the IBM Pension Plan DC section) are also deferred members of the IBM I.T. Solutions Pension Scheme
- 8,148 (2023: 8,385) of the pensioners are covered by an annuity insurance policy held with Rothesay Life Plc.

## Pension increases

Pensions in payment are increased annually in accordance with the Plan rules or statutory requirements. Other than as noted below, no discretionary increases were awarded in 2024 (2023: nil). The increases applied at April 2024 were as set out below:

| Section and service period: | Basis of increase | % increase **2024 /** 2023 |
|---|---|---|
| *C, N & E Plan:* | | |
| Pre 1997 non GMP * | 50% of the 12 months RPI to prior January, capped at 5.0% | **2.5** / 2.5 |
| Post April 1997 and pre-April 2005 | 12 months CPI to prior September, capped at 5% | **5.0** / 5.0 |
| Post April 2005 | 12 months CPI to prior September, capped at 2.5% | **2.5** / 2.5 |
| Post 88 GMP | 12 months CPI to prior September, capped at 3% | **3.0** / 3.0 |
| *C Plan – ICI Element* | 12 months RPI to prior September, capped at 5% | **5.0** / 5.0 |
| *DSL* | | |
| Pre August 2005 | 12 months RPI to prior December, capped at 5% | **5.0** / 5.0 |
| Post August 2005 | 12 months RPI to prior December, capped at 2.5% | **2.5** / 2.5 |

** Increases to Pre 1997 non GMP service were previously discretionary. The Trustee agreed with the Company that this pension element will increase by 50% of the 12 months RPI to January, RPI capped at 5.0%, through to 2025. After 2025, under the current agreement, the increases revert to be discretionary. RPI = Retail price index. CPI = Consumer price index.*

## Transfer payments

Members leaving IBM with over three months' pensionable service have the right to transfer pension benefits accrued to the date of leaving to either a new occupational pension scheme or an approved scheme operated by an independent pension provider.

With effect from April 2015, members who have left service or who have withdrawn from the Plan have the statutory right to transfer their DB benefits separately from their DC benefits (providing they are not within 12 months of their normal retirement age).

Transfer payments paid during the year were calculated in accordance with the regulations under the Pension Schemes Act 1993 and the Pensions Act 1995 as appropriate and no discretionary payments were included in any of the transfers made.

Effective December 2006, the Trustee decided to allow members to separately transfer out their Additional Voluntary Contributions /Additional Smart* Contributions fund benefits.

## Life Assurance Benefits

Life assurance benefits are fully insured with Legal & General Assurance Society Limited ("Legal & General"), with 50% underwritten by Allianz. The premiums are borne by the Company and any payments due are administered by the trustees of the IBM Group Life Assurance Plan. Each member's benefits are paid in full by Legal & General.

## REPORT ON ACTUARIAL LIABILITIES

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” ("FRS 102"), these financial statements do not include liabilities in respect of accrued retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover the present value of benefits to which members are entitled based on pensionable service at the valuation date (known as the technical provisions). The technical provisions are assessed at least every three years as part of the Actuarial Valuation, using assumptions agreed between the Trustee and the Company which are set out in the Statement of Funding Principles document, a copy of which is available from IBM Pensions Trust on request.

### Actuarial valuation

The most recent Actuarial Valuation of the Plan was carried out as at 31 December 2021. The table below sets out the Plan’s liabilities/technical provisions and the market value of the Plan’s assets for the current and prior Actuarial Valuations:

| **Actuarial valuation as at 31 December:** | **2021** | 2018 |
|---|---|---|
| | **£m** | £m |
| Value of technical provisions | **7,577** | 7,024 |
| Market value of assets (excluding AVCs) | **8,267** | 7,671 |
| Past service surplus | **690** | 647 |
| Funding level (assets as a percentage of technical provisions) | **109%** | 109% |

The value of technical provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the Plan in the future, such as the levels of investment returns and salary increases, when members will retire, and how long members will live.

### Statutory estimate of solvency

The estimate of the solvency of the Plan as at 31 December 2021 is set out below. This estimate has been prepared on the basis that no further payments are received from the Company, and an estimate of the proportion of the accrued benefits that could have been secured by buying insurance policies with the assets held by the Plan at the valuation date.

| **Statutory estimate of solvency as at 31 December:** | **2021** | 2018 |
|---|---|---|
| | **£m** | £m |
| Estimated cost of buying insurance policies to cover liabilities | **8,035** | 7,674 |
| Market value of assets (excluding AVCs) | **8,267** | 7,671 |
| Solvency surplus / (deficit) | **232** | (3) |
| Solvency level (assets as a percentage of liabilities) | **103%** | 100% |

**REPORT ON ACTUARIAL LIABILITIES** (continued)

### Actuarial report

In the years when an Actuarial Valuation is not conducted, the Trustee is required under Part 3 of the Pensions Act 2004 to obtain an "actuarial report". The main purpose of the actuarial report is to provide an approximate update of the development in the financial position of the Plan relative to its statutory funding objective since the last actuarial valuation and any subsequent actuarial reports.

The results of the actuarial report of the Plan as at 31 December 2023, are set out below:

| **Actuarial report as at 31 December:** | **2023**<br>**£m** |
|---|---|
| Value of technical provisions | 5,326 |
| Market value of assets (excluding AVCs) | 5,807 |
| Past service surplus | 481 |
| Funding level (assets as a percentage of technical provisions) | 109% |

### Next actuarial valuation

The next triennial valuation is due to be prepared no later than as at 31 December 2024 and is currently underway.

### Actuarial method and significant actuarial assumptions

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method. The significant actuarial assumptions used in the calculations are as follows:

- **Long-term Discount rates** are set at 0.35% per annum margin over the Willis Towers Watson gilt yield curve for non-insured liabilities and 0.26% per annum margin over the Willis Towers Watson gilt yield curve for insured liabilities.
- **Retail Price Inflation** has been assessed as being equal to the Willis Towers Watson gilt break-even inflation curve.
- **Future Consumer Price Inflation** has been assessed as an adjustment to the assumed level of future Retail Price Inflation taking into account the expected differences in the two measures of inflation due to structural differences in the calculation of the two indices and the different constituent parts.
- **Pension increases** are applied to each different element of pensions in excess of GMP according to the provisions in the Plan's rules.
- **Salary increases,** including any remuneration that a member consents to, being a non-pensionable supplement under the Plan Rules, will increase at a rate of 0.75% per annum higher than assumed Retail Price Inflation.
- **Mortality** assumptions for the period in retirement are based on the standard tables "S3 for males" with a scaling factor of 86% for male active members and male dependants; "S3 for females" with a scaling factor of 95% for female active members and female dependants. Allowance is then made for improvements in longevity from the valuation date onwards in line with the CMI 2020 Core Projection with a long-term annual rate of improvement of 1.25% per annum for both males and females and initial addition of 0.25% and weighting of 10% to each of 2020/21.

## CONTRIBUTIONS

The contributions payable to the Plan under the Schedules of Contributions in force are detailed in note 4 to the financial statements. A Schedule of Contributions was signed in March 2023, following the approval of the 31 December 2021 actuarial valuation. A subsequent Schedule of Contributions was certified on 1 July 2024 and covers the period to 1 July 2029. It included a provision that for the period from 6 July 2024 to 5 July 2025 (inclusive) no contributions shall be paid by the Company in respect of the rates referenced in Rules 1(3) and 1(4) of Schedule C to the Money Purchase Rules. A further Schedule of Contributions was certified on 26 June 2025, covering the period to 5 July 2030. This included an extension to the provison above to cover the period from 26 June 2025 to 5 July 2026 (inclusive). During this period such contributions will be funded by surplus assets in the DB section.

## CONTINUATION OF THE PLAN

The Company has the right to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in the Trust Deed and Rules and the Pensions Act 1995. The Company has not expressed any intent to do so.

Whether or not all Plan members receive their benefits in full should the Plan be wound up at some future date will depend on the sufficiency at that time of the Plan’s net assets to provide for the accrued benefits. If the Plan goes into wind up a debt will fall due from the Participating Employers of the full buy out cost of benefits for all members of the Plan. The extent to which such debt can be paid will depend on the Participating Employers' assets at that time and the terms of any guarantee.

A level of further protection was introduced with effect from April 2005 by the establishment of the Pension Protection Fund (“PPF”). The PPF was set up to provide compensation to members of eligible defined benefit plans, when there is a “qualifying insolvency event” in relation to the employer, and where there are insufficient assets in the pension plan to cover the level of compensation due to members as set out by the PPF regulations.

The provisions relating to both eligibility and payment of benefits are complex but in summary members who have already reached normal pension age or who have retired on ill-health grounds at the date that a plan is accepted by the PPF, will receive compensation of 100% of their entitlement. Members who have not reached normal pension age will receive compensation of 90% of their entitlement. Dependants’ pensions generally will be payable at 50% of the members’ pension.

In 2018, the European Court of Justice ruled that individual members should receive at least 50% of the value of their accrued old age pension if the employer responsible for funding the plan they have paid into fails.

**INVESTMENT MANAGEMENT**

The Trustee is responsible for setting the investment strategy and monitoring the performance of the DB sections of the Plan. It is also responsible for ensuring that there is a suitable range of investment options, including a default arrangement, for members of the DC sections of the Plan and for members seeking to make Additional Voluntary Contributions.

The Trustee has prepared, in accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (the "SIP") which explains the Trustee's policy regarding the types of investments to be held, expected return on investments, its approach to Environmental, Social and Governance ("ESG") and related matters. In preparing the SIP the Trustee has obtained appropriate investment advice and has consulted the Company. The SIP can be accessed on the IBM Pensions Trust website: www.smartpensionsuk.co.uk/#/page/governance-documentation. A hardcopy is available upon request by using the contact details www.smartpensionsuk.co.uk/#/page/contact-us.

Within the SIP, the Trustee has set out the following long-term investment objectives in relation to the DB Sections:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter-term basis.

The Trustee's principal mission within the DC Section, is to help members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an investment framework which represents value for members, considering climate-related risks and opportunities where feasible, and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

The Trustee also seeks to offer suitable default investment arrangements and self-select ('Freestyle') options which are appropriate for members based on their expected risk tolerances and retirement objectives and embed climate change risks and opportunities in their design.

The Trustee believes that ESG factors, including climate change, can impact the performance of the Plan's investments, both DB and DC (including the DC default investment strategies), over the medium to long-term. The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its investment managers and, accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management and against criteria which include ESG considerations.

**INVESTMENT MANAGEMENT** (continued)

**Climate Change Governance and Reporting**

The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to ensure that there is effective governance with respect to the effects of climate change.

A report has been prepared by the Trustee to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 using the Department for Work and Pensions ("DWP") statutory guidance. The Plan is required to have in place effective governance, strategy, risk management, and accompanying metrics and targets for the assessment and management of climate risks and opportunities, and to produce a report.

The report explains how the Trustee has established and maintained oversight and processes to satisfy themselves that the Plan's relevant climate-related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Plan.

The Plan's report for the year ended 31 December 2024 can be found at

www.smartpensionsuk.co.uk/#/page/governance-documentation

**Matters relating to voting rights**

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's DB and DC investments to the investment managers. Managers are encouraged to exercise these rights.

The Trustee supports the aims of the UK Stewardship Code, and its investment managers are invited to operate in accordance with the guidelines laid out in the Stewardship Code which covers matters of both voting and engagement. The investment managers are encouraged to report their adherence to the Stewardship Code using the "comply or explain" principle where appropriate.

The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records. Furthermore, the Trustee requires detailed information on significant votes, as determined by the Trustee, to be provided by the investment managers on an annual basis. The significant votes are reviewed by the Investment Committee and disclosed on an annual basis in the Implementation Statement. The Trustee defines a 'significant vote' to be one which relates to one of the Trustee's beliefs and stewardship priorities, which are:

- Climate Change.
- Diversity, equity and inclusion.
- Energy Efficiency.

**INVESTMENT MANAGEMENT** (continued)

The Trustee has delegated management of the investments to professional investment managers which are listed on pages 2 and 3. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom (or the Trustee is satisfied that they have the appropriate skills and experience if outside of the UK), manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objectives and policies set out in the SIP are followed.

The Trustee has less information over the underlying investments within pooled investment vehicles held by the Plan but reviews the managers' policies and statements of compliance in respect of these matters.

The Trustee has appointed The Northern Trust Company to keep custody of the Plan's investments, other than:

- Pooled investment vehicles where the manager makes its own arrangements for custody of the underlying investments.
- Policy documents for the Rothesay Life Plc bulk annuity insurance policy, AVCs and other investments (which are in the form of insurance policies) where the master policy documents are held by the Trustee.

In accordance with the Disclosure Regulations Schedule 3, 30(d)(iv) Investment Regulations 2(3)(d), from October 2020 the Trustee has set out in its SIP its policies in relation to the following matters:

i. how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies mentioned in sub paragraph b of the Investment Regulations;
ii. how that arrangement incentivises the asset manager to make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long term;
iii. how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee policies mentioned in sub paragraph b of the Investment Regulations;
iv. how the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and
v. the duration of the arrangement with the asset manager.

The Trustee's Implementation Statement, which sets out further voting and engagement information undertaken by the Plan's investment managers for the year ended 31 December 2024, is set out on pages 114 to 131, and forms part of the Trustee's Report.

## INVESTMENT STRATEGY

### Defined benefit sections - Investment strategy

The Trustee's investment strategy is set out below:

- 99.5% invested in **Matching assets,** which are investments that move broadly in line with the long-term liabilities of the Plan. These are referred to as Liability Driven Investments ("LDI") and include UK, overseas government, and corporate bonds, that help mitigate the impact of interest rate and inflation rate movements on the long-term liabilities. The Plan also uses derivatives, such as interest rate and inflation swaps, to hedge changes in the Plan's liabilities.
- 0.5% invested in **Growth assets,** which are return seeking investments primarily comprising private equity investments. There is a small residual exposure to reinsurance where the remaining funds are gradually being released.
- Approximately 0.1% of the Plan's assets have unhedged currency exposure. The Trustee mitigates this risk by using currency forwards to hedge 100% of this unhedged Dollar, Euro, Yen and the next 5 largest currencies exposures. The currency basket increase was actioned on 30 June 2024.
- Following significant de-risking during 2020, this strategy includes a bulk annuity insurance policy with Rothesay Life Plc that was purchased in December 2020 for £3,253.3m.

The investment strategy is broadly diversified and is now invested primarily in domestic and overseas bonds, index linked gilts, private equity and the annuity insurance policy. In addition, the Trustee uses derivatives to hedge a proportion of its currency risk (an asset price risk) and interest rate and inflation rate risks (which are liability risks), which the Trustee regards as unrewarded "funding" risks.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Plan's investments and consider them to be appropriate relative to the reasons for holding each class of investments. More details about investments are given in the notes to the financial statements.

The investment policy weighting of the Plan's DB investments at 31 December 2024, together with the Plan's actual asset allocations is shown below:

| Asset class | 2024 Actual | 2024 Policy | 2023 Actual |
|---|---|---|---|
| **Growth assets** | **0.5%** | **0.5%** | **1.9%** |
| Private equity | 0.4% | 0.4% | 1.7% |
| Alternative investments | 0.1% | 0.1% | 0.2% |
| **Matching assets** | **99.5%** | **99.5%** | **98.1%** |
| Global bonds | 6.1% | 5.7% | 5.6% |
| Global credit | 6.8% | 5.7% | 6.0% |
| Long-term core credit | 32.6% | 32.5% | 30.3% |
| Liability matching assets | 51.7% | 54.1% | 54.6% |
| Other | 2.3% | 1.5% | 1.6% |

**INVESTMENT STRATEGY** (continued)

**Defined benefit sections - Investment strategy** (continued)

The figures in the table above exclude the Rothesay Life Plc bulk annuity insurance policy exposure.

The Trustee is continuing to review its long-term strategy on an ongoing basis. For further information on updates to the DB investment strategy in 2025, refer to page 115 of the Implementation Statement.

**Defined contribution sections - Investment strategy**

During the year, the Lifecycle Balanced 2020 strategy was offered as the main default arrangement for DC members. The Lifecycle Balanced 2020 incorporates a mixed annuity and drawdown target in addition to a 25% allocation to the Money Fund.

In addition, members were offered three alternative Lifecycle investment strategies which respectively targeted annuity, cash, and drawdown retirement objectives.
These were:

- Lifecycle to Annuity 2020 strategy
- Lifecycle to Lump Sum 2020 strategy
- Lifecycle to Drawdown 2020 strategy

The fund range and default investment strategy are reviewed on at least a triennial basis, the last review having taken place in 2024 and is being implemented in 2025. The new default strategy will see members remain invested in equities for longer whilst targeting drawdown at retirement. Two alternative Lifecycles will be offered targeting either an Annuity or Lump Sum retirement objective.

The Plan offers a range of Freestyle self-select investment funds for members who wish to take a more active role in the investment of their DC pension savings. These funds are offered at competitive fees and comprise traditional and alternative asset classes.

In 2025, the Freestyle fund range will see a more focused selection of funds made available to members, with the decision taken to close a number of legacy funds that no longer represent DC best practice, and those where there was deemed to be significant crossover with alternatives. At the same time, a small number of new funds are to be introduced where there were deemed to be gaps in the existing fund range.

**INVESTMENT STRATEGY** (continued)

**Defined contribution sections - Investment strategy** (continued)

These assets, which are managed by Legal & General Investment Management Limited and HSBC Global Asset Management, and are provided by Legal & General Assurance Society Limited ("LGAS"), were valued at £2,776.2m (2023: £2,647.3m), including £41.8m (2023: £53.7m) related to DB additional voluntary contributions and additional smart contributions, as at 31 December 2024.

The Trustee also undertakes an annual legal review to ensure that the asset security under this arrangement is acceptable relative to the security available in the wider market.

**INVESTMENT PERFORMANCE**

The Trustee regularly reviews the performance of the Plan's investments, which are grouped into three core segments consistent with the overall strategy.

- **DB – Growth assets** (defined above) consist primarily of private equity investments. Private equity involves fixed long-term commitments, and a secondary sale was agreed by the Trustee to reduce exposure down to two funds.

- **DB - Matching assets** (defined above) are compared with benchmarks, although the Trustee's main concern being security of cash flows and therefore growth in these assets (which is normally linked to growth in the Plan's liabilities, or vice versa) is of less relevance.

- **DC sections assets** are assessed by reference to performance against benchmarks. Members can access performance information from Legal & General's website.

**Defined benefit sections - Investment performance**

The Plan return was -3.8% (2023: 3.0%) net of fees in 2024 which was 0.2% above the Plan's benchmark return with both growth and matching assets performing as expected.

Details of the Plan's annualised performance over one year, three years, and five years to 31 December 2024 are summarised in the table below. These are then compared to the Plan's policy benchmark, which is a composite of the benchmark returns for the Plan's underlying investment securities.

| **Annualised return over:** | **1 year** | **3 years** | **5 years** |
|---|---|---|---|
| **Plan return excluding AVC/ASCs** (net of fees) * | **-3.8%** | **-9.6%** | **-3.9%** |
| *Policy benchmark return* | *-4.0%* | *-9.7%* | *-3.9%* |

**INVESTMENT PERFORMANCE** (continued)

**Defined benefit sections - Investment performance** (continued)

*The Rothesay Life Plc bulk annuity insurance policy which was purchased in December 2020 is excluded from these returns as the asset value, in effect, matches the liability position.

The net return on the Plan's investments for the year ended 31 December 2024 is set out below. The Pooled Investment Vehicle investments have been allocated in line with their underlying asset class (note 12 to the financial statements) as opposed to being shown as a single investment type. This analysis is in line with the approach adopted by the Trustee in its review of asset performance.

| Asset class | 2024 Value £m | Return |
|---|---|---|
| **Total net investments of the Plan *** | **3,357.5** | **-3.8%** |
| **Growth assets** | **16.1** | **-2.3%** |
| Private equity | 12.2 | -6.8% |
| Alternative investments | 3.9 | 11.1% |
| **Matching assets** | **3,295.6** | **-3.9%** |
| Global bonds | 200.7 | 1.8% |
| Global credit | 225.4 | 3.5% |
| Long-term core credit | 1,078.1 | -3.6% |
| Liability matching assets** | 1,715.2 | -5.7% |
| Other | 76.2 | 2.5% |
| **AVC/ASC investments** *** | **45.8** | ** |

* The totals in the table above are based on mid price valuation data as at 31 December 2024, which is used by Northern Trust to calculate the Plan’s performance. Therefore the totals cannot be reconciled to the financial statements, which are prepared on a bid price valuation basis for defined benefit assets. In addition, certain categories of investment are presented on a different basis between the table and the financial statements, as the table has been categorised to match the performance reporting criteria.
** The liability matching assets excludes the Rothesay Life Plc bulk insurance annuity policy which was purchased in December 2020 and was valued at £1,882.0m on 31 December 2024. The performance return is also excluded; its value will fluctuate in line with the value of the liabilities payable under the policy.
*** The additional voluntary contributions and additional smart contributions made by members of the DB sections of the Plan are invested in the same suite of investment options available to members of the DC sections of the Plan. Accordingly, information about the investment options and investment performance is included within the *DC sections investment performance* analysis on pages 22.

**INVESTMENT PERFORMANCE** (continued)

**Defined contribution sections - Investment performance**

The performance of the DC funds included within the lifecycle strategies and the self-select range, along with their benchmarks, are set out in the following table:

| **Annualised return** | **2024** | | **3 Years** | |
|---|---|---|---|---|
| | **Fund** | **B'mark** | **Fund** | **B'mark** |
| **Equities** | | | | |
| Global Equity 60:40 | 10.3% | 10.9% | 6.1% | 6.2% |
| Global Equity 70:30 | 12.4% | 12.7% | 6.7% | 6.8% |
| Global Real Estate Equity | 3.1% | 3.5% | -4.1% | -3.9% |
| Ethical UK Equity | 10.1% | 10.3% | 6.4% | 6.5% |
| Ethical Global Equity | 21.6% | 21.9% | 8.7% | 8.8% |
| UK Equity | 9.4% | 9.4% | 5.9% | 5.9% |
| World Emerging Markets Equity | 13.9% | 14.4% | 2.6% | 2.9% |
| Infrastructure Equity | 9.9% | 10.5% | 2.1% | 2.5% |
| All World Equity | 20.2% | 20.7% | 7.2% | 7.4% |
| World ex UK Developed Equity | 20.9% | 21.4% | 8.2% | 8.5% |
| Future World Fund | 14.0% | 14.8% | 4.9% | 5.4% |
| HSBC Shariah* | 30.0% | 30.2% | - | - |
| Sustainable Global Equity Index* | 21.2% | 21.2% | - | - |
| Sustainable Developed (ex-UK) Equity Index* | 22.7% | 22.9% | - | - |
| Sustainable UK Equity Index* | 9.3% | 9.4% | - | - |
| Sustainable Emerging Markets Equity Index* | 10.6% | 11.4% | - | - |
| **Fixed Income** | | | | |
| Over 15 Year Gilts | -10.3% | -10.3% | -18.3% | -18.3% |
| Annuity Protection | -10.8% | -10.7% | -17.9% | -17.9% |
| Pre-Retirement Fund (Annuity Target) | -4.0% | -2.5% | -9.8% | -10.6% |
| Pre-Retirement Inflation-Linked (Annuity Target) Fund | -6.2% | -8.1% | -13.6% | -12.5% |
| Corporate Bonds | 1.6% | 1.6% | -3.1% | -3.1% |
| Emerging Market Debt | 2.4% | 2.8% | 0.2% | -0.1% |
| Index-Linked Gilts | -8.5% | -8.4% | -15.0% | -15.0% |
| UK Money Fund | 5.3% | 5.2% | 3.8% | 3.8% |
| Sustainable Corporate Bond* | 1.9% | 2.1% | - | - |
| **Multi Asset Strategies** | | | | |
| Growth Plus Fund (former Consensus) | 15.3% | 15.4% | 5.2% | 5.1% |
| Growth Fund | 6.1% | 6.2% | -0.9% | -1.1% |
| Growth Plus Fund | 15.3% | 15.4% | 5.2% | 5.1% |

Source: LGAS, net of fees. The performance figures shown above reflect the underlying pooled fund used by the Plan and are daily midday mid-prices.
*Funds started in Q4 2022 so limited performance returns data available.

The Trustee has negotiated competitive annual management charges with LGAS in respect of all the funds available to members for their DC investments. The charges range from 0.04% (£0.40 per £1,000 invested) to 0.34% (£3.40 per £1,000) depending on asset class and complexity of implementation. These costs are inclusive of additional fund operating costs such as custodian costs.

**INVESTMENT PERFORMANCE** (continued)

**Defined contribution sections - Investment performance** (continued)

Previously, members were also able to invest additional voluntary contributions in the Aviva Life & Pensions UK Limited's With Profits Fund and the Equitable Life Assurance Society's ("ELAS") With Profits Fund. The ELAS With Profits Fund was closed in 2020. AVCs are now invested in the funds managed by LGAS.

Further information is included in note 15 to the financial statements.

