

GKN GROUP PENSION SCHEME (NO.1)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2025**

Registrar of Occupational and Personal Pension Schemes Registration Number: 12016132

GKN GROUP PENSION SCHEME (NO.1)
YEAR ENDED 5 APRIL 2025

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GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

TRUSTEE AND ADVISERS

Principal Employer

GKN Aerospace Services Limited
2nd Floor, One Central Boulevard Blythe Valley Park
Shirley
Solihull
B90 8BG

Trustee Company

GKN 1 Trustee 2018 Limited

Trustee Directors

Andrew McKinnon (Chairman)
Michael Payne
Andrew Fisher
Kenneth Boyle (Member Nominated)
Timothy Hodges (Member Nominated)

Scheme Actuary

John Hemsley FIA
Mercer Limited

Management and Secretary to the Trustee

Mercer Limited

Scheme Administrators

Mercer Limited - Service outsourced to Aptia UK Limited (until 1 September 2025)
Gallagher UK (from 1 September 2025)

Independent Auditors

PricewaterhouseCoopers LLP

Investment Performance Monitoring

State Street Global Advisors

Investment Consultants

Defined Benefit Section

Aon plc

Defined Contribution Section

Mercer Limited

Investment Managers

Defined Benefit Section

Cardano Risk Management Limited
M&G Investment Management Limited
M&G Property Investment Management Limited

Defined Contribution Section

Legal & General Investment Management Limited

Bulk Annuity Provider

The Prudential Assurance Company Limited

AVC Providers

The Prudential Assurance Company Limited
Legal & General Investment Management

Valuation of Trustee Rights in GKN Investments LP

Ernst & Young LLP

Covenant Assessment Advisors

Mercer Limited

Bankers

The Royal Bank of Scotland plc

Legal Advisers

Pinsent Masons LLP

Address for enquiries

The Trustee of GKN Group Pension Scheme (No.1)
Gallagher UK
5th Floor, Temple Circus House, Temple Way, Redcliffe.
Bristol BS1 6HG
gkn@aig.com

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

TRUSTEE'S REPORT

The Trustee of GKN Group Pension Scheme (No.1) (the Scheme) is pleased to present the Trustee's Report and audited financial statements for the year ended 5 April 2025. The financial statements have been prepared and audited in accordance with the Regulations made under sections 41(1) and (6) of the Pensions Act 1995.

The report sets out how the Scheme is run, how the assets are invested, and the financial activity of the Scheme in the year ended 5 April 2025.

The Scheme is a hybrid occupational pension scheme consisting of a Defined Benefit (DB) Section, which is closed to future accrual and provides benefits based on a member's salary, and a Defined Contribution (DC) Section, which provides benefits based on a member's accumulated fund. The Scheme was established solely for the benefit of its members and other beneficiaries. The assets of the Scheme are held by the Trustee and they are entirely separate from the Principal Employer.

An Interim Trust Deed dated 1 February 2019 constituted the Scheme (the "Rules") (copy is available on request). The Rules set out, in a comprehensive way, the governing provisions of the Scheme. A full Deed has been drafted but is not yet ready for review.

As part of the restructuring of GKN Group Pension Scheme 2012 part of the assets and liabilities of that scheme were transferred to GKN Group Pension Scheme (No.1) Scheme on 30 June 2019. There were no changes to the pension benefits of members transferring to GKN Group Pension Scheme (No.1) Scheme as part of the restructuring.

Changes to the Scheme

There were no changes to the benefit or contribution structure of the Scheme during the year.

Appointment and Removal of Trustee/Management of the Scheme

The Trustee is GKN 1 Trustee 2018 Limited. The power of appointment and removal of the directors is exercised through the Trustee Company's Memorandum and Articles of Association by the board of directors of the Principal Employer, GKN Aerospace Services Limited.

Legislation requires trustees to ensure that their schemes have at least one third member nominated trustees, or in the case of a corporate trustee such as GKN 1 Trustee 2018 Limited, one third member nominated directors.

The Trustee's business is managed by a Board of five Trustee Directors, including two Member Nominated Directors. The Trustee Directors who served during the Scheme year are listed on page 1.

Geopolitical matters

During 2024/25, geopolitical and economic issues have had an impact on domestic and global economies, with the disruptions and volatility in the financial markets. The Trustee, in conjunction with its advisors, monitors the situation closely and determine any actions that are considered to be necessary. This includes monitoring the Scheme's investment assets, the operational impact on the Scheme and the covenant of the Employer. The extent of the investment assets, including financial performance, will depend on future developments in financial markets and the overall economy.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

TRUSTEE'S REPORT (CONTINUED)

Financial development of the Scheme

The Fund Account on page 15 shows that the net withdrawals arising from dealings with members for the year ended 5 April 2025 were £15.246m (2024: £15.827m). The net return on the Scheme's investments for the year was a loss of £17.176m (2024: a gain of £9.458m). The total net movement in the Scheme's assets for the year was a decrease of £32.422m (2024: £6.369m) giving net assets of the Scheme at the year-end of £863.354m (2024: £895.776m).

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 15 to 34.

Actuarial Review

The financial statements set out on pages 15 to 34 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Scheme, these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable.

The most recent valuation was carried out as at 5 April 2022. A valuation as at 5 April 2025 is currently underway.

The formal actuarial certificate required by statute to be included in this Annual Report from the Scheme Actuary appears on page 42. In addition, as required by FRS 102, the Trustee has included the Report on Actuarial Liabilities on pages 35 and 36, which forms part of the Trustee's Report.

Contributions – Defined Benefit Section

A Schedule of Contributions signed on 4 July 2023, states that the defined benefit Section of the Scheme had a technical provisions surplus as at 5 April 2022 and hence no deficit reduction contributions will be paid by the Company unless otherwise agreed. Also, the Defined Benefit Section of the Scheme is closed to future accrual and therefore no further member or Company contributions are payable for future service in relation to the Defined Benefit Section.

Contributions - Defined Contribution Section

Contributions in respect of members are received on a monthly basis and invested in AAA investments. Members pay a minimum of 3.00% of pensionable salary and the Employer pays a minimum of 4.5%, giving a minimum joint rate of 7.5%.

Following the completion of the 5 April 2022 actuarial valuation, a Schedule of Contributions was signed on 4 July 2023 and it was decided that Members must pay at least 3% of their DC Pensionable Earnings and can choose to pay up to 100% of DC Pensionable Earnings. Any contributions above 8% of DC Pensionable Earnings were classed as additional voluntary contributions. Contributions are to be paid monthly.

Administration

On 1 January 2024, the Mercer Limited UK pension administration business was acquired by Aptia UK Limited. As a result of the acquisition, Mercer Limited has outsourced the pension administration service for the Scheme to Aptia UK Limited, effective from 1 January 2024 until 30 September 2025 and so the Trustee have taken the decision to move the administration of the Scheme to Gallagher UK effective from 1 September 2025. Enquiries about the Scheme generally or about an individual's entitlement to benefits should be addressed to the administrator at the address shown on page 1.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership of the Scheme as at 5 April 2025 are given below:

| | DB SECTION | DC SECTION |
|--|--------------|--------------|
| ACTIVE MEMBERS | | |
| Opening balance | 1,077 | 3,334 |
| Adjustments | (58) | (193) |
| New joiners | - | 425 |
| Leavers with deferred benefits | (23) | (269) |
| Retirements | (29) | - |
| Surrender | (1) | - |
| ACTIVE MEMBERS AT THE END OF THE YEAR | 966 | 3,297 |
| MEMBERS WITH DEFERRED BENEFITS | | |
| Opening balance | 1,618 | 2,124 |
| Adjustments | 32 | 208 |
| Leavers during the year with deferred benefits | 23 | 269 |
| Deaths | (4) | (2) |
| Retirements | (74) | (24) |
| Transfers out | (2) | (87) |
| Surrender | (1) | (97) |
| MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR | 1,592 | 2,391 |
| PENSIONERS | | |
| Opening balance | 3,082 | - |
| Adjustments | 24 | - |
| Pensions commencing | 103 | - |
| Full commutation | (11) | - |
| Deaths | (77) | - |
| New beneficiaries | 33 | - |
| PENSIONERS AT THE END OF THE YEAR | 3,154 | - |
| TOTAL MEMBERSHIP | 5,712 | 5,688 |

Included within DB active members are 2 members accepted into the Scheme on inception in order to link the Principal Employer to the Scheme and accrue nominal benefits.

The DB Section is closed to future accrual. The active members in the table above reflect the population of active members as at the date future accrual ceased. These members are now active deferred.

Adjustments are members whose status has been changed where the change relates to a previous year.

Pensioners include 365 (2024: 359) dependent beneficiaries as at 5 April 2025.

Included within pensioners are 101 (2024: 152) pensioners whose pensions are paid from annuities held in the name of the Scheme.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

TRUSTEE'S REPORT (CONTINUED)

Transfer Values

All transfer values are calculated in accordance with the requirements of The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 using assumptions determined by the Trustee on advice provided by the Scheme Actuary.

No discretionary benefits or increases in benefits are included in the calculation of transfer values.

Pension Increases

Under the Scheme Rules the guaranteed annual increase to pensions in payment is the increase in the Retail Prices Index over the previous calendar year subject to a maximum increase of 2.5% a year (except for service accrued prior to April 2010 where it is capped at 5.0% each year). For ordinary GKN members whose pensionable service commenced prior to 6 April 1994 there is also a guaranteed minimum increase of 2.5% a year for service earned prior to 31 March 2004 (provided there has been some increase, however small, in the Retail Prices Index over the previous calendar year). Increases to pensions in payment are effective from the first pension instalment payable on or after 6 April (1 April for Westland and ACT section members).

The automatic increases for 2025 and 2024 were:

| | Inflation reference year to | 2025 | | 2024 | |
|---------------------|-----------------------------|------------------|-------------------|------------------|-------------------|
| | | Service pre 2010 | Service post 2010 | Service pre 2010 | Service post 2010 |
| GKN Pensioners | 31-Dec | 3.5% | 2.5% | 5.0% | 2.5% |
| Filton Pensioners | 31-Dec | 3.5% | 2.5% | 5.0% | 2.5% |
| Westland Pensioners | 31-Dec | 3.5% | 2.5% | 5.0% | 2.5% |
| ACT Pensioners | 31-Dec | 3.5% | 2.5% | 5.0% | 2.5% |
| 100+ Pensioners | 31-Dec | 3.5% | 2.5% | 5.0% | 2.5% |

No discretionary increases to pensions in payment were awarded in 2025 (2024: None).

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to Guaranteed Minimum Pension (GMP) benefits. GPM equalisation was implemented via the conversion method in January 2022 for the majority of pensioner members in respect of the Scheme. This included amending Scheme benefits and paying backdated amounts and related interest where it was assessed that members had previously been underpaid. The implementation of GMP conversion for all members has now been completed.

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

The liability for any such additional payments will be assessed by the Trustee during 2026. Any additional liability is not expected to be material although this Scheme will also be responsible for meeting any such liabilities resulting from the previous 2012 Scheme.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

TRUSTEE'S REPORT (CONTINUED)

Investment Management

The Trustee receives advice from the investment adviser, Aon plc, but has ultimate responsibility for the management of the Scheme and its assets. The Trustee has agreed the overall investment objective, permissible assets/investment strategies/derivatives and guidelines for the assets. The Trustee delegates responsibility to the investment managers, as shown on page 1, for the assets under their management subject to the terms of their agreement.

In accordance with Section 35 of Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy. A copy of the Statement is available from the Secretary to the Trustee or here <https://gknpensions.co.uk/>.

The investment managers' remuneration is related to the value of the portfolio from time to time.

The Trustee considers the Scheme to be an ongoing scheme and therefore has a long term time horizon for its portfolio, based on the expected term until benefits cease to be required to be paid from the Scheme. As such, the Trustee acknowledges the importance of being a responsible investor. The Trustee considers responsible investment to be the integration of environmental, social and governance factors in investment decisions in respect of the portfolio where financial risk and/or return is or could be materially affected ("Responsible Investment").

The Trustee has responsibility to take account of environmental, social and governance factors (ESG) in investment decision making. In this regard, the Trustee has delegated the application of its Socially Responsible Investment policy to Aon plc and its investment managers. The Trustee has elected to invest the Scheme's assets through pooled funds. This has the practical result that the Trustee cannot itself directly influence the ESG policies and practices of the companies in which the pooled funds invest. Where the Scheme assets are held in pooled arrangements, the Trustee expects its investment managers to take into account ESG (including but not limited to climate change), consistent with its approach to Responsible Investment. Aon plc are responsible for monitoring how external investment managers take ESG factors into account within their investment processes.

