HALCROW PENSION SCHEME (NO. 2)

Report and Financial Statements for the year ended 31 December 2023

Scheme Registration No: 12013455

XPS Administration

1180 Eskdale Road, Winnersh, Reading RG14 5TU

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

Part of XPS Pensions Group

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TRUSTEE AND ADVISERS

Trustee:	Jacobs Four Limited	
Jacobs Four Limited Trustee Directors:	M Carlin	(Resigned 21 September 2023)
	S Fern-Deans	
	J F Irwin	
	K Lindsey	
	S Miles	(Appointed 21 September 2023)
	L Power - Chairperson	
	Vidett Trustee Services Limited	
	(Represented by C Williams)	(Resigned 18 September 2023)
	(Represented by M Cliff)	(Appointed 18 September 2023)
Pensions Manager:	P J Gibbons	
Scheme Actuary:	W Jones (FIA) XPS Pensions Limited	(Appointed 11 January 2023)
	I R H Scott (FIA) Lane Clark & Peacock LLP	(Resigned 10 January 2023)
Independent Auditor:	RSM UK Audit LLP	
Legal Adviser:	Linklaters LLP	
Bank:	HSBC Bank plc Victoria Branch London	
Investment Adviser:	Lane Clark & Peacock LLP	
Investment Managers:	Barings LLC	
	BlackRock Investment Management (UK) Limited	
	Baillie Gifford Life Limited	(Until 13 December 2023)
	M&G Investments Limited	
	Legal and General Investment Management Limited	(Until 14 December 2023)
Annuity Providers:	Canada Life	
	The Prudential Assurance Company Limited	
Custodian:	Bank of New York Mellon (International) Limited	
DC/AVC Providers:	Prudential Assurance Company Limited	
	Mercer (previously AVIVA plc)	
	Phoenix Life Limited	(Until 19 May 2023)
	Utmost Life and Pensions	
Principal Employer:	Jacobs UK Limited (JUK)	
Ultimate Parent Company:	Jacobs Solutions Inc.	

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Introduction

The Trustee presents its report for the year ending 31 December 2023.

Halcrow Pension Scheme (No.2) ('the Scheme) is a "defined benefit" scheme that was established on 11 March 2016 to provide retirement and death benefits for former members of the Halcrow Pension Scheme. Under the Finance Act 2004, the Scheme is registered with His Majesty's Revenue & Customs. Membership transferred from Halcrow Pension Scheme with effect 4 October 2016.

In 2017, the assets and liabilities of the Pension and Life Assurance Plan of Halcrow Fox and Associates were merged into the Scheme.

The Principal Employer may at any time, by deed, appoint one or more persons or a body corporate (whether or not a trust corporation) to be a new Trustee Director (in place of a person who ceases to be Trustee Director for any reason) or an additional Trustee Director. The Principal Employer may also at any time, by deed, remove any of the Trustee Directors from office. This rule is subject to such of the provisions of Sections 241-243 of the Pensions Act 2004 and the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006 as may apply to it from time to time.

Common Trustee Board

Jacobs Four Limited was appointed by Jacobs UK Limited on 26 September 2022 to act as Trustee to the following schemes:

- Halcrow Pension Scheme (No.2);
- Jacobs Engineering UK Limited Pension Scheme;
- Babtie Group Limited Superannuation and Life Assurance Scheme;
- MEDA Pension and Death Benefits Scheme; and
- The Pension and Life Assurance Plan of Allott and Lomax.

Whilst the five pension schemes are managed by the Common Trustee Board, the schemes and their assets remain legally separate and the Rules governing the level of members benefits and pension payments are not changed in any way.

The Company had appointed a professional trustee to the Common Trustee Board, namely Vidett Trustee Services Limited (formerly 20-20 Trustee Services Limited), represented by Catherine Williams. Catherine Williams left Vidett Trustee Services Limited with effect 18 September 2023 and was replaced by Mark Cliff.

Mr M Carlin resigned with effect 21 September 2023. Ms S Miles was appointed with effect 21 September 2023.

Trustee meetings

Over the period of this report. the Trustee Board held Trustee meetings on the following dates i.e. 21 and 22 March 2023, 17 May 2023, 13 and 14 June 2023, 19, 20 and 21 September 2023, and 6 December 2023.

The Financial Statements for the year ended 31 December 2023 as set out on pages 21 to 34, have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

Capita Cyber-Attack

On 19 May 2023, Capita, the Trustee's pensioner payroll provider, advised the Trustee that it had experienced a cyber-attack which might have involved personal data for the Scheme's pensioners being compromised. Capita and the Trustee informed the Information Commissioners Office (ICO) and the Pensions Regulator (TPR) about the cyber incident. The Trustee kept in close contact with Capita to understand the steps taken in response to the incident whilst investigations continued to identify the actual personal data compromised.

On 25 May 2023 the Trustee issued a letter to pensioner members and posted a communication on the Scheme website advising members of the cyber-attack. On 18 July 2023 Capita confirmed to pensioner members, on behalf of the Trustee, that files containing their personal data had been identified on an affected server from which data was exfiltrated as a result of the cyber incident. As a precaution the Trustee recommended that members sign up to "Experian Identity Plus", a credit and web monitoring service, at no cost to members.

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

Capita Cyber-Attack (continued)

On 3 April 2024 the Trustee was contacted by Capita to advise that third party experts have reviewed Capita's data exfiltration analysis and that further data subjects had been identified in relation to the Halcrow Scheme. The Jacobs Pensions Team has analysed this information and concluded that the Pension Protection Fund (PPF) will be notified of the findings so they can communicate as appropriate to any HPS pensioners highlighted and that no further action is deemed required for the HPS2 population.

To date no evidence has been found of any members' data having been used.

Equalisation of Guaranteed Minimum Pension benefits

On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that contracted out defined benefit schemes should equalise pension benefits for men and women in relation to Guaranteed Minimum Pension (GMP) benefits

On 20 November 2020, in a follow up hearing to the Lloyds case, the High Court determined the need for schemes to equalise for the effect of GMPs on past transfer values. Under the 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 members right to equalised benefits. The impact on the Scheme of any backdated benefits and related interest that might be payable and due before the effective date of the accounts is not expected to be material. The Trustee therefore has not included a liability in respect of such payments in these financial statements.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. The Trustee has put in place a project with our advisers to complete the necessary work with data gathering and calculations currently being undertaken for affected members. Once completed this will enable the Trustee to determine the Equalisation method to be used. The impact on the Scheme of any backdated benefits and related interest that might be payable and due before the effective date of the accounts is not expected to be material. The Trustee therefore has not included a liability in respect of such payments in these financial statements. They will be accounted for in the year they are determined.

Members that request a Transfer Value of their pension are being quoted figures that include an appropriate allowance for GMP equalisation.

Covenant Monitoring and Going Concern

Jacobs Solutions Inc. (the ultimate parent company of Jacobs UK Limited, being the employer of the Scheme) filed its 10Q quarterly financial report on 7 May 2024 which had been prepared on a going concern basis. Furthermore, on 4 July 2024 the Trustee was presented with the annual accounts of Jacobs UK Limited as at 29 September 2023, which it noted was also prepared on a going concern basis.

Trustee received updated covenant monitoring advice from Cardano Advisory in June 2024. Cardano Advisory considered the covenant was "Fairly Strong", maintained from its last formal covenant assessment for the Trustee in March 2023.

The Scheme did not encounter any liquidity/recapitalisation issues from the LDI crisis in September/October 2022 as the LDI portfolio had a low level of leverage. This meant that it could tolerate very large increases in gilt yields without needing additional capital.

The expected spin-off of Critical Mission Solutions (CMS) businesses from Jacobs Solutions Inc. is not expected to threaten the solvency of the Scheme.

Accordingly, the Trustee is satisfied that the Scheme remains a going concern for the foreseeable future, meaning at least 12 months from the signing of the Scheme's Financial Statements.

Material events after the Scheme year-end

There have been no material events after the Scheme year-end.

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

Membership

The following summarises the changes during the year to the number of members of the Scheme:

	Deferred Members	Pensioners	Total
Number of members at 31 December 2022	**1,242**	**1,558**	**2,800**
Adjustment in respect of late notifications	-	-	-
Retirements	(47)	47	-
Transfers out	(5)	-	(5)
Trivial commutations	(1)	-	(1)
Deceased	(1)	(44)	(45)
New spouse/dependants	-	19	19
Spouse/dependants pensions ceased	-	(4)	(4)
Number of members at 31 December 2023	**1,188**	**1,576**	**2,764**

Note: Included in the above pensioners are 276 (2022: 278) spouses and dependant pensioners, and 3 (2022: 3) members who are paid pensions by annuity purchases.

Pension increases

Pensions are increased in January each year except for former members of the Pension and Life Assurance Plan of Halcrow Fox Associates Ltd whose pensions are increased in October each year.

Members who had "contracted-out" benefits under the Halcrow Pension Scheme (HPS) continue to be entitled to those benefits under the Scheme. This means pension entitlements accrued between 6 April 1978 and 5 April 1997 are subject to a minimum value known as a Guaranteed Minimum Pension (GMP). This effectively replaces the state benefits members would have earned in SERPS had they not been "contracted - out".

GMP entitlement earned before 6 April 1988 does not attract any increase. For GMP entitlement earned after 5 April 1988, from age 60 for females and 65 for males, the Scheme increases this value in payment by a rate published by the Government each year. This is the lesser of 3% or the increase in the CPI (and the Government measures this to the previous September each year). Accordingly, with effect the January 2023 payment there was an increase of 3%, applied to members' post 1988 GMP.

For pension, or transferred-in pension entitlement, that relates to benefit accrued before 6 April 1997, that pension, in excess of the Guaranteed Minimum Pension (GMP), does not attract any increase.

For pension, or transferred-in pension entitlement, that relates to benefit accrued on or after 6 April 1997 to 5 April 2005, the increase to that pension is the lower of 5% or the change in the CPI. The Trustee used the increase in the Consumer Prices Index (CPI) in the 12 months to October 2022, which was the latest published CPI index available in December. Accordingly, with effect the January 2023 payment an increase of 5.0% was applied.

For pensionable service on or after 6 April 2005 the increase to a member's pension is the lower of 2.5% or the change in the CPI. Accordingly, with effect the January 2023 payment an increase of 2.5% was applied.