**Remuneration of Investment Managers**

Investment management fees for the DB section are either invoiced directly for segregated mandates or collected direct from the pooled fund for pooled investment vehicles. For the DC section funds, an annual management charge on each member’s fund is reflected in the price of units.

**EMPLOYER-RELATED INVESTMENTS**

Details of employer-related investments are given in note 21 to the financial statements.

## STATEMENT OF TRUSTEE'S RESPONSIBILITIES

### The trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the trustee. Pension scheme regulations require, and the trustee is responsible for ensuring, that those financial statements:

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

In discharging these responsibilities, the trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the plan will continue as a going concern.

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

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

The trustee is also responsible for the maintenance and integrity of the www.smartpensionsuk.co.uk website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### The trustee's responsibilities in respect of contributions

The trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the plan by or on behalf of employers 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 adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the plan in accordance with the schedule of contributions.

Where breaches of the schedule occur, the trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

**DATA PROTECTION**
IBM United Kingdom Pensions Trust Limited and companies processing data on its behalf will, from time to time, hold and use such personal information about members as is reasonably necessary in connection with the administration of the plan.

The General Data Protection Regulation ("GDPR") took effect across the EU from May 2018. The Trustee complies with all applicable data privacy laws and is fully committed to protecting the personal data of its members.

**FURTHER INFORMATION**

Requests for additional information about the Plan generally, or queries relating to members' own benefits, should be made to the contact listed on page 1.

**APPROVAL**
The Trustee's Report on pages 4 to 25 was approved by the Board of Directors of the Trustee Company and signed on its behalf by:

e-Signed by Robert Tickell
on 2025-07-22 08:13:17 GMT

**Robert Tickell**
Chair

Date: 22 July 2025

# Report on the audit of the financial statements

## Opinion

In our opinion, IBM Pension Plan's financial statements:

- show a true and fair view of the financial transactions of the plan during the year ended 31 December 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 31 December 2024; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to, or in respect of, the plan.

We have provided no non-audit services to the plan in the period under audit.

## Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the plan's ability to continue as a going concern.

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

## Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

## Responsibilities for the financial statements and the audit

### Responsibilities of the trustee for the financial statements

As explained more fully in the statement of trustee's responsibilities, the trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of 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 has 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the plan and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the plan in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

### Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
Manchester
Date 22 July 2025

| Year ended 31 December | Note | 2024 DB £m | 2024 DC £m | 2024 Total £m | 2023 DB £m | 2023 DC £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|
| **Contributions and other income** | | | | | | | |
| Employee contributions | 4 | **-** | **1.2** | **1.2** | - | 0.7 | 0.7 |
| Employer contributions | 4 | **1.8** | **48.3** | **50.1** | 1.8 | 47.8 | 49.6 |
| Transfers in | | **-** | **0.9** | **0.9** | 0.0 | 0.4 | 0.4 |
| | | **1.8** | **50.4** | **52.2** | 1.8 | 48.9 | 50.7 |
| **Benefits and other payments** | | | | | | | |
| Benefits paid or payable | 5 | **(346.1)** | **(27.3)** | **(373.4)** | (328.1) | (33.5) | (361.6) |
| Transfers out | 6 | **(13.7)** | **(197.4)** | **(211.1)** | (15.5) | (104.1) | (119.6) |
| Administrative expenses | 7 | **(4.9)** | **-** | **(4.9)** | (5.1) | - | (5.1) |
| | | **(364.7)** | **(224.7)** | **(589.4)** | (348.7) | (137.6) | (486.3) |
| **Net withdrawals from dealings with members** | | **(362.9)** | **(174.3)** | **(537.2)** | (346.9) | (88.7) | (435.6) |
| **Net returns on investments** | | | | | | | |
| Investment income | 8 | **279.5** | **-** | **279.5** | 262.5 | - | 262.5 |
| Change in market value of investments | 9 | **(541.1)** | **319.5** | **(221.6)** | (1.9) | 297.9 | 296.0 |
| Investment management expenses | 10 | **(4.4)** | **-** | **(4.4)** | (7.5) | - | (7.5) |
| Taxation | 11 | **0.0** | **-** | **0.0** | 0.0 | - | 0.0 |
| | | **(266.0)** | **319.5** | **53.5** | 253.1 | 297.9 | 551.0 |
| **Net (decrease) / increase in the fund** | | **(628.9)** | **145.2** | **(483.7)** | (93.8) | 209.2 | 115.4 |
| Net assets at 1 January | | **5,865.5** | **2,594.1** | **8,459.6** | 5,954.2 | 2,390.0 | 8,344.2 |
| Transfers between sections | 24 | **(4.9)** | **(4.5)** | **(9.4)** | 5.1 | (5.1) | - |
| **Net assets at 31 December** | | **5,231.7** | **2,734.8** | **7,966.5** | 5,865.5 | 2,594.1 | 8,459.6 |

The notes on pages 31 to 60 form part of these financial statements

| **At 31 December** | **Note** | | **2024** | | | 2023 | |
|---|---|---|---|---|---|---|---|
| | | **DB** | **DC** | **Total** | DB | DC | Total |
| | | **£m** | **£m** | **£m** | £m | £m | £m |
| **Investment assets** | | | | | | | |
| Bonds | | **2,853.2** | **-** | **2,853.2** | 3,044.9 | - | 3,044.9 |
| Pooled investment vehicles | 12 | **220.7** | **2,262.5** | **2,483.2** | 232.9 | 2,142.4 | 2,375.3 |
| Derivatives | 13 | **67.1** | **-** | **67.1** | 82.4 | - | 82.4 |
| Insurance policies | 14 | **1,882.0** | **-** | **1,882.0** | 2,190.0 | - | 2,190.0 |
| AVC / ASC investments | 15 | **45.8** | **472.3** | **518.1** | 59.1 | 451.7 | 510.8 |
| Cash | 16 | **85.5** | **-** | **85.5** | 182.4 | - | 182.4 |
| Other investment balances | 16 | **30.4** | **-** | **30.4** | 27.7 | - | 27.7 |
| | | **5,184.7** | **2,734.8** | **7,919.5** | 5,819.4 | 2,594.1 | 8,413.5 |
| **Investment liabilities** | | | | | | | |
| Derivatives | 13 | **(17.9)** | **-** | **(17.9)** | (13.0) | - | (13.0) |
| Other investment balances | 16 | **(10.5)** | **-** | **(10.5)** | (10.4) | - | (10.4) |
| | | **(28.4)** | **-** | **(28.4)** | (23.4) | - | (23.4) |
| **Total net investments** | | **5,156.3** | **2,734.8** | **7,891.1** | 5,796.0 | 2,594.1 | 8,390.1 |
| Current assets | 22 | **84.0** | **-** | **84.0** | 80.0 | - | 80.0 |
| Current liabilities | 23 | **(8.6)** | **-** | **(8.6)** | (10.5) | - | (10.5) |
| **Net current assets** | | **75.4** | **-** | **75.4** | 69.5 | - | 69.5 |
| **Total net assets available for benefits** | | **5,231.7** | **2,734.8** | **7,966.5** | 5,865.5 | 2,594.1 | 8,459.6 |

The financial statements summarise the transactions and net assets of the Plan. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the Plan year are not dealt with in the financial statements. The actuarial position of the DB sections of the Plan, which does take account of such liabilities, is dealt within the Report on actuarial liabilities on pages 12 and 13 of the Annual Report and these financial statements should be read in conjunction with them.

These financial statements on pages 29 to 60 were approved by the Board of Directors of the Trustee Company and were signed on its behalf by:

e-Signed by Robert Tickell
on 2025-07-22 08:13:22 GMT

**Robert Tickell**
Chair

Date: 22 July 2025

The notes on pages 31 to 60 form part of these financial statements.

1. **General information**
   The IBM Pension Plan (the "Plan") is an occupational pension scheme established in the United Kingdom as a trust under English law. The Plan was established to provide retirement benefits to certain groups of employees within IBM United Kingdom Limited and IBM United Kingdom Financial Services Limited. The address of the Plan's registered office is Building D West, Ground Floor, IBM Hursley Office, Hursley Park Road, Winchester, Hampshire SO21 2JN.

   The Plan has defined benefit ("DB") sections which were closed to future accrual with effect from 6 April 2011, and defined contribution ("DC") sections which were closed to new entrants with effect from 6 April 2011 but remains open to future contributions from existing members of the DC sections and those DB members who elected to join the DC section following the closure of the DB sections to future accrual.

   The Plan is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, income and capital gains earned by the Plan receive preferential tax treatment.
   To the Trustee's knowledge there is no reason why this registration should be prejudiced or withdrawn.

2. **Basis of preparation of the financial statements**
   The individual financial statements of IBM Pension Plan have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

3. **Summary of significant accounting policies**
   The principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been applied consistently to all years presented unless otherwise stated. The financial statements have been prepared on an accruals basis of accounting.

   **Currency**
   The Plan's functional currency and presentation currency is pounds sterling (GBP).

   Assets and liabilities in foreign currencies are expressed in sterling at the exchange rates ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

3. **Summary of significant accounting policies** (continued)

**Contributions**
In the defined contributions sections, normal employer contributions, and those paid by employees via salary sacrifice (known as “Smart*” contributions), are accounted for in the month in which they are deducted from payroll. Additional Voluntary Contributions (“AVC”) and Additional Smart* Contributions (“ASC”) paid by members are accounted for in the month in which they are deducted from payroll.

In the defined benefit sections, normal contributions to cover the cost of ill-health and death-in-service pension benefits for active members of the DC sections are accounted for in accordance with the agreement under which they are paid, or when received if earlier.

Administrative expense contributions are accounted for in accordance with the agreement under which they are paid. Employer augmentations are accounted for in accordance with the agreement under which they are paid, or, in the absence of such an agreement, when received. As per the Schedule of Contributions in place, Pension Protection Fund (“PPF”) levies are paid by the Plan. If the total exceeds £0.2m in any year, the excess is payable by the employer unless the Trustee agrees otherwise.

**Benefits paid or payable**
Pensions in payment are accounted for in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. On-going benefits are accounted for on an accruals basis.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Plan as appropriate.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in those members benefits receivable from the Plan, this is shown separately within benefits.

**Transfers out**
Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension scheme of new employers for members who have left the Plan.

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer, which is usually when paid. Group transfers, where the Trustee has agreed to accept the liability prior to the receipt, are accounted for in accordance with the agreement.

3. **Summary of significant accounting policies** (continued)

**Administrative expenses**
Administrative expenses are accounted for on an accruals basis.

**Investment income and expenditure**

- Income from equities and any pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend or, in the case of unquoted instruments, when the dividend is declared.
- Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds.
- Interest on cash and short-term deposits and income from other investments are accounted for on an accruals basis.
- Rental income is accounted for as earned under the terms of the lease.
- Receipts or payments under swap contracts, representing the difference between the swapped cash flows at the fixed revaluation dates, are included in investment income on a cash basis.
- Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within taxation.
- Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include fees charged directly to the Plan such as fees, commissions, stamp duty and other fees.
- Investment management expenses are accounted for on an accruals basis and shown separately within investment returns.
- Income received in respect of the Insurance (annuity) policy is shown in investment income and is accounted for on an accruals basis.
- 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 and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units change in market value also includes such income.

**Valuation of investments**
Investments are valued at their fair value at 31 December each year and are determined as follows:

- Securities traded through the Stock Exchange Electronic Trading Service (“SETS”) are valued on the basis of the bid price, where both bid and offer prices are available. Other quoted investments are valued on the basis of the bid price (or, if unavailable, most recent transaction) on the relevant stock market.
- Unlisted securities are valued by the investment managers, having regard to latest dealing, professional valuation, asset values and other appropriate financial information.

3. **Summary of significant accounting policies** (continued)

**Valuation of investments** (continued)

- Pooled investment vehicles which are unitised, including AVCs and ASCs, are valued at the closing bid price if both bid and offer prices are published or, if single priced, at the closing single price as advised by the investment managers. With profits AVCs are reported at the policy value provided by the investment manager, based on cumulative reversionary bonuses declared and the current terminal bonus.
- Shares in pooled investment vehicles have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment manager.
- Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. Swaps are valued at fair value, using a price model which calculates the current value of future expected net cash flows arising from the swap, for which the time value of money is taken into account.
- Forward foreign exchange contracts are valued by determining 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.
- Bonds are valued "clean", excluding interest accruing from the previous interest payment date to the valuation date.
- Currency forwards held by the Plan under a currency overlay programme are expressed in sterling at the rates of exchange ruling at year end.
- Unlisted equities, comprising private equity investment, are valued at the Plan's share of the audited net assets at the Plan year end. Any investments that are unaudited at the Plan year end are valued at a price advised by the investment manager.
- Cash includes short term bonds and notes with maturity under one year. These are valued "clean", excluding interest accruing from the previous interest payment date to the valuation date.
- Annuity (insurance) policies are valued by the Plan Actuary at the amount of the related obligation, determined using the most recent Plan funding valuation assumptions updated for market conditions at the reporting date.

**Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

3. **Summary of significant accounting policies** (continued)

**Critical accounting judgements and estimation uncertainty** (continued)

For the Plan, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Plan investments and, in particular, those classified in Level 2 and Level 3 of the fair-value hierarchy. An explanation of the key assumptions underpinning the valuation of investments are included within the policies above and within note 18.

4. **Contributions**

| | | **2024** | | | 2023 | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| **Employee contributions:** | | | | | | |
| Additional voluntary contributions | **-** | **1.2** | **1.2** | - | 0.7 | 0.7 |
| | | | | | | |
| **Employer contributions:** | | | | | | |
| Normal contributions[1] | **-** | **23.0** | **23.0** | - | 24.2 | 24.2 |
| Augmentations | **-** | **1.0** | **1.0** | - | 0.8 | 0.8 |
| Smart* contributions [1] | **-** | **10.5** | **10.5** | - | 10.9 | 10.9 |
| Additional Smart* contributions | **-** | **13.8** | **13.8** | - | 11.9 | 11.9 |
| Other – administrative expenses | **1.8** | **-** | **1.8** | 1.8 | - | 1.8 |
| PPF Levy | **0.0** | **-** | **0.0** | 0.0 | - | 0.0 |
| | **1.8** | **48.3** | **50.1** | 1.8 | 47.8 | 49.6 |
| **Total** | **1.8** | **49.5** | **51.3** | 1.8 | 48.5 | 50.3 |

[1] includes £3.7m (2023: £3.8m) in respect of additional 1% or 2% matched contributions paid by the Employer and Employees respectively.

**Employee contributions**
Employee contributions to the DB section of the Plan ceased following the closure of the Plan to future accrual in April 2011.

Employee contributions to the DC section of the Plan are 3% of pensionable earnings for the M Plan, Hybrid M Plan (ex DB), and Enhanced M Plan (ex DB) sections. In addition, members of the DC section, excluding Enhanced M Plan members, including those members which elected to join the DC section in April 2011 following the closure of the DB section to future accrual, have the option to elect to pay an additional 1% or 2%, with the employer matching the contribution elected by the employee.

Members have the option of paying their contributions by means of a salary sacrifice arrangement known as "Smart* Pensions". Such contributions are recorded as Employer contributions in the above note.

4. **Contributions** (continued)

**Employer contributions**
Employer contributions to the DB section of the Plan are paid in accordance with the Schedule of Contributions agreed between the Trustee and the Employers.

The Schedule of Contributions in force at the start of the year was signed on 20 March 2023, covering the period 20 March 2023 to 20 March 2028. This Schedule set out that Employer contributions will only be required in specific circumstances, subject to confirmation by the Plan Actuary.

The rates of employer contributions for the DC section of the Plan are set out in the following table:

| | |
|---|---|
| M Plan | 8% of pensionable earnings |
| Hybrid M Plan (ex DB) | 8% of pensionable earnings |
| Enhanced M Plan (ex DB) | % of pensionable earnings payable in respect of former members of the DB pensions schemes as shown in the table below: |

| | Former members within these DB pension schemes | | | |
|---|---|---|---|---|
| **Member's age:** | **IBM I.T. Solutions** | **N** | **C** | **DSL** |
| 18-34 | 8% | 8% | 8% | 8% |
| 35-39 | 10% | 11% | 11% | 10% |
| 40-44 | 12% | 14% | 14% | 12% |
| 45-49 | 15% | 17% | 17% | 15% |
| 50-54 | 18% | 20% | 20% | 18% |
| 55-59 | 18% | 20% | 20% | 18% |
| 60 and over | 8% | 20% | 20% | 18% |
| 63 and over | 8% | 20% | 8% | 18% |
| 65 and over | 8% | 8% | 8% | 8% |

In both 2024 and 2023 the employer is also required to pay £450,000 per quarter in respect of DC administrative expenses incurred within the DB section.

The Schedule also sets out that if the total annual Pension Protection Fund (PPF) levy exceeds £200k in any year, the excess is payable by the employer unless the Trustee agrees otherwise. 2024: £2.3k (2023: £32.4k).

A subsequent Schedule of Contributions was signed on 1 July 2024, covering the period 1 July 2024 to 1 July 2029. There were no revisions made in relation to the circumstances when Employer DB contributions would be required (including in respect of DC administrative costs and payment of PPF levy, nor any changes to Employee contribution rates). It included a provision that for the period from 6 July 2024 to 5 July 2025 (inclusive) no contributions shall be paid by the Company in respect of the rates referenced in Rules 1(3) and 1(4) of Schedule C to the Money Purchase Rules. During the year, £9.4m of surplus assets from the DB section were used to fund contributions in the DC section, see note 24.

**4. Contributions** (continued)

A further Schedule of Contributions was signed on 26 June 2025, covering the period 26 June 2025 to 5 July 2030. As per the previous Schedule, there were no revisions made in relation to the circumstances when Employer DB contributions would be required. It included an extension to the provision above to allow DC contributions to be funded from the DB surplus assets for the period from 26 June 2025 to 5 July 2026 (inclusive).

## 5. Benefits paid or payable

| | | **2024** | | | 2023 | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Pensions/allowance to dependants | **319.7** | **-** | **319.7** | 313.0 | - | 313.0 |
| Lump sums on retirement | **25.6** | **15.5** | **41.1** | 13.1 | 23.1 | 36.2 |
| Annuities purchased | **-** | **4.8** | **4.8** | - | 4.4 | 4.4 |
| Lump sum death benefits | **0.7** | **3.8** | **4.5** | 1.0 | 3.1 | 4.1 |
| Other benefits | **0.1** | **2.8** | **2.9** | - | 2.2 | 2.2 |
| Taxation arising on benefits paid or payable | **-** | **0.4** | **0.4** | 1.0 | 0.7 | 1.7 |
| | **346.1** | **27.3** | **373.4** | 328.1 | 33.5 | 361.6 |

Annuities purchased are in the name of the member, not the Trustee.

"Taxation arising on benefits paid or payable" is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Plan in exchange for the Plan settling their tax liability on account.

## 6. Transfers out

| | | **2024** | | | 2023 | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Individual transfers out | **13.7** | **197.4** | **211.1** | 15.5 | 104.1 | 119.6 |

## 7. Administrative expenses

Administrative expenses for both the DB and DC sections of the Plan are accounted for in the DB section of the Plan.

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Actuarial fees | **0.5** | **-** | **0.5** | 0.4 | - | 0.4 |
| Administration & processing fees | **1.6** | **-** | **1.6** | 2.0 | - | 2.0 |
| Legal fees | **0.6** | **-** | **0.6** | 0.6 | - | 0.6 |
| Other professional fees | **0.5** | **-** | **0.5** | 0.5 | - | 0.5 |
| Other overheads | **0.1** | **-** | **0.1** | 0.4 | - | 0.4 |
| Staff costs | **1.6** | **-** | **1.6** | 1.2 | - | 1.2 |
| | **4.9** | **-** | **4.9** | 5.1 | - | 5.1 |

Included within other professional fees is £97,660 (2023: £110,200) in respect of audit fees.

Included in staff costs are fees of £19,200 (2023: £19,200) paid to the Member Nominated Directors, fees of £33,600 (2023: £33,600) paid to the Chair of the Trustee, and fees of £88,200 (2023: £75,600) paid to The Law Debenture Pension Trust Corporation P.L.C. in respect of their services as a Trustee Director of the Plan.

All expenses listed above are paid initially by the Company and then recharged to the Plan.

The Trustee has agreed with IBM United Kingdom Limited ("IBM") that IBM will provide a number of its employees to carry out work on behalf of PT. Such employees are employed by IBM for the purpose of secondment to PT. To the extent that their duties and employment relate to PT, the salaries and related costs are recharged to the Plan. Staff costs totalling £1.6m (2023: £1.2m), including Trustee Directors' fees and expenses, have been recharged to the Plan.

As set out in the Schedules of Contributions signed on 20 March 2023, 1 July 2024 and 26 June 2025, if the total annual Pension Protection Fund (PPF) levy exceeds £200k in any year, the excess is payable by the Company unless the Trustee agrees otherwise. 2024 PPF levy costs of £202.3k (2023: £232.4k) were therefore pro-rated between the Plan, £200k (2023: £200k) and the Company, £2.3k (2023: £32.4k) (note 4). The total cost is reflected in other professional fees.

## 8. Investment income

Investment income by asset type during the year is shown inclusive of accruals and net of withholding tax.

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Bonds | **90.6** | **-** | **90.6** | 83.7 | - | 83.7 |
| Pooled investment vehicles | **-** | **-** | **-** | 0.7 | - | 0.7 |
| Net rents from property | **-** | **-** | **-** | 3.6 | - | 3.6 |
| Derivatives – net | **11.3** | **-** | **11.3** | (2.1) | - | (2.1) |
| Annuity income | **166.9** | **-** | **166.9** | 169.5 | - | 169.5 |
| Interest income | **10.7** | **-** | **10.7** | 7.4 | - | 7.4 |
| Other investment expense | **-** | **-** | **-** | (0.3) | - | (0.3) |
| | **279.5** | **-** | **279.5** | 262.5 | - | 262.5 |

Other investment expense is in respect of marketing and improvement costs related to the freehold and long leasehold properties.

9. **Reconciliation of net investments**

| | Opening value at 1 January 2024 £m | Purchases at cost and derivative payments £m | Sales proceeds and derivative receipts £m | Change in market value £m | Closing value at 31 December 2024 £m |
|---|---|---|---|---|---|
| **Defined benefit sections** | | | | | |
| Bonds | 3,044.9 | 647.2 | (607.2) | (231.7) | 2,853.2 |
| Pooled investment vehicles | 232.9 | 0.1 | (15.4) | 3.1 | 220.7 |
| Derivatives – net | 69.4 | 42.6 | (50.7) | (12.1) | 49.2 |
| Insurance policies | 2,190.0 | - | - | (308.0) | 1,882.0 |
| AVC/ASCs | 59.1 | 9.1 | (29.8) | 7.4 | 45.8 |
| Sub-total | 5,596.3 | 699.0 | (703.1) | (541.3) | 5,050.9 |
| Cash | 182.4 | - | - | 0.2 | 85.5 |
| Other investment balances - net | 17.3 | - | - | - | 19.9 |
| Defined benefit total | 5,796.0 | | | (541.1) | 5,156.3 |
| | | | | | |
| **Defined contribution sections** | | | | | |
| Pooled investment vehicles | 2,142.4 | | | | 2,262.5 |
| AVC/ASCs | 451.7 | | | | 472.3 |
| Defined contribution total | 2,594.1 | 299.6 | (478.4) | 319.5 | 2,734.8 |

The above purchases and sales include in-specie transfers generated by investment manager changes. The above purchase and sales figures for bonds include UK Gilt Total Return Swap transactions, updating of the liability cash-flows and an adjustment to the Plan's liability hedging target. The DB AVC purchases and sales above include fund switches totalling £9.1m (2023: £7.0m).

The DC purchases and sales above include fund switches totalling £249.2m (2023: £618.5m). There were no bulk switches during the year (2023: £186.4m).

There are no direct transaction costs included in the above purchase and sales figures (2023: £0.1m). Indirect costs are also borne by the Plan in relation to transactions in pooled investment vehicles; however, such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

9. **Reconciliation of net investments** (continued)

Direct transaction costs analysed by main asset class and type of cost are as follows:

| | Fees | Commission | Taxes | 2024 Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Total 2024 | - | - | - | - |
| Total 2023 | 0.1 | - | - | 0.1 |

10. **Investment management expenses**

The amount shown as Investment management expenses (which includes investment management, custodian and performance measurement costs) represents only those fees charged directly to the Plan. In addition, the Plan has a number of investments in pooled investment vehicles, in which the management fees are reflected in the unit value.

11. **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.