The Trustee expects its investment managers to take ESG factors into account in the selection, retention and realisation of investments, where financially material to the strategy being invested in, as follows:

- Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.
- Retention of investments: Develop and maintain a robust monitoring process in order to monitor ESG factors on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- Realisation of investments: ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take ESG factors into account as part of its investment process to determine a strategic asset allocation, where financially material, and consider them as part of ongoing reviews of the Scheme's investments. The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:-

- The Trustee will obtain regular training on ESG in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of the ongoing monitoring of the Scheme's investment managers, the Trustee will use any ESG ratings information available within the pensions industry or provided by Aon plc, to assess how the Scheme's investment managers take account of ESG issues; and
- If requested by the Trustee, Aon plc are expected to provide information about the ESG policies or any other relevant material relating to the Scheme's investment managers in order to demonstrate how they have derived their ESG ratings.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

TRUSTEE'S REPORT (CONTINUED)

Investment Management (continued)

The Scheme's assets are largely held in pooled arrangements therefore, it is not possible to reflect individual member views. However, the Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long term portfolio returns, which is consistent with its duties to act in the best interests of the beneficiaries of the Scheme.

The Trustee will review its policy on whether or not to take account of non-financial matters on a regular basis.

The Trustee's Implementation Statements, which set out further voting and engagement information undertaken by the Scheme's investment managers for the year ending 5 April 2025, are included on pages 45 to 69 and form part of the Trustee's Report.

The Trustee has produced a Task Force on Climate-related Financial Disclosures ("TCFD") report which can be viewed here: <https://gknepensions.co.uk/>.

The Trustee does not allow the Scheme to have any direct shareholdings in Melrose PLC, the owner of the Principal Employer, or associated companies. However, it is estimated that less than 1% of the Scheme's total assets will have been indirectly invested in shares of Melrose PLC as at 5 April 2025 through the Scheme's pooled fund arrangements.

The securities underlying the units held in the pooled investment vehicles are held and recorded by the custodian and are held in designated nominee accounts.

Investment Performance

Defined Benefit Section: for the year to 5 April 2025, the overall return for the assets of the Scheme was -3.6% (inception date to 5 April 2025: -1.6%) compared with a return of -3.5% (inception date to 5 April 2025: -3.8%) from the benchmark portfolio.

Defined Contribution Section: the investment returns for individual funds for the year to 31 March 2025 are shown below against the benchmark. Overall DC Section returns have not been shown as these are not relevant to the return on individual members' funds.

| >Returns to 31 March 2025 | 1 Year | | 3 Year | | 5 Year | |
|---|--------|---------|--------|---------|--------|---------|
| Investment Sector Fund | Fund % | Index % | Fund % | Index % | Fund % | Index % |
| GKN Growth Fund | 5.74 | 6.26 | 8.59 | 8.87 | 15.08 | 15.39 |
| GKN Diversified Fund | 4.14 | 4.50 | 2.43 | 5.48 | 5.78 | 6.86 |
| GKN Cash Fund | 5.09 | 5.03 | 4.10 | 4.09 | 2.46 | 2.47 |
| L&G PMC World (ex-UK) Equity Index Fund 3 | 3.37 | 3.87 | 7.36 | 7.59 | 14.88 | 15.12 |
| L&G PMC World Emerging Market Equity Index Fund 3 | 8.14 | 9.92 | 2.82 | 3.57 | 8.03 | 8.61 |
| L&G PMC Future World Fund 3 | 1.72 | 2.09 | 4.91 | 5.24 | 12.37 | 12.76 |
| L&G PMC HSBC Islamic Global Equity Index Fund 3 | 3.57 | 3.69 | 8.81 | 8.98 | 16.20 | 16.58 |
| L&G PMC UK Equity Index Fund 3 | 9.92 | 10.06 | 6.61 | 6.88 | 11.98 | 12.20 |
| L&G PMC All Stocks Gilts Index Fund 3 | -0.79 | -0.72 | -6.11 | -6.04 | -5.92 | -5.85 |
| L&G PMC Property Fund 3 | 4.74 | 3.06 | -2.94 | -3.26 | 2.43 | 0.11 |
| L&G PMC High Income Fund 3 | 7.51 | 7.41 | 3.29 | 4.05 | 6.30 | 5.80 |
| L&G PMC Threadneedle Dynamic Real Return Fund 3 | 2.38 | 6.48 | 2.39 | 10.20 | 5.85 | 8.44 |
| L&G PMC AAA-AA-A Corporate Bond All Stocks Index Fund 3 | 2.34 | 2.46 | -1.23 | -1.09 | -0.76 | -0.87 |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

TRUSTEE'S REPORT (CONTINUED)

Internal Dispute Resolution (IDR) Procedure

The Trustee has adopted a dispute resolution procedure, a copy of which can be requested from the Scheme administrator.

Any member with a complaint against the Scheme or a query about their pension entitlement which they consider has not been satisfactorily addressed can use the "Internal Disputes Resolution Procedure" or, alternatively, they can obtain free advice through The Pensions Ombudsman who can be reached at 10 South Colonnade, Canary Wharf, London, E14 4PU.

Further Information

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 copies of the trust documents (Deed and Rules) and of the Actuary's report.

Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

The Trustee of GKN Group Pension Scheme (No.1)
Gallagher UK
5th Floor, Temple Circus House, Temple Way, Redcliffe. Bristol BS1 6HG
gkn@aig.com

This Report on pages 2 to 8, including the Statement of Trustee's Responsibilities on page 9, the Report on Actuarial Liabilities on pages 35 and 36 and the Implementation Statements on pages 45 to 69 was approved by the Trustee on

05 November 2025

Andrew McKinnon

Director

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The trustee's responsibilities in respect of the financial statements

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

- show a true and fair view of the financial transactions of the 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 making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

The trustee's responsibilities in respect of contributions

The trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the scheme by or on behalf of employers and the active members of the scheme and the dates on or before which such contributions are to be paid.

The trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the scheme in accordance with the schedule of contributions.

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

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

SUMMARY OF CONTRIBUTIONS

Trustee's Summary of Contributions payable under the Schedule of Contributions in respect of the Scheme year ended 5 April 2025

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the contributions payable to the Scheme as summarised under the Schedule of Contributions certified by the Scheme Actuary on 4 July 2023.

| | £000 |
|--|---------------|
| Contributions payable under the Schedule of Contributions | |
| Employer: Normal contributions | 24,346 |
| Employee: Normal contributions | 205 |
| Total contributions payable under the Schedule as reported by the Scheme Auditor | 24,551 |
| Contributions payable in addition to those payable under the Schedule (and not reported on by the Scheme auditor) | |
| Employer: Contributions in respect of expenses | 2,578 |
| Employer: AVC contributions | 2,942 |
| Employee: AVC contributions | 426 |
| Total contributions payable as reported in the financial statements | 30,497 |

Approved by the Trustee and signed on its behalf on 05 November 2025.

Andrew McKinnon

Director

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF GKN GROUP PENSION SCHEME (NO.1)

Statement about contributions

Opinion

In our opinion, the contributions payable under the schedule of contributions for the scheme year ended 5 April 2025 as reported in GKN Group Pension Scheme (No.1)'s summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the scheme actuary on 4 July 2023.

We have examined GKN Group Pension Scheme (No.1)'s summary of contributions for the scheme year ended 5 April 2025 which is set out on the previous page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the trustee in respect of contributions

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

Auditors' responsibilities in respect of the statement about contributions

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

Use of this report

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5/11 2025

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF GKN GROUP PENSION SCHEME (NO.1)

Report on the audit of the financial statements

Opinion

In our opinion, GKN Group Pension Scheme (No.1)'s financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 5 April 2025, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included within the Report and financial statements, which comprise: the Statement of Net Assets (available for benefits) as at 5 April 2025; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the trustee for the financial statements

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

In the preparation of the financial statements, the trustee is responsible for assessing the 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 wind up the scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

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

Use of this report

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5/11 2025

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

FUND ACCOUNT FOR THE YEAR ENDED 5 APRIL 2025

| | Note | DB Section Year ended 5 Apr 2025 £000 | DC Section Year ended 5 Apr 2025 £000 | Total Year ended 5 Apr 2025 £000 | DB Section Year ended 5 Apr 2024 £000 | DC Section Year ended 5 Apr 2024 £000 | Total Year ended 5 Apr 2024 £000 |
|---|------|--|--|---|--|--|---|
| CONTRIBUTIONS AND BENEFITS | | | | | | | |
| Employer contributions | | 2,578 | 27,288 | 29,866 | 2,546 | 26,504 | 29,050 |
| Employee contributions | | - | 631 | 631 | - | 439 | 439 |
| Total contributions | 4 | 2,578 | 27,919 | 30,497 | 2,546 | 26,943 | 29,489 |
| Transfers in | 5 | - | 788 | 788 | - | 540 | 540 |
| Other income | 6 | 1,573 | - | 1,573 | 3,675 | - | 3,675 |
| | | 4,151 | 28,707 | 32,858 | 6,221 | 27,483 | 33,704 |
| Benefits paid or payable | 7 | (39,518) | (1,374) | (40,892) | (40,656) | (483) | (41,139) |
| Payments to and on account of leavers | 8 | (1,516) | (3,193) | (4,709) | (1,817) | (4,025) | (5,842) |
| Other payments | 9 | (1,354) | - | (1,354) | (1,089) | - | (1,089) |
| Administrative expenses | 10 | (1,149) | - | (1,149) | (1,461) | - | (1,461) |
| | | (43,537) | (4,567) | (48,104) | (45,023) | (4,508) | (49,531) |
| NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS | | | | | | | |
| MEMBERS | | (39,386) | 24,140 | (15,246) | (38,802) | 22,975 | (15,827) |
| INVESTMENT RETURNS | | | | | | | |
| Investment income | 11 | 15,243 | 1 | 15,244 | 15,675 | 3 | 15,678 |
| Change in market value of investments | 13.1 | (40,276) | 8,178 | (32,098) | (35,013) | 28,989 | (6,024) |
| Investment management expenses | 12 | (129) | (193) | (322) | (43) | (153) | (196) |
| NET RETURNS ON INVESTMENTS | | (25,162) | 7,986 | (17,176) | (19,381) | 28,839 | 9,458 |
| NET (DECREASE)/INCREASE IN THE FUND | | (64,548) | 32,126 | (32,422) | (58,183) | 51,814 | (6,369) |
| OPENING NET ASSETS OF THE SCHEME | | 677,283 | 218,493 | 895,776 | 730,814 | 171,331 | 902,145 |
| TRANSFERS BETWEEN SECTIONS | 18 | 4,482 | (4,482) | - | 4,652 | (4,652) | - |
| CLOSING NET ASSETS OF THE SCHEME | | 617,217 | 246,137 | 863,354 | 677,283 | 218,493 | 895,776 |

The notes on pages 17 to 34 form an integral part of these financial statements.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 5 APRIL 2025

| | Note | 2025 £000 | 2024 £000 |
|--|------|----------------|--------------|
| DEFINED BENEFIT SECTION | | | |
| INVESTMENT ASSETS | | | |
| Pooled investment vehicles | 13.3 | 557,617 | 605,422 |
| Partnership interest | 13.5 | 51,800 | 56,800 |
| Insurance policies | 13.6 | 500 | 600 |
| AVC investments | 13.7 | 90 | 92 |
| Cash | 13.1 | - | 5,646 |
| Other investment balances | 13.8 | 3,502 | 3,502 |
| TOTAL DB SECTION INVESTMENTS | | 613,509 | 672,062 |
| CURRENT ASSETS | 14 | 5,034 | 6,103 |
| CURRENT LIABILITIES | 15 | (1,326) | (882) |
| NET ASSETS OF THE DB SECTION | | 617,217 | 677,283 |
| DEFINED CONTRIBUTION SECTION | | | |
| INVESTMENT ASSETS | | | |
| Pooled investment vehicles | 13.3 | 245,982 | 218,393 |
| Other investment balances | 13.8 | 87 | 99 |
| TOTAL DC SECTION INVESTMENTS | | 246,069 | 218,492 |
| CURRENT ASSETS | 16 | 68 | 96 |
| CURRENT LIABILITIES | 17 | - | (95) |
| NET ASSETS OF THE DC SECTION | | 246,137 | 218,493 |
| TOTAL NET ASSETS AVAILABLE FOR BENEFITS | | 863,354 | 895,776 |

The notes on pages 17 to 34 form an integral 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 for the Defined Benefit Section, is dealt with in the Report on Actuarial Liabilities on pages 35 and 36 of the annual report, and these financial statements should be read in conjunction with this Report.

The financial statements on pages 15 to 34 were approved by the Trustee on 05 November 2025 and were signed on its behalf by:

Andrew McKinnon
Director

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS

1 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English Law. The address of the Scheme's principal office is P O Box 55, Redditch B98 0TL. The address for enquiries to the Scheme is The Trustee of GKN Group Pension Scheme (No.1), Gallagher UK, 5th Floor, Temple Circus House, Temple Way, Redcliffe, Bristol BS1 6HG

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

The Scheme is a registered pension scheme in accordance with Section 153 of the Finance Act 2004 under HM Revenue & Customs Reference: 20001020RT.