Any Additional Voluntary Contribution (AVC) pension payable was increased by the level of increases selected and costed for at retirement. For AVC pension increasing at LPI, the increase to that pension is the lower of 5% or the change in the RPI. The Trustee used the increase in the Retail Prices Index (RPI) in the 12 months to October 2022, which was the latest published RPI index available in December. Accordingly, with effect the January 2023 payment an increase of 5% was applied.

The Scheme has been designed to ensure, as far as possible, that if at any point members or their survivors would have received more pension if they had chosen to go into the Pension Protection Fund at the date of transfer, the Scheme will pay the amount the PPF would have paid based on the law in force on 5 October 2016.

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

Pensions for members who transferred from the Pension and Life Assurance Plan of Halcrow Fox Associates Ltd (the Plan) are increased in October each year.

For pension that relates to benefit accrued before 6 April 1997, or transferred-in pension entitlement that was received by the Plan on a non-increasing basis, that pension does not attract any increase.

For pension that relates to benefit accrued on or after 6 April 1997 to 5 April 2005, or transferred-in pension entitlement where a CPI increase was agreed, the increase to that pension is the lower of 5% or the change in the CPI. The Trustee used the increase in the Consumer Prices Index (CPI) in the 12 months to July 2023, which was the latest published CPI index available in October. Accordingly, with effect the October 2023 payment an increase of 5% was applied.

For pensionable service on or after 6 April 2005 the increase to a member's pension is the lower of 2.5% or the change in the CPI. Accordingly, with effect the October 2023 payment an increase of 2.5% was applied.
There were no discretionary increases paid during the period.

Deferred pensions

Preserved pensions were increased in accordance with the Scheme Rules, which are in line with statutory requirements.

Transfer Values

Transfer values paid during the period of this report were calculated and verified in the manner prescribed by regulations under Part IV of the Pension Schemes Act 1993 and do not take into account discretionary benefits.

No reduction, to recognise Scheme underfunding, is applied to transfer values.

Changes to the Scheme during the period

On 10 January 2023, Mr IRH Scott, of Lane Clark and Peacock LLP, ceased to act as the appointed Scheme Actuary. In his resignation statement he noted no circumstances connected with his departure which, in his opinion, significantly affected the interests of the Scheme members, prospective members, or beneficiaries under, the Scheme.

Mr W Jones, of XPS Pensions Group plc, was appointed as Scheme Actuary on 11 January 2023.

Financial Development of the Scheme

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

	£'000s
Net assets at 31 December 2022	462,724
Net withdrawals from dealings with members	(24,212)
Net returns on investments	22,037
Net assets at 31 December 2023	460,549

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

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

GENERAL INFORMATION

Payroll Administrator

With effect from 2 October 2023 XPS assumed responsibility for pension payroll from capita Employee Benefits. The contact details for any payroll related queries are:

XPS Administration
PO Box 562
Middlesbrough TS1 9JA

Email: PayrollAdmin@xpsplc.com
Phone: 0191 341 0669

Trustee Website

The Trustee has a website for its members. The Trustee stores copies of all member communications and Reports and Statements which are issued from time to time which you can review or download as you might require.

You will need to register at https://pensions.jacobs.com to gain access to the private areas. The new member site offers:

- Communications and Documents library
- Trustee and Trustee director details
- Access to download commonly used forms
- Information on the Scheme's AVC providers

Halcrow Pension Scheme (No.2) documents, that are required to be publicly available, are accessible from https://halcrow.com

Members are entitled to inspect copies of documents giving information about the Scheme. In some circumstances, copies of documents can be provided but a charge may be made for printed copies of the Trust documents (Deed and Rules) and of the Scheme Actuary's report.

Personal Data

The Trustee holds certain personal data about Scheme members, dependants and beneficiaries. The Trustee needs this to be able to run the Scheme and to look after benefits and pay benefits. The Trustee has to comply with certain legal requirements relating to the personal data it holds, including the General Data Protection Regulation and the Data Protection Act 2018.

The Trustee has a privacy notice that sets out the kind of personal data it holds, how that data is used and who the Trustee shares it with. The privacy notice also sets out individual rights relating to personal data and who to contact to exercise those rights, make a complaint, or if you have any questions. The Trustee's privacy notice can be found online at https://pensions.jacobs.com. Alternatively, if you prefer to receive a hard copy, please contact Jacobs' UK & Ireland Pensions Team.

Enquiries or Complaints

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

Halcrow Pension Scheme No.2
c/o Jacobs' UK and Ireland Pensions Team
1180 Eskdale Road
Winnersh
Reading RG14 5TU

Email: PensionsTeam@Jacobs.com
Tel: 01189 467 942

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

Disputes Resolution Procedure

Under the Pension Act 1995 there is a requirement for the Scheme to set up its own formal procedures for resolving any dispute with the Trustee or administrators. It is to be used when a member or potential beneficiary has a dispute which has not been satisfactorily resolved informally. If the complaint is not resolved satisfactorily, the Government appointed Ombudsman can investigate complaints of injustice by maladministration and disputes of fact or law with the Trustee, managers, or employer.

Pensions Ombudsman

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

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. MoneyHelper can be contacted at:

MoneyHelper
Holborn Centre
120 Holborn
London EC1N 2TD

Tel: 0800 011 3797
Email: pensions.enquiries@moneyhelper.org.uk
Website: www.moneyhelper.org.uk

The Pensions Regulator (tPR)

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

Telecom House
125-135 Preston Road
Brighton BN1 6AF

Tel: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 12013455. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

The Pension Service
Post Handling Site A
Wolverhampton WV98 1AF

Tel: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

INVESTMENT REPORT

General

The Trustee is responsible for appointing investment managers, after taking appropriate advice. The day-to-day management of the Scheme's assets, including full discretion for stock selection, is the responsibility of the Scheme's investment managers. This is subject to complying with the agreed strategy, which specifies the target proportions of the Scheme's assets which should be invested in the principal asset classes.

The Scheme's principal investment managers are BlackRock Investment Management (UK) Ltd ("BlackRock"), M&G Investments Limited ("M&G"), and Barings LLC ("Barings"). The Scheme's investment managers are authorised under the Financial Services and Markets Act 2000 to carry out investment activities.

The Trustee has a Statement of Investment Principles, as required by Section 35 of the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Pension Regulator's guidance for defined benefit pension schemes (March 2017), which sets out the Scheme's policy on investment matters. This document is available to members on request and can also be accessed from the Trustee's member site:

http://halcrow.com/wp-content/uploads/2021/12/2021.11-HPS2-Statement-of-Investment-Principles-November-2021.pdf .

In addition, the Trustee has a bulk annuity contract with Canada Life and The Prudential Assurance Company Limited to insure benefit payments linked to the Scheme's pensioner members. These are not included within the Investment Report as they are not deemed material.

Investment strategy

The Trustee, with the help of its advisers and in consultation with the employers, periodically reviews the investment strategy taking into account the objectives described in the Statement of Investment Principles. The Trustee has set an investment strategy which targets an allocation of 90% to a lower-risk Matching Portfolio and 10% to a higher-risk Growth Portfolio.

The Trustee monitors the split between the Matching and Growth Portfolios from time to time and would generally expect the actual allocations to remain within 5% of the target allocations. If a deviation of more than this occurs, the Trustee will consider with its advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions, liquidity of the assets and anticipated future cash flows.

The Matching Portfolio consists of assets which are considered by the Trustee to be relatively low risk. The Matching Portfolio includes segregated portfolios holding fixed interest and index-linked gilts, investment grade corporate bonds, interest rate and inflation swaps, and gilt repurchase agreements. The Trustee invests in these assets as it considers appropriate to help manage the risk from changes in interest rate and inflation. This approach is commonly referred to as "Liability Driven Investment". The Matching Portfolio also holds short-duration credit and asset backed securities in pooled funds.

The Growth Portfolio consists of long lease property and private credit. The Trustee anticipates these growth assets will provide higher investment returns than the Matching Portfolio over periods of ten years or more, albeit with greater risk.

INVESTMENT REPORT (continued)

Strategic asset allocation

The table below shows the Scheme's asset allocation as at 31st December 2023. Please note that the allocation to cash as at 31 December 2023 included the proceeds from the sales of the Scheme's equity and DGF holdings, which were invested in the Matching assets managed by BlackRock in early 2024.

	BlackRock	M&G	Barings	Trustee Bank Account	Total assets
Proportion of the Scheme assets as at 31 December 2023	73.5%	5.9%	5.6%	15.0%	100.0%
Asset allocation	Matching	Property	Private Credit	Cash	Proportion of Scheme assets
Segregated LDI & credit portfolios	83.3%				61.2%
Short duration credit	8.1%				6.0%
Asset-backed securities	8.6%				6.3%
Property		100.0%			5.9%
Private credit			100.0%		5.6%
Cash and other balances				100.0%	15.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

INVESTMENT REPORT (continued)

Performance objectives

Below are the managers' mandates and performance objectives

Manager	Mandate	Benchmark	Performance objective
BlackRock	Segregated LDI portfolio	Bespoke investable Benchmark[1]	Outperform the Investable Benchmark by 25 bps pa (gross of fees) over a rolling 3-year period.
Blackrock	Segregated Credit portfolio	Bespoke investable Benchmark[1]	Outperform the Investable Benchmark by 75 bps pa (gross of fees) over a rolling 3-year period.
Blackrock	Sterling Short Duration Credit	3 Month SONIA	To deliver a return of 3 Month SONIA Compounded in arrears + 1.5% pa.
Blackrock	Senior Securitised Fund (Asset backed securities)	3 Month SONIA	To seek to provide a return for investors by investing in high grade tranches of global securitised assets, in a manner consistent with the principles of environmental, social and governance (ESG)-focused investing.
M&G	Property	Retail Price Index (RPI)	The Trustee has agreed that performance should be reported against inflation (RPI) plus 5% p.a.
Barings	Private Credit	N/A[2]	To provide consistently attractive returns, primarily through current income and secondarily through capital appreciation while emphasising principal preservation.

1 Composite of the iBoxx Sterling Non-Gilt Index and Government Bonds.

2 The Barings private credit mandate has no official benchmark, but we understand from Barings that investors should expect target net returns of 6.5-7.5% p.a. (in EUR) over the life of the fund.

Custody arrangements

The Trustee has appointed Bank of New York to be responsible for the safekeeping of the Scheme's assets managed by BlackRock.

The Trustee has also invested in various unit-linked investments. Custody for these assets is arranged within the unit-linked funds by the investment managers.