12. **Pooled investment vehicles**

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Equities | **-** | **377.5** | **377.5** | - | 358.1 | 358.1 |
| Bonds | **204.6** | **135.1** | **339.7** | 201.6 | 129.2 | 330.8 |
| Private equities | **12.5** | **-** | **12.5** | 25.7 | - | 25.7 |
| Reinsurance | **3.6** | **-** | **3.6** | 5.6 | - | 5.6 |
| Multi asset | **-** | **1,634.9** | **1,634.9** | - | 1,538.4 | 1,538.4 |
| Cash | **-** | **115.0** | **115.0** | - | 116.7 | 116.7 |
| | **220.7** | **2,262.5** | **2,483.2** | 232.9 | 2,142.4 | 2,375.3 |

13. **Derivatives**

The Plan has direct holdings of derivative contracts (either exchange traded or over the counter ("OTC")) for efficient portfolio management purposes through hedging liabilities and reducing inflation, interest rate, and currency risks over the longer term. The table below shows a summary of the positions as at 31 December 2024.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | **£m** | **£m** | £m | £m |
| **Defined benefit section** | | | | |
| Futures contracts (exchange traded) | **0.8** | **(1.6)** | 2.3 | (1.3) |
| Forward foreign exchange contracts (OTC) | **1.8** | **(6.8)** | 3.9 | (2.5) |
| Swaps (OTC) | **64.5** | **(9.5)** | 76.2 | (9.2) |
| | **67.1** | **(17.9)** | 82.4 | (13.0) |
| Net derivatives | | **49.2** | | 69.4 |

***Futures contracts*** (exchange traded) may be used to generate bond like returns from cash holdings. The average length of a contract is a three-month rolling contract.

| | 2024 | **2024** | | 2023 | |
|---|---|---|---|---|---|
| | Nominal Value | **Assets** | **Liabilities** | Assets | Liabilities |
| | £m | **£m** | **£m** | £m | £m |
| Fixed income bonds | 201.5 | **0.8** | **(1.6)** | 2.3 | (1.3) |

***Forward foreign currency contracts*** (OTC) have been bought and sold in various currencies mainly Dollars, Euros and Yen, all with less than one-year duration. The nominal value of the futures contract is the value subject to market movements and is the economic exposure.

| | 2024 | **2024** | | 2023 | |
|---|---|---|---|---|---|
| | Nominal value | **Assets** | **Liabilities** | Assets | Liabilities |
| | £m | **£m** | **£m** | £m | £m |
| 212 contracts (2023: 213 contracts) | 507.7 | **1.8** | **(6.8)** | 3.9 | (2.5) |

13. **Derivatives** (continued)

***Swaps (OTC)***

The Plan holds a number of derivative contracts which are held in a segregated portfolio managed by BlackRock with the objective of matching the interest rate and inflation sensitivity of a prescribed portion of the Plan's liabilities. The fair value of these derivatives held with BlackRock at the year-end was £58.8m (2023: £66.1m). There were swap contracts not specifically held to match Plan liabilities with a fair value managed by PIMCO Europe Limited of £1.5m (2023: £5.6m) and by Goldman Sachs Asset Management International of (£5.3m) (2023: (£4.7m)).

| | 2024 Notional value £m | **2024 Assets £m** | **2024 Liabilities £m** | 2023 Assets £m | 2023 Liabilities £m |
|---|---|---|---|---|---|
| **Foreign interest rate swaps** | | | | | |
| (15 contracts < 10 years) | 71.3 | **1.6** | **(0.1)** | 2.0 | (0.3) |
| (1 contract - 10-20 years) | 1.6 | **-** | **-** | 0.1 | - |
| (4 contracts - 20-30 years) | 5.2 | **1.2** | **-** | 1.3 | - |
| (2 contracts - 30-40 years) | 3.6 | **-** | **(0.1)** | - | (0.2) |
| **UK interest rate swaps** | | | | | |
| (19 contracts < 10 years) | 127.3 | **8.2** | **(1.4)** | 9.2 | (1.6) |
| (3 contracts - 10-20 years) | 14.5 | **0.1** | **(0.2)** | 0.9 | (0.6) |
| (8 contracts - 20-30 years) | 16.8 | **1.0** | **(1.9)** | 1.1 | (0.8) |
| (3 contracts - 30-40 years) | 14.1 | **0.6** | **(3.2)** | 3.3 | (3.6) |
| (2 contracts - > 40 years) | 4.5 | **-** | **(2.6)** | - | (2.1) |
| **UK inflation rate swaps** | | | | | |
| (6 contracts < 10 years) | 288.5 | **51.8** | **-** | 58.3 | - |
| | 547.4 | **64.5** | **(9.5)** | 76.2 | (9.2) |

***Collateral held for over the counter ("OTC") positions***

A net collateral position of £54.4m (2023: £63.2m) is held for net unrealised gains on derivative positions. This collateral comprises government bond securities and cash.

14. **Insurance Policies**

In recent years the Trustee has been working to reduce risk in the Plan. The ultimate aim is to ensure that members receive all the benefits they are entitled to under the Plan. Consequently, the Trustee purchased an insurance policy (in the form of a “buy-in” policy) from Rothesay Life Plc (Rothesay) in respect of the Plan covering around 60% of pensioner liabilities, on 14 December 2020 (8,806 members) for a total consideration of £3,253.3m.

Under the terms of this contract Rothesay will provide the Trustee with sufficient funds each month to meet part of members’ benefits due in accordance with the Plan's governing documentation. This investment is part of the Plan’s overall investment strategy.

The Trustee has adopted the technical provisions basis for the purpose of valuing the buy-in policy in the Plan's financial statements.

As at 31 December 2023, the financial assumptions used to value the buy-in for the Plan accounts were set consistently with the Statement of Funding Principles (“SFP”) agreed for the 31 December 2021 valuation, allowing for changes in investment market conditions between 31 December 2021 and 31 December 2023, and with assumptions for mortality and other demographics the same as those set out in the SFP.

A consistent approach was followed for the valuation of the buy-in for the Plan accounts as at 31 December 2024, with the financial assumptions set consistently with the SFP, allowing for changes in investment market conditions between 31 December 2021 and 31 December 2024 and the same assumptions retained for mortality and other demographics.

The value for the buy-in is based on individual member data as at 31 December 2024 provided by XPS, the Plan’s administrators, for the purpose of the 31 December 2024 actuarial valuation. The calculations allow for increases on pre-97 pensions up to 2022, which have been secured with Rothesay Life, but with no allowance for increases on pre-97 pensions after 2022 as these are not insured.

**Financial Assumptions:**

**Discount rate**

Movements in normal gilt yields and credit spreads since 31 December 2023 and changes in views on insurer pricing for pensioner buy-ins, which provides a proxy for the market cost of insuring these benefits in the market, were considered when deriving a discount rate for the buy-in policy as at 31 December 2024.

14. **Insurance Policies** (continued)

Between 31 December 2023 and 31 December 2024:

- Changes in credit spreads varied depending on the credit rating but reduced by 0.16% pa for A bonds, by 0.04% pa for AA bonds and by 0.02% for AAA bonds.
- Pricing for buy-ins relative to gilt yields decreased by around 0.05% pa.

Based on the above, a discount rate of 0.25% pa above gilts has been used at 31 December 2024, compared to a margin of 0.20% as at 31 December 2023.

**Price Inflation and pension increases**

- Assumed future rates of RPI inflation are updated to reflect gilt-market breakeven rates as at 31 December 2024.
- CPI inflation assumed to be 1% pa lower than RPI inflation up to 2030 and in line with CPI inflation thereafter (unchanged from 2023 assumptions).

**Demographic assumptions**

The mortality and demographic assumptions used are those adopted for the actuarial valuation of the Plan as at 31 December 2021:

- Males and male dependants - standard tables "S3 for males" with a scaling factor of 86%;
- Females and female dependants. "S3 for females" with a scaling factor of 95%.

Allowance is then made for improvements in longevity from the valuation date onwards in line with the CMI 2020 Core Projection with a long-term annual rate of improvement of 1.25% per annum for both males and females and initial addition of 0.25% and weighting of 10% to each of 2020/21.

The actual rates used in the calculation the buy-in valuation are as follows:

| **Financial assumptions** | **31 December 2024** | **31 December 2023** |
|---|---|---|
| | **% pa** | **% pa** |
| Discount rate | 5.1 | 4.1 |
| Price inflation (RPI) | 3.5 | 3.4 |
| Price Inflation (CPI) | 3.1 | 2.9 |
| Pension increases: | | |
| - 50% of RPI (maximum 5%) | n/a* | n/a* |
| - CPI minimum 0% pa, maximum 5% pa | 3.1 | 3.0 |
| - CPI minimum 0% pa, maximum 3% pa | 2.8 | 2.8 |
| - CPI minimum 0% pa, maximum 2.5% pa | 2.5 | 2.5 |

**The insured benefits only allow for pre-1997 pension increases until April 2022.*

14. **Insurance Policies** (continued)

**Sensitivity Analysis**

| **Change in assumption** | **Increase in value (£m)** **2024 /** 2023 |
|---|---|
| Discount rate reduced by 0.1% pa | 16 / 21 |
| Assumed future inflation increased by 0.1% pa (with allowance then made for the effect of the maximum and minimum rates of pension increases where appropriate) | **5** / 7 |
| Mortality assumptions: long term improvement rate under the CMI model increased by 0.25% pa | **13** / 15 |

The actuary's calculation was based on 8,148 members (2023: 8,385) whose liabilities are covered by the buy-in policy. The value of the buy-in policy is calculated by projecting the benefits expected to be paid in each year after the valuation date and then discounting the resulting cashflows to obtain a present value.

The value of the annuity policy was £1,882.0m as at 31 December 2024. The policy was valued by the Plan Actuary. (£2,190.0m as at 31 December 2023).

As is common practice with buy-in arrangements, at an agreed time after the policy has gone live, there is a true up exercise to reconcile any data that was incorrectly captured on inception. This true up exercise can result in either payment of additional premium to insure further benefits or a refund if insured benefits are to be reduced. No true up exercise was completed and therefore no true up premium was payable to Rothesay during 2024, (2023: £8.0m).

15. **Additional Voluntary and Additional Smart* Contributions (AVC/ASCs)**

Members can invest in a range of pooled investment vehicles as shown in the table overleaf.

AVC/ASC benefits are provided on a money purchase basis. Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year. The proceeds of these policies can be paid as a lump sum (subject to HMRC rules) or used to purchase additional pension on retirement. All of the funds managed by Legal & General are held in unit linked policies.

The Plan also holds AVCs with Aviva Life & Pensions UK Limited, although these funds are not open for current contributions. Aviva Life & Pensions UK Limited funds are with profit arrangements and Aviva Life & Pensions UK Limited may add a final bonus when benefits are payable, or units are otherwise moved out of the FP With Profits Fund, on units held continuously for one or more years. The final bonus rate is dependent on when the units were allocated.

The annual management charge is applied by a unit cancellation method. Aviva Life & Pensions UK Limited has not applied a Market Value Reduction to this type of business since January 2010.

15. **Additional Voluntary and Additional Smart* Contributions (AVC/ASCs)** (continued)

The market value of AVCs/ASCs was as follows:

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| **Legal & General** | | | | | | |
| Global Equity 60:40 | **6.0** | **35.3** | **41.3** | 7.8 | 34.6 | 42.4 |
| Global Equity 70:30 | **9.1** | **55.0** | **64.1** | 11.2 | 56.3 | 67.5 |
| Annuity Protection | **0.1** | **1.1** | **1.2** | 0.2 | 1.4 | 1.6 |
| UK Money Fund | **5.6** | **29.3** | **34.9** | 7.6 | 32.7 | 40.3 |
| Growth Plus Fund (former Consensus) * | **3.4** | **13.0** | **16.4** | 4.9 | 13.6 | 18.5 |
| Ethical UK Equity | **1.7** | **6.5** | **8.2** | 1.9 | 6.5 | 8.4 |
| Over 15 Year Gilts | **0.2** | **3.2** | **3.4** | 0.4 | 3.9 | 4.3 |
| UK Equity | **1.5** | **11.7** | **13.2** | 2.0 | 12.5 | 14.5 |
| World ex UK Developed Equity | **3.0** | **25.9** | **28.9** | 3.7 | 23.2 | 26.9 |
| Pre-Retirement Fund (Annuity Target) | **0.4** | **3.4** | **3.8** | 0.7 | 4.4 | 5.1 |
| All World Equity | **1.3** | **20.2** | **21.5** | 1.1 | 16.5 | 17.6 |
| Ethical Global Equity | **0.9** | **10.8** | **11.7** | 1.0 | 9.4 | 10.4 |
| World Emerging Markets Equity | **0.2** | **2.3** | **2.5** | 0.5 | 2.4 | 2.9 |
| Corporate Bonds | **0.1** | **0.8** | **0.9** | 0.2 | 0.9 | 1.1 |
| Emerging Market Debt | **0.0** | **0.1** | **0.1** | 0.1 | 0.3 | 0.4 |
| Index-Linked Gilts | **0.1** | **0.3** | **0.4** | 0.1 | 0.4 | 0.5 |
| Growth Fund* | **1.2** | **35.3** | **36.5** | 2.6 | 33.5 | 36.1 |
| Growth Plus Fund* | **6.4** | **198.3** | **204.7** | 7.0 | 183.9 | 190.9 |
| Infrastructure Equity | **0.1** | **1.1** | **1.2** | 0.2 | 1.5 | 1.7 |
| Global Real Estate Equity | **0.0** | **0.8** | **0.8** | 0.0 | 0.8 | 0.8 |
| Pre-Retirement Inflation Linked (Annuity Target) Fund | **0.3** | **14.0** | **14.3** | 0.3 | 11.4 | 11.7 |
| Future World Fund | **0.0** | **0.7** | **0.7** | 0.0 | 0.7 | 0.7 |
| HSBC Shariah | **0.1** | **2.2** | **2.3** | 0.2 | 0.4 | 0.6 |
| Sustainable Developed (ex-UK) Equity Index | **0.1** | **0.2** | **0.3** | 0.0 | 0.0 | 0.0 |
| Sustainable Global Equity Index | **0.0** | **0.3** | **0.3** | 0.0 | 0.0 | 0.0 |
| | **41.8** | **471.8** | **513.6** | 53.7 | 451.2 | 504.9 |
| Aviva Life & Pensions UK Limited | **4.0** | **0.5** | **4.5** | 5.4 | 0.5 | 5.9 |
| | **45.8** | **472.3** | **518.1** | 59.1 | 451.7 | 510.8 |

*Multi asset strategies

## 16. Cash & Other net investment balances

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Cash - Sterling | **76.8** | **-** | **76.8** | 140.1 | - | 140.1 |
| Cash - Foreign currencies | **8.7** | **-** | **8.7** | 42.3 | - | 42.3 |
| | **85.5** | **-** | **85.5** | 182.4 | - | 182.4 |
| Accrued investment income | **28.4** | **-** | **28.4** | 26.4 | - | 26.4 |
| Other investment balances (assets) | **2.0** | **-** | **2.0** | 1.3 | - | 1.3 |
| | **115.9** | **-** | **115.9** | 210.1 | - | 210.1 |
| Other investment balances (liabilities) | **(10.5)** | **-** | **(10.5)** | (10.4) | - | (10.4) |
| | **105.4** | **-** | **105.4** | 199.7 | - | 199.7 |

## 17. Defined contribution assets

Defined contribution assets are allocated to members to provide benefits to the individuals on whose behalf the contributions were paid. All members receive an annual statement confirming the contributions paid on their behalf and the value of their defined contribution assets.

## 18. Fair value of investments

The fair value of investments has been determined using the following 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.

Pooled investment vehicles and AVCs/ASCs which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair value applies, other valuation techniques are adopted, and the assets are included in level 3.

The valuation techniques used for level 3 insurance policies are detailed in note 14 to the financial statements.

18. **Fair value of investments** (continued)

The fair value of investments as at 31 December 2024 is shown below:

| **Category** | **Level 1 £m** | **Level 2 £m** | **Level 3 £m** | **2024 £m** |
|---|---|---|---|---|
| ***Defined benefit section*** | | | | |
| **Investment assets** | | | | |
| Bonds | **-** | **2,853.2** | **-** | **2,853.2** |
| Pooled Investment Vehicles | **-** | **204.6** | **16.1** | **220.7** |
| Derivatives | **0.8** | **66.3** | **-** | **67.1** |
| Insurance Policies | **-** | **-** | **1,882.0** | **1,882.0** |
| AVC/ASCs | **-** | **41.8** | **4.0** | **45.8** |
| Cash | **85.5** | **-** | **-** | **85.5** |
| Other investment balances | **30.4** | **-** | **-** | **30.4** |
| | **116.7** | **3,165.9** | **1,902.1** | **5,184.7** |
| **Investment liabilities** | | | | |
| Derivatives | **(1.6)** | **(16.3)** | **-** | **(17.9)** |
| Other investment balances | **(10.5)** | **-** | **-** | **(10.5)** |
| | **(12.1)** | **(16.3)** | **-** | **(28.4)** |
| ***Defined contribution section*** | | | | |
| **Investment assets** | | | | |
| Pooled investment vehicles | **-** | **2,262.5** | **-** | **2,262.5** |
| AVC/ASCs | **-** | **471.8** | **0.5** | **472.3** |
| | **-** | **2,734.3** | **0.5** | **2,734.8** |
| Total net investments | **104.6** | **5,883.9** | **1,902.6** | **7,891.1** |

18. **Fair value of investments** (continued)

The fair value of investments as at 31 December 2023 is shown below:

| Category | Level 1 £m | Level 2 £m | Level 3 £m | 2023 £m |
|---|---|---|---|---|
| *Defined benefit section* | | | | |
| Investment assets | | | | |
| Bonds | - | 3,044.9 | - | 3,044.9 |
| Pooled Investment Vehicles | - | 201.6 | 31.3 | 232.9 |
| Derivatives | 2.3 | 80.1 | - | 82.4 |
| Insurance Policies | - | - | 2,190.0 | 2,190.0 |
| AVC/ASCs | - | 53.7 | 5.4 | 59.1 |
| Cash | 182.4 | - | - | 182.4 |
| Other investment balances | 27.7 | - | - | 27.7 |
| | 212.4 | 3,380.3 | 2,226.7 | 5,819.4 |
| Investment liabilities | | | | |
| Derivatives | (1.3) | (11.7) | - | (13.0) |
| Other investment balances | (10.4) | - | - | (10.4) |
| | (11.7) | (11.7) | - | (23.4) |
| *Defined contribution section* | | | | |
| Investment assets | | | | |
| Pooled investment vehicles | - | 2,142.4 | - | 2,142.4 |
| AVC/ASCs | - | 451.2 | 0.5 | 451.7 |
| | - | 2,593.6 | 0.5 | 2,594.1 |
| Total net investments | 200.7 | 5,962.2 | 2,227.2 | 8,390.1 |

19. **Concentration of investments**

The Plan had the following holdings of more than 5% of the total value of the net assets of the Plan at 31 December 2024:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **£m** | **%** | £m | % |
| Rothesay annuity policy (DB) | **1,882.0** | **23.6** | 2,190.0 | 25.9 |
| Legal & General Growth Plus Fund (DC) | **1,638.5** | **20.6** | 1,541.4 | 18.2 |

## 20. Investment risks disclosures

**Investment risks**
FRS 102 requires the disclosure of information in relation to certain investments risks. These risks are set out below.

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

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

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

The Trustee determines their investment strategy after taking advice from a professional independent adviser and will also engage with IBM Retirement Funds Europe (which is a European centre of excellence providing the IBM European pension plans with advice and support in relation to asset and risk management).

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 are regularly monitored by the Trustee.

**Defined benefit sections**

**Investment strategy**
The investment objective of the DB sections 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 DB sections payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the DB sections taking into account considerations such as the strength of the Company covenant and the long-term liabilities of the DB sections. The investment strategy is set out in the Statement of Investment Principles ("SIP").

20. **Investment risks disclosures** (continued)

**Defined benefit sections** - **Investment strategy** (continued)

The Plan's assets are invested in line with the Trustee's long-term strategy, which comprises:

- 99.5% in investments that move broadly in line with the long-term liabilities of the Plan. These are referred to as Liability Driven Investments ("LDI") and include UK and overseas government and corporate bonds, which help mitigate the impact of interest rate and inflation rate movements on the long-term liabilities. The Plan also uses derivatives, such as interest rate and inflation swaps, to hedge changes in the Plan's liabilities.
- 0.5% in growth assets, which are return seeking investments primarily comprising private equity investments. There is also a small residual exposure to reinsurance where the remaining funds are being gradually released.
- Approximately 0.1% of the Plan’s assets have unhedged currency exposure. The Trustee mitigates this risk by using currency forwards to hedge 100% of this unhedged Dollar, Euro, Yen and the next 5 largest currencies exposures. The currency basket increase was actioned on 30 June 2024.
- There is also a separate bulk annuity insurance policy with Rothesay Life Plc.

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

| Asset Classes | Credit Risk | Market Risk | | | 2024 | 2023 |
|---|---|---|---|---|---|---|
| | | Currency | Interest rate | Other | **£m** | £m |
| ***Defined benefit sections*** | | | | | | |
| Bonds | ● | ◒ | ● | ○ | **2,853.2** | 3,044.9 |
| Pooled investment vehicles | ● | ◒ | ◒ | ◒ | **220.7** | 232.9 |
| Derivatives – net | ● | ◒ | ● | ○ | **49.2** | 69.4 |
| Insurance policies | ● | ○ | ● | ● | **1,882.0** | 2,190.0 |
| AVC/ASCs | ● | ◒ | ◒ | ◒ | **45.8** | 59.1 |
| Cash | ● | ◒ | ● | ○ | **85.5** | 182.4 |
| Other investment balances net | ● | ◒ | ● | ○ | **19.9** | 17.3 |
| | | | | | **5,156.3** | 5,796.0 |
| ***Defined contribution sections*** | | | | | | |
| Pooled investment vehicles | ● | ◒ | ◒ | ◒ | **2,262.5** | 2,142.4 |
| AVC/ASCs | ● | ◒ | ◒ | ◒ | **472.3** | 451.7 |
| | | | | | **2,734.8** | 2,594.1 |

In the above table, the risk noted affects the asset class [●] significantly, [◒] partially, or [○] hardly/not at all.

Further information on the Trustee’s approach to risk management, credit, and market risk, is set out overleaf.

20. **Investment risks disclosures** (continued)

**Defined benefit sections** - **Investment strategy** (continued)

**Credit risk**
The Plan is subject to credit risks because the Plan directly invests in bonds, derivatives and has cash balances. The Plan also invests in pooled investment vehicles and is therefore directly exposed to credit risk via the pooled investment vehicles. The Plan is also indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

For segregated mandates, the investment management agreements contain minimum requirements around acceptable credit ratings for investment instruments, benchmarks, counterparties, and collateral. These are primarily investment grade mandates although the managers do have some limited ability to hold high yield or sub-investment grade credit investments.

The Trustee considers bonds as investment grade if they are rated by Standard & Poor's or Fitch as 'BBB-' or higher or rated as 'Baa3' or higher by Moody's. Credit ratings for counterparties and collateral are more stringent than this. At the year end, around 99% (2023: c.99%) of bonds were investment grade.

For pooled investment vehicles, the Trustee ensures that it is satisfied with the legal documentation and the fund's investment parameters before funding any investment.

This includes ensuring the indirect credit risks are appropriately managed, as well as understanding the manager's counterparty credit evaluation process.

The Rothesay Life Plc bulk annuity insurance policy also involves credit risk. Insurance companies are subject to strict regulation as well as being supervised by the Prudential Regulation Authority. In addition, in the unlikely event that Rothesay Life Plc was unable to pay agreed benefits, the Financial Services Compensation Scheme will provide full compensation (i.e. 100%). Ahead of the contract being entered into, due diligence checks, including a supplier covenant review, were undertaken by Willis Towers Watson, Sacker & Partners LLP and Lincoln Pensions.

A summary of defined benefit pooled investment vehicles by legal nature of arrangement is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **£m** | **£m** |
| Authorised unit trusts | **204.6** | 201.6 |
| Open ended investment companies | **3.6** | 5.6 |
| Shares of limited liability partnerships | **12.5** | 25.7 |
| **Total** | **220.7** | 232.9 |

20. **Investment risks disclosures** (continued)

**Defined benefit sections** - **Investment strategy** (continued)

**Cash** balances in major currencies held by Northern Trust, the Plan's custodian, are swept daily to money market funds, which carry the highest available ratings from Moody's and Standard & Poor's.

**Currency risk**
The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). Where possible and cost effective, the Trustee manages this currency risk by hedging the currency exposure at the individual mandate level or through a currency overlay strategy, which hedges 100% of the remaining Dollar, Yen, and Euro exposure.

**Interest rate risk**
The Plan is subject to interest rate risk because some of the Plan's investments are held in bonds and interest rate swaps, either as segregated investments or through pooled investment vehicles, and cash.

As part of their LDI investment strategy the Trustee has set a benchmark for total interest rate exposure to match 105% of the total interest rate exposure of the total Plan liabilities, which ensures the accrued liabilities and some of the funding surplus are hedged.
Under this approach, if interest rates increase, the value of the LDI investments will fall in value, as will the actuarial liabilities due to the higher discount rate.

The Plan is also subject to interest rate risk with regards to the value of the insurance policies. However, any movement in the value of the asset matches the movement in the value of the associated liability and therefore this risk is not further measured or managed.