2 BASIS OF PREPARATION

The individual financial statements of GKN Group Pension Scheme (No.1) have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. The result of the Trustee's assessment being that the overall funding position of the Scheme and the Employer's ability to continue to meet its ongoing contributions is such that the Trustee has confidence to prepare the financial statements on a going concern basis.

3 ACCOUNTING POLICIES

The following principal accounting policies have been adopted and applied consistently in the preparation of the financial statements.

3.1 Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

3.2 Accruals concept

The financial statements have been prepared on an accruals basis.

3.3 Contributions

Employer contributions in respect of expenses are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions under which they are paid.

Member normal contributions, including Additional Voluntary Contributions, are accounted for when they are deducted from pay. Employer normal and salary sacrifice contributions are accounted for on the same basis. All contributions payable under salary sacrifice arrangements are classified as employer contributions.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 ACCOUNTING POLICIES (CONTINUED)

3.4 Payments to members

Pensions in payment, including pensions funded by annuity contracts and amounts paid under income draw-down arrangements, are accounted for in the year to which they relate.

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

Transfer values have been included in the financial statements when received and paid. They do not take account of members who have notified the Scheme of their intention to transfer.

3.5 Investment income

Investment income is recognised as follows:

- Income from cash deposits is accrued on a daily basis.
- Income arising from annuity contracts is included in investment income on an accruals basis.
- Investment income is reported net of attributable tax credits, but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- Income from pooled investment vehicles is either distributed and received as investment income or is retained within the funds and reflected in the market value of the units.
- Partnership interest income is in respect of receipts generated by the underlying assets and is accounted for on the accruals basis.

3.6 Valuation of investments

Investments are included in the financial statements at fair value.

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager.

Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined by using the most recent Scheme Funding valuation assumptions and methodology. Annuity valuations are provided by the Scheme Actuary.

Partnership interest is valued at a fair value based on expected future cash flows arising from the vehicle discounted using market interest rates. Collateral received as security is not recognised in the financial statements.

AVCs are valued at market value as advised by the relevant provider.

Realised and unrealised gains and losses on investments are dealt with in the fund account for the year in which they arise.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 ACCOUNTING POLICIES (CONTINUED)

3.7 Critical judgements in applying the accounting policies

Control of GKN Investments LP

Assessing whether the Scheme controls GKN Investments LP requires judgement. The Trustee has taken advice that the investment in the limited partnership is structured in such a way that the Trustee does not have control of GKN Investments LP. The agreement does not permit the Trustee to set the annual budget and financial plan, appoint and remove senior executives or set operating procedures and responsibilities. As such, the partnership interest has been included in these financial statements as a financial asset and has not been consolidated. The Scheme is not the only scheme with interest in the vehicle.

3.8 Key accounting estimates and assumptions

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, 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 Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within (3.6) above and within note 13.

4 TOTAL CONTRIBUTIONS

| | DB Section £000 | DC Section £000 | Total Year ended 5 Apr 2025 £000 |
|--------------------------------------|--------------------|--------------------|---|
| Employer Contributions | | | |
| Normal contributions | - | 24,346 | 24,346 |
| AVC contributions | - | 2,942 | 2,942 |
| Contributions in respect of expenses | 2,578 | - | 2,578 |
| Employee Contributions | | | |
| Normal contributions | - | 205 | 205 |
| AVC contributions | - | 426 | 426 |
| | <hr/> 2,578 | <hr/> 27,919 | <hr/> 30,497 |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 TOTAL CONTRIBUTIONS (CONTINUED)

| | DB Section £000 | DC Section £000 | Total Year ended 5 Apr 2024 £000 |
|--------------------------------------|--------------------|--------------------|---|
| Employer Contributions | | | |
| Normal contributions | - | 23,882 | 23,882 |
| Additional voluntary contributions | - | 2,622 | 2,622 |
| Contributions in respect of expenses | 2,546 | - | 2,546 |
| Employee Contributions | | | |
| Normal contributions | - | 158 | 158 |
| Additional voluntary contributions | - | 281 | 281 |
| | <hr/> 2,546 | <hr/> 26,943 | <hr/> 29,489 |

A Schedule of Contributions signed on 4 July 2023, states that the defined benefit Section of the Scheme had a technical provisions surplus as at 5 April 2022 and hence no deficit reduction contributions will be paid by the Company unless otherwise agreed. Also, the Defined Benefit Section of the Scheme is closed to future accrual and therefore no further member or Company contributions are payable for future service in relation to the Defined Benefit Section.

Contributions in respect of expenses include amounts received from participating companies to cover life assurance costs incurred for periods of service after 1 July 2017.

Defined contribution normal employer contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the Employer.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 TRANSFERS IN

| | DB Section | DC Section | Total Year ended 5 Apr 2025 £000 |
|---|------------|------------|---|
| | £000 | £000 | £000 |
| Individual transfer in from other schemes | - | 788 | 788 |
| | - | 788 | 788 |
| | | | |

| | DB Section | DC Section | Total Year ended 5 Apr 2024 £000 |
|---|------------|------------|---|
| | £000 | £000 | £000 |
| Individual transfer in from other schemes | - | 540 | 540 |
| | - | 540 | 540 |
| | | | |

6 OTHER INCOME

| | DB Section | DC Section | Total Year ended 5 Apr 2025 £000 |
|---------------------------------------|------------|------------|---|
| | £000 | £000 | £000 |
| Receipts from term insurance policies | 1,573 | - | 1,573 |
| | 1,573 | - | 1,573 |
| | | | |

| | DB Section | DC Section | Total Year ended 5 Apr 2024 £000 |
|---------------------------------------|------------|------------|---|
| | £000 | £000 | £000 |
| Receipts from term insurance policies | 3,675 | - | 3,675 |
| | 3,675 | - | 3,675 |
| | | | |

7 BENEFITS PAID OR PAYABLE

| | DB Section | DC Section | Total Year ended 5 Apr 2025 £000 |
|---|------------|------------|---|
| | £000 | £000 | £000 |
| Pension payments | 31,500 | - | 31,500 |
| Commutations and lump sum retirement benefits | 4,659 | 1,326 | 5,985 |
| Annuities purchased | 790 | - | 790 |
| Lump sums on death | 2,569 | 48 | 2,617 |
| | 39,518 | 1,374 | 40,892 |
| | | | |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 BENEFITS PAID OR PAYABLE (CONTINUED)

| | DB Section | DC Section | Total Year ended 5 Apr 2024 |
|---|------------|------------|-----------------------------------|
| | £000 | £000 | £000 |
| Pension payments | 31,817 | - | 31,817 |
| Commutations and lump sum retirement benefits | 4,408 | 362 | 4,770 |
| Annuities purchased | 654 | - | 654 |
| Lump sums on death | 3,777 | 121 | 3,898 |
| | 40,656 | 483 | 41,139 |

8 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| | DB Section | DC Section | Total Year ended 5 Apr 2025 |
|---|------------|------------|-----------------------------------|
| | £000 | £000 | £000 |
| Individual transfers out to other schemes | 1,516 | 3,193 | 4,709 |
| | 1,516 | 3,193 | 4,709 |
| | | | |
| | DB Section | DC Section | Total Year ended 5 Apr 2024 |
| | £000 | £000 | £000 |
| Individual transfers out to other schemes | 1,817 | 4,025 | 5,842 |
| | 1,817 | 4,025 | 5,842 |

9 OTHER PAYMENTS

| | DB Section | DC Section | Total Year ended 5 Apr 2025 |
|-------------------------------------|------------|------------|-----------------------------------|
| | £000 | £000 | £000 |
| Premiums on term insurance policies | 1,354 | - | 1,354 |
| | 1,354 | - | 1,354 |
| | | | |
| | DB Section | DC Section | Total Year ended 5 Apr 2024 |
| | £000 | £000 | £000 |
| Premiums on term insurance policies | 1,089 | - | 1,089 |
| | 1,089 | - | 1,089 |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 ADMINISTRATIVE EXPENSES

| | DB Section | DC Section | Total Year ended 5 Apr 2025 |
|--|------------|------------|-----------------------------------|
| | £000 | £000 | £000 |
| Administration and processing | 278 | - | 278 |
| Actuarial fees | 532 | - | 532 |
| Audit fees | 61 | - | 61 |
| Legal fees and other professional fees | 112 | - | 112 |
| PPF Levy | 53 | - | 53 |
| Other expenses* | 113 | - | 113 |
| | 1,149 | - | 1,149 |
| | <hr/> | <hr/> | <hr/> |

| | DB Section | DC Section | Total Year ended 5 Apr 2024 |
|--|------------|------------|-----------------------------------|
| | £000 | £000 | £000 |
| Administration and processing | 384 | - | 384 |
| Actuarial fees | 340 | - | 340 |
| Audit fees | 53 | - | 53 |
| Legal fees and other professional fees | 71 | - | 71 |
| PPF Levy | 57 | - | 57 |
| Other expenses* | 556 | - | 556 |
| | 1,461 | - | 1,461 |
| | <hr/> | <hr/> | <hr/> |

* Other expenses include VAT amounts written off as already reimbursed.

11 INVESTMENT INCOME

| | DB Section | DC Section | Total Year ended 5 Apr 2025 |
|--|------------|------------|-----------------------------------|
| | £000 | £000 | £000 |
| Annuity income | 67 | - | 67 |
| Income from pooled investment vehicles | 155 | - | 155 |
| Income from partnership interest | 15,000 | - | 15,000 |
| Interest on cash deposits | 21 | 1 | 22 |
| | 15,243 | 1 | 15,244 |
| | <hr/> | <hr/> | <hr/> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INVESTMENT INCOME (CONTINUED)

| | DB Section | DC Section | Total Year ended 5 Apr 2024 £000 |
|--|------------|------------|---|
| | £000 | £000 | £000 |
| Annuity income | 69 | - | 69 |
| Income from pooled investment vehicles | 575 | - | 575 |
| Income from partnership interest | 15,000 | - | 15,000 |
| Interest on cash deposits | 31 | 3 | 34 |
| | 15,675 | 3 | 15,678 |

12 INVESTMENT MANAGEMENT EXPENSES

| | DB Section | DC Section | Total Year ended 5 Apr 2025 £000 |
|--|------------|------------|---|
| | £000 | £000 | £000 |
| Administration, management and custody | 129 | 193 | 322 |
| | 129 | 193 | 322 |

| | DB Section | DC Section | Total Year ended 5 Apr 2024 £000 |
|--|------------|------------|---|
| | £000 | £000 | £000 |
| Administration, management and custody | 43 | 153 | 196 |
| | 43 | 153 | 196 |

13 INVESTMENTS

13.1 RECONCILIATION OF INVESTMENTS

Defined Benefit Section

| | Value at 6 Apr 2024 £000 | Purchases at cost £000 | Sales proceeds £000 | Change in market value £000 | Value at 5 Apr 2025 £000 |
|----------------------------|--------------------------------|------------------------------|---------------------------|-----------------------------------|--------------------------------|
| Pooled investment vehicles | 605,422 | 63,757 | (76,378) | (35,184) | 557,617 |
| Partnership interest | 56,800 | - | - | (5,000) | 51,800 |
| Insurance policies | 600 | - | - | (100) | 500 |
| AVC investments | 92 | 105 | (115) | 8 | 90 |
| | 662,914 | 63,862 | (76,493) | (40,276) | 610,007 |
| Cash | 5,646 | | | | - |
| Other investment balances | 3,502 | | | | 3,502 |
| | 672,062 | | | | 613,509 |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13.1 RECONCILIATION OF INVESTMENTS (CONTINUED)

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.

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

Defined Contribution Section

| | Value at 6 Apr 2024 £000 | Purchases at cost £000 | Sales proceeds £000 | Change in market value £000 | Value at 5 Apr 2025 £000 |
|----------------------------|--------------------------------|------------------------------|---------------------------|-----------------------------------|--------------------------------|
| Pooled investment vehicles | 218,393 | 28,785 | (9,374) | 8,178 | 245,982 |
| | <u>218,393</u> | <u>28,785</u> | <u>(9,374)</u> | <u>8,178</u> | <u>245,982</u> |
| Other investment balances | 99 | | | | 87 |
| | <u>99</u> | | | | <u>87</u> |
| | <u>218,492</u> | | | | <u>246,069</u> |

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

The assets relating to the Defined Contribution Section are managed separately from those of the Defined Benefit Section and accordingly do not form a common pool of assets available for members generally. Members receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

The Defined Contribution Section investment assets purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment unit on a pooled basis for the Trustee. The Scheme Administrator allocates investment units to members (designated to members). The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme (Trustee's unallocated account). Members of all sections of the Scheme may also make Additional Voluntary Contributions (AVCs) to acquire additional benefits. The AVCs are pooled and invested as part of the Scheme's Defined Contribution Section investment operations.

All investment assets under the Defined Contribution Section are designated to members.