INVESTMENT REPORT (continued)

Scheme assets and performance

The market value of Scheme's major asset holdings as at 31 December 2023 is shown in the table below:

	BlackRock (Matching assets)	**M&G (Property)**	**Barings (Private credit)**	**Trustee bank (inc cash in transit)**	**TOTAL**
Value (£m)	338.4	26.9	25.7	69.2	460.2
Value (%)	73.5%	5.9%	5.6%	15%	100%

The performance of the Scheme's assets over a one year and three-year period to 31st December 2023 is set out in the table below. Performance is shown after the deduction of investment management fees, with the exception of BlackRock where performance is before fees are deducted.

Investment	**Scheme return One year**	**Benchmark return One year**	**Scheme return Three year (p.a.)**	**Benchmark return Three year (p.a.)**
BlackRock (Matching assets)	5.9%	3.6%	-11.2%	-11.5%
Barings (Private Credit)	10.1%	9.7%	N/A	N/A
M&G (Property)	0.8%	-3.6%	-1.1%	-1.5%
Total	**5.6%**	**5.0%**	**-8.3%**	**-6.8%**

Source: LCP

The Scheme's invested assets returned 5.6% over 2023, outperforming the Scheme's composite strategic benchmark by 0.6%.

The Scheme has no direct employer-related investments at year end.

Total Scheme performance shown above includes the performance of LGIM equities, Baille Gifford equities and Baille Gifford DGF, which were disinvested in December 2023.

INVESTMENT REPORT (continued)

Investment activity to 31 December 2023

In December 2023, the Trustee started to implement a strategic change to de-risk the Scheme's assets from a 80%-20% to a 90%-10% Matching-Growth. This involved terminating the Scheme equity and DGF mandates with Baille Gifford and LGIM. The disinvestment proceeds, c£59.3m, held in the Trustee's bank account as at 31 December 2023. These proceeds were invested into the BlackRock Matching portfolio in early 2024.

During 2023, the Barings European Private Loan Fund made two capital calls for a total of £3.4m. The calls were funded from the Scheme's holding in the Baillie Gifford Diversified Growth Fund. As at 31 December 2023, Barings has drawn down £25.5m, or 75%, of the Scheme's £34.0m commitment. The Barings fund made its four distributions during the year, totalling around £2.4m.

Over the year, twelve £2m monthly disinvestments were made from the BlackRock Matching portfolio for cashflow requirements.

Investment monitoring

The Trustee receives monthly and quarterly reports from the investment managers, plus quarterly summaries and six-monthly performance monitoring reports from Lane Clark & Peacock LLP, its investment adviser.

Trustee's policies on financially material considerations and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) when making investment decisions. It seeks to appoint managers that have appropriate skills and processes to do this and may consider investing in funds (where available) that demonstrate the incorporation of ESG factors, including climate-related factors, into the investment process. The Trustee will, from time to time, review how its managers are taking account of these issues in practice, for example by meeting with managers at regular Trustee meetings.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds. However, it encourages its managers to improve their practices where appropriate.

The Trustee has considered the extent to which non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) should be taken into account in the selection, retention and realisation of investments. At present, the Trustee has decided not to allow for such non-financial matters.

Stewardship

While the Scheme no longer invests in equities, the Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, protect and enhance the long-term value of investments and is in the best interests of the Scheme's members.

The Trustee seeks to appoint investment managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council.

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights if any, and engagement with issuers of debt, stakeholders and other investors about relevant matters such as performance, strategy, risks and ESG considerations. The Trustee expects the managers to undertake voting if any and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

As all of the Scheme's investments are held through managers or pooled funds, the Trustee does not monitor or engage directly with issuers or other holders of debt.

INVESTMENT REPORT (continued)

Stewardship (continued)

The Trustee monitors managers' activities in relation to ESG factors and engagement on a regular basis. The Trustee seeks to understand how the managers implement their stewardship policies in practice to check that their stewardship is effective and aligned with the Trustee's expectations.

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' engagement activities. The Trustee's priority ESG themes are Climate Change and Human Rights. The Trustee reviews the themes regularly and updates them if appropriate. The Trustee communicates these stewardship priorities to its managers. If its monitoring identifies areas of concern, the Trustee will engage with the relevant manager to encourage improvements.

Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The Trustee has signed agreements with the investment managers, setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustee can influence managers' investment practices where it is invested in segregated mandates, however it has limited influence over managers' investment practices where the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover. However, this is not the case for the segregated mandates where the Trustee has control over the objectives, guidelines and restrictions of the funds.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in the Trustee's assessment of the investment managers, the Trustee does not explicitly monitor portfolio turnover. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

REPORT ON ACTUARIAL LIABILITIES

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

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2022. This showed that on that date:

The value of the technical provisions was: £442.3 million

The value of the assets was: £461.7 million

Funding level: 104%

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

Method

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

Significant actuarial assumptions

Discount interest rate: Bank of England yield curve plus 0.9% p.a. reducing to 0.5% p.a. by 31/12/2026.

Future Retail Price inflation: Bank of England Gilt RPI inflation curve.

Future Consumer Price inflation: RPI less 1.0% p.a. until 2030, RPI less 0.1% p.a. thereafter.

Pension increases: derived from the term dependent rates for future consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.

Mortality: 92%/98% of S3PA table, with CMI 2021 projections, long term improvement rates of 1.75% and 1.5% p.a. for all members, initial addition to mortality improvements of 0.50%

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Schedule of contributions

Halcrow Pension Scheme (No.2) ("the Scheme")

This Schedule of Contributions ("the Schedule") has been prepared by the Trustee after obtaining the advice of Wes Jones, the actuary to the Scheme. It sets out the contributions the employer must pay and the dates these contributions must be paid to the Trustee, and has been agreed by the Jacobs U.K. Limited (the "Employer").

Period covered by the Schedule

This Schedule covers contributions payable in the period 1 October 2023 to 30 September 2028. This Schedules replaces the previous Schedule in force, dated 17 March 2023.

Contributions

Contributions to be paid by members
As the Scheme is closed to future accrual there are no members' contributions payable.

Contributions to be paid by the Employer
Deficit contributions: At the valuation date (31 December 2022), the Scheme was in surplus and hence the statutory funding objective was met. It is expected that the Scheme is still in surplus. Therefore, there is no requirement for a formal recovery plan and the Trustee and Employer have agreed that no deficit contributions will be paid to the Scheme.

Expenses: From 1 October 2023 to 30 September 2026, the majority of expenses, including the PPF levy, will be paid by the Trustee from the Scheme's assets. It was agreed that the Employer will meet the following expenses:

- Direct employment costs of Jacobs employees who provide administration services to the Scheme
- Costs of Independent Trustee and Covenant advice
- Cost incurred by the Trustee in relation to any Employer-instigated projects.

The Trustee and Employer also agreed that, if the funding position were to deteriorate and an actuarial report were to reveal a deficit, the Employer will recommence the payment of all Scheme expenses.

Further details are set out in the document "HPS2 – Treatment of Expenses", dated 2 August 2023.

Notes
Nothing in this Schedule shall prevent the Employer paying contributions in addition to those payable in accordance with this Schedule. In particular, contributions payable in respect of individual augmentations or general benefit improvements are to be paid in addition to those set out in this Schedule.

Signed on behalf of the Trustee	2 August 2023 Date
Signed on behalf of the Employer	2 August 2023 Date

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

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

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

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

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

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

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee's Report, which includes the Investment Report, the Report on Actuarial Liabilities and the Statement of Trustee's Responsibilities was approved by the Trustee on:

For and on behalf of the Trustee

....	29 July 2024 ....
Trustee Director	**Date**

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE HALCROW PENSION SCHEME (NO. 2)

Opinion

We have audited the financial statements of Halcrow Pension Scheme (No. 2) for the year ended 31 December 2023 which comprise the Fund Account, the Statement of Net Assets available for benefits and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the Scheme's Trustee with respect to going concern are described In the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE HALCROW PENSION SCHEME (No2) (continued)

Responsibilities of Trustees

As explained more fully in the Statement of Trustee's Responsibilities set out on page 17, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE HALCROW PENSION SCHEME (No2) (continued)

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

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

Use of our report

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

RSM Uk Audit LLP

RSM UK Audit LLP

Statutory Auditor, Chartered Accountants
Portland
25 High Street
Crawley
West Sussex RH10 1BG

Date 30/07/2024

FUND ACCOUNT

For the year ended 31 December 2023

	Note	2023 £'000s	2022 £'000s
CONTRIBUTIONS AND BENEFITS			
Employer contributions		333	2,256
Total contributions	4	333	2,256
Transfers in	5	7	-
Other income	6	-	241
		340	2,497
Benefits paid or payable	7	(23,391)	(23,301)
Payments to and on account of leavers	8	(866)	(4,372)
Administrative expenses	9	(295)	-
		(24,552)	(27,673)
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		(24,212)	(25,176)
RETURNS ON INVESTMENTS			
Investment income	10	5,989	16,578
Change in market value of investments	12	16,745	(210,985)
Investment management expenses	11	(697)	(600)
NET RETURNS ON INVESTMENTS		22,037	(195,007)
NET DECREASE IN THE FUND FOR THE YEAR		(2,175)	(220,183)
OPENING NET ASSETS		462,724	682,907
CLOSING NET ASSETS		460,549	462,724

The notes on pages 24 to 36 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 December 2023

	Note	2023 £'000s	2022 £'000s
INVESTMENT ASSETS	12		
Bonds		403,452	408,631
Pooled investment vehicles	13	122,831	115,186
Derivatives	14	15,309	20,555
AVC investments	16	925	978
Money Purchase investments	15	757	768
Insurance Policies	17	134	-
Cash		10,627	-
Other investment balances	18	20,611	92,412
		574,646	638,530
INVESTMENT LIABILITIES			
Cash	14	(7,005)	(7,378)
Derivatives	14	(8,775)	(13,075)
Other investment balances	18	(165,853)	(170,895)
		(181,633)	(191,348)
TOTAL NET INVESTMENTS		393,013	447,182
CURRENT ASSETS	22	68,440	15,917
CURRENT LIABILITIES	23	(904)	(375)
CLOSING NET ASSETS		460,549	462,724

The notes on pages 24 to 36 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The actuarial position of the Scheme, which takes into account such obligations is dealt with in the Report on Actuarial Liabilities on page 15 of the Annual Report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on 29 July 2024

Signed on behalf of the Trustee

....