**Other price risk**
Other price risk arises principally in relation to the Plan's return seeking portfolio which includes private equity funds, and some residual reinsurance exposure, which is in the process of being released. The Plan manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

20. **Investment risks disclosures** (continued)

**Defined contribution sections**

**Investment strategy**

The Trustee offers members of the Plan four 'Lifecycle 2020' investment strategies designed to generate income and capital growth during the accumulation phase and gradually move a member's pension savings during the decumulation phase into funds that target the strategy's targeted retirement objective.

The Trustee also provides a range of twenty-eight self-select funds to allow members to develop their own asset allocation and investment strategy.

The investment options available to members use 'white labelled' funds[4], specifically created for the Trustee, managed by Legal & General Investment Management Limited ("Legal & General") and HSBC Global Asset Management ("HSBC") and are provided by Legal & General Assurance Society Limited ("LGAS") within the following asset classes:

- Equities
- Fixed Income (including cash funds)
- Specialist
- ESG
- Multi asset strategies

A full list of the funds offered to members is shown on page 22.

The Trustee monitors the underlying risks and performance of the funds at its quarterly Investment Committee Meetings.

In 2025 the Trustee will be closing down the Lifecycle 2020 strategies and introducing three new strategies. Additionally, the Trustee will be streamlining the Freestyle fund options by closing some Freestyle funds and adding three new Freestyle funds.

[4] of which four are closed to new member elections.

20. **Investment risks disclosures** (continued)

**Defined contribution sections** (continued)

**Credit risk**
The DC section is subject to direct credit risk in relation to the funds managed by LGAS.

LGAS is regulated by the Financial Conduct Authority and the Prudential Regulation Authority and prior to being appointed, the Trustee received advice on the security of members' benefits. This included confirmation that in the event of LGAS becoming insolvent, members would be able to access the Financial Services Compensation Scheme which is designed to provide protection of up to 100% of members' benefits. The Trustee also reviews the security of members' assets on an annual basis.

The DC section is also subject to indirect credit and market risk arising from underlying investments held in the pooled investment vehicles. Member level risk exposures will be dependent on the funds invested in by members and members therefore may face a different profile of risks compared with the section as a whole. For pooled investment vehicles, the Trustee ensures that it is satisfied with the legal documentation and the fund’s investment parameters before adding the fund to the options available to members.

This includes ensuring the indirect credit risks are appropriately managed, as well as understanding the manager’s counterparty credit evaluation process.

The Bond and Multi Asset Strategy funds are exposed to underlying credit risk.

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

| | **2024** **£m** | **2023** **£m** |
|---|---|---|
| Unit linked insurance contracts | **2,262.5** | 2,142.4 |
| **Total** | **2,262.5** | 2,142.4 |

**Market risk**
The DC section is subject to indirect foreign exchange, interest rate and other price risk depending on the underlying investments held within the LGIM managed funds.

**Other matters (DB and DC)**
During 2024, the markets were impacted by geo-political events, as well as economic factors. Many central banks started their course of interest rate cuts and inflation normalised throughout the year. The Trustee, in conjunction with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Plan’s investment portfolio and the operational impact on the Plan.

20. **Investment risks disclosures** (continued)

**Other matters (DB and DC)** (continued)

The extent of the impact on the Plan's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted.

21. **Employer-related investments**

The Plan had direct and indirect holdings in International Business Machines Corporation ordinary shares through its segregated mandates and pooled investment vehicles which amounted to 0.10% (2023: 0.08%) of the Plan's net assets at the year-end.
There were no other employer-related investments at the year-end (2023: nil).

22. **Current assets**

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Cash balances | **84.0** | **-** | **84.0** | 79.8 | - | 79.8 |
| Sundry debtors | **0.0** | **-** | **0.0** | 0.2 | - | 0.2 |
| | **84.0** | **-** | **84.0** | 80.0 | - | 80.0 |

23. **Current liabilities**

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Sundry creditors | **8.6** | **-** | **8.6** | 10.5 | - | 10.5 |

24. **Transfers between sections**

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **DB** | **DC** | **Total** | DB | DC | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Transfer of DB assets to fund DC contributions | **(9.4)** | **-** | **(9.4)** | - | - | - |
| Transfer between sections | **4.5** | **(4.5)** | **-** | 5.1 | (5.1) | - |
| | **(4.9)** | **(4.5)** | **(9.4)** | 5.1 | (5.1) | - |

24. **Transfers between sections** (continued)

The transfer of assets to fund contributions represents the payment of £9.4m from surplus assets of the DB section to the DC section in accordance with the Schedule of Contributions certified on 1 July 2024, see note 4. The transfer between sections represents the disinvestment of DC funds into the DB section to pay benefits of hybrid members on death or retirement.

25. **Contingent liabilities and capital commitments**

**Guaranteed Minimum Pension ("GMP") Equalisation**

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is still reviewing, with its advisers, the implication of this ruling on the Plan and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Plan and the value of any liability. As soon as this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee.

There was a further High Court judgement, in November 2020, in relation to the equalisation of GMP benefits. This judgement focused on the GMP treatment of historic transfers out of members, an issue which had not been addressed in the 2018 ruling. Under the recent ruling, trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to the receiving scheme, to reflect the member’s right to equalised GMP benefits. As soon as this review is finalised and any liability quantified, the impact on financial reporting will be considered by the Trustee.

In the opinion of the Trustee, the Plan had no other contingent liabilities at 31 December 2024 (2023: nil).

The Plan had investment commitments relating to pooled investment vehicles, in the form of uncalled capital for private equity funds, of £1.4m (2023: £1.5m).

26. **Related party transactions**

**Key management personnel of the Plan**
The Trustee Directors appointed by IBM United Kingdom Holdings Limited are members or pensioners of an IBM Pensions Trust plan ("the Plans"), active 4, (2023: 3), and pensioners 2, (2023: 2), with the exception of Fredrick Klutey, Mark Hobbert, Zoe Hughes, and The Law Debenture Pension Trust Corporation P.L.C. If they or their spouse or dependants are members or pensioners of the Plans, then their pension rights are on terms normally granted to members.

26. **Related party transactions** (continued)

Fees payable to Trustee Directors are paid by the Company and re-charged to the Plan, and are disclosed in note 7, Administrative expenses. At the year-end there were no amounts owed to the Company in respect of recharges for these services (2023: nil).

**Company and Other Related Parties**

**Investments**
Within the defined benefit section, the Plan holds an investment in the IBM Global Bond Fund (“GBF”). The GBF is a multi-manager pooled investment offering available to IBM pension plans worldwide. The GBF is an Irish regulated umbrella Unit Trust managed by Northern Trust Fund Services (Ireland) Limited. Representatives of the individual pension plans invested in the GBF form part of the Fund's Investment Advisory Committee ("IAC") which reviews and evaluates performance and operating costs. The IAC has no formal legal powers, with Northern Trust Fund Services (Ireland) Limited having ultimate responsibility for all investment strategy. At 31 December 2024, the Plan’s investment in the GBF was valued at £204.6m (2023: £201.6m), representing a 16.6% (2023: 15.8%) share of the fund.

**IBM Pensions Trust**
The Trustee has delegated overall responsibility for the day-to-day administration, investment services and management of the Plan to IBM Pensions Trust (“PT”). Legal & General Assurance Society Limited were appointed as administrator of the DC sections of the Plan from January 2021 and XPS Pensions Group were appointed as administrator of the DB sections of the Plan from June 2021.
The Trustee has agreed with IBM United Kingdom Limited (“IBM”) that IBM will provide a number of its employees to carry out work on behalf of PT. Such employees are employed by IBM for the purpose of secondment to PT. To the extent that their duties and employment relate to PT, the salaries and related costs are recharged to the Plan.

Staff costs totalling £1.6m (2023: £1.2m), including Trustee Directors’ fees and expenses, have been recharged to the Plan, during the year to 31 December 2024.

At the year end there were no amounts due to the Plan from IBM I.T. Solutions Pension Scheme (2023: nil) (note 22). At the year end, there was £1.2m owing to IBM in relation to administrative expenses accrued for the year (2023: £1.6m) (note 23).

Except as disclosed in the financial statements, there have been no other related party transactions which are required to be disclosed.

27. **Subsequent events**

There are no subsequent events to disclose.

# Statement about contributions

## Opinion

In our opinion, the contributions required by the schedules of contributions for the plan year ended 31 December 2024 as reported in IBM Pension Plan’s summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the plan actuary on 20 March 2023 and 1 July 2024.

We have examined IBM Pension Plan’s summary of contributions for the plan year ended 31 December 2024 which is set out on the following page.

## Basis for opinion

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the plan under the schedules of contributions, and the timing of those payments.

## Responsibilities for the statement about contributions

### Responsibilities of the trustee in respect of contributions

As explained more fully in the statement of trustee’s responsibilities, the plan’s trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the plan by employers in accordance with relevant requirements.

### Auditors’ responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

### Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
Manchester
Date: 22 July 2025

### Trustee's Summary of Contributions

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and Employee contributions payable to the Plan under the Schedules of Contributions dated 20 March 2023 and 1 July 2024. The Plan auditors report on contributions required by the Schedules of Contributions in their auditors' statement about contributions.

During the year ended 31 December 2024, the contributions payable to the Plan are set out below. For the purposes of this summary, employee contributions deducted through the salary sacrifice programme are shown as employer contributions.

| | DB | | | DC | | |
|---|---|---|---|---|---|---|
| | Employer £m | Employee £m | **Total £m** | Employer £m | Employee £m | **Total £m** |
| **Contributions required by the Schedules of Contributions and as reported by the Plan Auditors:** | | | | | | |
| Normal contributions | - | - | **-** | 19.3 | - | **19.3** |
| Smart* contributions | - | - | **-** | 6.8 | - | **6.8** |
| Other – Administrative expenses | 1.8 | - | **1.8** | - | - | **-** |
| PPF Levy | - | - | **-** | - | - | **-** |
| | 1.8 | - | **1.8** | 26.1 | - | **26.1** |
| **Contributions not required by the Schedules of Contributions:** | | | | | | |
| Augmentations | - | - | **-** | 1.0 | - | **1.0** |
| Additional Smart* Contributions | - | - | **-** | 13.8 | - | **13.8** |
| Additional Voluntary Contributions | - | - | **-** | - | 1.2 | **1.2** |
| Matching Contributions | - | - | **-** | 7.4 | - | **7.4** |
| | - | - | **-** | 22.2 | 1.2 | **23.4** |
| **Total (as per Fund Account)** | 1.8 | - | **1.8** | 48.3 | 1.2 | **49.5** |

This Summary of Contributions was approved by the Board of Directors of the Trustee Company and signed on its behalf by:

e-Signed by Robert Tickell
on 2025-07-22 08:13:26 GMT

**Robert Tickell**
Chair

Date: 22 July 2025

**Actuary's certification of the Schedule of Contributions**

Name of plan: **IBM Pension Plan**

**Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 December 2021 to continue to be met during the period for which the Schedule is in force.

**Adherence to Statement of Funding Principles**

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the statement of funding principles dated 20 March 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were wound up.

Signature ....Signed by: G McLean 16F85EF8C41E49C.................................... 26 June 2025

G C McLean
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited

Watson House
London Road
Reigate
Surrey
RH2 9PQ

IBM Pension Plan ('the Plan')

## Annual Chair's Statement for the year ended 31 December 2024

Governance requirements apply to defined contribution (DC) pension schemes, to help members achieve a good outcome from their pension savings. The Trustee of the IBM Pension Plan (the 'Plan') is required to produce a yearly statement (which is signed by the Chair of the Trustee) to describe how these governance requirements have been met in relation to:

- The investment options in which members' funds are invested during the year – this means the 'default arrangements' and other funds members are able to select (including those used historically that still hold assets), such as self-select 'Freestyle' funds
- The requirements for processing financial transactions
- The charges and transaction costs borne by members, including an illustration of the cumulative effect of these costs and charges
- The net return on investments for each default arrangement and Freestyle fund (including those used historically that still hold assets)
- Assessing the asset-allocation in relation to the investments in each default arrangement
- Assessing the 'value for members' in relation to charges and transaction costs borne by members, and
- Trustee Knowledge and Understanding (TKU) in relation to individual Trustee Directors and the Board as a whole.

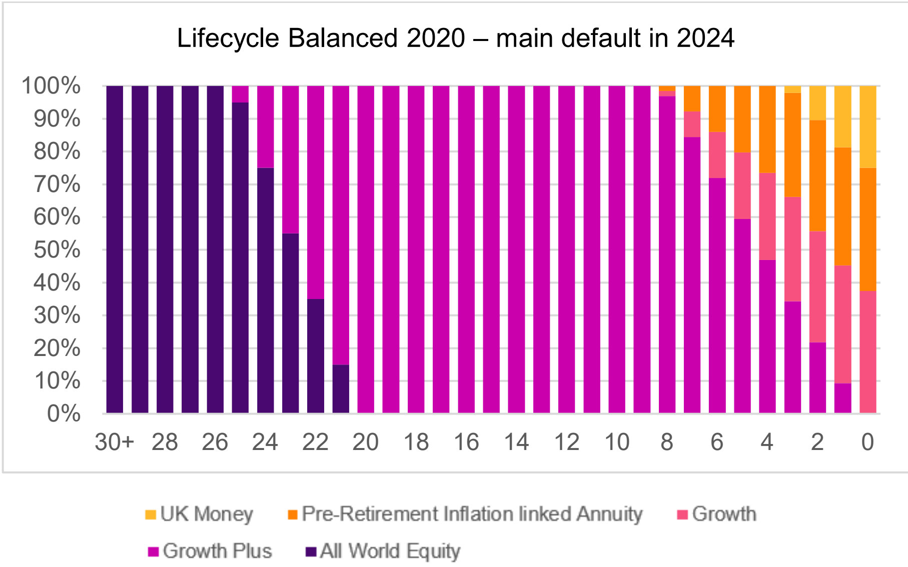
This statement covers the period from 1 January 2024 to 31 December 2024.

It is a regulatory requirement to publish certain parts of this statement online and for members' attention to be drawn to it in annual benefit statements. The entire Chair Statement can be found on IBM Pensions Trusts > Governance Documentation (smartpensionsuk.co.uk).

### Default arrangements

The Trustee has made available a range of investment options for members. The main default arrangement during the year was the 'Lifecycle Balanced 2020 Strategy' (the 'main default').

The Lifecycle Balanced 2020 Strategy incorporates a mixed annuity and drawdown target in addition to a 25% allocation to the UK Money Fund in the expectation that most members will take 25% of their DC savings as tax free cash on retirement. It is known as a 'lifecycle' strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. The structure of the main default strategy is shown below:




The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the Plan's default arrangements.

The Trustee's principal mission is to help members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an investment framework which represents value for members, considers climate-related risks and opportunities where feasible, and which is in line with recognised market 'good practice', taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

The Statement of Investment Principles (SIP) in place during the Plan year was formally adopted by the Trustee in November 2023. A subsequent review was undertaken in 2025, during which the Trustee received formal advice from its investment adviser, WTW. The most recent version of the SIP, dated July 2025, incorporates updates including changes to the default investment arrangements. This SIP is attached to this document and has been prepared in accordance with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustee has produced an Implementation Statement for the Plan year to 31 December 2024.

The Trustee seeks to:

Offer default investment strategies that are suitable for the profile of defaulting members based on their expected risk tolerances and retirement objectives, and which embed climate change risk and opportunity considerations in their design;

- Offer a range of self-select ('Freestyle') investment options which are appropriate for the profile of most members and offer options for sustainable investment;

- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions; and

- Ensure that the operational structure of the Plan's DC Section is suitable and cost effective.

The performance and strategy of the default arrangements are formally reviewed at least every three years (or immediately following any significant change in investment policy or the Plan's membership profile) and were last reviewed during the period covered by this statement.

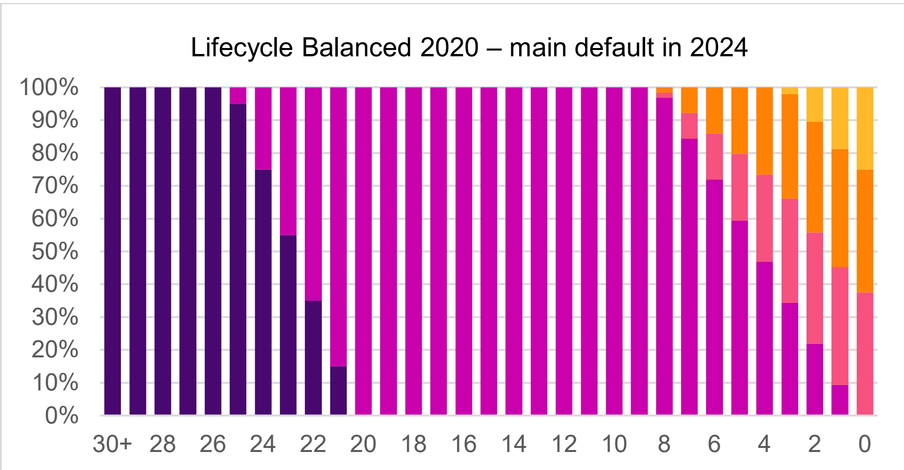
In conjunction with its investment advisers (WTW), the Trustee undertook a review of the Plan's investment strategies which included detailed analysis of the Plan's membership profile and expected member retirement choices.

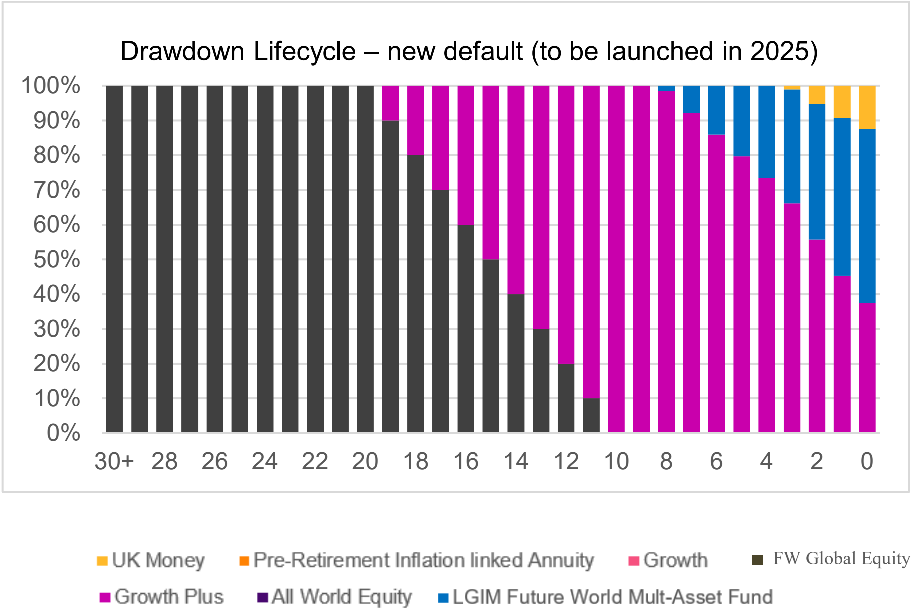
Following the review, the Trustee agreed to make changes to the Plan's lifecycle strategies, including the main default arrangement. The review of the Plan's default strategies was concluded on 28 October 2024, although it was acknowledged that implementation would need to take place in 2025, including appropriate member communications. The Plan's next investment strategy review is scheduled to take place before 28 October 2027.

The Trustee agreed the following changes to the Plan's main default arrangement and renamed it the 'Lifecycle to Drawdown Strategy'. These changes are due to be implemented during the 2025 Plan year:

- To change the main default arrangement from a 'balanced' strategy, which incorporates a mixed annuity and drawdown target, to a strategy targeting an income drawdown objective at retirement.
- To shorten the de-risking period so that the lifecycle moves away from 100% equities 20 years from retirement (instead of the current 25 years from retirement), and to take a more gradual, 10 year transition into the Growth Plus Fund, in place of the current 5 year transition.
- Amend some of the underlying fund components of the lifecycle.

These changes will result in fundamental structural changes to the default lifecycle glidepath, which are displayed in the charts below:






The Trustee has also agreed changes to the Plan's Lump Sum and Annuity lifecycle strategies. Both will broadly mirror the agreed changes to the default Drawdown Lifecycle strategy, i.e. delaying the beginning of the switch away from equities to 20 years from retirement, with a more gradual transition out of equities into funds which respectively target cash and annuity retirement objectives.

The Trustee has also agreed to some changes to the Freestyle fund range which are to be communicated to members in 2025, alongside the above changes to the Plan's default strategies.

No performance-based fees were incurred in relation to the default arrangements over the Plan year.

**Additional Default Arrangements**

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified the following investment options as 'default arrangements'. These are in addition to the main default arrangement referenced above:

- Lifecycle to Annuity 2020
- Lifecycle to Drawdown 2020
- Lifecycle to Lump Sum 2020
- Lifecycle Balanced 2020 (DSL)
- Lifecycle 2012 (no longer open to new selections)
- Lifestyle 2002 (no longer open to new selections)
- Growth Plus Fund (DSL)
- UK Money Fund

These have been identified as 'default arrangements' as members' pension savings have been directed to these funds without members instructing the Trustee where their pension savings are to be invested. This was due to historic fund mapping exercises.

**Default asset allocations**

Trustees or managers of relevant occupational pension schemes are required to disclose their full asset allocation of investments from their default arrangements. The underlying fund information has been provided by the investment platform provider, Legal & General, as follows:

| | | | | | |
|---|---|---|---|---|---|
| **Lifecycle Balanced 2020 Strategy (Main Default)** | | | | | |
| | **Bonds** | **Listed Equities** | **Cash** | **Alternatives** | **Property** |
| 40 years to retirement (age 25) | 0.0% | 100.0% | 0% | 0.0% | 0.0% |
| 20 years to retirement (age 45) | 12.3% | 62.3% | 0% | 23.8% | 1.6% |
| 10 years to retirement (age 55) | 12.3% | 62.3% | 0% | 23.8% | 1.6% |
| 5 years to retirement (age 60) | 38.3% | 41.8% | 0% | 18.8% | 1.1% |
| At retirement (age 65) | 57.2% | 8.9% | 25% | 8.7% | 0.2% |
| **Lifecycle to Annuity 2020 Strategy** | | | | | |
| | **Bonds** | **Listed Equities** | **Cash** | **Alternatives** | **Property** |
| 40 years to retirement (age 25) | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 20 years to retirement (age 45) | 12.3% | 62.3% | 0.0% | 23.8% | 1.6% |
| 10 years to retirement (age 55) | 12.3% | 62.3% | 0.0% | 23.8% | 1.6% |
| 5 years to retirement (age 60) | 48.0% | 37.0% | 0.0% | 14.1% | 0.9% |
| At retirement (age 65) | 75.0% | 0.0% | 25.0% | 0.0% | 0.0% |
| **Lifecycle to Drawdown 2020 Strategy** | | | | | |
| | **Bonds** | **Listed Equities** | **Cash** | **Alternatives** | **Property** |
| 40 years to retirement (age 25) | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 20 years to retirement (age 45) | 12.3% | 62.3% | 0.0% | 23.8% | 1.6% |
| 10 years to retirement (age 55) | 12.3% | 62.3% | 0.0% | 23.8% | 1.6% |
| 5 years to retirement (age 60) | 28.6% | 46.6% | 0.0% | 23.6% | 1.2% |
| At retirement (age 65) | 39.4% | 17.8% | 25.0% | 17.4% | 0.4% |

| Lifecycle to Lump Sum 2020 Strategy | | | | | |
|---|---|---|---|---|---|
| | Bonds | Listed Equities | Cash | Alternatives | Property |
| 40 years to retirement (age 25) | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 20 years to retirement (age 45) | 12.3% | 62.3% | 0.0% | 23.8% | 1.6% |
| 10 years to retirement (age 55) | 12.3% | 62.3% | 0.0% | 23.8% | 1.6% |
| 5 years to retirement (age 60) | 9.5% | 48.3% | 22.5% | 18.5% | 1.2% |
| At retirement (age 65) | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% |

| Lifecycle Balanced 2020 (DSL) Strategy | | | | | |
|---|---|---|---|---|---|
| | Bonds | Listed Equities | Cash | Alternatives | Property |
| 40 years to retirement (age 25) | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 20 years to retirement (age 45) | 12.4% | 62.5% | 0.0% | 23.5% | 1.6% |
| 10 years to retirement (age 55) | 12.4% | 62.5% | 0.0% | 23.5% | 1.6% |
| 5 years to retirement (age 60) | 38.3% | 41.9% | 0.0% | 18.7% | 1.1% |
| At retirement (age 65) | 57.2% | 8.9% | 25.0% | 8.7% | 0.2% |

| Lifecycle 2012 Strategy | | | | | |
|---|---|---|---|---|---|
| | Bonds | Listed Equities | Cash | Alternatives | Property |
| 40 years to retirement (age 25) | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 20 years to retirement (age 45) | 12.3% | 62.3% | 0.0% | 23.8% | 1.6% |
| 10 years to retirement (age 55) | 52.5% | 23.7% | 0.0% | 23.2% | 0.6% |
| 5 years to retirement (age 60) | 54.9% | 22.5% | 0.0% | 22.0% | 0.6% |
| At retirement (age 65) | 75.0% | 0.0% | 25.0% | 0.0% | 0.0% |

| Lifestyle 2002 Strategy | | | | | |
|---|---|---|---|---|---|
| | Bonds | Listed Equities | Cash | Alternatives | Property |
| 40 years to retirement (age 25) | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 20 years to retirement (age 45) | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |

| | | | | | |
|---|---|---|---|---|---|
| 10 years to retirement (age 55) | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% |
| 5 years to retirement (age 60) | 5.0% | 95.0% | 0.0% | 0.0% | 0.0% |
| At retirement (age 65) | 75.0% | 0.0% | 25.0% | 0.0% | 0.0% |

| Individual funds | | | | | |
|---|---|---|---|---|---|
| | **Bonds** | **Listed Equities** | **Cash** | **Alternatives** | **Property** |
| Growth Plus Fund (DSL) | 12.4% | 62.5% | 1.6% | 23.5% | 0.0% |
| UK Money Fund | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% |

*Definitions*

**Bonds** – loans made to the bond issuer, usually a government or a company, to be repaid at an agreed later date. The term refers generically to corporate bonds or government bonds (such as gilts).