13.2 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets:

| | 5 April 2025 £000 | % | 5 April 2024 £000 | % |
|--------------------------------|----------------------|------|----------------------|------|
| Cardano Solution Fund 13 | 552,944 | 64.0 | 566,761 | 63.3 |
| Interest in GKN Investments LP | 51,800 | 6.0 | 56,800 | 6.3 |
| GKN Growth Fund | 140,803 | 16.3 | 130,036 | 14.5 |
| GKN Diversified Fund | 77,922 | 9.0 | 66,448 | 7.4 |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13.3 POOLED INVESTMENT VEHICLES

| | DB Section £000 | DC Section £000 | Total 5 Apr 2025 £000 |
|--------------------------------|--------------------|--------------------|-----------------------------|
| Diversified Growth Funds (DGF) | 552,944 | 219,939 | 772,883 |
| Bonds | - | 313 | 313 |
| Property | 4,650 | 96 | 4,746 |
| Equities | - | 5,451 | 5,451 |
| Hedge Funds | 23 | - | 23 |
| Cash | - | 20,183 | 20,183 |
| | 557,617 | 245,982 | 803,599 |

| | DB Section £000 | DC Section £000 | Total 5 Apr 2024 £000 |
|--------------------------------|--------------------|--------------------|-----------------------------|
| Diversified Growth Funds (DGF) | 566,761 | 197,557 | 764,318 |
| Bonds | 33,313 | 385 | 33,698 |
| Property | 5,324 | 106 | 5,430 |
| Equities | - | 4,938 | 4,938 |
| Hedge Funds | 24 | - | 24 |
| Cash | - | 15,407 | 15,407 |
| | 605,422 | 218,393 | 823,815 |

13.4 SOLE INVESTOR FUND

The Scheme invests in the Cardano Solution Fund 13 of which it is the sole investor. This is included in the DGF pooled investment balance in note 13.3, under the DB section, and a breakdown of the underlying investment classes held within the fund has been included below:

| | 5 April 2025 £000 | 5 April 2024 £000 |
|----------------------------|----------------------|----------------------|
| Bonds | 276,490 | 362,029 |
| Pooled investment vehicles | 236,517 | 178,107 |
| Derivatives | (5,154) | 15,907 |
| Cash | 45,091 | 10,718 |
| | 552,944 | 566,761 |

No direct transaction costs have been incurred on the sole investor arrangement during the year.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13.5 PARTNERSHIP INTEREST

As part of the restructuring of the assets and liabilities of GKN Group Pension Scheme 2012, the interest in a Scottish Limited Partnership, GKN Investments LP, was split between GKN Group Pension Scheme (No.1) and GKN Group Pension Scheme (No.3).

The Trustee appointed Ernst & Young LLP to perform valuations for financial statement purposes of the partnership interest. A discounted cash flow methodology is used to value the expected stream of annual distribution amounts. To compute the present value of the distributions Ernst & Young LLP estimate the risk free discount curve using benchmark gilt yields for maturities greater than one year and using LIBOR rates for maturities less than 1 year; a yield curve is adopted which is estimated from GKN traded bonds (guaranteed by Melrose PLC) at the valuation date; net present value of the future distributions is computed as the sum of the present value of future distributions using discount rates equal to the relevant risk-free rates plus the estimated GKN credit spreads.

Under the Partnership Agreement the Scheme is to receive annual income of £15 million until 2030 and £7.5 million in 2031. The value of the partnership interest as valued by Ernst & Young LLP for income due to be received after 5 April 2025 was £51,800k (2024: £56,800k).

13.6 INSURANCE POLICIES

The Trustee holds an insurance policy with The Prudential Assurance Company Limited that secures the pensions payable to specified beneficiaries. This policy remains an asset of the Trustee and is included within the Statement of Net Assets (available for benefits) at £500k (2024: £600k).

The main long term assumptions underlying the current valuation calculation were:

| | |
|-------------------------------|------------|
| Discount Rate | 3.27% p.a. |
| Pension increase rate for: | 3.00% p.a. |
| LPI (min 0% and max. 5.0%) | |
| LPI (min. 2.5% and max. 5.0%) | 3.40% p.a. |

13.7 AVC INVESTMENTS

The Trustee holds assets invested separately from the main fund in the form of insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions and where money purchase transfers-in have been made. Members participating in these arrangements each receive an annual statement confirming the amounts held to their account and the movements in the year. The amount of AVC investments held at the year-end is as follows:

| | 5 April 2025 £000 | 5 April 2024 £000 |
|--|-------------------------|-------------------------|
| The Prudential Assurance Company Limited (with profits insurance policy) | 90 | 92 |
| | 90 | 92 |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13.8 OTHER INVESTMENT BALANCES

| | DB Section | DC Section | Total |
|-------------------------------|------------|------------|-----------------|
| | £000 | £000 | 5 Apr 2025 £000 |
| Outstanding trade receivables | 3,502 | 87 | 3,589 |
| | 3,502 | 87 | 3,589 |

| | DB Section | DC Section | Total |
|-------------------------------|------------|------------|-----------------|
| | £000 | £000 | 5 Apr 2024 £000 |
| Outstanding trade receivables | 3,502 | 99 | 3,601 |
| | 3,502 | 99 | 3,601 |

13.9 FAIR VALUE HIERARCHY

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

Level 1 The unadjusted quoted price for an active market for identical assets or liabilities which the entity can access at the assessment dates.

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

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

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

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|---------|-----------------|
| | £000 | £000 | £000 | 5 Apr 2025 £000 |
| Defined Benefit Section | | | | |
| Pooled investment vehicles | - | 552,967 | 4,650 | 557,617 |
| Insurance policies | - | - | 500 | 500 |
| Partnership interest | - | - | 51,800 | 51,800 |
| AVC Investments | - | - | 90 | 90 |
| Cash and other investment balances | 3,502 | - | - | 3,502 |
| Defined Contribution Section | | | | |
| Pooled investment vehicles | - | 245,982 | - | 245,982 |
| Other investment balances | 87 | - | - | 87 |
| | 3,589 | 798,949 | 57,040 | 859,578 |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13.9 FAIR VALUE HIERARCHY (CONTINUED)

| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total 5 Apr 2024 £000 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------------------|
| Defined Benefit Section | | | | |
| Pooled investment vehicles | - | 600,098 | 5,324 | 605,422 |
| Insurance policies | - | - | 600 | 600 |
| Partnership interest | - | - | 56,800 | 56,800 |
| AVC Investments | - | - | 92 | 92 |
| Other investment balances | 9,148 | - | - | 9,148 |
| Defined Contribution Section | | | | |
| Pooled investment vehicles | - | 218,393 | - | 218,393 |
| Other investment balances | 99 | - | - | 99 |
| | 9,247 | 818,491 | 62,816 | 890,554 |

Investments reported under Level 3 are included at fair value based on values estimated by the underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

13.10 INVESTMENT RISKS

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

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

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

- Currency risk: this is the risk that the fair value or future 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 is responsible for determining the Scheme's investment strategy, and has set the investment strategy after taking appropriate advice.

Subject to complying with the agreed strategy, the day-to-day management of the assets of the Scheme, including full discretion for stock selection, is the responsibility of the investment managers. The Scheme's investments are predominantly in pooled funds.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13.10 INVESTMENT RISKS (CONTINUED)

The Scheme has exposure to the above risks because of the investments it makes to implement its investment strategy. The Trustee manages the Scheme's investment risks within agreed limits which are set taking into account the Scheme's strategic investment objectives.

The investment objectives and risk limits of each investment manager are implemented through the investment management agreements in place with the managers and monitored by the Trustee through regular reviews of the investment portfolios. The investment objectives and risk limits of the Scheme are further detailed in the Statement of Investment Principles ("SIP").

Defined Benefit Section

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

| | Credit Risk | Market risk | | | 2025 £000 | 2024 £000 |
|--|-------------|-------------|---------------|-------------|----------------|----------------|
| | | Currency | Interest rate | Other price | | |
| Pooled investment vehicles | ● | ● | ● | ● | 557,617 | 605,422 |
| Partnership interest | ● | ○ | ○ | ● | 51,800 | 56,800 |
| Insurance policies | ● | ○ | ○ | ● | 500 | 600 |
| AVCs, cash and other investment balances | ● | ○ | ○ | ○ | 3,592 | 9,240 |
| Total | | | | | 613,509 | 672,062 |

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

(i) Credit risk

A summary of the pooled investment vehicles by type of arrangement is set out below.

| | 5 Apr 2025 £000 | 5 Apr 2024 £000 |
|--------------------------------|-----------------|-----------------|
| Unitised insurance policies | 4,673 | 38,661 |
| Sole investor authorised funds | 552,944 | 566,761 |
| | 557,617 | 605,422 |

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

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13.10 INVESTMENT RISKS (CONTINUED)

(i) Credit risk (continued)

The Scheme is exposed to direct credit risk through the partnership interest and insurance policies as these assets rely on the creditworthiness of other financial institutions (the Company and Insurer) to meet the financial obligations as they fall due. This risk is mitigated by the financial strength of the institutions supporting each asset which has been verified by covenant reviews and due diligence.

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles. This risk is mitigated by the investment restrictions in place for each of the pooled investment vehicles.

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

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles (indirect exposure). These exposures are managed within the pooled investment vehicles by the pooled investment manager or externally within a separate currency hedging mandate. The Scheme manages the exposure to currency movements by investing in currency-hedged share classes where available.

(iii) Interest rate risk

The Scheme is subject to interest rate risk on the DGF and bond funds. The Scheme also holds an annuity policy which hedges the liability risk of the members covered by the policy.

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes diversified growth funds and property funds.

Other price risk arises from the partnership interest as it is reliant on the pricing methodology used for valuation of the discounted stream of cash flows expected from the Company. The insurance policy is exposed to price risk as the value of expected future cash flows could fluctuate due to change in the membership profile of the policy.

Defined Contribution Section

(i) Direct credit risk

The Defined Contribution Section invests in pooled funds and is therefore directly exposed to credit risk in relation to solvency of the investment platform provider and custodian of those funds.

Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment platform provider and investment managers, the regulatory environments in which the platform provider and managers of the pooled funds operate and diversification of the Defined Contribution Section's investments amongst a number of pooled arrangements.

A summary of the pooled investment vehicles by type of arrangement is set out below.

| | 5 April 2025 £000 | 5 April 2024 £000 |
|---------------------------------|----------------------|----------------------|
| Unit linked insurance contracts | 245,982 | 218,393 |
| | 245,982 | 218,393 |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13.10 INVESTMENT RISKS (CONTINUED)

(ii) Indirect credit and market risk

The Defined Contribution Section is also subject to indirect credit and market risk arising from the underlying investments held in the following funds. The funds which have significant exposure to these risks are set out below:

| | Credit Risk | Market risk | | | 2025 £000 | 2024 £000 |
|------------------------------------|-------------|-------------|---------------|-------------|----------------|----------------|
| | | Currency | Interest rate | Other price | | |
| Pooled investment vehicles: | | | | | | |
| Equities | ○ | ● | ○ | ● | 5,451 | 4,938 |
| Bonds | ● | ● | ● | ○ | 313 | 385 |
| Property | ● | ○ | ● | ● | 96 | 106 |
| Cash | ● | ○ | ● | ○ | 20,183 | 15,407 |
| Diversified growth | ● | ● | ● | ● | 219,939 | 197,557 |
| Total | | | | | 245,982 | 218,393 |

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

The analysis of these risks set out above is at Scheme level. Member level risk exposures will depend on the funds invested by the members.

The Trustee has selected the above funds and has considered the indirect risks in the context of the investment strategy.