Trustee Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (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" (2018) ("the SORP").

The financial statements have been prepared on the going concern basis as noted in the Trustee's report on page 4. At the date of signing these financial statements the Trustee believes that the Fund is able to comfortably cover its related outgoings until at least 30 April 2024. Together with the relatively strong position of the principal employer, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

Halcrow Pension Scheme (No.2) ('the Scheme) is a "defined benefit" scheme that was established on 11 March 2016 to provide retirement and death benefits for former members of the Halcrow Pension Scheme. The Scheme is registered under Chapter 2, Part 4 of the Finance Act 2004.

The address for enquiries to the Scheme is Ms PJ Gibbons, Jacobs' UK and Ireland Pensions team, 1180 Eskdale Road, Winnersh, Reading RG41 5TU or email: pensionsteam@jacobs.com

3. ACCOUNTING POLICIES

(a) Contributions

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and the Trustee

(b) Payments to Members

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

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

Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.

(c) Administrative expenses and insurance premiums

All expenses were borne by the Principal Employer.

(d) Income from investments

Income from bonds is accounted for on an accruals basis and includes interest bought or sold on investment purchases and sales.

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

Income from annuity policies is accounted for on an accruals basis.

(e) Change in market value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

3. ACCOUNTING POLICIES (continued)

(f) Investments and cash deposits

Accrued interest is excluded from the market value of bonds and is included in investment income receivable.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Exchange traded futures are valued at fair value using the daily mark-to-market, which is a calculated difference between the settlement prices at the year end and the inception date. 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 the change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts.

Over the counter (OTC) swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the period-end. The amounts included in the change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts. Net receipts or payments on swap contracts are reported within investment income.

The Scheme holds forward foreign exchange contracts. A forward foreign exchange contract is an agreement to buy or sell currency on a future date at an agreed exchange rate, irrespective of the actual exchange rate on the future date concerned. Forward foreign exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year-end with an equal and opposite contract.

Monetary items denominated in foreign currency are translated into Sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction.

Annuities in the name of the Scheme have been valued by the Scheme Actuary at the present value of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

Repurchase agreements are accounted for as follows:

Repurchase agreements – the Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

Reverse repurchase agreements – the Scheme does not recognise the securities received as collateral in its financial statement. The Scheme does recognise the cash delivered to the counterparty as a receivable in the financial statements.

(g) Functional and presentation currency

The functional and presentation currency of the Scheme is Sterling. The financial statements are rounded to the nearest £'000s. Numbers may not add up due to rounding.

(h) Critical accounting judgements and estimation uncertainty

The Trustee makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Fund, 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 Fund investments and, in particular, those classified in Level 3 of the fair-value hierarchy in note 18.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

4. CONTRIBUTIONS

	2023 £'000s	2022 £'000s
Employer contributions		
Deficit funding	333	2,256

Under the Schedule of Contributions dated 13 July 2021, the Scheme Actuary calculated the average daily deficit over the 3 months to 31 December 2022 which meant deficit contributions of £333,333 per month are payable from 1 January 2024 to 20 September 2024. Under the Schedule of Contributions certified on 18 March 2023, it was agreed with the Company that no deficit contributions would be payable from 1 February 2023 to 31 December 2023 (the "Suspended Contributions"). Under the Schedule of Contributions dated 2 August 2023 the Trustee and Employer have agreed that no deficit contributions will be paid to the Scheme.

The Trustee reserves the right to demand at any time payment of an amount up to the total value of the Suspended Contributions.

5. TRANSFERS IN

	2023 £'000s	2022 £'000s
Transfers in from AVC arrangements	7	-

6. OTHER INCOME

	2023 £'000s	2022 £'000s
Other income	-	241

7. BENEFITS PAID OR PAYABLE

	2023 £'000s	2022 £'000s
Pensions	22,479	22,375
Commutations and lump sum retirement benefits		
- provided by the Scheme	777	849
- provided from AVCs	48	5
Death benefits		
- provided by the Scheme	87	73
	23,391	23,301

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023 £'000s	2022 £'000s
Individual transfers out to other schemes	866	4,372

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

9. ADMINISTRATIVE EXPENSES

	2023 £'000s	2022 £'000s
Actuary and consulting	126	-
Administration	11	-
Bank charges	1	-
Legal fees	13	-
Investment advisor fees	144	-
	295	-

With effect from 1 October 2023 it was agreed between the Company and the Trustee that the Scheme would meet directly certain fees and charges. These were previously paid by the Employer.

The Company has agreed to pay Direct employment costs of Jacobs employees who provide administration services to the Scheme, costs of Independent Trustee and Covenant advice and costs incurred by the Trustee in relation to any Employer-instigated projects. The PPF levy for 2023 was paid by the Company.

10. INVESTMENT INCOME

	2023 £'000s	2022 £'000s
Income from bonds	10,892	14,808
Income from pooled investment vehicles	4,098	1,210
Interest on cash deposits	169	-
Swap income paid	(2,228)	-
Interest on repurchase agreements	(6,635)	-
Annuity Income	26	-
Gains/(losses) on foreign exchange	(333)	560
	5,989	16,578

Annuity Income was shown as other Income in the previous year. The annuity policies held are valued by the Scheme Actuary, as show in note 17 of the accounts. Interest on cash deposits, swap income paid and Interest on repurchase agreements are now being shown under investment income, these were previously shown within change in market value.

11. INVESTMENT MANAGEMENT EXPENSES

	2023 £'000s	2022 £'000s
Investment fees - management & custody	697	600

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

12. RECONCILIATION OF INVESTMENTS

	Value at 31.12.2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31.12.2023
	£'000s	£'000s	£'000s	£'000s	£'000s
Bonds	408,631	364,119	(379,226)	9,928	403,452
Pooled investment vehicles	115,186	265,121	(264,533)	7,057	122,831
Derivatives	7,480	23,748	(24,189)	(505)	6,534
AVC investments	978	-	(195)	142	925
Insurance policies	-	-	-	134	134
Money purchase investments	768	-	-	(11)	757
	533,043	652,988	(668,143)	16,745	534,633
Cash	(7,378)				(3,089)
Cash in transit	-				6,711
Other investment balances	(78,484)				(145,242)
	447,182				393,013

Over the 12 months to 31 December 2023, the Scheme incurred the following transaction costs from buying and selling investments: BlackRock estimated the transaction costs within the Scheme's segregated bond mandate to be c£540k, of which c.£243k and c.£297k were in respect of the LDI portfolio and corporate bond portfolio respectively.

13. POOLED INVESTMENT VEHICLES

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

	2023	2022
	£'000s	£'000s
Equity	-	47,837
Diversified Growth	-	9,080
Property	26,947	28,022
Alternative	56,614	-
Loans	25,695	22,360
Cash	13,575	7,887
	122,831	115,186

14. DERIVATIVES

Objectives and policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme as follows.

Futures – the Trustee did not want cash held to be "out of the market" and therefore bought exchange traded index based futures contracts which had an underlying economic value broadly equivalent to cash held.

Swaps – the Trustee's aim is to match as far as possible the fixed income portfolio and the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

14. DERIVATIVES (continued)

Forward foreign exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

At the year-end the Scheme held the following derivatives:

	2023 Asset £'000s	2023 Liability £'000s	2022 Asset £'000s	2022 Liability £'000s
Futures	987	(1,157)	801	(748)
Swaps	14,195	(7,551)	19,407	(11,943)
Forward foreign exchange contracts	127	(67)	347	(384)
	15,309	(8,775)	20,555	(13,075)
	6,534		7,480	

Futures

Nature	Expiration	Economic exposure £'000s	Asset £'000s	Liability £'000s
UK Gilt	3 months	14,679	744	-
UK Sonia	> 1 year	(18,605)	-	(175)
Overseas Bonds	3 months	2,023	243	(982)
Total 2023		(1,903)	987	(1,157)
Total 2022		-	801	(748)

Included within cash balances is £39,669 (2022: £446,000) in respect of initial and variation margins arising on open future contracts at the year-end.

Swaps

Nature	Expiration	Notional principal £'000s	Asset £'000s	Liability £'000s
Overnight index swaps (OTC)	1 - 50 years	3,935,122	3,858	(4,137)
Inflation swaps (OTC)	1 - 50 years	86,088	9,633	(2,224)
Credit default swap	1 - 5 Years	31,760	-	(532)
Currency swap	1 - 50 years	2,697	704	(658)
Total 2023		4,055,667	14,195	(7,551)
Total 2022		(80,210)	19,407	(11,943)

Included in cash and gilts is collateral of £1,000 (2022: £4,002,000) which has been pledged to the counterparties.

At the year-end the Scheme held £8,905,000 (2022: £1,132,000) of collateral belonging to the counterparty. This collateral is not reported within the Scheme's net assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

14. DERIVATIVES (continued)

Forward Foreign Exchange

Contract	Settlement Date	Currency bought	Currency sold	Asset £'000s	Liability £'000s
Forward OTC	Under 1 month	EUR	GBP	38	(18)
Forward OTC	Under 1 month	GBP	EUR	48	(26)
Forward OTC	Under 1 month	GBP	JPY	-	-
Forward OTC	Under 1 month	GBP	USD	41	-
Forward OTC	Under 1 month	USD	GBP	-	(23)
Total 2023				127	(67)
Total 2022				347	(384)

15. MONEY PURCHASE INVESTMENTS

The Trustee holds money purchase investments for specific members. The Scheme held money purchase investments at the year-end as follows:

	2023 £'000s	2022 £'000s
Mercer	757	768

16. AVC INVESTMENTS

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

	2023 £'000s	2022 £'000s
Mercer (with profits)	805	848
Prudential	107	108
Phoenix Life	-	8
Equitable Life	13	14
	925	978

17. INSURANCE POLICIES

	2023 £'000s	2022 £'000s
The Scheme held annuity insurance policies at the year-end as follows:		
Annuities	134	-

Certain pensions in payment are covered by annuities held by the Trustee. These policies specifically provide for the payment of benefits under the Scheme to those members and remain the assets of the Trustee. All of these policies were issued by Prudential and Canada Life and are valued by the Scheme actuary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

17. INSURANCE POLICIES (continued)

The Insurance policies have not been valued historically.