**Listed Equities** – shares in companies that are listed on a stock exchange and can be bought and sold on that stock exchange. Owning shares makes shareholders a part owner of the company, and usually entitles them to a share of the profits (if any) payable as dividends.

**Cash** – cash and assets that behave similarly to cash, e.g. treasury bills. It only includes invested cash and not the cash balance held by the Plan or accounting values such as net current assets.

**Alternatives** – a financial asset that does not fall into one of the conventional investment categories. Alternative investments can include private equity or venture capital, hedge funds, managed futures, art and antiques, commodities and real estate.

**Property –** real estate, potentially including offices, warehouses, retail buildings which are rented out to businesses.

**Security of assets**

On an annual basis, the Trustee commissions its legal advisers, Sacker & Partners LLP, to revisit the position on the security of members' assets against loss. The most recent review concluded that the overall position on asset security under the bundled arrangement with Legal & General was acceptable relative to the security available in the wider market.

## Net investment returns

The Trustee is required to report on the net investment returns for their default arrangement(s) and for each Freestyle fund in which members have assets invested during the Plan year. Net investment returns refer to the returns on funds minus all transaction costs and member-borne charges (see below).

The figures for net investment returns used in the table below are based on those provided by Legal & General over the period 1 January – 31 December 2024. There is no missing data.

For the arrangement(s) where returns vary with age, such as lifecycle strategies, returns are shown over a 1-, 3- and 5-year basis for a member aged 25, 45 and 55 at the start of the period over which the returns are shown.

## Main default

***Lifecycle Balanced 2020***

| Age of member at the start of the period | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| 25 | 20.2 | 7.2 | 10.9 |
| 45 | 15.3 | 5.2 | 8.2 |
| 55 | 15.3 | 5.2 | 8.2 |

### Additional defaults

***Lifecycle to Annuity 2020***

| Age of member at the start of the period | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| 25 | 20.2 | 7.2 | 10.9 |
| 45 | 15.3 | 5.2 | 8.2 |
| 55 | 15.3 | 5.2 | 8.2 |

***Lifecycle to Drawdown 2020***

| Age of member at the start of the period | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| 25 | 20.2 | 7.2 | 10.9 |
| 45 | 15.3 | 5.2 | 8.2 |
| 55 | 15.3 | 5.2 | 8.2 |

***Lifecycle to Lump Sum 2020***

| Age of member at the start of the period | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| 25 | 20.2 | 7.2 | 10.9 |
| 45 | 15.3 | 5.2 | 8.2 |
| 55 | 15.3 | 5.2 | 8.2 |

***Lifecycle to Balanced 2020 (DSL)***

| Age of member at the start of the period | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| 25 | 20.1 | 13.0 | 7.6 |
| 45 | 15.4 | 5.4 | 8.4 |
| 55 | 15.4 | 5.4 | 8.4 |

***Lifecycle 2012***

| Age of member at the start of the period | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| 25 | 20.2 | 7.2 | 10.9 |
| 45 | 15.3 | 5.2 | 8.2 |
| 55 | 6.1 | -0.9 | 2.4 |

***Lifestyle 2002***

| Age of member at the start of the period | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| 25 | 10.3 | 6.1 | 6.9 |
| 45 | 10.3 | 6.1 | 6.9 |
| 55 | 10.3 | 6.1 | 6.9 |

***Individual funds***

| Fund name | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| Growth Plus Fund (DSL) | 15.4 | 5.4 | 8.4 |
| UK Money Fund | 5.3 | 3.8 | 2.3 |

## Freestyle fund range

***Freestyle fund net returns over the periods to 31 December 2024***

| Fund name | 1y (%) | 3y (%p.a.) | 5y (%p.a.) |
|---|---|---|---|
| UK Money Fund | 5.3 | 3.8 | 2.3 |
| All World Equity | 20.2 | 7.2 | 10.9 |
| Emerging Markets Debt | 2.4 | 0.2 | -0.6 |
| Growth Fund | 6.1 | -0.9 | 2.4 |
| Corporate Bonds | 1.6 | -3.1 | -1.1 |
| World ex UK Developed Equity | 20.9 | 8.2 | 12.4 |
| Future World Fund | 14.0 | 4.9 | N/A |
| Growth Plus Fund | 15.3 | 5.2 | 8.2 |
| Infrastructure Equity | 9.9 | 2.1 | 3.3 |
| Pre-Retirement Fund (Annuity Target) | -4.0 | -9.8 | -5.0 |
| Pre-Retirement Inflation-Linked (Annuity Target) Fund | -6.2 | -13.6 | -6.4 |
| World Emerging Markets Equity | 13.9 | 2.6 | 4.1 |
| Ethical Global Equity | 21.6 | 8.7 | 12.4 |
| Global Real Estate Equity | 3.1 | -4.1 | 0.1 |
| Ethical UK Equity | 10.1 | 6.4 | 4.6 |
| UK Equity | 9.4 | 5.9 | 4.8 |
| Over 15 Year Gilts | -10.3 | -18.3 | -10.5 |
| Index Linked Gilts | -8.5 | -15.0 | -6.6 |
| Sustainable Corporate Bond | 1.9 | N/A | N/A |
| Sustainable Global Equity Index | 21.2 | N/A | N/A |
| Sustainable Emerging Markets Equity Index | 10.6 | N/A | N/A |
| HSBC Shariah | 30.0 | N/A | N/A |

| | | | |
|---|---|---|---|
| Sustainable Dev (ex UK) Equity Index | 22.7 | N/A | N/A |
| Sustainable UK Equity Index | 9.3 | N/A | N/A |
| Global Equity 70:30 | 12.4 | 6.7 | 7.0 |
| Global Equity 60:40 | 10.3 | 6.1 | 6.9 |
| Growth Plus Fund (was Consensus) | 15.3 | 5.2 | 8.2 |
| Annuity Protection | -10.8 | -17.9 | -8.9 |

** Where performance is marked as 'N/A', it is because these funds have been launched in the last 2 to 3 years.*

When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns'.

## Financial transactions

The Trustee has a specific duty to ensure that core financial transactions in relation to DC benefits are processed promptly and accurately. Core financial transactions include (but are not limited to):

- Receipt and investment of contributions;
- Transfers of member assets into and out of the Plan;
- Transfers of member assets between different investments within the Plan; and
- Payments from the Plan to or in respect of members and beneficiaries.

**Service Level Agreements**

A Service Level Agreement ('SLA') is in place between the Trustee and the administrator of the DC Section of the Plan (Legal & General Assurance Society Limited 'LGAS') for the administration services that are provided to assist the Trustee in fulfilling its regulatory duties. The services in scope include:

- Financial services (including the provision of timely and accurate processing of core financial transactions);
- Member administration;
- Service levels and timelines in respect of the administration service; and
- The preparation and provision of regulatory reporting requirements.

Pensions Trust is also responsible for delivering key regulatory information and services on behalf of the Trustee. This includes the preparation of the Annual Report and Financial Statements, the provision of secretarial and trustee governance services, and the oversight and management of the Plan's day-to-day operations.

The Trustee reviews its SLAs with LGAS on a triennial basis to determine whether the scope of responsibilities and tasks remains appropriate, and whether the targets set meet or exceed regulatory requirements. The Trustee last reviewed its SLAs with LGAS in the April 2024 Trustee Management Meeting.

LGAS join weekly Operations calls with IBM Pensions Trust to maintain a continued dialogue around operational performance and matters arising.

In addition, the Trustee's Governance Committee met during the Plan year to review the LGAS quarterly governance reports. LGAS were invited to 3 out of 4 meetings in 2024 (though LGAS submit a governance report before every Governance Committee meeting). The LGAS governance reports provide an update on performance against the SLA and any significant issues that may have arisen in the previous quarter as well as other key operational milestones.

**Timeliness of Financial Transactions**

During the Plan year, the timeliness of financial transactions was reported via the quarterly governance reports provided by LGAS. A summary of the SLA performance is reported to the full Trustee Board each quarter. In addition, monthly service calls are also held between the IBM Pensions Trust and LGAS where SLAs are discussed. The Pension Trust also has access to real-time SLAs via Legal & General's My Scheme Intelligence online portal.

A summary of performance against SLAs is included below:

- The Governance Committee and LGAS have agreed a 95% SLA target for all the processes, including several services such as transfer payments, processing of members' contributions, divorce quotes, surrenders, investment management switches etc.

- For the Plan as a whole, total performance against SLAs over the 2024 Plan year has been very strong – well exceeding the 95% target.

- In Q3 and Q4 2024 there were instances where the 95% SLA target was not met for certain processes. IBM Pensions Trust have weekly meetings with LGAS to resolve any issues, with any significant issues being subsequently reported in the quarterly Governance Committee meetings where there are opportunities for the Committee to raise questions and consider further.

**Business Continuity, GDPR and Cyber Security**

The Trustee maintains a Business Continuity Plan ('BCP') to ensure that asset management and benefit management processes can be successfully restarted if a disaster were to occur that would compromise the running of the Plan's administration. Arrangements are in place for routinely reporting the results of the BCP revalidation and testing exercises to the Governance Committee, including inputs from LGAS and XPS.

The Trustee continues to monitor the requirements around General Data Protection Regulation ('GDPR'), with data minimisation and retention being the key areas to address.

**Summary**

Overall, the Trustee is satisfied that all core financial transactions have been processed promptly and accurately during the Plan year. The Trustee is also satisfied that, given the processes and monitoring procedures noted above, it would be able to identify and respond to any material administration issues if they were to arise in the future.

## Charges and transaction costs

**Member-borne charges and transaction costs**

The Trustee has a regulatory requirement to report on the charges for the default and self-select Freestyle arrangements and their assessment of the extent to which these charges and costs represent good value for members. Ongoing fund charges include both the investment management charge ('IMC'), which is applied by Legal & General as a percentage of the assets held within each fund to cover the cost of managing these investments, and other ongoing charges such as indirect fees. Taken together, these are known as the 'total expense ratio' (or 'TER') and are deducted via the unit price of each fund.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds.

These charges and transaction costs have been supplied by Legal & General which is the Plan's Money Purchase Section investment platform provider. There are additional funds held by members as AVCs that are invested with Aviva Life & Pensions UK Limited ('Aviva'). The charges and transaction costs in relation to these additional funds have been provided by Aviva and are detailed in Appendix 2.

Other than these ongoing fund charges and transaction costs, the employer, IBM United Kingdom Limited, covers the cost of all other expenses related to pensions management and administration services.

When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on 'Reporting costs, charges and other information: guidance for Trustees and managers of occupational pension schemes'.

**Default arrangement charges and transaction costs**

The core default arrangement is the Lifecycle Balanced 2020, which has been set up as a lifestyle approach, meaning that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member-borne charges for the Plan's default arrangement complied with the charge cap.

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| Over 25 years to retirement | 0.09 | 0.06 |
| 15 years to retirement | 0.17 | 0.03 |
| 10 years to retirement | 0.17 | 0.03 |
| 5 years to retirement | 0.15 | 0.03 |
| At retirement | 0.10 | 0.02 |

### Additional defaults

In addition to the Lifecycle Balanced 2020 strategy, members also have the option to invest in three other lifestyles, targeting annuity purchase, drawdown and cash withdrawal. The annual charges for these alternative lifestyles during the period covered by this Statement (1 January 2024 – 31 December 2024) are set out in the tables below.

*Lifecycle to Annuity 2020*

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| Over 25 years to retirement | 0.09 | 0.06 |
| 15 years to retirement | 0.17 | 0.03 |
| 10 years to retirement | 0.17 | 0.03 |
| 5 years to retirement | 0.13 | 0.02 |
| At retirement | 0.07 | 0.00 |

*Lifecycle to Drawdown 2020*

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| Over 25 years to retirement | 0.09 | 0.06 |
| 15 years to retirement | 0.17 | 0.03 |
| 10 years to retirement | 0.17 | 0.03 |
| 5 years to retirement | 0.16 | 0.04 |
| At retirement | 0.13 | 0.03 |

*Lifecycle to Lump Sum 2020*

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| Over 25 years to retirement | 0.09 | 0.06 |
| 15 years to retirement | 0.17 | 0.03 |
| 10 years to retirement | 0.17 | 0.03 |
| 5 years to retirement | 0.15 | 0.02 |
| At retirement | 0.06 | 0.00 |

*Lifecycle to Balanced 2020 (DSL)*

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| Over 25 years to retirement | 0.00 | 0.06 |
| 15 years to retirement | 0.00 | 0.03 |
| 10 years to retirement | 0.00 | 0.03 |
| 5 years to retirement | 0.00 | 0.03 |
| At retirement | 0.00 | 0.01 |

*Lifecycle 2012*

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| Over 25 years to retirement | 0.09 | 0.06 |
| 15 years to retirement | 0.17 | 0.03 |
| 10 years to retirement | 0.15 | 0.04 |
| 5 years to retirement | 0.15 | 0.04 |
| At retirement | 0.07 | 0.00 |

*Lifestyle 2002*

| Years to target retirement date | TER (%) | Transaction costs (%) |
|---|---|---|
| Over 25 years to retirement | 0.06 | 0.03 |
| 15 years to retirement | 0.06 | 0.03 |
| 10 years to retirement | 0.06 | 0.03 |
| 5 years to retirement | 0.06 | 0.03 |
| At retirement | 0.05 | 0.04 |

## Freestyle fund range

### Freestyle fund range and transaction costs

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this statement are set out in the following table. The underlying funds used within the default arrangement are shown in bold.

| Fund name | TER (%) | Transaction costs (%) |
|---|---|---|
| **UK Money Fund** | 0.06 | 0.00 |
| **All World Equity** | 0.09 | 0.06 |
| Emerging Markets Debt | 0.18 | 0.06 |
| **Growth Fund** | 0.15 | 0.04 |
| Corporate Bonds | 0.07 | 0.01 |
| World ex UK Developed Equity | 0.07 | 0.04 |
| Future World Fund | 0.23 | 0.11 |
| **Growth Plus Fund** | 0.17 | 0.03 |
| Infrastructure Equity | 0.34 | 0.09 |
| **Pre-Retirement Inflation-Linked (Annuity Target) Fund** | 0.07 | 0.00 |
| Pre-Retirement Fund (Annuity Target) | 0.07 | 0.00 |
| World Emerging Markets Equity | 0.21 | 0.00 |
| Ethical Global Equity | 0.18 | 0.02 |
| Global Real Estate Equity | 0.20 | 0.03 |

| | | |
|---|---|---|
| Ethical UK Equity | 0.15 | 0.02 |
| UK Equity | 0.05 | 0.02 |
| Over 15 Year Gilts | 0.04 | 0.05 |
| Index-Linked Gilts | 0.04 | 0.04 |
| Sustainable Corporate Bond | 0.10 | 0.00 |
| Sustainable Global Equity Index | 0.13 | 0.02 |
| Sustainable Emerging Mkts Equity Index | 0.23 | 0.01 |
| HSBC Shariah | 0.32 | 0.00 |
| Sustainable Developed (ex UK) Equity Index | 0.11 | 0.01 |
| Sustainable UK Equity Index | 0.08 | 0.07 |
| Global Equity 70:30 | 0.06 | 0.02 |
| Global Equity 60:40 | 0.06 | 0.03 |
| Growth Plus Fund (formerly Consensus) | 0.17 | 0.03 |
| Annuity Protection | 0.04 | 0.05 |

## Value for members

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. There is no precise legal definition of 'good value', which means that determining this is subjective. However, the Trustee's approach is to incorporate current best practice within the DC marketplace and split its assessment into three distinct areas which broadly mirror the latest DWP guidance as those most likely to drive value for members: investment returns, services, and costs and charges.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for their money. The date of the last review was June 2025. Value for members does not necessarily mean the lowest fee, and investment performance as well as the overall quality of the service received has been considered in this assessment. This year's review has confirmed that the Plan offers **good value for money,** and that the investment performance and charges remain competitive when compared to a peer group of similar plans.

The value for members assessment was undertaken in line with the DWP's and Pensions Regulator's latest guidance and considered the following areas:

- Benchmarking the level of charges members pay in comparison to those pension schemes of a similar type and size and other types of pension vehicles;
- The investment performance net of charges of the Plan's default option and alternative freestyle funds against their performance objectives and wider market comparators; and
- The services provided to members. These were assessed by benchmarking the services offered to members against those seen via schemes offering a best practice approach. This element of the assessment considered a range of areas including:
    - The oversight and governance, including ensuring the Plan is compliant with relevant legislation and how risk is managed;

  - The design of the default arrangements and how this reflects the interests of the membership as a whole;
  - The range of alternative investment options to the default arrangement;
  - The quality of communications delivered to members;
  - The quality of support services in place to help members with their savings and retirement decisions; and
  - The efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

The Plan has been assessed as offering good value overall against these areas, for the following reasons:

**Investment returns**

- When compared against master trust providers' standard default arrangements, fund performance for both the growth phase of the Plan's default fund, and at 10 years to retirement, was top quartile.
- For the Plan's self-select funds, 93% performed broadly in line with or above their benchmark.

**Services**

- Overall, the Plan offers key service features that would be expected to be present in a leading DC arrangement.

**Charges**

- The charges for the growth phase of the Plan's default investment strategy (0.09% p.a.) have been compared against other trust-based pension schemes and are deemed to be highly competitive.

## Trustees' knowledge and understanding (TKU)

The Trustee is required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. Each Trustee Director must:

- Be conversant with the Trust Deed and Rules of the Plan, the Plan's SIP and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Plan generally.
- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee, with the help of its advisers, regularly considers training requirements to identify and address any knowledge/skills gaps. The Trustee's investment advisers, WTW, proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this statement, the Trustee received training on the following topics:

| Training Topic | Conducted by | Date |
|---|---|---|
| General Code & Risk Management | WTW | April 2024 |
| Dashboard requirements | Sacker & Partners LLP | October 2024 |
| Climate reporting – ESG targets | WTW | December 2024 |
| Investment beliefs and stewardship | WTW | December 2024 |

All the Trustee Directors are familiar with and have access to copies of the current Plan governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures that relate to the governance and administration of the Plan. In particular, the Trustee Directors refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan and, where relevant, deciding individual member cases.

The SIP is formally reviewed at least every three years and as part of making any change to the Plan's investments.

Further, the Trustee considers that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law).

Additionally, the Plan has in place a structured induction process for new Trustee Directors:

- An induction education session with the IBM Pensions Trust Manager;
- A requirement for all Trustee Directors to undertake and complete The Pensions Regulator's Trustee Toolkit course within six months of taking up office; and
- Attendance at various sub-committees as an observer to build knowledge and understanding of specific issues.

A training log is maintained and the training and development programme is reviewed at least annually to ensure it is relevant and up to date for individual Trustee Directors and the Trustee Board as a whole.

A questionnaire is used to carry out a regular evaluation of the Trustees' knowledge and to help to identify training needs. The Trustee also carry out a regular evaluation of the performance and effectiveness of the Trustee Board as a whole as measured against the objectives of the Plan's business plan. The last effectiveness review took place in 2024, with the following activities executed to assess the Trustee's overall effectiveness:

- A Trustee Effectiveness Questionnaire in Q2 2024, with recommendations agreed at the July Trustee Management Meeting;

- A Trustee Knowledge and Understanding Questionnaire in Q3 2024, which would form the basis of 2024/2025 education requirements;
- A review of key decisions was undertaken in October 2024;
- The results of the Trustee Effectiveness Questionnaire, TKU Questionnaire, Key Decisions, Trustee Training Record and meeting attendance records were presented during a Governance Committee Meeting, and an overall assessment agreed.
- A final assessment of Trustee Effectiveness was given at the April 2025 Trustee Management Meeting by the Governance Committee.

Taking into account the knowledge and experience of the Trustee with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee Directors believe they are well placed to exercise their functions as Trustee of the Plan properly and effectively.

**Signed by the Chair on behalf of the Trustee of the Plan:** **Date:** 22 July 2025

e-Signed by Robert Tickell
on 2025-07-22 08:13:30 GMT

## Appendix 1: Cost and charges illustrations

The following tables give a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. The figures are presented using six member examples: youngest active member, average active member, youngest deferred member, average deferred member, youngest deferred DSL member and an average deferred DSL member. Additionally, the tables include the performance of the funds over different time periods depending on the age of the member.

| Example Member | Years | Lifecycle Balanced 2020 | | Lifecycle Annuity 2020 | |
|---|---|---|---|---|---|
| | | Before charges | After charges | Before charges | After charges |
| Youngest active member (aged 32) | 1 | £126,400 | £126,200 | £126,400 | £126,200 |
| | 3 | £146,900 | £146,300 | £146,900 | £146,300 |
| | 5 | £168,700 | £167,600 | £168,700 | £167,600 |
| | 10 | £227,100 | £224,200 | £227,100 | £224,200 |
| | 15 | £275,800 | £270,200 | £275,800 | £270,200 |
| | 20 | £325,800 | £316,800 | £325,800 | £316,800 |
| | 25 | £379,700 | £366,400 | £379,800 | £366,600 |
| | 30 | £445,600 | £427,600 | £454,200 | £436,400 |
| | 33 | £487,600 | £466,900 | £506,700 | £486,400 |
| Average active member (aged 54) | 1 | £386,200 | £385,400 | £386,200 | £385,400 |
| | 3 | £419,400 | £417,000 | £419,500 | £417,200 |
| | 5 | £455,400 | £451,300 | £457,400 | £453,400 |
| | 10 | £556,900 | £548,600 | £574,500 | £567,000 |
| | 11 | £577,200 | £568,100 | £599,300 | £591,200 |
| Youngest deferred member (aged 32) | 1 | £120,700 | £120,500 | £120,700 | £120,500 |
| | 3 | £129,100 | £128,500 | £129,100 | £128,500 |
| | 5 | £138,000 | £137,100 | £138,000 | £137,100 |
| | 10 | £161,000 | £158,600 | £161,000 | £158,600 |
| | 15 | £174,800 | £170,600 | £174,800 | £170,600 |
| | 20 | £187,900 | £181,600 | £187,900 | £181,600 |
| | 25 | £202,100 | £193,400 | £202,200 | £193,500 |
| | 30 | £221,500 | £210,200 | £225,900 | £214,600 |
| | 33 | £233,800 | £221,000 | £243,300 | £230,600 |
| Average deferred member (aged 54) | 1 | £375,400 | £374,700 | £375,400 | £374,700 |
| | 3 | £386,600 | £384,300 | £386,700 | £384,400 |
| | 5 | £399,700 | £395,800 | £401,500 | £397,700 |
| | 10 | £439,600 | £432,100 | £454,200 | £447,500 |
| | 11 | £447,100 | £439,000 | £465,300 | £458,100 |

Projected fund values are rounded to the nearest hundred.