14 CURRENT ASSETS - DB SECTION

| | 5 April 2025 £000 | 5 April 2024 £000 |
|-------------------------------------|----------------------|----------------------|
| Contributions receivable – Employer | 853 | 634 |
| Bank balance | 2,543 | 3,796 |
| Pension prepayment | 1,426 | 1,440 |
| VAT recoverable | 165 | 233 |
| Other Debtors | 47 | - |
| | <hr/> | <hr/> |
| | 5,034 | 6,103 |
| | <hr/> | <hr/> |

15 CURRENT LIABILITIES - DB SECTION

| | 5 April 2025 £000 | 5 April 2024 £000 |
|------------------|----------------------|----------------------|
| Unpaid benefits | 906 | 601 |
| Accrued expenses | 420 | 281 |
| | <hr/> | <hr/> |
| | 1,326 | 882 |
| | <hr/> | <hr/> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 CURRENT ASSETS - DC SECTION

| | 5 April 2025 £000 | 5 April 2024 £000 |
|---------------|----------------------|----------------------|
| Bank balance | 29 | 73 |
| Other debtors | 39 | 23 |
| | <hr/> 68 | <hr/> 96 |
| | <hr/> <hr/> | <hr/> <hr/> |

17 CURRENT LIABILITIES - DC SECTION

| | 5 April 2025 £000 | 5 April 2024 £000 |
|-----------------|----------------------|----------------------|
| Other creditors | - | 95 |
| | <hr/> - | <hr/> 95 |
| | <hr/> <hr/> | <hr/> <hr/> |

18 TRANSFERS BETWEEN SECTIONS

| | DB Section £000 | DC Section £000 | Total 5 April 2025 £000 |
|--|--------------------|--------------------|-------------------------------|
| DC Section benefits paid from DB Section | 4,482 | (4,482) | - |
| | <hr/> 4,482 | <hr/> (4,482) | <hr/> - |
| | DB Section £000 | DC Section £000 | Total 5 April 2024 £000 |
| DC Section benefits paid from DB Section | 4,652 | (4,652) | - |
| | <hr/> 4,652 | <hr/> (4,652) | <hr/> - |

19 RELATED PARTY TRANSACTIONS

Key management personnel

During the year there were two Trustee Directors who were members of the Scheme. One of these Trustee Directors is a pensioner of the Scheme whose benefits are calculated and paid in accordance with the Scheme Rules. Trustee fees charged to the Scheme in the year were £nil (2024: £nil)

Employer Related Party Transactions

The Scheme has an interest in, and has received income from, GKN Investments LP, a Scottish Limited Partnership, where the other partners are companies in the Employer's Group (see note 13.5 for more detail).

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 EMPLOYER RELATED INVESTMENTS

The Trustee does not allow the Scheme to have any direct shareholdings in Melrose PLC or associated companies. However, it is estimated that less than 1% of the Scheme's total assets will have been indirectly invested in Melrose PLC Ordinary shares as at 5 April 2025 (2024: less than 1%) through the Scheme's pooled fund arrangements.

21 GEOPOLITICAL MATTERS

During 2024/25, geopolitical and economic issues have had an impact on domestic and global economies, with the disruptions and volatility in the financial markets continuing to provide challenges for UK Pension Schemes. The Trustee, in conjunction with its advisors, monitors the situation closely and determine any actions that are considered to be necessary. This includes monitoring the Scheme's investment assets, the operational impact on the Scheme and the covenant of the Employer. The extent of the investment assets, including financial performance, will depend on future developments in financial markets and the overall economy.

22 GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to Guaranteed Minimum Pension (GMP) benefits. GPM equalisation was implemented via the conversion method in January 2022 for the majority of pensioner members in respect of the Scheme. This included amending Scheme benefits and paying backdated amounts and related interest where it was assessed that members had previously been underpaid. The implementation of GMP conversion for non-pensioner members was completed by the end of 2022. For a small number of pensioner members the process may not be complete until 2023 but the Trustee does not expect the amounts to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements.

Following on from the original judgment, a further High Court ruling on 20 November 2020 has provided clarification on the obligations for trustees. This judgement focused on the GMP treatment of historic transfers out of members' benefits, an issue which had not been addressed in the 2018 GMP ruling. Under this ruling, trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to be paid to the receiving scheme, to reflect members' rights to equalised GMP benefits. The liability for any such additional payments will be assessed by the Trustee during 2026. Any additional liability is not expected to be material although this Scheme will also be responsible for meeting any such liabilities resulting from the previous 2012 Scheme.

23 CONTINGENCIES

In the opinion of the Trustee, the Scheme had no contingent liabilities as at 5 April 2025 (2024: nil).

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

REPORT ON ACTUARIAL LIABILITIES

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

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial actuarial valuation of the Scheme effective as at 5 April 2022 showed that the accumulated assets of the Scheme represented 104% of the Scheme's technical provisions in respect of past service benefits; this corresponds to a surplus of £43m at the valuation date.

| | £m |
|--|-------|
| The value of the technical provisions was: | 999 |
| The value of the assets at that date was: | 1,042 |

If the Scheme had been discontinued and wound up at 5 April 2022 there would have been insufficient assets to buy out the accrued benefits through the purchase of annuity policies with an insurer. The estimated discontinuance (or wind up) funding level was 86%, corresponding to a shortfall of £168m.

There has since been an updated valuation carried out with an effective date of 5 April 2024. This showed that the accumulated assets of the Scheme represented 100% of the Scheme's technical provisions at this date.

The value of technical provisions is based on benefits accrued at the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the level of investment returns and inflationary increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

Method

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

Significant actuarial assumptions

Discount rate: calculated as an estimate of the yield available on a notional portfolio of UK Government conventional gilt stocks whose cash flows approximately match the Scheme's estimated benefit cashflows plus a prudent allowance for future out-performance from the Scheme's investment strategy. The level of this out-performance was determined to be 0.75% p.a. at 5 April 2022. The discount rate adopted at the valuation was 2.47% per annum.

Rate of inflation - Retail Prices Index (RPI): calculated using the investment market's expectation for inflation as indicated by the difference between an estimate of the yields available on notional portfolios of conventional and index-linked UK Government bonds whose cashflows approximately match the Scheme's estimated benefit cashflows, adjusted to reflect Trustee's views on any inflation rate premium priced into the yield on indexed-linked gilts. The RPI assumption adopted at the valuation was 3.95% per annum.

Rate of inflation - Consumer Prices Index (CPI): calculated as the assumption for RPI inflation with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The CPI assumption adopted at the valuation was 3.53% per annum.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Significant Actuarial Assumptions (continued)

Revaluation of pensions in deferment: The majority of deferred pensions in excess of GMP revalue up to Normal Retirement Age in line with RPI up to a maximum of 5% pa over the whole period of deferment. Some elements revalue in line with CPI (or RPI up to a maximum of 2.5% pa). For the purposes of the valuation, future deferred pension revaluation was assumed to be in line with the RPI or CPI assumption shown above (or at the maximum rate of 2.5% or 5% pa where this applies).

Pension increases: The rates of pension increases will be a term structure derived from price inflation annual forward rates, allowing for the maximum and minimum annual increase entitlements, calculated assuming a level of annual volatility. A version of the Jarrow-Yildirim model is used to derive rates with appropriate floors and caps from forward rates of price inflation. The model uses separate time-dependent volatility structures for RPI and CPI.

Mortality:

99% / 98% for males/females of the mortality rates in the standard tables S3PA, projected to the valuation date in line with the approach below.

Allowance for the future improvements: CMI core projection model with a 1.5% per annum long term projected rate of improvement (CMI_20121 [1.5%] with S-kappa 7.0), using a year of birth approach.

Next actuarial valuation

The next triennial valuation is currently underway as at 5 April 2025.

SCHEDULE OF CONTRIBUTIONS



welcome to brighter

Schedule of Contributions

GKN Group Pension Scheme No. 1 ("the Scheme")

Status of this document

This schedule has been prepared by the Trustee of the GKN Group Pension Scheme No.1 ("the Trustee") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Steve Jones, the actuary to the Scheme appointed by the Trustee.

This document is the third schedule of contributions put in place for the Scheme.

After discussions, a pattern of contributions was agreed by the Trustee and the Principal Company, GKN Aerospace Services Limited (the "Company"), on 4 July 2023.

The Trustee and the Company have signed this schedule on page 6 to indicate that it represents an accurate record of the agreed pattern of contributions.

The schedule is effective from the date it is certified by the Scheme Actuary on page 7.

It sets out the minimum contributions payable; additional Company contributions may be payable in line with the Framework Agreement dated 23 May 2019 (as amended).

Contributions to be paid to the Scheme from 4 July 2023 to 4 July 2028

Contributions to be paid to the Defined Benefit Section of the Scheme

The Defined Benefit Section of the Scheme is closed to future accrual and therefore no further member or Company contributions are payable for future service in relation to the Defined Benefit Section.

The Defined Benefit Section of the Scheme had a technical provisions surplus as at 5 April 2022 and hence no deficit reduction contributions will be paid by the Company unless otherwise agreed.

For the avoidance of doubt, the amounts receivable from the Trustee's interest in GKN Investments II LP will be in addition to those set out above.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

Contributions to be paid to the Defined Contribution Section of the Scheme

Members' contributions

Members must pay at least 3% of their DC Pensionable Earnings and can choose to pay up to 100% of DC Pensionable Earnings. Any contributions above 8% of DC Pensionable Earnings are classed as additional voluntary contributions. Contributions are paid monthly.

Company's contributions in relation to Active 2017 Closure Members

Contributions on behalf of all participating companies shall be paid monthly, at the following rates (the rates shown are percentages of relevant DC Pensionable Earnings and relate to the contributions that members pay):

Members who are not Main Board, Executive Committee, Grades A to C or 29 year rule

| Member contribution | |
|----------------------------|-------|
| 3% | 4.5% |
| 4% | 6% |
| 5% | 7.5% |
| 6% | 9% |
| 7% | 10.5% |
| 8% | 12% |
| >8% | 12% |

Main Board Members

| Member contribution | |
|----------------------------|--------|
| 3% | 9.38% |
| 4% | 12.5% |
| 5% | 15.63% |
| 6% | 18.75% |
| 7% | 21.88% |
| 8% | 25% |
| >8% | 25% |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

Executive Committee Members

| Member contribution | |
|----------------------------|-----|
| 3% | 9% |
| 4% | 12% |
| 5% | 15% |
| 6% | 18% |
| 7% | 21% |
| 8% | 24% |
| >8% | 24% |

Grades A to C Members

| Member contribution | |
|----------------------------|-------|
| 3% | 7.5% |
| 4% | 10% |
| 5% | 12.5% |
| 6% | 15% |
| 7% | 17.5% |
| 8% | 20% |
| >8% | 20% |

29 year rule Members

| Member contribution | |
|----------------------------|-------|
| 3% | 8.5% |
| 4% | 10% |
| 5% | 11.5% |
| 6% | 13% |
| 7% | 14.5% |
| 8% | 16% |
| >8% | 16% |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

Company's contributions in relation to members who are not Active 2017 Closure Members

Contributions on behalf of all participating companies shall be paid monthly, at the following rates (the rates shown are percentages of relevant DC Pensionable Earnings):

| Members' Employee Grade | Company contribution |
|-------------------------|---|
| Main Board | 3.125 x member contributions to a maximum of 25% of DC Pensionable Earnings |
| Executive Committee | 3 x member contributions to a maximum of 24% of DC Pensionable Earnings |
| Grades A to C | 2.5 x member contributions to a maximum of 20% of DC Pensionable Earnings |
| Others | 1.5 x member contributions to a maximum of 12% of DC Pensionable Earnings |

General points

Contributions shall be paid by the 19th of the month following the month of deduction from members' earnings.

Members enrolled in the penSAVE salary sacrifice arrange will not pay any contributions. The Company shall pay the contributions in respect of active members enrolled in the penSAVE salary sacrifice arrangement that the member would have paid had they not been subject to such an arrangement.

This schedule does not cover the Company's commitment to pay across to the Trustee additional voluntary contributions made by the members.

DC Pensionable Earnings

For the purposes of this schedule, DC Pensionable Earnings are usually a member's basic pay plus job related allowances. However, for members who have agreed a lower DC Pensionable Earnings figure with the Company in order to manage the Annual Allowance, this lower figure will apply.

Company's contributions for life assurance

Unless otherwise agreed, the participating companies will reimburse the Trustee for all life assurance costs they incur with the Scheme paying the group life insurer.

For this purpose the participating companies will pay an additional monthly contribution to the Trustee, which is initially set at 1% of DC Pensionable Earnings, with any adjustment being made that are agreed from time to time between the Company and Trustee to match the actual life assurance premiums and any change to the process for meeting the life assurance premiums.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

Company's contributions in respect of administration and other costs

Unless otherwise agreed, the Company will meet all Scheme expenses other than expenses related to investment management and PPF levies either directly or by making additional contributions to the Scheme.

The Scheme will meet the cost of PPF levies payable.

Company's contributions in respect of benefit augmentations

In addition the Company shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Company and approved by the Trustee.

Arrangements for other parties to make payments to the Scheme

Payments towards the Scheme may be paid by Melrose Plc, GKN Aerospace Services Limited or any associated company thereof, in lieu of contributions otherwise due from any of the participating companies.

Dates of review of this schedule

This schedule of contributions will be reviewed by the Trustee and the Company no later than 15 months after the effective date of each actuarial valuation, due every three years.

Company and Trustee agreement

This schedule of contributions has been agreed by the Company, GKN Aerospace Services Limited, and the Trustee of the GKN Group Pension Scheme No.1 on 4 July 2023.

Signed on behalf of GKN Aerospace Services Limited

Name



GEOFF MORGAN

Position

DIRECTOR

Date of signing

4/7/23

Signed on behalf of the Trustee of the GKN Group Pension Scheme No.1

Name



ANDREW MCLEAN

Position

TRUSTEE DIRECTOR

Date of signing

4 July 2023

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

SCHEDULE OF CONTRIBUTIONS (CONTINUED)

CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Name of the Scheme and name of section

GKN Group Pension Scheme No.1

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 4 July 2023.