The assumptions we have used to produce this value are those set out in the Statement of Funding Principles dated 2 August 2023, updated for market conditions at 31 December 2023. A summary of the key assumptions in included in the table below:

Assumption	At 31 December 2023
Discount rate – post-retirement	0.90% p.a. above the Bank of England fixed interest yield curve at 31 December 2022, reducing linearly to 0.50% above the fixed interest yield curve by 31 December 2026 and thereafter
Price inflation – RPI	Bank of England implied RPI inflation yield curve
Price inflation – CPI	RPI inflation less 1.0% p.a. prior to 2030 RPI inflation less 0.10% p.a. thereafter
Post-retirement mortality	92% / 98% of S3PMA / S3PFA CMI 2021 projection model with the default smoothing parameter, initial addition of 0.30%, long term improvement rates of 1.75% p.a. for males and 1.50% p.a. for females and w2020 and w2021 parameters of 10%

18. OTHER INVESTMENT BALANCES

	2023 £'000s	2022 £'000s
Amounts due from broker	163	-
Dividends and interest receivable	4,617	3,692
Repurchase agreements assets	15,831	88,720
	20,611	92,412
Repurchase agreement liabilities	(155,953)	(170,895)
Repurchase agreement interest payable	(2,914)	-
Investment trades - cash in transit	(6,986)	-
	(165,853)	(170,895)
	(145,242)	(78,483)

Repurchase and reverse repurchase agreements

At the year-end amounts payable under reverse repurchase agreements amounted to £158,903k (2022: £170,895k) and amounts receivable under repurchase agreements amounted to £15,933k (2022: £88,720k). At the year-end £157,632 (2022: £148,003k) of bonds reported in the Schemes assets are held by counterparties under repurchase agreements.

The Scheme held £4,814k (2022: £66,765k) of bonds at the year-end relating to reverse repurchase agreements. These bonds are not reported within the Scheme's net assets. The Scheme held £8,905k (2022: £2,249k) and pledged £1k (2022: £5,316k) of Gilts as collateral. This collateral is used to cover daily changes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

19. FAIR VALUE DETERMINATION

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

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

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

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

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

	At 31 December 2023			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Bonds	-	403,452	-	403,452
Pooled investment vehicles	-	97,136	25,695	122,831
Derivatives	(170)	6,704	-	6,534
Cash	3,622	-	-	3,622
Money purchase Investments	-	757	-	757
AVC Investments	-	-	925	925
Insurance Policies	-	-	134	134
Other investment balances	(145,242)	-	-	(145,242)
	(141,790)	508,049	26,754	393,013

	At 31 December 2022			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Bonds	-	408,631	-	408,631
Pooled investment vehicles	-	92,826	22,360	115,186
Derivatives	53	7,427	-	7,480
Cash	(7,378)	-	-	(7,378)
Money purchase Investments	-	768	-	768
AVC Investments	-	-	978	978
Other investment balances	(78,484)	-	-	(78,484)
	(85,809)	509,652	23,338	447,181

Pooled investment vehicles 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 values applies, valuation techniques are adopted and the vehicles are included in level 3.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

20. INVESTMENT RISK DISCLOSURES

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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

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

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

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

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

	Pooled fund Credit Risk	Market Risk				Total at 31 Dec 2023	Total at 31 Dec 2022
		Currency	Credit	Interest rates	Other price	Value £000	Value £000
Segregated LDI and credit portfolios	-	○	●	●	-	281,780	337,627
Short duration credit	●	○	●	○	-	29,117	0
Asset backed securities	●	○	●	○	-	27,497	0
Equities	●	○	-	-	●	0	47,837
Diversified Growth Fund	●	●	●	●	●	0	9,080
Property	●	-	-	○	-	26,947	28,022
Private Credit	●	-	●	○	-	25,696	22,360
Cash	-	-	-	-	-	69,190	509
Money purchase	●	-	○	○	●	757	768
AVC Investments	●	-	○	○	●	925	978

The risk noted affects the asset class as follows:

● Significantly
○ Partially
\- Hardly/ not at all

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

20. INVESTMENT RISK DISCLOSURES (continued)

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

Investment strategy

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

Credit risk

The Scheme's investments are directly exposed to credit risk in relation to the solvency of the custodian of its pooled fund holdings. The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Scheme's investments across a number of pooled funds.

The Trustee carries carry out due diligence checks prior to the appointment of any new investment manager or fund and on an ongoing basis monitors any changes to the operating environment of the funds.

BlackRock's LDI and credit portfolios are managed on a segregated basis and the Trustee uses the custodian services offered by Bank of New York for this mandate. The Scheme is subject to direct credit risk within these portfolios as they invest in bonds and derivatives.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds (i.e. the BlackRock Short duration credit and Asset Backed Securities funds, and the Barings European Private Loan Fund III).

The managers manage credit risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

Market risk: Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

The non-Sterling currency exposure of the Scheme's assets is generally hedged to Sterling. The Trustee considers any small residual overseas currency exposure to be small in the context of the overall investment strategy.

Within the segregated BlackRock LDI and credit mandates, non-Sterling denominated securities are predominantly hedged back to Sterling.

All of the Scheme's pooled funds are accessed via a Sterling share class. Therefore, the Scheme is not subject to direct currency risk through the pooled investments. However, there is some indirect currency risk in relation to the Scheme's pooled investments, where they invest in overseas assets.

The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

20. INVESTMENT RISK DISCLOSURES (continued)

Market risk: Interest rate risk

Some of the Scheme's assets are subject to interest rate risk. However, the overall interest rate exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner. The BlackRock bond mandate has significant exposure to changes in interest rates.

Market risk: Other price risk

The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as property prices within the M&G.

The Trustee monitors this risk on a regular basis, looking at the performance of the Scheme as a whole as well as each individual portfolio. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

21. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme:

	2023		2022	
	£'000s	%	£'000s	%
M&G SPIF	26,947	5.9	28,022	6.1
Barings European Private Loan Fund III	25,695	5.6	22,360	4.2
BlackRock Short Duration Credit	29,117	6.3	N/A	-
BlackRock ABC Portfolio	27,497	6.0	N/A	-

22. CURRENT ASSETS

	2023	2022
	£'000s	£'000s
Bank balance	66,893	13,140
Pensions paid in advance	1,536	1,529
Other assets		
- interest receivable	11	2
- dividends receivable	-	1,246
	68,440	15,917

Note: The dividends receivable for the year ended 31 December 2023 are shown in other investment balances.

23. CURRENT LIABILITIES

	2023	2022
	£'000s	£'000s
Accrued expenses	784	375
Unpaid benefits	120	-
	904	375

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

24. RELATED PARTY TRANSACTIONS

The Principal Employer provides certain administrative services to the Trustee and bears these costs. The costs borne by the Principal Employer in relation to the Scheme are not reflected in these accounts. All of the above transactions were made in accordance with the Scheme rules.

At the year-end, one Director of the Trustee Company (John Irwin) was in receipt of a pension from the Scheme, which is included in the pensions payable figure. The amount is calculated in accordance with the Trust Deed and Rules of the Scheme.

With effect from 1 October 2023 it was agreed between the Company and the Trustee that the Scheme would meet directly certain fees and charges. These were previously paid by the Employer.

25. CONTINGENT LIABILITIES

There were no contingent liabilities at the period end other than the liability to pay future benefits.

26. EMPLOYER RELATED INVESTMENTS

There were no Employer Related Investments at the year-end.

27. CONTINGENT LIABILITIES IN RESPECT OF GMP EQUALISATION

As explained on page 4 of the Trustee's Report, the High Court handed down a judgement concluding that contracted out defined benefit schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest, the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters. They will be accounted for in the year they are determined.

On 20 November 2020, in a follow up hearing to the Lloyds case, the High Court determined the need for schemes to equalise of the effect of GMPs on past transfer values. Under the ruling, Trustees are required to review historic transfers 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 benefits. This is a complex issue on which the Trustee is seeking advice. An initial estimate of the financial impact has indicated that the additional liability is not material, and consequently the Trustee has concluded that no provision is required at this time.

28. CAPITAL COMMITMENTS

During 2023, the Barings European Private Loan Fund made two capital calls for a total of £3.4m. The calls were funded from the Scheme’s holding in the Baillie Gifford Diversified Growth Fund. As at 31 December 2023, Barings has drawn down £25.5m, or 75% (2022: £22.1m, or 65%), of the Scheme’s £34.0m commitment. The Barings fund made its four distributions during the year, totalling around £2.4m.

29. TAXATION STATUS

The Scheme 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.

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS, UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEE OF THE HALCROW PENSION SCHEME (No2)

Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions payable to the Halcrow Pension Scheme (No. 2) on page 37, in respect of the Scheme year ended 31 December 2023.

In our opinion, contributions for the Scheme year ended 31 December 2023 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 13 July 2021, 18 March 2023 and 2 August 2023.

Scope of work on statement about contributions

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 at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities on page 17, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

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

Use of our statement

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

RSM Uk Audit LLP

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

Date 30/07/2024

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

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

	£'000s
Employer deficit funding contributions	333
Reconciliation to the financial statements:	
Contributions paid under the Schedules of Contributions	333
Contributions receivable per the financial statements	333

This summary was approved by the Trustee on 29 July 2024

Signed on behalf of the Trustee

Trustee Director

Chair's DC Governance Statement, covering 1 January 2023 to 31 December 2023

1. Introduction and members' summary

The **Halcrow Pension Scheme (no. 2)** (the "Scheme") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions ("AVCs") in the Scheme.

Although the Scheme members' benefits are predominantly defined benefit in nature, there is a small group of members who transferred in DC benefits from the Crouch Hogg Waterman (CHW) Scheme. For these members their benefit is the greater of:

- the benefit that can be provided from the members' individual DC accounts; and
- any Guaranteed Minimum Pension ("GMP") accrued in respect of the period of the contributions (a GMP is the minimum amount of income that a workplace pension must provide to a member in retirement and, where GMPs are present they are a valuable benefit for members).

In almost all cases, these members are expected to receive the Guaranteed Minimum Pension benefit, rather than the benefit based on their individual DC account.

As at 1 January 2023 there were 51 members remaining in the Scheme with DC accounts, 6 members left the Scheme over the 2023 Scheme year, including the final member invested with Phoenix Life, leaving 45 members remaining with DC accounts as at 31 December 2023.