| Example Member | Years | Lifecycle Lump Sum 2020 | | Lifecycle Drawdown 2020 | |
|---|---|---|---|---|---|
| | | Before charges | After charges | Before charges | After charges |
| Youngest active member (aged 32) | 1 | £126,400 | £126,200 | £126,400 | £126,200 |
| | 3 | £146,900 | £146,300 | £146,900 | £146,300 |
| | 5 | £168,700 | £167,600 | £168,700 | £167,600 |
| | 10 | £227,100 | £224,200 | £227,100 | £224,200 |
| | 15 | £275,800 | £270,200 | £275,800 | £270,200 |
| | 20 | £325,800 | £316,800 | £325,800 | £316,800 |
| | 25 | £379,500 | £366,200 | £379,600 | £366,300 |
| | 30 | £427,600 | £410,400 | £437,200 | £419,000 |
| | 33 | £442,300 | £424,200 | £469,100 | £448,100 |
| Average active member (aged 54) | 1 | £386,200 | £385,400 | £386,200 | £385,400 |
| | 3 | £419,200 | £416,800 | £419,300 | £416,900 |
| | 5 | £451,700 | £447,600 | £453,400 | £449,200 |
| | 10 | £516,600 | £509,300 | £539,800 | £530,700 |
| | 11 | £524,700 | £517,200 | £555,800 | £545,800 |
| Youngest deferred member (aged 32) | 1 | £120,700 | £120,500 | £120,700 | £120,500 |
| | 3 | £129,100 | £128,500 | £129,100 | £128,500 |
| | 5 | £138,000 | £137,100 | £138,000 | £137,100 |
| | 10 | £161,000 | £158,600 | £161,000 | £158,600 |
| | 15 | £174,800 | £170,600 | £174,800 | £170,600 |
| | 20 | £187,900 | £181,600 | £187,900 | £181,600 |
| | 25 | £202,000 | £193,300 | £202,100 | £193,400 |
| | 30 | £212,300 | £201,500 | £217,200 | £205,800 |
| | 33 | £211,300 | £200,000 | £224,500 | £211,700 |
| Average deferred member (aged 54) | 1 | £375,400 | £374,700 | £375,400 | £374,700 |
| | 3 | £386,400 | £384,100 | £386,500 | £384,200 |
| | 5 | £396,300 | £392,500 | £397,900 | £394,000 |
| | 10 | £406,100 | £399,600 | £425,300 | £417,200 |
| | 11 | £404,100 | £397,400 | £429,400 | £420,600 |

Projected fund values are rounded to the nearest hundred.

| Example Member | Years | Lifecycle 2012 (Legacy) | | Lifestyle 2002 (Legacy) | |
|---|---|---|---|---|---|
| | | Before charges | After charges | Before charges | After charges |
| Average deferred member (aged 54) | 1 | £375,400 | £374,700 | £382,600 | £382,300 |
| | 3 | £386,500 | £384,300 | £409,200 | £408,100 |
| | 5 | £397,900 | £394,200 | £437,600 | £435,600 |
| | 10 | £441,400 | £434,400 | £511,500 | £507,000 |
| | 11 | £452,100 | £444,700 | £524,000 | £518,900 |

Projected fund values are rounded to the nearest hundred.

| Example Member | Years | Lifecycle Balanced DSL 2020 | |
|---|---|---|---|
| | | Before charges | After charges |
| Youngest DSL deferred member (aged 32) | 1 | £120,700 | £120,600 |
| | 3 | £129,100 | £128,900 |
| | 5 | £138,000 | £137,700 |
| | 10 | £161,000 | £160,100 |
| | 15 | £174,800 | £173,500 |
| | 20 | £187,900 | £186,300 |
| | 25 | £202,100 | £200,100 |
| | 30 | £221,500 | £219,000 |
| | 33 | £233,800 | £231,000 |
| Average DSL deferred member (aged 54) | 1 | £375,400 | £375,300 |
| | 3 | £386,600 | £386,200 |
| | 5 | £399,700 | £399,100 |
| | 10 | £439,600 | £438,400 |
| | 11 | £447,100 | £445,800 |

Projected fund values are rounded to the nearest hundred.

| Example Member | Years | IBM Pension Plan Infrastructure Equity | | IBM Pension Plan UK Money Fund | |
|---|---|---|---|---|---|
| | | Before charges | After charges | Before charges | After charges |
| Average active member (aged 54) | 1 | £397,200 | £395,600 | £378,900 | £378,600 |
| | 3 | £455,200 | £449,800 | £396,500 | £395,800 |
| | 5 | £518,300 | £508,400 | £413,900 | £412,700 |
| | 10 | £702,200 | £676,500 | £456,800 | £454,300 |
| | 11 | £744,000 | £714,200 | £465,200 | £462,500 |
| Average deferred member (aged 54) | 1 | £386,200 | £384,700 | £368,200 | £368,000 |
| | 3 | £420,900 | £415,700 | £364,600 | £364,000 |
| | 5 | £458,700 | £449,300 | £361,100 | £360,000 |
| | 10 | £568,600 | £545,700 | £352,300 | £350,200 |
| | 11 | £593,600 | £567,300 | £350,600 | £348,300 |

Projected fund values are rounded to the nearest hundred.

| Example Member | Years | IBM Growth Plus Fund DSL | |
|---|---|---|---|
| | | Before charges | After charges |
| Average DSL deferred member (aged 54) | 1 | £375,400 | £375,300 |
| | 3 | £386,500 | £386,100 |
| | 5 | £397,900 | £397,300 |
| | 10 | £427,900 | £426,500 |
| | 11 | £434,100 | £432,600 |

Projected fund values are rounded to the nearest hundred.

### Assumptions and notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. Contributions are paid halfway through the year.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be applied at the end of the year.
4. Charges and costs are deducted before the application of investment returns.
5. Switching costs are not considered in the lifestyle strategy.
6. Inflation is assumed to be 2.5% each year.
7. Contributions are assumed to be paid from age 32 to 65 for the youngest active member and from age 54 to 65 for the average active member and increase in line with assumed earnings inflation of 0% per year.
8. The values shown are estimates and are not guaranteed.
9. The real projected growth rates for each fund are as follows:

| Fund | Real projected growth rate (p.a.) |
|---|---|
| Lifecycle Balanced 2020 | 1.463% - 3.415% (adjusted depending on term to retirement) |
| Lifecycle Annuity 2020 | 1.463% - 3.415% (adjusted depending on term to retirement) |
| Lifecycle Lump Sum 2020 | -0.488% - 3.415% (adjusted depending on term to retirement) |
| Lifecycle Drawdown 2020 | 0.976% - 3.415% (adjusted depending on term to retirement) |
| Lifecycle 2012 (Legacy) | 1.463% - 2.439% (adjusted depending on term to retirement) |
| Lifestyle 2002 (Legacy) | 2.439% - 3.415% (adjusted depending on term to retirement) |
| Lifecycle Balanced DSL 2020 *(no IMCs)* | 1.463% - 3.415% (adjusted depending on term to retirement) |
| IBM Pension Plan Infrastructure Equity | 4.390% |
| IBM Pension Plan UK Money Fund | -0.488% |
| IBM Growth Plus Fund DSL *(no IMCs)* | 1.463% |

10. Transactions costs and other charges have been provided by LGIM and covered the period 1 January 2024 to 31 December 2024. Transaction costs have been averaged by WTW using a time-based approach. The transaction costs for Blended funds were estimated by WTW based on the transaction costs for the underlying funds.
11. Pension scheme's normal retirement age is 65.

12. Example member:

    Youngest active: age 32, total annual contribution: £5,635, starting fund value: £116,700.
    Average active member: age 54, total annual contribution: £10,700, starting fund value: £370,000.
    Youngest deferred: age 32, total annual contribution: nil, starting fund value: £116,700.
    Average deferred: age 54, total annual contribution: nil, starting fund value: £370,000.
    Youngest DSL deferred: age 32, total annual contribution: nil, starting fund value: £116,700.
    Average DSL deferred: age 54, total annual contribution: nil, starting fund value: £370,000.

Values are estimates only and are not guaranteed. Members are reminded of the objective of the illustrations which is to demonstrate the compounding effect of charges and costs on projected DC pension savings. It is not intended to demonstrate the merits of different investment strategies or investment funds. Before making any changes to your investment choices, you should consider the financial risk associated with the different types of investment. Please refer to the "Guide to Investing" section on our client microsite https://www.legalandgeneral.com/workplace/i/ibm/on-your-way/guide-to-investing/. If you wish to review your investment decision, or are starting to plan your retirement, you should speak to a financial advisor. For help with choosing a financial advisor in your area, please contact the Money Helper (formerly the Money Advice Service) https://www.moneyhelper.org.uk/en. If you are aged 50 or over you have the right to contact 'Pension Wise', a free and impartial Government service, that helps you understand your pension options. You can find more information at www.pensionwise.gov.uk.

## Appendix 2: Information on AVC arrangements

### Net returns of AVC investments

| Fund name | 1 year (%) |
|---|---|
| **Aviva** | |
| With Profits | 7.6 |
| With Profits (Pre Demutualisation) | 7.4 |

The With Profits Funds investment returns are not directly applied to members’ fund values - instead they are used to calculate Market Value Adjustments and/or Terminal Bonuses that apply to members' non-guaranteed fund values. However, investment returns are not the only factor used to determine current With Profits values. Each member's With Profits fund value is also linked to the timing of their contributions, guaranteed bonuses already added to their accounts, inflows and outflows from the With Profits Fund, and the level of reserves held to back the With Profits Fund.

With Profits Funds are designed to smooth the returns members receive over their investment term, whilst aiming to ensure members receive their fair share of the With Profits return. As such, members' With Profits Fund values may not closely mirror the returns of the underlying assets.

### Additional Voluntary Contributions (‘AVC’) fund charges and transaction costs

The level of charges for each AVC fund and the transaction costs during the Plan Year (to 31 December 2024) are set out in the table below:

| Fund name | TER (%) | Transaction costs (%) |
|---|---|---|
| **Aviva** | | |
| With Profits | 0.50 | 0.09 |
| With Profits (Pre Demutualisation) | 0.50 | 0.09 |

[1] Charges on the With-Profits Funds are implicit and allowed for in the allocation of bonus rates

# Statement of Investment Principles

## IBM Pension Plan

July 2025

# Contents

# 1. Introduction

1.1 IBM United Kingdom Pensions Trust Limited (the "Trustee"), as the Trustee of the IBM Pension Plan (the "Plan"), has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern the decisions about the Plan's investments. The Trustee's investment responsibilities are governed by the Plan's Trust Deed and Rules, of which this Statement takes full regard.

1.2 The Trustee has consulted IBM United Kingdom Holdings Limited (the "Company") as the Sponsor of the Plan on the principles set out in this Statement and will consult the Company on any changes to it having taken prior written advice from an authorised investment consultant. The Trustee seeks to maintain a good working relationship with the Company and will discuss any proposed changes to this Statement with the Company. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.3 This Statement includes both the Defined Benefit ("DB") and Defined Contribution ("DC") Sections of the Plan and these are considered separately, as appropriate.

1.4 The DB Section of the Plan is closed to new members and to future accrual.

1.5 The DC Section of the Plan has been closed to new members since 2011 but continues to be open to new additional contributions.

1.6 Until 2011, the Plan provided a facility for DB and DC members to pay Additional Voluntary Contributions ("AVCs") and Additional Smart Contributions ("ASCs") into the Plan to enhance their benefits at retirement. With the closure of the DB Section to future accrual, DB members can maintain their existing AVC and ASC pension savings within the Plan but are no longer able to make further AVC or ASC contributions. The DC Section continues to be open to new AVC and ASC contributions.

1.7 The Trustee does not expect to revise this Statement frequently because it covers broad principles rather than their implementation. The Trustee will review it at least once every three years, and without delay if there are relevant, material changes to the Plan and/or the Company which the Trustee judges to have a bearing on the stated investment policy.

# 2. Investment Management

## Plan Governance

2.1 The Trustee has appointed a professional consultant (the "Investment Consultant") to provide relevant investment advice to the Trustee. The Investment Consultant has confirmed in writing to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Act 1995 and the Occupational Pension Scheme (Investment) Regulations 2005. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2.2 The Trustee also takes advice as appropriate from the Plan Actuary and other professional advisers.

2.3 The Trustee is responsible for the investment of the Plan's assets and retains control over the decisions on investment strategy. However, in order to ensure that investment decisions are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

2.4 The Trustee has appointed DB and DC Investment Committees and a separate Governance Committee.

2.5 The DB and DC Investment Committees are responsible for determining and implementing investment policy.

2.6 The full responsibilities of the Investment Committees and Governance Committee are outlined in the Constitution and Powers document and Terms of Reference.

2.7 The Pensions Trust organisation undertakes a staff role in support of the Trustee and all committees.

2.8 The Trustee has delegated day-to-day management of the Plan's investments to a number of investment managers. In some cases, this is via Trustee directed investments in pooled investment vehicles and insurance policies and in other cases via separate accounts in which the investment manager invests directly on behalf of the Plan.

2.9 The Plan's DC investments (including AVCs and ASCs) are invested in a range of funds / strategies managed by Legal & General Investment Management Limited ("Legal & General") and HSBC Global Asset Management ("HSBC") which are made available on the Legal & General Assurance Society Limited ("LGAS") investment platform.

2.10 Details of the appointments are contained in the investment management agreements between the investment managers and the Trustee, or within the governing documentation of the pooled vehicles.

2.11 A custodian is appointed by the Trustee to provide safekeeping of the Plan's DB assets not invested in pooled funds or insurance policies, and performs the associated administrative duties. The details of this appointment are contained in the contract between the Trustee and the custodian.

## Realisation of Investments

2.12 In general, the investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

2.13 The Trustee's policy for the Plan's DB investment strategy is that there should be sufficient secure investments in liquid or readily-realisable assets to meet short term cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Plan's overall investment policy.

2.14 The Trustee has a cashflow policy process to ensure there are sufficient funds available to meet benefit payments and other expenses.

2.15 Members' investments in the Plan's DC Section are traded and priced on a daily basis.

# 3. Environmental, Social and Corporate Governance

3.1 The Trustee believes that environmental, social, and governance ("ESG") factors, including climate change, can impact the performance of the Plan's investments, both DB and DC (including the DC default investment strategies), over the medium to long-term. The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management and against criteria which include ESG considerations.

3.2 The Trustee expects its investment managers to be signatories of the Principles of Responsible Investment (PRI), where applicable, and implement these principles. The Trustee requires its investment managers to report on their commitment and how these principles have been implemented.

3.3 The Trustee supports the goals of the Paris Agreement, and believes that long term sustainability issues, in particular climate risk, present risks and opportunities which increasingly require explicit consideration. Climate-related risks and opportunities are assessed using a balanced and proportionate approach. The ultimate responsibility of the Trustee is to pay members their benefits and the Trustee is trying to do this in a sustainable way. The Trustee is aware of IBM's net zero target and the Trustee aspires to set its own net zero target as the quality of data improves. In general, the Trustee believes the Plan's investments should be net zero emissions by 2050 or earlier, where applicable. The Trustee has set an interim target to reduce carbon intensity within reportable assets and monitors the Plan's investments against this target on an annual basis.

3.4 The Trustee engages with investment managers to take steps to reduce carbon exposure within the Plan's assets. The Trustee also engages with managers on climate-related risks and exposure to these risks within the Plan's investments. These risks and opportunities are reported annually in compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. Further information can be found in the Climate Change-related Disclosures Report (available at https://www.smartpensionsuk.co.uk/#/page/governance-documentation

3.5 The Trustee does not take into account non-financial matters in the selection retention and realisation of investments.

3.6 As noted above, the Trustee does not have an active policy of taking non-financial matters into account in its investment decision making. However, the Trustee has considered and assessed member views (regarding both financial and non-financial factors) in relation to the range of DC lifecycles/lifestyles and self-select ('Freestyle') funds offered to members.

3.7 The Trustee engages with managers on climate-related risks and exposure to these risks within the Plan's investments. These risks and opportunities are reported annually in compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

3.8 The Trustee is committed to reviewing this policy on an ongong basis.

# 4. Voting and Engagement Disclosures

## Rights Attaching to Investments (Stewardship)

4.1 The Trustee considers stewardship to be a key approach to implementing its investment beliefs and believes that well governed companies perform better over the longer term. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's DB and DC investments to the investment managers. Investment managers are encouraged to exercise these rights. The Trustee believes investment managers' voting activity in relation to ESG and Climate Change can make a significant contribution to reducing carbon exposure within the Plan.

4.2 The Trustee supports the aims of the UK Stewardship Code, and its investment managers are invited to operate in accordance with the guidelines laid out in the Stewardship Code which covers matters of both voting and engagement. The investment managers are encouraged to report their adherence to The Stewardship Code using the "comply" or "explain" principle where appropriate.

4.3 The Trustee believes in a stewardship and engagement approach rather than exclusions. Management of exposure to companies meeting the exclusion criteria of the UN Global Compact is managed at the discretion of the investment managers. The Trustee will carry out analysis on the investment managers' policies on an annual basis as part of the annual Stewardship Report.

4.4 The Trustee requires its investment managers to report on corporate governance, and particularly on their voting and engagement records. Furthermore, the Trustee requires detailed information on significant votes, as determined by the Trustee, to be provided by the investment managers on an annual basis. The significant votes are reviewed by the Investment Committee and the most significant votes, as determined by the Trustee, are disclosed on an annual basis in the Implementation Statement. The Trustee defines a 'significant vote' to be one which relates to one of the Trustee's beliefs and stewardship priorities, which are:

- Climate Change
- Diversity, equity and inclusion:
- Energy Efficiency

4.5 The Trustee ensures the investment managers are aware of the Trustee's stewardship priorities and will regularly review the investment managers' voting and engagement activities in line with these priorities. The Implementation Statement is available to members online (https://www.smartpensionsuk.co.uk/#/page/governance-documentation) or upon request.

4.6 Significant shareholder action other than voting should also be reported.

4.7 Reports on corporate governance produced by the investment managers along with their voting and stewardship policies are considered as part of the annual Stewardship Report which is discussed at Investment Committee meetings to ensure that the policies outlined in sections 3 and 4 are being met.

# 5. Investment Manager Arrangements

### Aligning Investment Manager Appointments with the Trustee's Investment Strategy

5.1 Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage.

5.2 Where appropriate, the Trustee will seek investment advice in decisions regarding manager appointments. Such advice may consider factors such as the manager's idea generation, portfolio construction, implementation, and business management, in relation to the Trustee's proposed investment.

5.3 As stated in Section 4, the Trustee has a policy of appointing investment managers who are committed to the Principles for Responsible Investment. The Trustee will consider the investment manager's implementation of ESG and climate-related considerations and, where relevant, will also consider the investment manager's policy on voting and engagement in decisions concerning manager appointments.

5.4 In respect of segregated appointments, the Trustee specifies the investment objectives and criteria in an investment management agreement for the investment manager to be in line with the Trustee's specific investment requirements.

5.5 Where the Trustee invests in pooled investment vehicles, it accepts that it does not have the ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

5.6 The Trustee will review an appointment if the investment objective for a manager's pooled fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

5.7 Investment managers are aware that their continued appointment is based on the success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, it will look to review the appointment.

## Evaluating Investment Manager Performance

5.8 The Trustee receives reporting on asset class and investment manager performance on a quarterly basis and this includes performance information over 3 months, 1 year, 3 years and 5 years. Performance is measured on both an absolute return basis and a relative return basis against a suitable index used as the benchmark (where appropriate) or against an alternative performance target. Both asset class and investment manager performance is reported net of fees and transaction costs[1].

5.9 The Trustee's focus is on long term performance but, as noted above, the Trustee may review a manager's appointment at any time for a variety of reasons including for example:

- sustained periods of underperformance;
- changes in organisation or key personnel (including the portfolio manager);
- a change in the underlying objectives of the investment manager;
- a significant change to the Investment Consultant's rating of the investment manager.

5.10 The majority of investment managers are remunerated by way of a fee calculated as a percentage of assets under management. In this way, the managers are incentivised to maximise investment returns in line with the investment objectives. For the Liability and Currency Hedging managers, a fee is payable calculated as a percentage of the hedge.

5.11 In some cases, active managers are incentivised using a performance related target. Where a performance related fee is payable, a hurdle rate structure is in place to mitigate the possibility of the Trustee paying additional fees during periods of long-term underperformance.

5.12 As part of the annual Value for Members ("VfM") assessment, the Trustee reviews the DC investment manager fees. This review includes peer group comparison where fees are compared against those paid by other schemes based on each underlying fund's region, asset class, fund management style and the size of assets under management.

## Portfolio Turnover Costs

5.13 The Trustee does not currently actively monitor portfolio turnover costs within the DB Section of the Plan. As noted above, investment manager performance is evaluated net of fees and transaction costs, and where possible, performance objectives for investment managers are set on a net basis. In this way, managers are incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

5.14 Within the DC section of the Plan, the Trustee reviews the transaction costs of the underlying funds and strategies on a quarterly basis and again as part of the annual Value for Members assessment.

5.15 The Trustee will continue to monitor industry developments concerning the reporting of portfolio turnover costs and in particular the standardisation and benchmarking of cost reporting.

[1] Costs incurred as a result of buying and / or selling assets.

## Manager Turnover

5.16 The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. For open-ended funds there is no set duration for the manager appointments. The Trustee will therefore retain an investment manager unless:

- For the DB section, there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- For the DC section, the mandate is no longer considered to be optimal nor have a place in the default investment strategy or general fund range;
- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

5.17 For closed-ended funds, the Plan is invested in a manager's fund for the lifetime of the fund. At the time of appointment, the investment managers provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the fund's governing documentation. In order to maintain a strategic allocation to an asset class, the Trustee may choose to stay with a manager in a new vintage of the fund or appoint a different manager.

# 6. Strategic Asset Allocation

## DB Section

### Objectives and Policy

6.1 The Trustee has set the following long-term investment objectives in relation to the DB Section:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.

- To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter term basis.

6.2 The Trustee has agreed a target, as set out in the Climate Change-related Disclosures Report, with the aim of reducing the Plan's Weighted Average Carbon Intensity[2] (WACI) by 50% for Scope 1 & 2 emissions until 2030 from the base year 31 December 2021.

6.3 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations in relation to the DB Section of the Plan. Reflecting these considerations, a high level strategic asset allocation has been set by the Trustee, having consulted the Company.

[2] This includes scope 1 and 2 weighted average carbon intensity emissions data where available for the following mandates (excluding sovereigns): DB Section – Global Bonds, Global Credit, Long-term UK Core Credit and Property.

## Investment Strategy

6.4 When reviewing the Plan's investment strategy, the Trustee takes into account the long-term investment and funding objectives and as a result aims to balance the level of investment risk and required expected return within the investment strategy by investing in a diverse portfolio of "growth" assets, such as equities and other return seeking assets, and "matching" assets aiming to minimise the impact of changes in interest rates and inflation on the Plan's funding level.

6.5 The Trustee has set the following target allocations to growth and matching assets (these strategic allocations exclude the buy-in policy assets – Section 6.9 includes further details of the buy-in policy):

| Asset Class | Current Strategic Target Allocation (%) |
|---|---|
| Private equity | 0.5 |
| UK property | |
| Global bonds | 99.5 |
| Global credit | |
| Long-term UK core credit | |
| Liability matching assets | |
| Cash | |
| **Total** | **100.0** |

6.6 The underlying allocations to the individual asset classes may vary over time.

6.7 The Trustee has implemented a liability hedging policy to hedge a significant amount of the interest rate and inflation risks inherent in the Plan's liabilities.

6.8 The Trustee has also implemented a currency hedging policy to mitigate the increased risk associated with investing in overseas assets.

6.9 The Trustee entered into a bulk annuity policy with Rothesay Life on the 14 December 2020. The bulk annuity policy was purchased to cover 50% of the DB Section's pensioner liabilities (excluding Data Sciences members).