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

Signature



Name

Steve Jones

Date of signing

4 July 2023

Qualification

Fellow of the Institute and Faculty of Actuaries

Name of employer

Mercer Limited

Address

No 4 St Pauls Square, Old Hall Street
Liverpool, L3 9SJ

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

MEMBERS' INFORMATION

INTRODUCTION

The Scheme is a hybrid scheme and is administered by Mercer Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is 12016132.

Other information

(i) The Pensions Ombudsman (TPO) deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes. Members have the right to refer a complaint to TPO free of charge.

Contact with TPO about a complaint needs to be made within three years of when the event(s) being complained about happened – or, if later, within three years of when a member first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

TPO now operates an Early Resolution Service (ERS) in addition to its normal Adjudication Service that aims to provide a quick, informal and streamlined process. Any member that elects to use the ERS does not need to follow the Trustee's Internal Dispute Resolution Procedure (IDRP). However should any complaint that has gone through the ERS remain unresolved, TPO expects the IDRP to be followed prior to the complaint being passed to its Adjudication Service.

| | |
|---|--|
| The Pensions Ombudsman 10 South Colonnade Canary Wharf London E14 4PU |  0800 917 4487 |
| |  enquiries@pensions-ombudsman.org.uk |
| |  www.pensions-ombudsman.org.uk |

(ii) The Money and Pensions Service ("MaPS") brings together three respected providers of financial guidance; Pensions Wise, the Money Advice Service and the Pensions Advisory Service. MaPS is committed to ensuring that people throughout the UK have guidance and access to the information that they need to make effective financial decisions over their lifetime. The contact details are:

| | |
|---|--|
| Money and Pensions Service Holborn Centre 120 Holborn London EC1N 2TD |  01159 659570 |
| |  www.moneyandpensionsservice.org.uk |

(iii) The Pensions Regulator (TPR) can intervene if it considers that a scheme's trustees, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

| | |
|---|--|
| Telecom House 125-135 Preston Road Brighton East Sussex BN1 6AF |  0345 600 0707 |
| |  www.thepensionsregulator.gov.uk |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

MEMBERS' INFORMATION (CONTINUED)

Other information (continued)

(iv) The Pension Protection Fund (PPF) was established under the Pensions Act 2004 to pay compensation to members of eligible defined benefit pension schemes, when the sponsoring employer has suffered a qualifying insolvency event, and where the scheme is assessed as having insufficient assets to cover PPF levels of compensation.

The PPF is funded by a retrospective levy on occupational pension schemes.

(v) The Trust Deed and Rules, the Scheme details, and a copy of the Schedule of Contributions and Statement of Investment Principles are available for inspection free of charge by contacting the Trustee at the address shown for enquiries in this report. Any information relating to the members' own pension position, including estimates of transfer values should also be requested from the administrators of the Scheme, Aptia UK Limited, at the address detailed in this report.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT – DB SECTION

Introduction

The purpose of the document is for us, the Trustee of the GKN Group Pension Scheme (No.1), to explain what we have done during the year ending 5 April 2025 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:

1. A summary of any review and changes made to the SIP over the year
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

The Fiduciary Manager ("Cardano") has gathered information from the underlying asset managers and has drafted the engagement information and examples included in this document. We believe that Cardano was able to disclose good evidence of engagement activity, and what has been provided by Cardano is sufficient to give the us comfort that our Stewardship policy is being implemented.

There were no material equity holdings during the reporting period, due to which details on the voting activity have been excluded from this document.

Additionally, a separate Implementation Statement (IS) has been prepared for the Scheme's Defined Contribution (DC) assets.

Our Fiduciary manager's engagement activity

The Trustees delegate the management of the Scheme's defined benefit assets to our Fiduciary Manager, Cardano. Cardano manages the Scheme's assets in a range of funds which can include multi-asset, multi-manager and liability matching funds. Cardano selects the underlying investment managers on our behalf.

The Trustees delegate monitoring of ESG integration and stewardship of the underlying managers to Cardano.

Summary of changes to the SIP over the year

The Trustee has a policy to review the SIP formally at least every three years, or after any significant change in investment strategy or member demographics. There were no significant changes to the SIP in the twelve months ending 5 April 2025.

How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

Strategy: The Return Objective and Risk Statement have been set by the Trustee on the basis of an assessment of the Scheme's current position and consideration of future uncertain events. This involved looking at the Trustee's overall objectives for the Scheme, the Statement of Funding Principles and Scheme's financial position (including the strength of their sponsoring employer's covenant). In addition to qualitative assessments the Trustee also used asset-liability modelling techniques. As part of this exercise a number of assumptions were made in relation to the level and timing of future contributions.

The Trustees review the target return of the portfolio on an annual basis considering the funding level of the Scheme (technical provisions) and longer term funding objectives. The Trustees reviewed the target return and risk tolerance in March 2025 and concluded the strategy remained appropriate.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| Rebalancing the portfolio | Delegated to Fiduciary Manager. |
|---|--|
| Costs Monitoring: The Trustee is aware of the importance of monitoring their Fiduciary Manager and other Investment Managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the Scheme's Investment Managers that can increase the overall cost incurred by their investments. | The Trustee received the annual cost transparency reports from the Fiduciary Manager. These reports presented information in line with prevailing regulatory requirements for fiduciary managers. |
| Environmental, Social and Governance factors: The Trustee considers the Scheme to be an ongoing scheme and therefore has a long term time horizon for their portfolio, based on the expected term until benefits cease to be required to be paid from the Scheme. As such, the Trustee acknowledges the importance of being a responsible investor. The Trustee considers responsible investment to be the integration of environmental, social and governance factors (ESG) in investment decisions in respect of the portfolio where financial risk and/or return is or could be materially affected.. | The Trustee published its second Taskforce on Climate Related Financial Disclosure (TCFD) report for the period to 5 April 2024 which includes information on the carbon emissions profile of the Scheme's investments and how resilient the Scheme's investments are across various climate change scenarios. |
| Stewardship: The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries | Cardano provide data as part of Ongoing Monitoring to confirm this policy is being implemented as expected. The Implementation Statement, including Stewardship, for year ending 5 April 2024 was reviewed and signed off in line with annual Trustee Report and Accounts. |
| Governance: The Trustee has ultimate responsibility for the management of the investment arrangements of the Scheme and its assets. In discharging these responsibilities, the Trustee has established clear Investment Objectives setting out what they are aiming to achieve. | The Trustee met with the Fiduciary Manager and advisers on a quarterly basis to receive updates on the performance against the specified Investment Objectives as well as the other main policies. |

The Scheme's SIP can be found: <https://uat.gknepensions.co.uk/index.html>

Ongoing Monitoring

The Trustee discusses a quarterly investment report at Trustee meetings. Amongst other analysis, the report includes Environmental, Social & Governance (or 'ESG') ratings which rate the manager on their approach to ESG, provide an indication of their momentum in this area, and specify whether the manager can be thought of as high or low focus with regards to ESG. These ratings are updated by Cardano on a quarterly basis to reflect the most updated information.

Through their Fiduciary Manager, the Trustee monitors the voting and engagement activity of all investment managers. Some managers don't own material exposures to assets such as physical equities, which carry voting rights, or corporate bonds and therefore stewardship is less likely to be relevant or significant. A material proportion of the Schemes assets are invested in UK Government bonds (or 'gilts') and derivative instruments which carry no voting rights and where engagement and stewardship are of limited, or no, applicability.

We believe Cardano is using its resources to effectively influence positive outcomes in the funds in which it invests. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Training

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

The Trustees participate in responsible investment training sessions with their investment advisors as and when necessary including the preparation of Task Force on Climate-related Financial Disclosures ("TCFD") and other regulatory changes in this area.

Our manager's engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's fiduciary manager.

| Funds | Number of engagements | | Themes engaged on at a fund-level |
|--------------|------------------------------|-------------------|--|
| | Fund level | Firm level | |
| Cardano | Not provided | 310 | Environment – Climate change; Natural resource use/impact (e.g., water, biodiversity); Pollution, Waste Social – Human and labour rights (e.g., supply chain rights, community relations); Human capital management (e.g., inclusion & diversity, employee terms, safety); Public Health Strategy, Financial and Reporting – Reporting (e.g., audit, accounting, sustainability reporting) Other – Animal welfare |

Source: Fiduciary Manager. The information above is for the most recent calendar year available.

Data limitations

Cardano has gathered information from the underlying asset managers and has drafted the engagement information and examples included in this document.

This report does not include commentary on certain asset classes, such as liability-driven investments, Government bonds (such as UK 'gilts') or cash, because of the limited materiality of stewardship to these asset classes. Additionally, it does not include commentary on assets where any given underlying holdings did not constitute a significant proportion of the Scheme's assets over the reporting period, such as equities. Further, this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

Appendix – Engagement Examples

The following case studies provided by the Fiduciary Manager demonstrates the types of engagement activity being carried out on behalf of the Trustee.

Wording provided directly by the Fiduciary Manager.

| | | |
|------------------|----------------------------|---|
| Barings | Engagement Theme | Climate Crisis |
| | Industry | Maritime |
| | | Barings holds an investment in a global tugboats business with a large fleet operating from a network of ports. Due diligence on the issuer by their investment analyst highlighted areas of potential improvement on environmental topics. |
| | | Environmental standards are expected to become increasingly important for port tender renewals requiring a leading environmental profile to reduce operational and financial risk. |
| | Engagement Activity | Barings undertook an engagement with the CEO and CFO at a conference event regarding emissions reduction. It requested that (i) the company continues to work with port authorities to install electric charging points across the port network to reduce idling emissions (ii) the company explores options for use of lower emissions fuel types on new vessels and its existing fleet. This is viewed as a multi-year engagement request with regular semi-annual interactions with senior management expected. |
| | Outcome | Company is planning to incorporate an environmental strategy with key performance indicators ('KPIs') on issues raised through engagement in their 2024 sustainability report. |
| BlackRock | Engagement Theme | Climate Crisis |
| | Industry | Metals |
| | | BlackRock has engaged with a leading specialty metals producer primarily serving the commercial aerospace market. |
| | | The company has undergone a multi-year transformation, shifting away from its lower-quality, carbon-intensive commodity steel operations to focus on higher-value, specialty titanium products for the aerospace sector. |
| | Engagement Activity | Through ongoing engagement, BlackRock has worked collaboratively with management to enhance the company's business mix, operational quality, and cost efficiency. These improvements have also led to better environmental and social outcomes, including reduced carbon emissions, more efficient water use, and stronger health and safety standards. As a result, the company achieved an improved MSCI ESG rating of 'A' and delivered material value creation through enhanced margins, revenue growth, and increased business resilience. |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | | |
|--------------------------|----------------------------|--|
| | Outcome | Improved water usage and carbon emissions through higher quality materials. |
| Cardano | Engagement Theme | Climate Crisis |
| | Industry | Chemical Sector |
| | Engagement Activity | <p>Cardano has engaged with a portfolio company in the chemical sector on its decarbonisation strategy, as part of a coalition of investors led by ShareAction.</p> <p>This company has been identified as one where progress has been particularly slow - especially in setting a comprehensive Scope 3 emissions target.</p> <p>In response, Cardano and fellow investors escalated the engagement by adopting a multi-pronged approach, including the filing of a shareholder resolution calling for the company to set a Scope 3 target.</p> |
| | Outcome | <p>Following the shareholder resolution, a dialogue was held with the company's CEO, and the Norwegian government a significant share of the company, was also engaged regarding the company's Scope 3 emissions. Cardano continues to actively participate in the ShareAction led coalition and is considering further escalation.</p> |
| AllianceBernstein | Engagement Theme | Human Rights |
| | Industry | Healthcare |
| | Engagement Activity | <p>AllianceBernstein has engaged with a pharmaceutical company to understand its strategy for expanding access to its cervical cancer vaccine, particularly in emerging markets such as China, where much of the growth is occurring.</p> <p>The company has been scaling up its manufacturing capacity to increase supply, which should improve vaccine availability in low- and middle-income countries.</p> <p>In its most recent engagement with company management, AllianceBernstein learned that the vaccine is still unlikely to reach many higher-need, lower-income populations. However, the company recently disclosed a commitment to provide 91.5 million doses between 2021 and 2025, aimed at improving accessibility in these markets. It also expressed an intention to explore alternative manufacturing strategies to help close the access gap in developing nations.</p> |
| | Outcome | Company disclosed that it will provide 91.5 million doses of the vaccine, improving accessibility to developing nations. |
| Kadensa | Engagement Theme | Climate Crisis |
| | Industry | Consumer Discretionary |

GKN GROUP PENSION SCHEME (NO.1)

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Kadensa has engaged with the company with an aim to improve their ESG practices with a particular focus around (i) packaging material and waste; (ii) water stress; and (iii) health/nutrition (high sugar content drinks).

| | |
|----------------------------|---|
| Engagement Activity | Kadensa has engaged with the company with an aim to improve their ESG practices with a particular focus around (i) packaging material and waste; (ii) water stress; and (iii) health/nutrition (high sugar content drinks). |
| Outcome | The company has shared targets on plastics recycling (well developed in Japan and Europe, greatly lags in Southeast Asia), and water reduction targets for 2030, and has provided updated metrics on a semi-annual basis. Kadensa will continue to engage and track progress. |

| | |
|----------------|---|
| Outcome | Company has committed to targets to improve recycling and reduce water usage. |
|----------------|---|

Source: Fiduciary Manager

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT – DC SECTION

Introduction

The information in this Statement refers to the DC Section (“DC Section”) of the GKN Group Pension Scheme (No.1) (the “Scheme”). This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year to 5 April 2025.