There is no default option (as there is no requirement for one as indicated below), and all DC members' assets are invested in the Aviva Life & Pension UK Limited (formerly Friend's Life) Secure Growth Fund. This is a with-profits fund, which aims to smooth some of the highs and lows of short-term investment performance in order to provide a more stable return.

The following table has a full list of the Scheme's DC and AVC policies:

Provider	Number of members	Approx. value as at 31 December 2023
Aviva (Friends Life) former CHW Scheme – Main Section	45	£757k
Aviva (Friends Life) former CHW Scheme – AVC	8	£20k
Aviva – AVC	41	£785k
Prudential – AVC	16	£108k
Utmost – AVC	2	£13k
Total	**98***	**£1,683k**

*The total member figure has reduced substantially from the 2022 Scheme Year statement. This is because some members with multiple AVC pots had previously been double counted.

Governance requirements apply to the Scheme's DC and AVC accounts to help members achieve a good outcome from their pension savings. We, the Trustee Directors of the Scheme, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- processing of core financial transactions (ie administration of the Scheme, such as investment of contributions);
- the charges and transaction costs borne by members for all investment options members can select or have assets in, such as "legacy" funds;

- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Scheme is assessed; and
- Trustee knowledge and understanding.

The governance requirements relating to default investment arrangements do not apply to the DC section of the Scheme because the DC section is closed to new contributions and no contributions have been received since well before April 2015. The Scheme is not used as a qualifying Scheme for auto-enrolment purposes.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the DC investment arrangements, and we are satisfied they remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Requirements for processing core financial transactions

The Jacobs' pensions team carries out the processing of core financial transactions. For DC and AVC members these are mainly transfers and payments out of the Scheme to members as no new contributions are being paid. The Jacobs Pensions Team ensures internal controls are operated so core financial transactions relating to the Scheme are processed promptly and accurately. These include:

- recording all member payment or transfer requests on a workflow system;
- issuing of authorised disinvestment instructions to DC / AVC providers;
- recording and daily monitoring of DC and AVC monies on the Scheme cashbook;
- ensuring payments are made to, or in respect of, members within 10 working days of receipt of funds from DC / AVC providers;
- Sending of payment confirmation letters within 10 working days of receipt of funds from DC / AVC providers;
- All member processing is reviewed by an authoriser.

The Scheme auditor also conducts a sample check on accuracy of administration undertaken as part of its annual audit of the Trustee's Annual Report and Financial Statements.

To help the Trustee Directors monitor whether service levels are being met, the Trustee receives reports at each Operations and Governance committee meeting (4 times a year) about administration and how internal controls have been met; based on these reports is satisfied that over the period covered by this Statement:

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

3. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges are shown as a per annum ("pa") figure and exclude administration charges, since these are not met by the members.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. Transaction costs are borne by members.

The information below has been supplied by the Scheme's DC and AVC providers. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie. we would not expect transaction costs to be negative over the long-term).

Fund options

Former CHW members – DC and AVCs

Members' assets held in the DC section are invested in the Aviva Life & Pension UK Limited (formerly Friends Life) Secure Growth Fund. The annual management charge on this fund is 2.0% pa. The transaction costs over the year to December 2023 were 0.028%.

Members' AVCs assets are held in two unitised funds managed by Aviva (**Managed and UK equities funds**). Over the year to 31 December 2023 the annual management charge on these funds was 0.5% pa. The transaction costs over the year to December 2023 were 0.107% for the Managed Fund and 0.075% for the UK Equity Fund.

Halcrow Pension Scheme (No. 2) members - AVCs

For the Scheme's other AVC providers, the level of charges for each fund that members invested in over the period covered by this Statement is set out in the following table:

Manager – Fund name	Annual charge (per annum)	Transaction costs
Aviva – US Equity	PG20617 Policy – 0.88% PY91183 Policy – 0.80%	0.005%
Aviva – Global Equity	PG20617 Policy – 0.88% PY91183 Policy – 0.80%	0.038%
Aviva – UK Equity	PG20617 Policy – 0.88% PY91183 Policy – 0.80%	0.067%
Aviva – European Equity	PG20617 Policy – 0.88%; PY91183 Policy – 0.80%	0.072%
Aviva – Pacific Equity	PG20617 Policy – 0.88% PY91183 Policy – 0.80%	0.102%
Aviva – Global Bond	PG20617 Policy – 0.88% PY91183 Policy – 0.80%	0.057%
Aviva – Property	PG20617 Policy – 0.88% PY91183 Policy – 0.80%	0.088%
Aviva – Mixed Invest	PG20617 Policy – 0.88% PY91183 Policy – 0.80%	0.057%
Aviva - Gilt	PG20617 Policy – 0.88%	0.097%
Aviva – With-Profit	PG20617 Policy – 0.88%	0.038%
Aviva – With-Profit Guaranteed	PG20617 Policy – 0.88%	0.038%
Aviva – With-Profit Standard	PY91183 Policy – 0.80%	0.062%
Aviva – Index Linked Gilt Fund	PY91183 Policy – 0.80%	0.106%
Prudential – Deposit	Not applicable*	Not applicable*
Utmost – Multi Asset	0.75%	0.22%

*Annual interest awards are paid net of fees

Illustration of charges and transaction costs

The table below sets out an illustration of the impact of charges and transaction costs on the projection of an example member's DC account in two funds, selected to demonstrate the impact of investing in the fund with the highest charges and lowest charges. Note that most members are expected to receive the Guaranteed Minimum Pension benefit, rather than the benefit based on their individual DC account. In preparing this illustration, we had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges (ie the annual charge) or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are subject to a floor of zero (so the illustration does not assume a negative cost over the long term). The Trustee will continue to work with its providers through follow-up requests for information being made by its administrators, with the aim of providing complete cost information in future annual Statements.
- The illustration is shown for two of the funds available to members:
    - the fund with highest annual member borne costs (TER plus Scheme Year transaction costs) – this is the Friend's Life Secure Growth Fund.
    - the fund with lowest annual member borne costs – this is the Friend's Life UK Equity fund.

Projected pension pot in today's money

	Friend's Life Secure Growth Fund		Friend's Life UK Equity Fund	
Years invested	Before costs	After costs	Before costs	After costs
1	£12,800	£12,600	£13,500	£13,400
3	£12,700	£11,900	£14,700	£14,400
5	£12,600	£11,400	£16,100	£15,600
10	£12,300	£10,000	£20,000	£18,800
15	£12,000	£8,800	£25,000	£22,700
20	£11,700	£7,700	£31,100	£27,400

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The long-term annual inflation assumption used is 2.5%.
- The starting pot size used is £12,900. This is the median pension pot size for the Scheme's arrangements.
- All arrangements are closed, so new contributions are assumed to be nil and there is no need to make assumptions about salaries or salary growth.
- The projection is for 20 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- The projected annual returns used are based on information provided by the relevant provider.
- The projected annual returns (before costs) used are as follows:
    - Friends Life UK Equity Fund: 4.5% pa above inflation
    - Friends Life Secure Growth Fund: 0.5% pa below inflation
- No allowance for active management outperformance has been made

4. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the scheme year.

DC and AVC fund net returns over periods to scheme year end

Fund name	1 year (%)	5 years (% pa)
Aviva (Friends Life) Secure Growth Fund*	9.1	0.8
Aviva (Friends Life) UK Equity Fund	5.3	5.6
Aviva (Friends Life) Managed Fund	6.2	4.4
Aviva US Equity Fund (PG20617)	19.2	14.7
Aviva US Equity Fund (PY91183)	19.8	15.2
Aviva Global Equity Fund (PG20617)	11.6	9.5
Aviva Global Equity Fund (PY91183)	12.1	10.0
Aviva UK Equity Fund (PG20617)	6.9	6.2
Aviva UK Equity Fund (PY91183)	7.4	6.7
Aviva European Equity Fund (PG20617)	13.3	7.8
Aviva European Equity Fund (PY91183)	13.9	8.3
Aviva Pacific Equity Fund (PG20617)	9.6	7.4
Aviva Pacific Equity Fund (PY91183)	10.2	7.9
Aviva Global Bond Fund (PG20617)	5.5	0.2
Aviva Global Bond Fund (PY91183)	6.0	0.7
Aviva Property Fund (PG20617)	-1.1	0.0
Aviva Property Fund (PY91183)	-0.6	0.5
Aviva Mixed Invest (40-85% Shares) Fund (PG20617)	7.7	5.3
Aviva Mixed Invest (40-85% Shares) Fund (PY91183)	8.2	5.8
Aviva Gilt	3.9	-3.2
Aviva With-Profit Fund*	-3.4	2.7
Aviva With-Profit Guaranteed Fund*	-2.0	2.8
Aviva With-Profit Standard Fund*	-3.5	3.1
Aviva Index Linked Gilt Fund	1.0	-5.3
Prudential Deposit Fund	4.6	1.4
Utmost Multi Asset Fund	9.5	1.8**

*The With-Profits fund returns stated are those of the underlying investments, which are the only figures that can be quoted. With Profits Funds are designed to smooth the returns members receive over their investment journey and underlying investment returns are not the only factor determining the return members receive.

**This fund was incepted in January 2020 thus performance is to inception.

5. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of ‘good value’ which means that determining this is subjective. However, having taken advice from our investment consultant and legal advisers, we interpret this as meaning that the combination of costs and quality of what is provided is appropriate for the members investing in the funds. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The date of the last review was July 2024, in concurrence with this statement. We note that value for members does not necessarily mean the lowest fee, and the types of investment and the overall quality of the service received has also been considered in this assessment.

The Trustee considered the "value for members" on the DC assets for the former CHW Scheme at the last review in July 2024. While it is recognised that the fees on the Aviva Secure Growth Fund are high, early disinvestments can be subject to a Market Value Reduction ("MVR") and members are expected to receive the Guaranteed Minimum Pension benefit, rather than the benefit based on their individual DC account. Taking all these factors into account, it is therefore considered unlikely to be beneficial for members to move these assets to another provider.

In carrying out the assessment, we also consider the other benefits members receive from the Scheme, which include:

- our oversight and governance, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the efficiency of administration.

As detailed in the earlier section covering the processing of core financial transactions, based on the information reported to us by the Jacobs UK Pensions team, we are comfortable with the quality and efficiency of the administration processes. With respect to the investment options and strategies, on the basis of the advice from LCP, we concluded these provide an appropriate range given the circumstances of the Scheme.