## Risk Management

6.10 The Trustee recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks:

| Type of Risk | Description | How is the risk monitored and managed? |
|---|---|---|
| Solvency and mismatching risk | The risk that the assets of the Plan do not fulfil the current and future obligations of the Plan to its members. This is the combination of all other risks described below. | Managed and monitored in the ways described below for the specific risks. |

| Type of Risk | | Description | How is the risk monitored and managed? |
|---|---|---|---|
| Market risks | Interest rate and inflation risks | The risk arising from differences in the cash-flow profile of the gilts and other bonds held by the Plan from that of the Plan's projected benefit cash-flows due to members. | Managed through the chosen investment strategy controlling the exposures to specific market risk sources and through monitoring of the actual growth of the assets relative to liabilities. |
| | Currency risk | The risk that changes in exchange rates affect the values of overseas assets compared to the Plan's sterling liabilities. | |
| | Credit risk | The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due. | |
| | Equity, property and other risks | Risks additional to those above where the income or the capital value of an asset is uncertain owing to, for example, changes in the profitability of an issuing company. | |
| Demographic risks | | The risk arising from uncertainty in the actual future benefits to be paid to members, for example related to member longevity. | Managed through triennial valuations to set Sponsor contributions and through rebalancing of the liability hedge.<br>A proportion of the Plan's pensioner liabilities are managed by an insurer (Rothesay Life plc) via a bulk purchase annuity, removing the demographic risks in relation to those liabilities. |
| Operational risks | Custodial risk | The risk that the custodian holding assets directly for the Plan fails to settle trades on time, fails to provide secure safekeeping of the assets under custody or otherwise fails to discharge its obligations to the Plan. | Managed by monitoring the custodian's activities and its creditworthiness. |
| | Counterparty risk | A form of credit risk in that the counterparty to a transaction (such as a derivative) could fail to meet its obligations to the Plan. | Managed through collateral management, diversifying counterparty exposures, monitoring counterparty creditworthiness and the use of robust contracts. |
| | Terms of entry and valuation risk | The risk that derivative contracts are not purchased at a competitive price and that contracts are not correctly valued on an ongoing basis. | The management of this risk is delegated to the investment managers. The custodian provides independent valuations. |
| | Legal risk | The risk that the legal terms of contracts are not properly reviewed. | Managed by taking appropriate advice when putting in place new, or in reviewing existing, contracts. |

| Type of Risk | Description | How is the risk monitored and managed? |
|---|---|---|
| Day-to-day operational risks, including collateral risk | The risk that the Plan fails to meet its contractual obligations to counterparties, such as in the provision of collateral for derivative contracts. | Day-to-day management of these risks is delegated to the investment managers or custodian. The Trustee requires managers to monitor collateral sufficiency and specifies controls within the managers' legal agreements. |
| Investment manager risk | The risk that the appointed investment managers underperform their objectives, fail to carry out operational tasks, fail to ensure safe-keeping of assets (in pooled funds) or breach agreed guidelines. | Managed through diversification across investment managers and by the ongoing monitoring of the performance of the investment managers. |
| Liquidity risk | The risk that the Plan cannot meet short term cashflow requirements or incurs excessive costs doing so. This includes liquidity requirements of the Plan's currency and liability hedging programmes. | Managed by undertaking periodic reviews of the Plan's liquidity requirements to ensure sufficient cash is held to limit adverse impact on investment policy. |
| Political and regulatory risk | The risk that the impact of political instability or intervention on financial markets causes the value of the Plan's assets to fluctuate. | Managed through the chosen investment strategy. |
| Sponsor risk | The risk that the insolvency of the Sponsor impacts its ability to continue to support the Plan and make good any current or future deficit. | Covenant reviews are undertaken at least triennially to assess the interaction between the Plan and the Sponsor's business, the Sponsor's creditworthiness and its capacity to meet any current and potential future obligations. |
| Climate risk | A systemic risk that may materially affect the financial performance of investments. | The Trustee produces an annual Climate Change-related Disclosures Report, in compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.<br>The Trustee requests the Plan's investment managers to provide portfolio carbon risk metrics consistent with the regulations and the metrics agreed by the Trustee.<br>As part of the triennial investment strategy reviews, the Trustee considers opportunities to improve the ESG integration into the portfolio. |

| Type of Risk | Description | How is the risk monitored and managed? |
|---|---|---|
| Insurer insolvency risk | A risk that the insurance provider may default on their obligations under the bulk annuity policy. | Before entering into the bulk annuity contract, the Trustee obtained and carefully considered the financial strength of the insurer and believed that the risk was acceptably low. The solvency of the insurer is reviewed on a quarterly basis at Trustee Management meetings. |

# DC Section

## Overall Aims and Objectives

6.11 The Trustee's principal mission is to help DC Section members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members, considers climate-related risks and opportunities where feasible, and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

6.12 In addition to the principal mission as stated above and the investment objectives below, the Trustee also aims to:

- Ensure that the DC Section's operational structure is suitable and cost effective.
- Make sure the Plans meet all regulatory requirements as set out by the Pensions Regulator.
- Ensure effective governance of climate-related risks and opportunities.
- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions.

## Investment Objectives

6.13 The Trustee has the following investment objectives related to the DC Section:

- To offer default investment strategies that are suitable for the profile of defaulting members based on their expected risk tolerances and retirement objectives, and embed climate change risk and opportunity considerations in their design.

- To offer a range of self-select investment options which are appropriate for the profile of most members and offer options for sustainable investment.

6.14 The Trustee has agreed a target, as set out in their Climate Change-related Disclosures Report, with the aim of reducing the Plan's Weighted Average Carbon Intensity (WACI) by 50% for Scope 1 & 2 emissions until 2030 from the base year of 31 December 2021 for Main Plan. It should be noted that the target applies for the assets where WACI data is reportable [3].

## Investment Policies

6.15 The Trustee recognises that the default investment strategy will not meet the needs of all members (who will have different personal preferences and retirement objectives) and as such, alternative investment options are available for members to choose from. This includes the Freestyle fund range. The Trustee's policy on investment return is to provide members with the ability to obtain a level of investment return commensurate with that achieved by the investment funds they select from the range of available offerings.

[3] This includes scope 1 and 2 weighted average carbon intensity emissions data where available for the DC popular arrangements (excluding sovereigns).

6.16 The fund range and default investment strategy are reviewed on at least a triennial basis, the last review having taken place in 2024. The default strategy will see members remain invested in equities for longer whilst targeting drawdown at retirement. The fund range will see a more focused selection of funds made available to members, with the decision taken to close a number of legacy funds that no longer represent DC best practice, and those where there was deemed to be significant crossover with alternatives. At the same time, a small number of new funds are to be introduced where there were deemed to be gaps in the existing fund range.

6.17 Members are to be offered a range of three Lifecycle investment strategies and 20 self-select funds. The self-select fund range is comprehensive and provides exposure to a wide range of asset classes which offer different levels of risk and return, the balance between which can be selected by the member. These include but are not limited to: developed market equities, emerging market equities, real estate, listed infrastructure, annuity target funds, money market investments, gilts and index-linked gilts.

6.18 The Trustee notes that members' investment needs change as they progress towards retirement age; hence offering Lifecycle investment strategies which switch a member's pension savings into Funds with a lower risk profile, as the member approaches their target retirement age. These Lifecycle strategies are consistent with how members can access their pension savings at retirement. The three current Lifecycle strategies will be:

- 'Lifecycle to Drawdown' strategy is the Plan's default investment strategy and is aimed at members targeting income drawdown at retirement. This sees members fully invested in equities until 20 years from retirement, before gradually transitioning into a diversified range of asset classes, and ultimately a proportion of cash, as retirement approaches.

- 'Lifecycle to Annuity' strategy. This strategy mirrors the approach for the default strategy until 8 years from retirement, before transitioning into bonds expected to match changes in annuity pricing, and a proportion of cash.

- 'Lifecycle to Lump Sum' strategy. This strategy mirrors the approach for the default strategy until 8 years from retirement, before transitioing into more wdiely diversified assets and a significant proportion of cash.

6.19 The Trustee is conscious of the impact of management fees on the ultimate value of a member's pension fund. The Trustee believes that both actively and passively managed funds can add value for members and therefore has opted for a Fund Range centred around passive management, but with the ability to use active or smart beta products where it is deemed appropriate and cost effective to do so.

6.20 In determining which investment options to make available, the Trustee with advice from its Investment Consultant, has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty, some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment options made available to members. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed:

| Type of Risk | Risk | Description | How is the risk monitored and managed? |
|---|---|---|---|
| Market risks | Inflation risk | The risk that the real returns (i.e. return above inflation) of the funds do not keep pace with inflation. | Members are able to set their own investment allocations, in line with their risk tolerances.<br>The Lifecycle investment strategies include an allocation to inflation-linked assets.<br>Non-sterling exposure from developed markets within many of the investment funds is largely hedged back to sterling to reduce the impact of currency movements.<br>For the multi-asset funds and Lifecycle investment strategies available, the Trustee periodically reviews the suitability of these options taking into considerations the risks listed.<br>The Trustee considers these risks and the appropriate level of diversification when setting the default investment strategy. |
| | Currency risk | The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate. | |
| | Credit risk | The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due. | |
| | Equity, property and other risks | Risks additional to those above where the income or the capital value of an asset is uncertain owing to, for example, changes in the profitability of an issuing company. | |
| Investment manager risk | | The risk that the appointed investment managers underperform their objectives, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines. | The Trustee regularly reviews the appropriateness of the level of the security of assets. The Trustee undertakes ongoing monitoring of the performance of the investment managers. |
| Liquidity risk | | The risk that the Plan's assets cannot be realised at short notice in line with member demand. | The Plan is invested in daily dealt and daily priced pooled funds. |

| Type of Risk | Risk | Description | How is the risk monitored and managed? |
|---|---|---|---|
| | Pension Conversion risk | The risk that the value of a member's account does not enable the member to meet their objectives post retirement. | The Trustee makes available a range of Lifecycle strategies for DC members.<br>Lifecycle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.<br>Members can select a Lifecycle investment strategy in accordance with their personal preferences and retirement objectives.<br>The default investment strategy is a Lifecycle strategy. As part of the triennial default investment strategy review, the Trustee reviews the appropriateness of the default retirement destination based on the membership profile and experience. |
| | Climate risk | A systemic risk that may materially affect the financial performance of investments. | The Trustee produces an annual Climate Change-related Disclosures Report in compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.<br>The Trustee requests the Plan's investment managers to provide portfolio carbon risk metrics consistent with the regulations and the metrics agreed by the Trustee.<br>Climate scenario analysis is completed on a triennial basis in conjunction with the investment strategy review.<br>As part of the triennial default investment strategy reviews, the Trustee considers opportunities to improve the ESG integration into the portfolio. |

6.21 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the DC Section as a whole. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

## DC Section – Default Investment Strategy

### Aims and Objectives

6.22 The Trustee recognises that not all members will make investment decisions and as such the Trustee believes that it is appropriate to offer a default investment strategy.

6.23 After the recent strategy review during 2024, the Trustee has decided to update its default investment strategy offered to members. The Trustee seleted the 'Lifecycle to Drawdown' strategy as the default investment strategy for DC members of the Plan. The strategy targets income drawdown at retirement, recognising the Plans' membership profile and expected member choices made at retirement.

6.24 These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

### Investment Policies

6.25 The default investment strategy is designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach that is tailored, insofar as is practical, to the needs of the Plan's members. The Trustee will review the default investment strategy regularly, at least triennially or after significant changes to the Plan's demographic profile.

6.26 A range of asset classes are included within the default investment strategy including: developed market equities, emerging market equities, multi-asset funds, pre-retirement funds and money market investments.

6.27 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. The default investment strategy balances between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date. The Lifecycle approach reflects that members' investment needs change as they progress towards retirement age by reducing the investment risk.

6.28 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategies made available to members. The specific risks pertaining to the default investment strategy are identified in the table in 6.20.

6.29 Returns can be generated from different sources, including the illiquidity risk premium in the case of illiquids assets. Illiquid assets are assets of a type which cannot easily or quickly be sold or exchanged for cash and where assets are invested in a collective investment scheme, includes any such assets held by the collective investment scheme. Although the nature of DC investment limits the use of illiquid asset classes, where appropriate, the Trustee looks to incorporate illiquid assets into the investment range, albeit limited to liquid forms to ensure daily pricing for members. The Trustee believes there are diversification benefits from a risk and return perspective investing in illiquid asset classes and consider fund options as part of investment strategy reviews, as well as keeping up to date with the development and availability of illiquid asset classes within the DC landscape.

6.30 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the default investment strategy. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

### Members' Best Interests

6.31 The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) not only of the performance of the default investment strategy, but also of its design to ensure that it continues to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place quarterly. The Trustee strives to ensure the strategy evolves in line with the Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members.

## DC Section – Legacy Default Investment Strategies

### Aims and Objectives

6.32 The Trustee operates two legacy default investment strategies[4] which are no longer available as new options within the Plan. Members close to retirement were allowed to remain invested in older default investment strategies and may also increase their allocations to said strategies. These strategies target the purchase of an annuity and reduce investment risk as a member's retirement date approaches.

6.33 These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

### Investment Policies

6.34 The legacy default investment strategies are designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach that is tailored, insofar as is practical, to the needs of the Plan's members. The Trustee will review the legacy default investment strategies regularly, at least triennially or after significant changes to the Plan's demographic profile.

[4] The Lifestyle 2002 and Lifecycle 2012 strategies

6.35 A range of asset classes are included within the legacy default investment strategies including: developed market equities, emerging market equities, gilts, multi-asset funds, annuity target funds and money market investments.

6.36 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. These legacy default investment strategies balance between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date. The Lifecycle/Lifestyle approach reflects that members' investment needs change as they progress towards retirement age by reducing the investment risk.

6.37 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategy made available to members. The specific risks pertaining to the legacy default investment strategies are identified in the table in 6.20.

6.38 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the legacy default investment strategies. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

### Members' Best Interests

6.39 The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) not only of the performance of the legacy default investment strategies, but also of their design to ensure that they remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place quarterly.

## DC Section – Additional Default Arrangements

### Additional Default Arrangements

6.40 In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustee has identified the investment options listed in the table below as 'default arrangements' (as defined by these regulations). These have been identified as 'default arrangements' as members' contributions have been automatically directed to these arrangements without members having instructed the Trustee where their contributions are to be invested; this is due to historic fund mapping exercises and is further explained in the table below. The performance of these funds is monitored on a quarterly basis, with a strategic review being carried out at least triennially.

| Fund/Investment Strategy | Reason for identification as a 'default arrangement' | Date |
|---|---|---|
| **Growth Plus Fund (DSL)** | Following closure of the Consensus Fund by Legal & General, the Trustee received advice from the Plan's investment advisors and assets for DSL members were mapped to the Growth Plus Fund. | July 2016 |
| **Money Fund** | As part of the transition of assets from Utmost Life & Pensions Limited to Legal & General (following the closure of the Equitable Life With Profits Fund). DB AVCs for members aged 55 or over who did not make an active selection were mapped to the Money Fund. | May 2020 |
| **Lifecyle to Lump Sum** | As part of the transition of assets from Utmost Life & Pensions Limietd to Legal & General (following the closure of the Equitable Life With Profits Fund). DB AVCs for members under 55 who did not make an active selection were mapped to the Lifecycle to Lump Sum (formerly Lifecycle to Lump Sum 2020) strategy. | May 2020 |
| **Lifecycle to Annuity** | As part of the implementation of the new investment arrangements in the first quarter of 2021, certain members who were over 8 years from retirement, and who did not make an active selection, were mapped from the Lifecycle to Annuity strategy to the Lifecycle to Annuity (formerly Lifecycle to Annuity 2020) strategy. This included members who had transitioned from Utmost Life & Pensions to the Lifecycle to Annuity Strategy in May 2020, were over 8 years from retirement and did not make an active selection. | March & April 2021 |
| **Lifecycle to Lump Sum** | As part of the implementation of the new investment arrangements in the first quarter of 2021, members over 8 years from retirement who did not make an active investment selection were mapped from the Lifecycle to Lump Sum strategy to the Lifecycle to Lump Sum (formerly Lifecycle to Lump Sum 2020) strategy. This included members transitioned from Utmost Life & Pensions to the Lifecycle to Lump Sum (formerly Lifecycle to Lump Sum 2020) Strategy in May 2020, who were over 8 years from retirement, and who did not make an active selection.<br><br>Additionally, all members previously invested in the legacy default Lifecycle Plus 2012 strategy were mapped to the Lifecycle to Lump Sum (Lifecycle to Lump Sum 2020) strategy unless an alternative active selection had been made. | March & April 2021 |
| **Lifecycle to Drawdown** | As part of the implementation of the new investment arrangements in the first quarter of 2021, members over 8 years from retirement who did not make an active investment selection, were mapped from the Lifecycle to Drawdown strategy to the Lifecycle to Drawdown (formerly Lifecycle to Drawdown 2020) strategy. | March & April 2021 |

## Aims and Objectives

6.41 The aims and objectives in respect of these additional 'default arrangements' are summarised in the table below. These objectives are in addition to the Overall Aims and Objectives and Investment Objectives stated for the general DC Section.

| Fund | Trustees' aims and objective |
|---|---|
| **Growth Plus Fund (DSL)** | The fund's objective is to provide diversified exposure to a range of asset classes. |
| **Money Fund** | The fund is designed to provide capital stability by investing in a diversified portfolio of high credit quality short term fixed income and variable rate securities. All holdings in the fund are Sterling denominated. |
| **Lifecycle to Annuity** | This strategy is aimed at members planning to take 25% of their savings as tax-free cash on retirement, using the remainder to buy an annuity. |
| **Lifecycle to Lump Sum** | This strategy is aimed at members targeting a lump sum cash withdrawal at retirement. |
| **Lifecycle to Drawdown** | This strategy is aimed at members who intend to take 25% of their defined contribution savings as tax-free cash on retirement, leaving the remainder invested for growth while they draw an income during retirement. |

## Investment Policies

6.42 The Trustee, with advice from its Investment Consultant, considers the trade-off between risk and expected returns. The additional 'default arrangements' were created due to mapping exercises completed by the Trustee. As part of any mapping exercise, the Trustee considers the appropriateness of the 'default arrangement' to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.

6.43 The Trustee has considered the investment risk associated with DC pension investment. This risk can be defined as the uncertainty over the ultimate amount of savings available on retirement. A number of factors contribute to this uncertainty some of which (such as the amount of contributions paid and the length of time these contributions are invested) cannot be managed by the investment strategies made available to members. The specific risks pertaining to the additional default arrangements are identified in the table in 6.20.

6.44 The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the additional default arrangements. The Trustee believes that the appropriate time horizon within which to assess these considerations should be viewed at the member level. This will be dependent on the member's age and when they expect to retire.

### Members' Best Interests

6.45 The Trustee will carry out regular assessments (at least triennially or following any significant change in membership) of the additional default arrangements to ensure that they continue to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which is expected to take place quarterly. The Trustee strives to ensure the Plan's arrangements evolve in line with the Plan's membership characteristics in order to ensure that assets are invested in the best interests of the members.

Signed: e-Signed by Claire Smith
on 2025-07-01 16:48:26 GMT

Name: C. Smith, Pensions Trust Manager & Company Secretary

Date: 2025-07-01 16:48:26 GMT

## 1. Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the IBM Pension Plan ("the Plan") covering both the Defined Benefit ("DB") and the Defined Contribution ("DC") Sections of the Plan. The statement has been prepared under the regulatory requirements now in force (principally comprising The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator. The purpose of this statement is to:

- Set out the extent to which, in the opinion of the Trustee, the Plan's Statement of Investment Principles ("SIP"), required under section 35 of the Pensions Act 1995, has been followed during the year
- Detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review
- Describe the voting behaviour by, or on behalf of, the Trustee over the year
- Set out the extent to which, in the opinion of the Trustee, the engagement policy within the SIP has been followed during the year.

A copy of this statement has been made available on the following website:
**https://www.smartpensionsuk.co.uk/#/page/governance-documentation**

## 2. Investment Objectives of the Plan

The Trustee has set the following objectives for the Plan as specified in the SIP.

**DB Section**

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Employer, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long-term and on a shorter-term basis.

**DC Section**

For the DC section of the Plan, the Trustee's principal mission is to help members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an investment framework which represents value for members, considers climate-related risks and opportunities where feasible, and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

In addition to the principal mission as stated above, the Trustee has the following investment objectives related to the DC section of the Plan:

- To offer default investment strategies that are suitable for the profile of defaulting members based on their expected risk tolerances and retirement objectives and embed climate change risk and opportunity considerations into their design.

- To offer a range of self-select investment options which are appropriate for the profile of most members and offer options for sustainable investment.

Furthermore, the Trustee has agreed a climate-related target for both the DB and the DC sections of the Plan, as set out in the 2023 Climate Change-related Disclosures Report. A copy of this report can be found here https://smartpensionsuk.co.uk/governance-documentation

## 3. Review of, and changes to, the SIP

The SIP in place during the Plan year was formally adopted by the Trustee in November 2023. A further review of the Plan's SIP was conducted by the Trustee in 2025, taking formal advice from its Investment Adviser (WTW) dated July 2025. The changes made in the SIP (which include, but are not limited to, changes in DC investment strategy) will be reflected in next year's implementation statement. There were no updates made to the SIP in 2024.

## 4. Adherence to the SIP

Overall, the Trustee believes the policies and principles outlined in the SIP dated November 2023 (the SIP in place during the Plan year) have been adhered to during the Plan year from January 2024 to December 2024. The rest of this section and the remaining parts of this statement set out details of how this has been achieved for the Plan.

### Investment Mandates

**Securing compliance with the legal requirements about choosing investments**

**Policy:** As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Adviser. The policy is detailed in Section 2 (Plan Governance) of the SIP, which applies to the DB and DC sections of the Plan.

| How has this policy been met over the Plan year? |
|---|
| **DB Section** |
| During the Plan year, the Trustee undertook a strategy review which aimed to ensure there is sufficient income generation to meet cashflow requirements of the Plan and ensure there was sufficient return to make sure the Plan was resilient to risk.<br><br>The results of the review were to increase the strategic asset allocation to credit by 25%, which would be sourced from the LDI portfolio, and the transition was to be completed in 2025. As part of this work, the Trustee received appropriate advice from WTW as Investment Advisor on where to invest the credit which was invested in existing strategies.<br><br>Following the above-mentioned strategy review, the Trustee decided to replace an existing Core Credit manager, after seeking the appropriate investment advice, and the transition to this new manager was completed in 2025. |

| |
|---|
| The Trustee receives, on an annual basis, written confirmation from its Investment Adviser that the DB section's investment managers and underlying mandates remain suitable. During the Plan year, this confirmation was received in November 2024 and presented to the Trustee during the December Investment Committee meeting. |
| **DC Section** |
| During the Plan year, the Trustee undertook its triennial DC strategy review, in order to ensure the ongoing Lifecycle and Freestyle fund options remained fit for purpose. The review combined written advice from the Trustee's Investment Adviser, alongside detailed and considered discussions between the Trustee and its Investment Advisor. A number of changes were agreed, which are due to be implemented in 2025.<br><br>The Trustee receives, on an annual basis, written confirmation from its Investment Adviser that the DC section's investment managers and underlying mandates remain suitable. During the Plan year, this confirmation was received in November 2024 and presented to the Trustee during the December Investment Committee meeting. |

**Realisation of Investments**

**Policy:** The Trustee's policy is that there should be sufficient liquidity within the Plan's assets to meet short-term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Plan's overall investment policy. The policy is detailed in Section 2 (Realisation of Investments) of the SIP, which applies to the DB and DC sections of the Plan.

| How has this policy been met over the Plan year? |
|---|
| **DB Section** |
| Over the Plan year, the Plan held a diversified portfolio consisting mostly of readily realisable assets. This included maintaining sufficient liquid assets to meet both short-term and longer-term cashflow requirements. In addition, during the year the Trustee produced a review of the LDI implementation policy, collateral and the liquidity framework for the Plan. No concerns were flagged as part of this review. |
| **DC Section** |
| Members' investments within the DC section are traded and priced on a daily basis, allowing members to review their investments as and when required. |

## Environmental, Social and Governance ("ESG")

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

**Policy:** The Plan's SIP outlines the Trustee's beliefs on ESG factors (including climate change). The Trustee does not take into account non-financial matters in the selection, retention and realisation of investments.

Further details are included in Section 3 of the SIP, which applies to the DB and DC sections of the Plan.

| How has this policy been met over the Plan year? |
|---|
| **DB and DC Sections** |
| During the Plan year, the Trustee produced the Climate Change-related Disclosures Report for the Plan year end 31 December 2024. The report is publicly available at https://www.smartpensionsuk.co.uk/#/page/governance-documentation.<br><br>The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its investment managers and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.<br><br>During the Plan year, the Trustee conducted a review of its investment beliefs which included beliefs relating to sustainability. The Trustee also reviewed its stewardship priorities during the Plan year and the Trustee concluded that the current stewardship priorities remain appropriate. Hence, the key stewardship priorities will continue to be Climate Change, Energy Efficiency, and Diversity, Equity & Inclusion. The Trustee will review these priorities periodically.<br><br>A Stewardship and ESG Ratings review was carried out in November 2024, updating the Trustee on whether the underlying fund managers were signatories of the Principles for the Responsible Investment and the 2020 UK Stewardship Code. The review also included alignment with the Trustee Stewardship priorities, Climate Target / Net Zero Asset Managers initiative signatory status, monitoring of percentage of women employed in leadership roles and exposure to UN Global Compact violators. The review concluded that:<br><br>• All managers have a stewardship or engagement policy which is publicly available and are signatories of the FRC stewardship code and signatories of PRI<br>• Half of the managers are signatory to the Net Zero Asset Managers initiative and have a publicly available net-zero target<br>• All managers believe climate change risks and DE&I to be important and form part of their investment process. This aligns with the Trustee's view / definition of significant vote<br>• Majority of managers now report Scope 3 emissions.<br><br>The Plan's Investment Adviser reports any change in managers' ESG ratings to the Trustee on an ongoing basis and makes recommendations to the Trustee, as appropriate. ESG ratings are also monitored as part of the annual Value for Members assessment in respect of the DC Section, whilst ESG is one of the criteria considered in the appointment and ongoing retention of investment managers.<br><br>The Trustee does not require the Plan's investment managers to take non-financial matters into account in their selection, retention and realisation of investments. However, the Trustee has considered and assessed member views (regarding both financial and non-financial factors) in relation to the range of DC lifecycle/lifestyle and self-select ('Freestyle') funds offered to members. |

## Voting and Engagement Disclosures

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

**Policy:** The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the investment managers.

The Trustee supports the aims of the Stewardship Code, and its investment managers are expected to operate in accordance with the guidelines laid out therein. The investment managers are also encouraged to report their adherence to the Stewardship Code using the "comply or explain" principle where appropriate. It is also the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

Further details are set out in Section 5 (Rights Attaching to Investments (Stewardship)) of the SIP, which applies to the DB and DC Sections of the Plan.

| How has this policy been met over the Plan year? |
|---|
| **DB and DC Sections** |
| The Trustee takes into consideration managers' voting and engagement policies. Whilst the Trustee has given the investment managers full discretion in exercising these rights, it is comfortable that the managers appointed have strong credentials in this area. The Trustee does not use the direct services of a proxy voter.<br><br>Following the DWP's Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance, one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote":<br><br>- A significant vote is defined as one that is linked to the Plan's stewardship priorities/themes.<br>- A vote could also be significant for other reasons, e.g. due to size of holdings.<br>- Trustees are to include details on why a vote is considered significant and rationale for the voting decision.<br><br>Section 5 includes examples of engagement activity undertaken by the Plan's investment managers with investments in equities and credit, setting out a summary of voting activity whilst highlighting the most significant votes cast on behalf of the Trustee by these investment managers for the Plan's equity investments.<br><br>Voting activity captured by the Plan's key stewardship themes are considered to be a significant vote. While the Trustee did not provide prior guidance to investment managers on what it considered to be a significant vote, it acknowledges that its key stewardship themes are largely in alignment with those of the Plan's investment managers.<br><br>All the Plan's investment managers within the DB section (excluding historic residual investments), are signatories to the current UK Stewardship Code. The Plan's investment managers within the DC section (LGIM and HSBC) are also signatories to the UK Stewardship Code.<br><br>Given the composition of the DB investment portfolio, all of the funds under the DB portion of the Plan fall out of the scope of the requirement to report proxy voting data and therefore the voting data in this report is specific to DC only. |

As part of the 2024 Stewardship and ESG ratings review carried out in November 2024, the Investment Adviser produced a "deep dive" analysis on LGIM's voting record over the previous year, recognising the manager's important role within the DC section of the Plan.