This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

As required by the legislation, the Trustee has consulted a suitably qualified person and has obtained written advice from its Investment Consultant, Mercer Limited (“Mercer”). The Trustee believes the Investment Consultant meets the requirement of Section 35 (5) of the Pensions Act 1995.

Investment Objectives of the Scheme

The objectives of the Scheme, included in the SIP, are as follows:

“The Trustee recognises that Scheme members have differing investment needs and that these may change during the course of members’ working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances.

The objectives set out below and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations.

The following encapsulates the Trustee’s objectives with regard to the DC Section:

- *To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.*
- *Offer funds which facilitate diversification and long term capital growth (in excess of inflation).*
- *Offer funds that enable members to reduce risk in their investments as they approach retirement.*
- *Offer funds which aim to mitigate the impact of sudden and sustained reductions in capital values or rises in the cost of purchasing benefits in retirement.*
- *To structure the range of funds, provide a suitable number of funds and present this range in a manner which may make it easier for members to make investment decisions.*
- *To provide a default investment option for members who do not make their own investment decisions.*
- *To provide general information as to the purpose of each investment option.*
- *To encourage members to seek impartial guidance and / or financial advice from an appropriate organisation, where required.”*

In addition, in respect of the default strategy specifically:

“The aims of the default investment options and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- *To generate positive nominal long-term returns in excess of inflation during the growth phase of the lifestyle strategy.*

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

- *The default strategies' growth phase structure invests in equities. These investments are expected to provide growth and some protection against erosion in both real and nominal terms.*
- *To generate positive nominal long-term returns in excess of inflation during the growth phase of the lifestyle strategy whilst managing downside risk.*
 - *The default strategies' consolidation phase structure invests in a diversified growth fund. These investments are expected to provide growth with some downside protection and some protection against erosion in both real and nominal terms. This is achieved via automated lifestyle switches by phasing in the diversified growth fund at 15 years prior to retirement, for a period of 5 years.*
- *To provide a strategy that reduces investment risk for members as they approach retirement."*

The policies set out in the SIP are intended to help meet the overall investment objectives of the Scheme. Detail on the Trustee's objectives with respect to the default investment option, the alternative lifestyle options and the self-select fund range are outlined in the SIP.

Review of the SIP, what has changed over the Scheme year

The Trustee reviews and amends the Scheme's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). The latest amendments to the SIP were implemented in March 2024 to incorporate the Trustee's policy on illiquid assets. There have been no further changes to the SIP over the Scheme year to 5 April 2025.

This Statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Scheme Year, which is the SIP dated March 2024. A copy of the SIP is available at: gknpensions.co.uk

Policy requirements over the year to 5 April 2025

The information provided in the following table highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work is consistent with the Trustee's policies in the SIP. The Trustee believes that all of their policies within the SIP have been adhered to over the course of the Scheme year.

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|---|--|--|---|
| 1 | Securing compliance with the legal requirements about choosing investments | <i>In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).</i> | No investment strategy changes were implemented or advised on during the Scheme year. The most recent investment strategy review was concluded in November 2022, with resultant changes implemented in March 2023, as set out in last year's Implementation Statement. There were no further changes to the default arrangements. The next formal triennial review of the investments will commence in September 2025. |
| 2 | Kinds of investments to be held | <i>The Trustee recognises that, while the division between core and additional fund ranges should help members choose funds appropriate to their circumstances, there is likely to be a number of members who would prefer the simplicity of an investment strategy that</i> | The Trustee remains comfortable with its policy regarding the kinds of investments to be held, within the default strategy and across the wider self-select fund range available to members. Over the year to 5 April 2025, the Threadneedle Dynamic Real Return Fund was removed from the self-select fund options for selection by members |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|---|--|--|---|
| | | <p><i>automatically changes to be suitable at different stages of their working life. The Trustee has therefore decided to include three lifestyle options as part of the investment options.</i></p> <p><i>The investment choices for the DC Section comprise primarily of equity, property, bonds, diversified growth funds and cash. Both active and passive management options are offered to members depending on asset class.</i></p> <p><i>The Trustee regards their primary objective as making available a range of investment funds which enable members to tailor the strategy for their assets to their own needs.</i></p> <p><i>The Trustee is comfortable directly and indirectly investing a small proportion of assets in illiquid assets to access the potential return and diversification benefits relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these benefits are recognised by the Trustee, it is also aware of the risks of investment in illiquid assets to members, such as the potential for valuations of illiquid assets to not reflect their true value at a given time.</i></p> | <p>who are not already invested, as the Trustee does not wish to offer an investment option that is not subject to ongoing research by their investment advisers. This decision does not reflect a negative view of the Fund, and the Trustee will continue to monitor its ongoing performance with the support of its investment advisers.</p> <p>The next formal triennial review of the investments will commence in September 2025.</p> |
| 3 | The balance between different kinds of investments | <p><i>The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation.</i></p> <p><i>Members are able to set their own investment allocations, in line with their risk tolerances.</i></p> | <p>Over the Scheme year the Trustee monitored the performance of the default investment option on a quarterly basis, with support from its investment advisers. As part of this process, it reviewed the performance of the component funds underlying the default strategy through investment performance reports, which monitor the risk and</p> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|---|---|--|--|
| | | <p><i>The Trustee offers lifestyle options that aim to reduce overall investment risk as the member approaches retirement.</i></p> <p><i>Within active funds, management of many of these market risks is delegated to the investment manager.</i></p> | <p>return of the Scheme's funds, in the context of wider market conditions.</p> <p>The Trustee remains comfortable with the balance between different kinds of investments within the strategy.</p> <p>The next formal triennial review of the investment strategy will commence in September 2025.</p> |
| 4 | Risks, including the ways in which risks are to be measured and managed | <p><i>Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default investment options, the Trustee has explicitly considered the trade-off between risk and expected returns.</i></p> | <p>The Trustee provides a range of investment options which enables members to reflect in their selection of funds the level of risk they wish to take in light of their individual circumstances.</p> <p>The Trustee considers both quantitative and qualitative measures for different investment risks when deciding investment policies, strategic asset allocation and the choice of investment managers / funds / asset classes.</p> <p>During the year, as part of ongoing monitoring of the Scheme's investment performance, the Trustee monitored risk metrics including volatility of returns and maximum short-term loss. These were discussed at each of the quarterly Administration Sub-Committee (ASC) meetings. The Trustee was comfortable with the level of these metrics over the year in the context of wider market conditions.</p> |
| 5 | Expected return on investments | <p><i>The funds available are expected to provide an investment return relative to the level of risk associated with it. The Trustee believes that the range of investment options offered to members should provide a spread of risk and return levels suitable for the membership as a whole. Most asset classes are expected to provide long term real growth to enhance member outcomes.</i></p> | <p>Investment performance was assessed quarterly over the year as described above and the Trustee monitored the risk and return of all investment options within the Scheme. The investment performance is also reviewed as part of the 'value for members' assessment as at 5 April 2025.</p> <p>The Trustee concluded net investment performance provided reasonable value over the Scheme year in the context of wider market conditions.</p> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|---|--|---|---|
| 6 | Realisation of investments | <p><i>The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers.</i></p> | <p>All funds are daily dealt pooled investment vehicles, accessed by an insurance contract and should be realisable based on member demand. There were no known issues relating to the liquidity of investments over the Scheme year.</p> <p>Over the year the Trustee received quarterly administration reports, discussed at the ASC meetings, to ensure core financial transactions are processed within Service Level Agreement ("SLA") and regulatory timelines. The Trustee was satisfied with the service level performance for the Scheme year.</p> <p>Further detail on this is set out in the Chair's Statement within the Scheme report and accounts.</p> |
| 7 | Financially-material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments | <p><i>The Trustee has focussed on what it considers to be 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.</i></p> <p><i>The Trustee believes that Environmental, Social and Corporate Governance ("ESG") issues may have a material impact on investment risk and return outcomes, thereby affecting the performance of investment portfolios and should therefore be considered as part of the Scheme's investment process.</i></p> <p><i>The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.</i></p> | <p>The Trustee receives a quarterly investment performance report that monitors the investment adviser's Manager Research Ratings (overall and ESG ratings). The Scheme's funds remained highly rated during the year.</p> <p>Due to the cessation of ongoing manager research by the Trustee's investment advisers, the Threadneedle Dynamic Real Return Fund was removed from the self-select range as an available option for selection by members who are not already invested. The Trustee will continue to monitor ongoing performance of the fund.</p> <p>The quarterly investment performance reports reviewed over the year also set out how each investment manager has delivered against their specific mandates over short and longer-term timescales.</p> <p>The Trustee believes the investment strategy in place appropriately reflects this policy. The policy was considered as part of the investment strategy review that concluded in November 2022, with resultant changes implemented in March 2023. The next formal triennial review of the investment strategy will commence in September 2025.</p> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|----|--|--|---|
| 8 | The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments. | <i>Non-financial matters, including member views, are not taken into account in the selection, retention and realisation of investments</i> | No member feedback relating to the investment options available was received by the Trustee during the Scheme year. |
| 9 | The exercise of the rights (including voting rights) attaching to the investments | <i>The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustee's policy is that the extent to which ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, are taken into account in these decisions is left to the discretion of the investment managers.</i> | As the Scheme invests solely in pooled funds, voting rights are held by the investment managers on the Trustee's behalf. The Trustee has reviewed key voting activity over the year in respect of the Trustee's stewardship priority areas, which is set out at the end of this statement. |
| 10 | Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters) | <i>Outside of those exercised by investment managers on behalf of the Trustee, no other engagement activities are undertaken.</i> | Investment managers are expected to provide reporting on a regular basis, at least annually, including stewardship information. As set out above, the Trustee has reviewed the underlying investment managers' voting and engagement activity over the year and summarised the results at the end of this statement. The Trustee itself did not directly engage with any underlying companies held via the pooled funds the Scheme invests in. |
| 11 | How the arrangements with the asset managers incentivises the asset managers to align investment strategies and decisions with the Trustee's policies | <i>The Trustee appoints underlying investment managers based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects</i> | The Trustee reviewed performance of the underlying managers, as well as its investment adviser's forward-looking ratings of each manager, at the quarter ASC and Trustee meetings over the year. The Trustee remains comfortable with the managers in place. |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|----|---|--|---|
| | | <p><i>Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives.</i></p> <p><i>As the Trustee invests in pooled investment vehicles, they accept that they have no ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.</i></p> <p><i>The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.</i></p> <p><i>If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.</i></p> | |
| 12 | How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term. | <p><i>The Trustee appoints underlying investment managers based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives.</i></p> <p><i>As the Trustee invests in pooled investment vehicles, it accepts that it has no ability to influence investment managers to align their decisions with the Trustee policies set out in</i></p> | <p>The Trustee is a long-term investor and does not look to change investment arrangements frequently. All funds within the investment strategy are open-ended with no set end date for appointments.</p> <p>Investment performance was reviewed during the Scheme year as described earlier in this statement. No manager appointments were terminated during the Scheme year.</p> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|----|---|---|--|
| | | <p><i>this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.</i></p> <p><i>The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.</i></p> <p><i>If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.</i></p> | |
| 13 | How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration for asset management services are in line with the Trustee's policies | <p><i>The Trustee's focus is on longer-term performance, but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons.</i></p> <p><i>The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If performance is not satisfactory, the Trustee will ask the fund manager to provide additional rationale, and if not satisfied with this, may request</i></p> | <p>The quarterly investment reports reviewed by the Trustee during the year showed performance information over a range of short- and long-term time periods, against fund benchmarks and wider market performance. The Trustee's focus is on long-term performance, however it also takes shorter-term performance into account in reviewing fund performance in light of prevailing market conditions.</p> <p>The Trustee remained satisfied that the investment fund managers' short-term performance did not impact long-term goals.</p> <p>No manager appointments were terminated during the Scheme year in respect of performance concerns.</p> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|----|---|---|--|
| | | <p><i>further action be taken, including a review of fees.</i></p> <p><i>The Trustee reviews the absolute performance, relative performance against a suitable benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account.</i></p> | |
| 14 | How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range. | <p><i>Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs.</i></p> | <p>The Trustee has carried out an annual 'value for members' assessment covering the Scheme year. As part of this assessment, it has sourced portfolio turnover costs (also referred to as transaction costs) of the underlying managers.</p> <p>The Trustee does not have an overall portfolio turnover target for the Scheme. There is little flexibility for the Trustee to impact transaction costs as the Scheme invests in pooled funds. While the transaction costs provided appear to be reflective of costs expected of various asset classes and markets that the Scheme invests in, there is not, as yet, an "industry standard" or universe to compare these to. However, the Trustee views the transaction costs over the Scheme year as reasonable in the context of net performance achieved and the fund managers' objectives.</p> |
| 15 | The duration of the arrangement with the asset manager | <p><i>The Trustee is a long-term investor, all DC funds are open-ended and therefore there is no set duration for manager appointments.</i></p> <p><i>The funds are reviewed on a regular basis, supported by advice from the investment consultants.</i></p> | <p>The default investment options, alternative lifestyle strategies and self-select fund range are reviewed on at least a triennial basis. Over the year to 5 April 2025, there were no changes to manager appointments.</p> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| | Area covered by the policy | Trustee Policy as per the SIP | Actions taken in the year to 5 April 2025 |
|--|-----------------------------------|--|--|
| | | <i>The Trustee may choose to remove a fund from the fund range, if it is no longer considered appropriate, and the fund range is reviewed on at least a triennial basis.</i> | |

Voting Activity

The Trustee has delegated voting activity to the investment managers. The Trustee does not use the direct services of a proxy voter; however, some of the managers use proxy services to manage voting activity. Where the investment managers voted against management, none of them directly communicated this with the company ahead of the vote.