Communications with members are generally focused on giving them specific statements of their entitlements and to remind them periodically of their options. We currently consider the communications appropriate given the number of members invested and that no further contributions are being made. However, due to the membership being relatively close to retirement, some tailored communications for key stages could also be considered.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and the ability to change investments allows members to take action to increase their investment returns net of costs over time.

Overall, having taken advice from LCP, we believe that members of the Scheme are receiving reasonable value for money for the costs and charges that they incur across the DC and AVC policies, for the reasons set out in this section. In summary:

- Most of the DC and AVC assets are invested in the with-profits type investments, which generally benefit from capital guarantees and / or terminal bonus at contractual events (eg. retirement).
- These may be lost if members leave early, therefore this needs to be balanced against the higher charges incurred. The Trustee believes that the returns achieved by the unit-linked funds are commensurate with the objectives for each of the funds, and that the annual management charges for each of the funds is reasonable.

6. Trustee knowledge and understanding

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee Directors have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment principles, pensions and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

An induction programme is in place for new Trustee Directors when they join the Trustee Board. This requires new Trustee Directors to complete the Pensions Regulator's Trustee Toolkit online training and also become familiar with the Scheme's governing documentation. It is a requirement that the Trustee Directors are fully conversant in their role within six months of their appointment, and the Jacobs UK Pensions Team monitors progress with this requirement.

All the Trustee Directors have completed the Pension Regulator's Trustee Knowledge and Understanding Toolkit apart from one who is in the process of completing it. Trustees are familiar with the key terms of, and have access to copies of, the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments) and Statement of Investment Principles (SIP) (which sets out the Trustee's policies on investment matters).

In particular, the Trustee refers to the Trust Deed and Rules with its legal advisers as part of considering its powers and duties when providing benefits under the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, the Trustee Directors consolidate and develop their 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 through training at Trustee meetings and external training courses, and in the case of the professional independent trustee on the Trustee Board, from continuing professional development and experience from other schemes.

A training log is maintained by the Jacobs' UK Pensions team in line with best practice and the training programme is reviewed annually to ensure it is up to date.

The Trustee, with the help of its advisers, periodically considers training requirements to identify any knowledge gaps. In particular, this is done in the context of issues arising at Trustee meetings. The Trustee's investment advisers 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 changes impacting the Scheme at Trustee meetings if they were material, and otherwise updates are included in Trustee meeting packs for review by the Trustee Directors ahead of meeting, with questions being raised with advisers in meetings. During the period covered by this Statement, the Trustee Directors received updates on topical issues from the Trustee's investment advisers, via quarterly update documents.

Considering the knowledge and experience of the Trustee Directors and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (eg investment consultants, legal advisors), the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.

The Trustee has published this Statement on a public website for viewing by members. The address for this website is https://halcrow.com

Date: 29 July 2024

Signed by the Chair of the Trustee of the Halcrow Pension Scheme (no. 2)

Implementation Statement, covering the Scheme Year from 1 January 2023 to 31 December 2023

The Trustee of the Halcrow Pension Scheme (No.2) (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on and uses the same headings as the Scheme's latest SIP, which was in place during the Scheme Year, dated December 2023. This Statement should be read in conjunction with the December SIP which, at the time of writing, can be found here: https://halcrow.com/wp-content/uploads/2024/02/2023-12-HPS2-SIP-FINAL.pdf.

1. Introduction

The SIP was reviewed and updated during the Scheme year to reflect the de-risking of the investment strategy. The strategy has a lower allocation to growth assets following the full redemption of the equity and diversified growth funds. Further detail and the reasons for these changes are set out in Sections 3 and 5. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed all of the policies in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

Further information about the Scheme's DC assets is set out in the annual Chair's statement, available here: https://halcrow.com

2. Investment objectives

Progress against the long-term funding is reviewed as part of the quarterly dashboards and semi-annual performance monitoring reports provided by the Scheme's advisers. As at 31 December 2023 the Scheme was fully funded on its long-term (Gilts + 0.25%) funding objective. In addition, the Trustee remains comfortable that the level of risk and expected returns remains appropriate.

The Scheme has a DC arrangement in respect of former Crouch Hogg Waterman ("CHW") Scheme members. This section provides a benefit based on the better of the member's Guaranteed Minimum Pension (GMP) or the accumulated value of the member's DC account – most members are expected to receive the GMP benefit. Members' DC accounts are invested in a with-profits type fund.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, reviewed the strategy in September 2023 and concluded that it should de-risk the strategy. The strategic asset allocation was changed from 80% Matching /20% Growth to 90% Matching /10% Growth. This was implemented by selling the Scheme's equity and diversified growth fund holdings. In addition, over the Scheme Year, allocations to short-duration credit and asset backed securities were added to the Scheme's Matching assets. The Trustee continues to ensure the Scheme's assets are adequately and appropriately diversified between different asset classes.

The Scheme's cash flow requirements over the Scheme Year were met from regular disinvestments from the BlackRock LDI and credit portfolios, income from the M&G property fund and distributions from Baring's Private Credit fund.

The Trustee reviewed the investment arrangements for the DC assets (former CHW members) and AVCs in June 2022. These reviews involved considering the investment performance of the funds, suitability of the range of funds and charges borne by members. No changes were made to the DC and AVC arrangements.

4. Considerations in setting the investment arrangements

When reviewing the DB investment strategy, the Trustee considers the investment risks set out in Section 4.1 of this Statement. It also considered a range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee also considered the need for diversification and specific circumstances of the Scheme (eg the investment objectives, funding position, any sponsor contributions and strength of the sponsor covenant).

The Trustee set its investment beliefs in November 2021 particularly around Environmental, Social and Governance (“ESG”) issues. The Trustee last reviewed these beliefs in December 2023 as part of the last SIP update and concluded that their beliefs remained appropriate and did not make any changes.

The Trustee invests for the long term, to provide for the Scheme’s members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship[1] activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Scheme’s investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Scheme’s investment managers that may affect the managers’ ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustee monitors the performance of the Scheme’s investment managers on a quarterly basis, using a shorter monitoring report prepared by the investment adviser. The report shows the performance of each fund over the quarter, one year, three years, five years, and ten years. Performance is considered in the context of the manager’s benchmark and objectives. The Trustee also monitors its managers’ responsible investment capabilities using scores provided by its investment adviser on an annual basis.

4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register, and this is reviewed at quarterly meetings.

The Trustee’s policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme’s investment adviser or information provided to the Trustee by the Scheme’s investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, collateral adequacy risk and ESG (including climate) risks. The Trustee’s implementation of its policy for these risks during the year is summarised below.

With regard to the risk of inadequate returns, the Scheme is considered to be fully funded on its long-term funding objective. The expected return on the Scheme’s assets is expected to be sufficient to maintain the current level of funding.

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the Scheme Year the Scheme's hedging levels were broadly in line with the target levels. With regard to collateral adequacy risk, the Trustee holds 90% of its investments in the asset classes that it deems to be readily realisable and are invested with the LDI manager within a collateral waterfall that the LDI manager has delegated authority to trade. The Trustee believes there are sufficient liquid assets with BlackRock to meet any potential LDI capital calls.

Together, the investment and non-investment risks give rise generally to funding risk. During the Scheme Year, the Trustee formally reviewed the Scheme’s funding position as at 31 December 2022 as part of its annual actuarial report. The Trustee also receives a quarterly dashboard which monitors key metrics regarding funding, investment, and covenant on a quarterly basis at both IRM (Integrated Risk Management) and Trustee meetings.

[1] The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The following risks are covered later in this Statement: illiquidity/marketability risk in Section 5 and ESG risks In Section 6.

The quarterly reports reviewed during the year showed that all managers have produced performance broadly in line with expectations over the long-term.

5. Implementation of the investment arrangements

The Trustee invested into two new funds with BlackRock, ie within the Matching Portfolio during the Scheme year. The funds included BlackRock's Sterling Short Duration Credit (SSDC) Fund and Blackrock's Senior Securitised Fund. Before investing in these funds, the Trustee received information on the manager's investment process and philosophy, the investment team and past performance. The Trustee also considered the manager' approach to responsible investment and stewardship, including the Trustee's stewardship priorities (as set out in Section 8 of this Statement). The Trustee obtained formal written advice from its investment adviser, LCP, before investing in the funds, which confirmed the funds chosen were adequately and appropriately diversified. The Trustee relies on its investment adviser's research to understand managers' investment approaches, and ensure they are consistent with the Trustee's policies prior to any new appointment.

The Trustee evaluates manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives. Section 8 provides more detail on the activities carried out over the year.

The Trustee carries out periodically a "value for members" assessment for the Scheme's DC and AVC arrangements, which assesses a range of factors, including the fees payable to managers. The formal last review was carried out in June 2022, but similar points were also considered when preparing this year's DC Chair Statement. The Trustee concluded that the DC and AVC arrangements offer reasonable value particularly as for the DC benefits, almost all members are expected to receive a better benefit based on their GMP, rather than the value of their DC account.

6. Realisation of investments

For the DB arrangements, the Trustee reviews the Scheme's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The Trustee makes regular disinvestments from the BlackRock LDI and credit portfolios to the Trustee's bank account to pay benefit payments and other Scheme expenses. In addition, the Scheme receives distributions from the M&G property fund and Baring's private credit fund.

For the DC and AVC arrangements, it is the Trustee's preference to offer funds that offer daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations, non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations).

In February 2024, the Trustee carried out an annual review of the Responsible Investment aspects of the Scheme's investments. This included reviewing:

- Their advisor's views of the responsible investment practices of each of Scheme's investment mandates. This covered the manager's approach to ESG factors, voting and engagement.
- Data on the Scheme's investment relating to climate risk.
- Alignment of Trustees' stewardship priorities (climate change and human rights) with each of the Scheme's investment mandates.

8. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

https://www.lgim.com/uk/en/capabilities/investment-stewardship/#policies-and-guides

https://www.bailliegifford.com/en/uk/about-us/philanthropy/our-approach-to-sponsorship/

https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf

However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustee received training on the DWP's guidance on stewardship and setting priorities. The Trustee discussed and agreed their stewardship priorities for the Scheme in March 2023. The Trustees' agreed stewardship priorities are climate change and human rights, and the Scheme's investment managers have been informed of these priorities. The Trustee periodically invites the Scheme's investment managers to present at Trustee meetings. Over the Scheme Year, the Trustee met with BlackRock to discuss the Scheme's LDI and credit investments.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, on behalf of the Trustee, its investment consultant aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements and reports back to the Trustee when appropriate.

9. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities were within pooled funds and the Trustee delegated to its investment managers the exercise of voting rights. Therefore, the Trustee was not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

In December 2023, the Scheme's equity and diversified growth fund holding were sold to de-risk the Scheme's investment strategy. We have included information on voting for Scheme's equity investments for the part year that they were held.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- Baillie Gifford's Global Alpha Paris-Aligned Fund, UK Equity Alpha Fund and Diversified Growth Fund
- LGIM's Low Carbon Transition fund range: UK Equity Index Fund, North America Equity Index Fund, Europe ex UK Equity Index Fund, Japan Equity Index Fund, Asia Pacific ex Jap Equity Index Fund, Emerging Markets Equity Index Fund.

The Scheme has a DC arrangement managed by Aviva (formerly Friend's Life) in respect of former CHW members. We have omitted the DC arrangement from the voting behaviour section of the Statement on grounds of materiality – these assets are invested in a fund that is predominately invested in bonds and Aviva has not provided voting information.

M&G, Barings and BlackRock confirmed that they did not exercise any voting rights in the management of the Scheme's property, private credit and fixed income mandates respectively.

9.1 Description of the voting processes

For assets with voting rights, the Trustee relies on its managers' voting policies. Those policies are described in the following sections:

Baillie Gifford

All voting decisions are made by our ESG team in conjunction with the individual portfolio managers. We do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then we will engage with them on this. If a vote is particularly contentious, we may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Thoughtful voting of our clients' holdings is an integral part of our commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the long-term investment process, which is why our strong preference is to be given this responsibility by our clients. The ability to vote our clients' shares also strengthens our position when engaging with investee companies. Our ESG team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our ESG Principles and Guidelines and we endeavour to vote every one of our clients' holdings in all markets.

Whilst we are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

9.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the Scheme Year is provided in the table below.

Manager name	Baillie Gifford			LGIM – Low Carbon Transition Index Funds					
Fund name	Global Alpha Paris-Aligned Fund	UK Equity Alpha Fund	Diversified Growth Fund	UK Equity Index Fund	North America Equity Index Fund	Europe ex UK Equity Index Fund	Japan Equity Index Fund	Asia Pacific ex Jap Equity Index Fund	Emerging Markets Equity Index Fund
Total size of fund at end of reporting period	£294m	£551m	£2,253m	£519m	£71m	£67m	£29m	£38m	£331m
Value of Scheme assets at 30 November 2023 before disinvestment (£ / % of total assets)*	£14.8m (3.2%)	£4.4m (1.0%)	£5.8m (1.3%)	£9.7m (2.1%)	£7.4m (1.6%)	£7.0m (1.5%)	£4.7m (1.0%)	£2.2m (0.5%)	£2.2m (0.5%)
Number of holdings at end of reporting period	94	41	56	80	527	359	311	142	1,418
Number of meetings eligible to vote	88	52	66	97	561	488	315	166	3,062
Number of resolutions eligible to vote	1,216	845	703	1,981	7,743	8,089	3,824	1,206	24,415
% of resolutions voted	96%	98%	95%	100%	100%	100%	100%	100%	100%
Of the resolutions on which voted, % voted with management	96%	97%	97%	96%	65%	81%	89%	74%	80%
Of the resolutions on which voted, % voted against management	3%	3%	3%	4%	35%	18%	11%	26%	19%
Of the resolutions on which voted, % abstained from voting	1%	0%	0%	0%	0%	0%	0%	0%	1%
Of the meetings in which the manager voted, % with at least one vote against management	24%	42%	17%	41%	98%	81%	68%	74%	57%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A (Baillie Gifford does not rely on proxy adviser recommendations)			3%	29%	11%	9%	16%	8%

Vote: Voting numbers may not add to 100% due to rounding.

** All of the above funds were sold during December 2023.*

9.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. By informing its managers of its stewardship priorities and through its interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted "significant votes" to mean those that align with the Trustee's stewardship priorities. The Trustee has reported on one significant vote for Baillie Gifford and two significant votes for LGIM. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

Ballie Gifford – Global Alpha Paris Aligned Fund

- **Amazon, 24 May 2023.**
- **Relevant stewardship priority: Climate Change**
- **Vote cast:** For resolution
- **Outcome of the vote**: Not passed
- **Management recommendation:** Against resolution
- **Summary of resolution:** Shareholder resolution requesting a report on how the company use plastic.
- **Rationale for the voting decision:** supported a shareholder resolution requesting a report on plastic use. Plastic pollution poses financial, operational and reputational risks to the company. While Baillie Gifford continue to believe that Amazon are making progress, Baillie Gifford think more could be done particularly with regards to how they influence their manufacturers in reducing their usage. Baillie Gifford also believe the company lags peers who disclose total plastic use and reduction targets. Better addressing this issue will help position the company for long term future growth.
- **Approximate size of the Scheme's/ mandate's holding at the date of the vote:** 4% of fund
- **The reason the Trustee considered this vote to be "most significant":** relates to a Trustee's stewardship priority (as agreed in March 2023)
- **Outcome and next steps**: The vote in line with management vote and so the report will not be produced.

LGIM – Low Carbon Transition UK Equity Index Fund

- **Shell plc, 23 May 2023**
- **Relevant stewardship priority: Climate Change**
- **Vote cast:** Against resolution
- **Outcome of the vote**: Passed
- **Management recommendation:** For resolution
- **Summary of resolution:** Approve the Shell Energy Transition Progress
- **Rationale for the voting decision:** LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remained concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.

- **Approximate size of the Scheme's/ mandate's holding at the date of the vote:** 5% of fund

- **The reason the Trustee considered this vote to be "most significant":** relates to a Trustee's stewardship priority (as agreed in March 2023)

- **Outcome and next steps**: LGIM continues to undertake extensive engagement with Shell on its climate transition plans.

LGIM – Low Carbon Transition North America Equity Index Fund

- **JP Morgan Chase, 16 May 2023**

- **Relevant stewardship priority: Climate Change**

- **Vote cast:** For resolution

- **Outcome of the vote**: Not passed

- **Management recommendation:** Against resolution

- **Summary of resolution:** Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets.

- **Rationale for the voting decision:** LGIM support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.

- **Approximate size of the Scheme's/ mandate's holding at the date of the vote:** 1% of fund

- **The reason the Trustee considered this vote to be "most significant":** relates to a Trustee's stewardship priority (as agreed in March 2023)

- **Outcome and next steps**: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

9.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who do not hold listed equities. Whilst M&G, Barings and BlackRock do not have any voting rights in respect of the Scheme's assets, the managers provided details on their engagement activities which we have included below.

M&G

SPIF is a real estate fund, thus we own buildings rather than investments within companies. As such, we engage in a different way to shareholders/bondholders (i.e. we do not attend AGMs/Company meetings/have voting rights). We do however frequently engage with the Fund's underlying tenants at asset level on a regular basis, typically with the Head of Property/CFO/Head of Sustainability.

For example, SPIF engages with tenants, typically quarterly, on ESG initiatives such as net zero targets and energy efficiency of the underlying assets. One example is on our WPP Southbank office asset, where we engineered the build phase to minimize embedded carbon in conjunction with WPP. SPIF has agreed to fund the additional costs to achieve a BREEAM New Construction 'Outstanding' rating.

Below are examples to how M&G engage with their tenants:

- regular quarterly / monthly meetings with tenants and record any feedback and keep track of the tenants projects to upgrade the buildings
- benefits from the fact M&G only have 23 tenants in the fund and therefore have deep landlord / tenant relationships – typically over the very long term given our long hold periods

- receive very high levels of ESG data as can be evidenced by GRESB score of 1st and c. 90% energy data collection of the portfolio (based on floor area)
- receive trading data on a quarterly basis for majority of assets in the fund, which helps us understand the performance of the assets, identify any areas of concern and ways to mitigate these
- work with tenants to suggest improvements to assets to make assets more energy efficient – previously funded BREEAM In Use assessments with accompanying 'Optimisation Reports' tailored to specific assets and shred the outputs with tenants
- received results of net zero carbon analysis via Evora Global to see the cost of getting to net zero and once their team has finalised with our dedicated ESG team, will determine the landlord / tenant split to fund the cost on the buildings and will report to investors in due course
- engage with tenants to ensure have up to date EPCs and are working to upgrade the ratings to A / B to ensure the fund meets future MEES regulations.

BlackRock

BlackRock's engagement is guided by the BlackRock Investment Stewardship (BIS) team's policies – which are comprised of the Global Principles, regional voting guidelines, and engagement priorities. BIS holds year round dialogue with companies and takes a constructive, long-term approach to our engagement with companies, focusing on the drivers of risk and financial value creation in their business models. Engagement is core to its stewardship efforts as it provides BlackRock with the opportunity to improve its understanding of a company's business model and the risks and opportunities that are material to how they create financial value, including business relevant sustainability-related risks and opportunities. Engagement may also inform its voting decisions for those clients who have given it authority to vote on their behalf.

Engagement consists of constructive, on-going discussions with company boards and management. These conversations extend beyond proxy season and form the bedrock of open communication, better understanding, and clarity that are essential to making informed decisions on its clients' behalf.

BIS counts only direct interaction as an engagement. It also write letters to raise companies' awareness of changes in policy or thematic issues on which it is focused, but this outreach is considered distinct from engagement as it is difficult to monitor the effectiveness of letter writing without direct interaction.

When authorized to do so by its clients, BlackRock votes to formally communicate its support for or concerns about how companies are serving the financial interests of its clients as long-term investors. The vast majority of matters that BlackRock vote on are routine and BlackRock generally support management. When BlackRock determine it is in its clients' financial interests to signal concern to companies through voting, BlackRock do so in two forms:

1. It might not support the election of directors or other management proposals; or

2. It might support a shareholder proposal. Not supporting the election of directors is the voting signal of concern BIS most frequently employs since it is a globally available mechanism.

Barings

Barings acts as stewards of our clients' capital through four main mechanisms:

1. Our robust investment process, where ESG information is integrated into our analysis;

2. Our engagement with companies, issuers, policymakers and industry bodies in support of sustainable practices, improved transparency and a durable financial system;

3. Our influence and control over certain assets in which we invest; and

4. Our voting activities, where this is possible.

Barings aims to magnify our stewardship efforts by ensuring that our voting and engagement activities both support sustainable practices.