## Monitoring the Investment Managers

**Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies**

**Policy:** The Trustee's policy is set out in Section 5 (Aligning Investment Manager Appointments with the Trustee's Investment Strategy) of the SIP, which applies to the DB and DC sections of the Plan.

| How has this policy been met over the Plan year? |
|---|
| **DB Section** |
| For the investments in pooled funds, the Trustee accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds have been selected to align with the investment strategy.<br><br>For the DB section's segregated mandates, the Trustee has specified criteria in the investment manager agreements for the managers to meet the Plan's specific investment requirements and to have regard to the Trustee's policies set out in the SIP.<br><br>The Trustee has communicated carbon emissions targets set out within the Climate Change-related Disclosures Report with the Plan's investment managers and engaged on the approaches to ensure alignment towards the determined targets. |
| **DC Section** |
| As the Trustee invests exclusively in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds.<br><br>In the year to 31 December 2024, the Trustee was satisfied that the contractual arrangement in place with LGAS, who administer the Plan's DC assets, remained appropriate.<br><br>In addition, the Trustee's approach on assessing the investment managers' stewardship and how ESG integration is monitored is set out earlier in this statement.<br><br>Consistent with the DB section, the Trustee has communicated carbon emissions targets set out within the Climate Change-related Disclosures Report with the Plan's investment managers and engaged on the approaches to ensure alignment towards the determined targets. |

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

**Policy:** The Trustee's policy is set out in Section 5 (Evaluating Investment Manager Performance) of the SIP, which applies to the DB and DC sections of the Plan.

| How has this policy been met over the Plan year? |
|---|
| **DB Section** |
| Over the year to 31 December 2024, quarterly performance reviews were held with most of the |

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| Plan's investment managers.<br><br>In addition, both quarter and longer-term performance metrics for all the Plan's investment mandates were reported to the Investment Committee quarterly at both an asset class and investment manager level. |
| **DC Section** |
| The performance of each of the Plan's funds, including those used in the Lifecycle and Lifestyle arrangements, were reviewed by the Investment Committee at each of its quarterly meetings. This included fund performance against their benchmarks over both quarter and longer-term periods.<br><br>The charges paid to LGIM for their services in 2024 were analysed as part of the annual Value for Members assessment for the DC section, which was conducted by the Plan's Investment Adviser in March 2024. Further fee benchmarking analysis was carried out in Q4 2024 as a result of the decisions taken as part of the DC investment strategy review. |

**Monitoring portfolio turnover costs**

**Policy:** The Trustee's policy is set out in Section 5 (Portfolio Turnover Costs) of the SIP, which applies to the DB and DC sections of the Plan.

| How has this policy been met over the Plan year? |
|---|
| **DB Section** |
| As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs with respect to the DB section of the Plan. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives. |
| **DC Section** |
| Transaction costs are reviewed by the Investment Committee at each quarterly meeting. The transaction costs are also disclosed in the annual Chair's Statement. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager.<br><br>The impact of transaction costs is also considered as part of any changes to investment strategy. |

**The duration of the arrangements with asset managers**

**Policy:** The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy are set out in Section 5 (Manager Turnover) of the SIP, which applies to the DB and DC sections of the Plan.

| How has this policy been met over the Plan year? |
|---|
| **DB Section** |
| Over the Plan year, the Trustee undertook a review of UK active credit mandates and one of the Core Credit managers. |

| |
|---|
| This activity reflects the funding position for the DB section and desire for liquidity. The Trustee's policy is not to alter investment arrangements on a frequent basis, in line with the above. |
| **DC Section** |
| There remains no set duration for investment manager appointments. There have been no changes to the Plan's investment managers over the Plan year, however the Trustee has agreed a number of changes to the Plan's overriding investment strategy as part of the triennial investment strategy review carried out in 2024.<br><br>These changes, which will impact both the default and alternative Lifecycle arrangements, and the Freestyle fund range, will be implemented during 2025. The existing managers are being retained, with some new funds introduced and others removed. |

## Strategic Asset Allocation

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

**DB section**

**Policy:** The Trustee's policy on the kinds of investments to be held and the balance between different kinds of investments can be found under Objectives and Policy (Section 6.1, 6.2 and 6.3) in the SIP.

| How has this policy been met over the Plan year? |
|---|
| **DB Section** |
| The Trustee regards the high-level distribution and balance of the assets to be appropriate for the Plan's objectives and liability profile. Currently the Plan targets a Growth / Matching portfolio of 0.5% / 99.5%.<br><br>Over the year, the Trustee also undertook a review of its investment beliefs in order to develop a set of focused investment beliefs to guide strategy discussions and decision-making. In 2024, the Trustee completed a survey to formulate these beliefs, which were reviewed and discussed.<br><br>The SIP was updated in July 2025 to reflect the agreed changes to the investment arrangements. |

**DC section**

**Policy**: The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Overall Aims and Objectives (SIP Section 6.11 – 6.12)
- Investment Objectives (SIP Section 6.13 – 6.14)
- Investment Policies (SIP Section 6.15 – 6.21)
- Default Investment Strategy - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.22 – 6.31)

- Legacy Default Investment Strategies - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.31 – 6.39)
- Additional Default Arrangements, Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.40 – 6.45)

| How has this policy been met over the Plan year? |
|---|
| **DC Section** |
| As part of the quarterly Investment Committee meetings, the Trustee reviews the performance of the funds within the Plan's investment range, including the funds that form part of the Lifecycle and Lifestyle arrangements. This includes fund performance against benchmarks over both short and longer-term periods. The Trustee was satisfied that the majority of the funds over the Plan year have performed in line with their underlying aims and objectives.<br><br>Where performance is not in line with expectations, the Trustee will continue to monitor funds closely and take action if this is felt appropriate. However, changes to existing funds or new fund additions are generally made as part of a more holistic assessment within the broader context of the Plan's aims (as evidenced by the 2024 investment strategy review) and not just based on historic performance. WTW's investment manager research and their assessment and view on the managers' ability to achieve the performance objective of the funds is also factored in alongside wider strategy considerations. The Trustee will continue to monitor the funds' performance at the quarterly Investment Committee meetings. |

## Strategic Asset Allocation

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

**DB section**

**Policy:** The Trustee recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks can be found under the following section of the SIP:

- Risk Management (SIP Section 6.10).

The Trustee considers both quantitative and qualitative measures for a number of risks on an ongoing basis when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and asset managers.

| How has this policy been met over the Plan year? |
|---|
| **DB Section** |
| Details of how the specific risks identified in the SIP are measured and managed can be found under Section 6.10 of the SIP.<br><br>During the Plan year, the Trustee reviewed the investment strategy in full, which included a detailed quantitative assessment of the investment risks associated with the DB Section's assets.<br><br>The Trustee has an LDI Implementation Policy which sets out the operational and governance processes established and implemented by the Trustee, and responsibilities of each of the stakeholders involved in the management of the Plan's LDI portfolio. As discussed in the above, this was reviewed during the year. |

| |
|---|
| The Trustee maintains a register of key risks, including investment risks, which is reviewed annually by the Governance Committee or more frequently if new risks are identified. 'Top' risks are also reviewed quarterly, whilst all investment risks are additionally reviewed by the Investment Committee. The register of key risks rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken. Updates were made to risks considered by the Trustee surrounding climate risks, with ESG integration, in every triennial investment strategy.<br><br>The Trustee also received updates from its Investment Adviser on developments concerning the Plan's investment managers as required on an ongoing basis. |

**DC section**

Policy: The Trustee recognises a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks can be found under the following section of the SIP:

- Investment Policies (SIP Section 6.20)

In determining which investment options to make available, the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

| How has this policy been met over the Plan year? |
|---|
| **DC Section** |
| Details of how the specific risks identified in the SIP are measured and managed can be found under Section 6.20 of the SIP.<br><br>The Trustee received administration reports quarterly from LGAS, which were reviewed by the Trustee to ensure that core financial transactions were processed within agreed service levels and regulatory timelines.<br><br>The Trustee maintains a register of key risks, including investment risks, which is reviewed annually by the Governance Committee or more frequently if new risks are identified, whilst all investment risks are additionally reviewed by the Investment Committee. The register of key risks rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken.<br><br>Risk, and in particular how risk should be defined in the context of a member's journey through to retirement, was a key element of the DC investment strategy review that was carried out over the second half of 2024. |

## 5. Voting and Engagement

**Voting Activity during the Plan year**

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Plan. Funds where voting is not applicable (i.e. non-equity funds) are not included. There is no voting data for the DB section as the Plan does not hold any equity funds.

Except for certain Additional Voluntary Contributions (AVCs) invested with Aviva, the DC investments are managed by LGIM and HSBC and held on the Legal & General investment platform.

**Table 1**

| Manager name | LGIM | LGIM | LGIM | LGIM | LGIM | LGIM | LGIM | LGIM |
|---|---|---|---|---|---|---|---|---|
| Fund name | Global Equity (70:30) | Global Equity (60:40) | All World Equity | World (ex-UK) Developed Equity | UK Equity | Global Real Estate Equity | Infrastructure Equity | World Emerging Market Equity |
| Number of securities at end of reporting period | 4,590 | 2,924 | 4,181 | 2,281 | 507 | 349 | 86 | 1,802 |
| Number of meetings eligible to vote | 7,279 | 2,971 | 6,674 | 2,140 | 722 | 403 | 94 | 4,437 |
| Number of resolutions eligible to vote | 72,352 | 37,861 | 64,461 | 26,749 | 10,188 | 4,142 | 1,174 | 35,559 |
| % of resolutions voted | 99.9% | 99.7% | 99.8% | 99.6% | 100.0% | 100.0% | 98.6% | 99.9% |
| Of the resolutions on which voted, % voted with management | 81.1% | 81.9% | 79.6% | 77.0% | 94.0% | 79.1% | 72.6% | 80.4% |
| Of the resolutions on which voted, % voted against management | 17.8% | 17.8% | 19.2% | 22.7% | 6.0% | 20.8% | 26.5% | 17.6% |
| Of the resolutions on which voted, % abstained from voting | 1.1% | 0.3% | 1.3% | 0.4% | 0.0% | 0.1% | 0.9% | 2.0% |
| Of the meetings in which voted, % with at least one vote against management | 59.1% | 69.3% | 60.6% | 80.7% | 40.3% | 69.2% | 89.4% | 51.6% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Of the resolutions on which voted, % voted contrary to recommendation of proxy adviser | 9.9% | 13.1% | 10.4% | 16.5% | 5.2% | 16.4% | 22.6% | 6.4% |

**Table 2**

| Manager name | LGIM | LGIM | LGIM | LGIM | LGIM | LGIM | LGIM | HSBC |
|---|---|---|---|---|---|---|---|---|
| Fund name | Future World Fund | Ethical UK Equity | Ethical Global Equity | Sustainable Developed (ex-UK) Equity Index | Sustainable Global Equity Index | Sustainable UK Equity Index | Sustainable Emerging Markets Equity Index | Shariah Fund |
| Number of securities at end of reporting period | 1,401 | 220 | 1,092 | 1,238 | 3,186 | 310 | 1,639 | 99 |
| Number of meetings eligible to vote | 1,711 | 260 | 1,174 | 1,392 | 5,516 | 382 | 3,742 | 103 |
| Number of resolutions eligible to vote | 22,007 | 4,499 | 16,651 | 19,541 | 55,469 | 6,160 | 29,768 | 1,677 |
| % of resolutions voted | 99.5% | 100.0% | 99.5% | 99.4% | 99.8% | 100.0% | 100.0% | 94.0% |
| Of the resolutions on which voted, % voted with management | 80.1% | 94.3% | 82.1% | 76.7% | 90.0% | 94.1% | 81.1% | 77.0% |
| Of the resolutions on which voted, % voted against management | 19.6% | 5.7% | 17.6% | 22.8% | 18.2% | 5.9% | 17.7% | 22.0% |
| Of the resolutions on which voted, % abstained from voting | 0.3% | 0.1% | 0.4% | 0.6% | 0.9% | 0.1% | 1.3% | 0.0% |
| Of the meetings in which voted, % with at least one vote against management | 71.4% | 40.0% | 74.0% | 83.0% | 59.7% | 39.0% | 53.2% | 76.0% |
| Of the resolutions on which voted, % voted contrary to recommendation of proxy adviser | 15.0% | 4.9% | 13.7% | 17.0% | 10.0% | 4.5% | 6.5% | 1.0% |

**Most significant votes over the year**

Commentary on a subset of the most significant votes over the period, from the Plan's asset managers who hold listed equities, is set out below. A "significant vote" is defined as one that is related to the Plan's beliefs and stewardship priorities, and/or it is a significant vote because of the size of the Plan's holdings portfolio. The votes included below are those that the Trustee believes to be significant based on:

- The Trustee's beliefs and stewardship priorities which relate to Climate Change, Energy Efficiency, and Diversity, Equity & Inclusion; and
- The top 10 holdings of the underlying funds invested in the Plan's default investment strategy which has equity exposure (i.e. All World Equity Index Fund, Future World Global Equity Index Fund, Infrastructure Equity and Global Real Estate Equity Index Fund).

| **Fund Name** | All World Equity | All World Equity |
|---|---|---|
| **Company name** | Apple Inc. | Exxon Mobil Corporation |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 3.7% | 0.6% |
| **Date of vote** | 28 February 2024 | 29 May 2024 |
| **Summary of the resolutions** | Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy | Resolution 4: Revisit Executive Pay Incentives for Greenhouse Gas (GHG) Emission Reductions |
| **How you voted** | Against | Against |
| **Stewardship topic** | Diversity, Equity & Inclusion | Climate Change |
| **Rationale for the voting decision** | A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice. | A vote AGAINST is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change. |
| **Criteria for selecting this vote as "most significant"** | LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf. However, LGIM already believes Apple's policies are fit for purpose. | This shareholder resolution is considered significant due to misleading proposals (shareholder resolutions brought with the aim of undermining positive environmental, social and governance behaviours) are a relatively recent phenomenon. Such proposals often appear to be supportive of, for example, the energy transition but, when considered in depth, are actually designed to promote anti-climate change views. |
| **Outcome of the vote** | Fail | Not provided |
| **Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?** | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. |

| | | |
|---|---|---|
| **Fund Name** | Sustainable Global Equity Index | Sustainable Global Equity Index |
| **Company name** | Moody's Corporation | SSE plc |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 0.1% | 0.1% |
| **Date of vote** | 16 April 2024 | 18 July 2024 |
| **Summary of the resolutions** | Elect Director Leslie F. Seidman | Approve Net Zero Transition Report |
| **How you voted** | Against | For |
| **Stewardship topic** | Diversity, Equity & Inclusion | Climate Change |
| **Rationale for the voting decision** | A vote AGAINST is applied as LGIM expects a company to have at least one-third women on the board. | A vote for is applied as LGIM is in favour of the SSE Net Zero Transition Report. LGIM commends the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting short and medium-term targets, in particular absolute scope 3 targets over the mid-term. |
| **Criteria for selecting this vote as "most significant"** | LGIM views gender diversity as a financially material issue its our clients, with implications for the assets it manage on their behalf. | LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant |
| **Outcome of the vote** | Not provided | Pass |
| **Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?** | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. | LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. |

| **Fund Name** | Infrastructure Equity | Infrastructure Equity |
|---|---|---|
| **Company name** | National Grid Plc | Crown Castle Inc. |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 3.2% | 1.8% |
| **Date of vote** | 10 July 2024 | 22 May 2024 |
| **Summary of the resolutions** | Approve Climate Transition Plan | Elect Management Nominee Director Tammy K. Jones |
| **How you voted** | For | Against |
| **Stewardship topic** | Climate Change | Diversity, Equity & Inclusion |
| **Rationale for the voting decision** | LGIM is voting in favour of the National Grid Climate Transition plan. LGIM commends the company's efforts in committing to Net-Zero emissions across all scopes by 2050 and setting 1.5C-aligned near term science-based targets. LGIM also appreciates the clarity provided in the 'Delivering for 2035 report' and look forward to seeing the results of National Grid's engagement with SBTi regarding the decarbonisation of heating. | A vote against is applied as LGIM expects a company to have at least one-third women on the board. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. |
| **Criteria for selecting this vote as "most significant"** | LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deems such votes to be significant, particularly when LGIM votes against the transition plan. | LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. |
| **Outcome of the vote** | Pass | Not provided |
| **Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?** | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. |

| **Fund Name** | Global Real Estate Equity | Global Real Estate Equity |
|---|---|---|
| **Company name** | Simon Property Group, Inc. | Realty Income Corporation |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 2.9% | 2.8% |
| **Date of vote** | 8 May 2024 | 30 May 2024 |
| **Summary of the resolutions** | Elect Director Glyn F. Aeppel | Elect Director Michael D. McKee |
| **How you voted** | Against | Against |
| **Stewardship topic** | Diversity, Equity & Inclusion | Climate Change |
| **Rationale for the voting decision** | A vote AGAINST is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. | Climate Impact Pledge: A vote AGAINST is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Independence: A vote against is applied as LGIM expects the Chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. |
| **Criteria for selecting this vote as "most significant"** | LGIM views gender diversity as a financially material issue for its clients, with implications for the assets LGIM manages on their behalf. | LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting companies in climate-critical sectors. |
| **Outcome of the vote** | Pass | Not provided |
| **Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?** | LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. | LGIM will continue to engage with our investee companies, publicly advocate its position on this issue and monitor company and market-level progress. |

### Summary of engagement activity over the year

The Trustee believes that the Plan's engagement policy as outlined in the SIP has been adhered to over the Plan year. Following monitoring of the Plan's investment managers over the year, and reviewing the engagement information outlined in this statement, the Trustee is satisfied that managers are acting in the Plan members' best interest and are effective stewards of the Plan's assets.

The following are examples of engagement activity undertaken by the Plan's DC section investment managers. The case studies selected reflect the stewardship priority topics set by the Trustee. These engagements have been undertaken by the managers on behalf of all their clients who delegate this activity to them, and the statements made are attributed to the managers and do not necessarily reflect the personal views of the Trustee Directors. The Plan does not hold any direct investment in any of the named companies, rather they are held in one or more of the pooled funds in which the Plan's assets are invested. Further, the Trustee has no discretion or control over a decision to invest in any particular company.

## Engagement case studies

**Fund manager: LGIM**

**Company: APA**

**Topic: Climate Change**

**Summary of engagement:** APA is Australia's largest energy infrastructure business. Under LGIM's Climate Impact Pledge campaign, they have been engaging with the company directly since 2022; as one of their selected 'dial mover' companies, LGIM believe it has the scale and influence across its industry and value chain for its actions to have positive reverberations beyond its direct corporate sphere. In early 2022, LGIM set out their expectations for management-proposed 'Say on Climate' votes and the criteria they consider in assessing whether to support them. LGIM expect companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of Scope 1, 2 and material Scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with the 1.5°C goal. As a consequence, when APA Group brought its climate transition plan to a vote, LGIM were unable to support it: although the plan presented Scope 1 and 2 goals for the medium and long term on a path to achieving net zero emissions by 2050, no Scope 3 targets were included. The company noted that these would be finalised no later than 2025. LGIM initiated engagement with the company after this vote, and met with them for the first time in early 2023 as part of their Climate Impact Pledge engagement, and LGIM have continued to build the relationship, setting out their expectations as per their net zero guide, and working with the company to understand the hurdles it faces and the challenges to meeting these expectations.

**Outcome of engagement:** LGIM were pleased that, in their meeting with the company in early 2024, APA confirmed that they will include a Scope 3 goal in the 2025 refresh of their Climate Transition Plan, and they outlined their proposed Scope 3 reduction pathway. The company noted that feedback from the 20% of investors, including LGIM, who voted against their proposed Climate Transition Plan in 2022, had solidified their decision to commit to a Scope 3 target. This demonstrates the effect of LGIM's engagement strategy, fully aligned with their voting policy, to encourage progress towards decarbonisation. LGIM have noted that they look forward to continuing the engagement with the company on their decarbonisation pathway and journey to net zero.

**Fund manager: LGIM**

**Company: Nippon Steel Corp**

**Topic: Climate Change**

**Summary of engagement:** Nippon Steel Corporation is the largest steel maker in Japan and one of the largest globally in terms of production. Traditional steelmaking processes are highly carbon intensive, and a shift to green steel will require a policy environment that supports a sufficient supply of low-carbon alternatives. Assessments undertaken by third-party data providers have demonstrated that Nippon Steel lags its peers on climate policy engagement disclosures, and in 2022 InfluenceMap named Nippon Steel as one of the most influential companies blocking climate policy action globally.

Under LGIM's Climate Impact Pledge, they publish their minimum expectations for companies in 20 climate-critical sectors. LGIM expect companies to disclose their climate-related lobbying activities, including trade association memberships, and explain the action they will take if the lobbying activities of these associations are not in line with the Paris Agreement. This has been their primary objective with Nippon Steel.

LGIM have been engaging with Nippon Steel for many years and specifically through their Climate Impact Pledge since early 2022, the same year in which they added the 'red line' related to climate-related lobbying.

## Engagement case studies

The company failed to meet this criterion, so LGIM made it the focus of their engagement with them for 2023, and expanded their engagement to work collaboratively with other investors to increase their influence. Despite several meetings with the company, the disclosures provided so far have not met LGIM's expectations. LGIM co-filed, together with the Australasian Centre for Corporate Responsibility ('ACCR'), a shareholder proposal asking the company to disclose annually, climate-related and decarbonisation-related policy positions and lobbying activities globally, including its own direct lobbying and industry association memberships, and review these for alignment with the Company's goal of carbon neutrality by 2050 and explain the actions it will take if these activities are determined to be misaligned.

**Outcome of engagement:** LGIM were pleased to see that the shareholder resolution achieved 27.98% support, sending a strong message to the company's board that investors expect greater transparency on climate-related policy engagement activity. This was also one of the highest levels of support recorded for a climate-related shareholder resolution in Japan.

2024 (and Q1 2025) was pivotal for Japan as the country is scheduled to update its key climate and energy policies. The choices made will determine the direction of its mid-term decarbonisation strategy and the results underscore the scale of investor attention on politically influential companies like Nippon Steel. LGIM will continue engaging with the company and expect to see their board address investor expectations and enhance accountability and transparency in its efforts to influence these policies as they take shape.

**Fund manager: HSBC**

**Company: Leading European Pharmaceutical**

**Topic: Climate Change**

**Summary of engagement:** The company has proven highly innovative and successful in developing a number of leading drugs across its therapeutic focus areas. HSBC engaged with the company as they noted the growing scope 3 emissions of the company and believe it should and can be aiming to reduce these emissions both as part of maintaining a strong license to operate and ESG rating, as well as demonstrating it takes a long term and engaged approach to ensuring a sustainable supply chain, upon which its success is partly based. HSBC met the company investor relations (IR) and ESG IR for a private meeting and shared their perspectives on the rise in scope 3 emissions despite the reduction target. They praised the company's approach to health access in less wealthy countries, and their commitment to living wages across its production facilities and supply chain. HSBC also attended a company event for investors on health equity and access where they were able to share their perspectives with the head of sustainability, and the wider IR team.

**Outcome of engagement:** Whilst the engagement is only a few quarters progressed, HSBC are pleased to see that the company has revealed more explicit targets to engage its supply chain on becoming science-based target aligned for emissions reductions. HSBC learned from the head of sustainability that some suppliers may have to be changed if they cannot reduce emissions, following a clear improvement process that is not completed. HSBC have noted that they will continue to monitor the company and engage in 2025.