Overview of use of proxy services

Legal and General Investment Management's ("LGIM's") Investment Stewardship team uses Institutional Shareholder Services' ("ISS's") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with our position on ESG, they have put in place a custom voting policy with specific voting instructions.

For Columbia Threadneedle, proxy voting is effected via ISS. While analysing meeting agendas and making voting decisions, they use a range of research sources and consider various ESG issues, including companies' risk management practices and evidence of any controversies. Their final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research.

HSBC use ISS to assist with the global application of their voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene they guidelines. HSBC review voting policy recommendations according to the scale of their overall holdings. The majority of holdings are voted in line with the recommendation based on their guidelines.

During the Scheme Year, voting and engagement summary reports from the Scheme's investment managers were received by the Trustee's Investment advisor, who has considered them with the Trustee to ensure activity is aligned with the Trustee's policy.

The following section of this report includes voting and engagement activity undertaken by the Scheme's investment managers and sets out a summary of voting activity and the most significant votes cast on behalf of the Trustee by these investment managers. The Trustee defines a significant vote as one that is linked to topics closely linked to UN Sustainable Development Goals ("SDGs"), focusing on the following ESG areas:

- Environment: Climate change
- Environment: Pollution and natural resource degradation
- Social: Human rights
- Governance: Diversity, equity and inclusion.

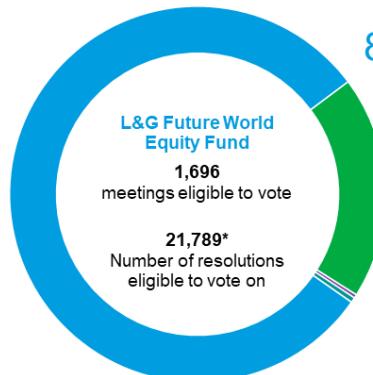
The Trustee will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustee did not inform the investment managers of what it considered to be a 'significant vote' in advance of voting.

GKN GROUP PENSION SCHEME (NO.1)

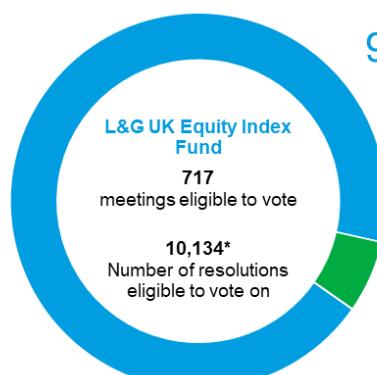
YEAR ENDED 5 APRIL 2023

Voting Summary

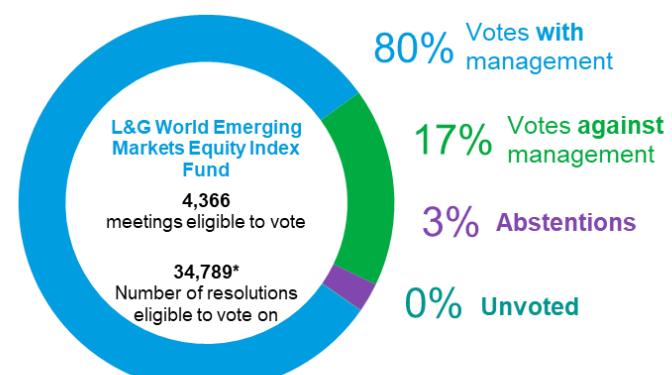
Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the Scheme. Votes “**for / against** management and **not voted/abstain**” assess how active managers are in voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur.



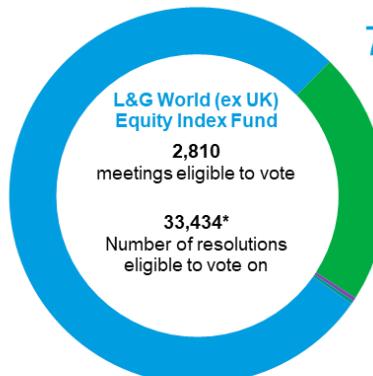
*99.6% of resolutions voted on



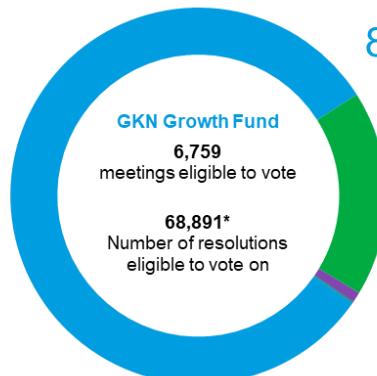
*100% of resolutions voted on



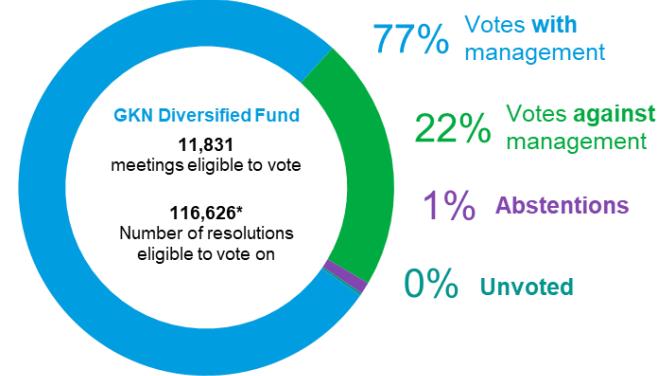
*99.9% of resolutions voted on



*99.7% of resolutions voted on



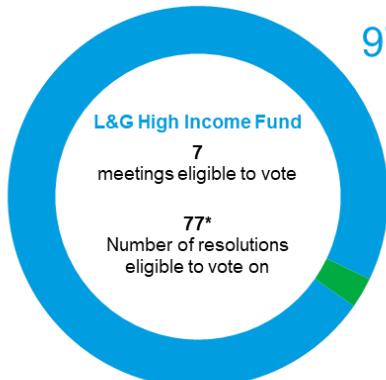
*99.8% of resolutions voted on



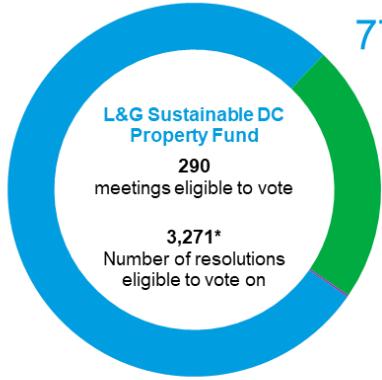
*99.8% of resolutions voted on

GKN GROUP PENSION SCHEME (NO.1)

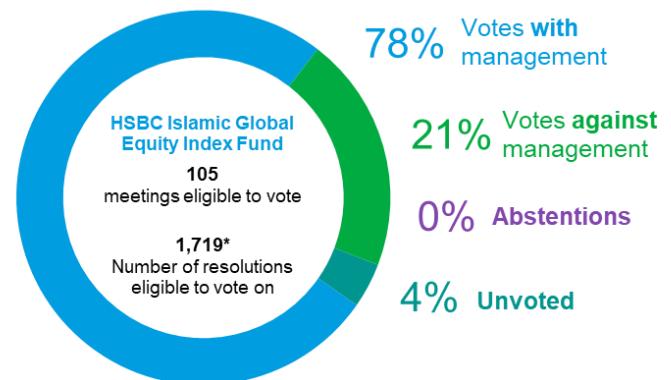
YEAR ENDED 5 APRIL 2025



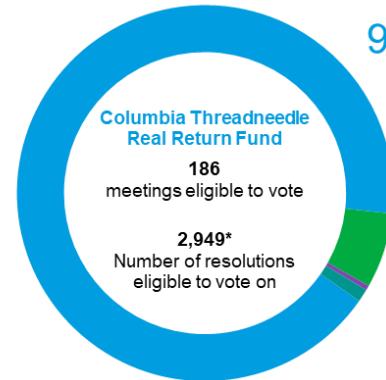
*100.0% of resolutions voted on



*100% of resolutions voted on



*96.0% of resolutions voted on



*98.9% of resolutions voted on

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

Source: LGIM, HSBC and Columbia Threadneedle as at March 2025.

Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

Most Significant Votes

| Fund | Company | Approx. Size of Holding at date of vote (%) | Date | How the manager voted | Summary of the Resolution | Priority Area for GKN significance | Rationale for the Manager vote | Final outcome |
|-----------------|---------------------|---|------------|-----------------------|----------------------------------|---|---|-------------------------------------|
| GKN Growth Fund | Amazon.comInc | 2.04 | 2024-05-22 | For | Report on Customer Due Diligence | Social: Human Rights | A vote in favour is applied (against management recommendation) as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic. | <input checked="" type="checkbox"/> |
| | Meta Platforms Inc. | 1.44 | 2024-05-29 | Against | Elect Director Peggy Alford | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G expects a company to have at least one-third women on the board. and expects companies to elect an independent lead director where there is a combined Board Chair and CEO. | <input checked="" type="checkbox"/> |

Managers have provided significant votes across the funds previously noted as containing equity. The Trustee has disclosed the two most significant votes by fund, determined by the size of the holdings, in accordance with its stewardship priorities: climate change, pollution and natural resource degradation; human rights, and diversity, equity and inclusion. The final outcome column below represents the result of the resolution after all the votings: Passed (✓) or Not-Passed (✗).

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| Fund | Company | Approx. Size of Holding at date of vote (%) | Date | How the manager voted | Summary of the Resolution | Priority Area for GKN significance | Rationale for the Manager vote | Final outcome |
|-------------------------------------|-----------------------|---|------------|-----------------------|----------------------------------|---|---|-------------------------------------|
| GKN Diversified Fund | Alphabet Inc. | 0.40 | 2024-06-07 | Against | Elect Director John L. Hennessy | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. L&G also expects a company to have at least one-third women on the board. | <input checked="" type="checkbox"/> |
| | Eli Lilly and Company | 0.30 | 2024-05-06 | Against | Elect Director Jamere Jackson | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G supports a declassified board as directors should stand for re-election on an annual basis and expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. | <input checked="" type="checkbox"/> |
| L&G Future World Equity Fund | Johnson & Johnson | 1.77 | 2024-04-25 | Against | Elect Director Joaquin Duato | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. | <input checked="" type="checkbox"/> |
| | Moody's Corporation | 1.14 | 2024-04-16 | Against | Elect Director Leslie F. Seidman | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G expects a company to have at least one-third women on the board. | <input checked="" type="checkbox"/> |
| L&G World (ex UK) Equity Index Fund | JPMorgan Chase & Co. | 0.86 | 2024-05-21 | Against | Elect Director Todd A. Combs | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair. | <input checked="" type="checkbox"/> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| Fund | Company | Approx. Size of Holding at date of vote (%) | Date | How the manager voted | Summary of the Resolution | Priority Area for GKN significance | Rationale for the Manager vote | Final outcome |
|--------------------------|---------------|---|------------|-----------------------|--|------------------------------------|--|-------------------------------------|
| | Broadcom Inc. | 0.86 | 2024-04-22 | Against | Elect Director Henry Samuels | Environment: Climate change | A vote against is applied (against management recommendation) as the company is deemed to not meet minimum standards with regard to climate risk management. | <input checked="" type="checkbox"/> |
| L&G UK Equity Index Fund | Shell Plc | 7.66 | 2024-05-21 | Against | Approve the Shell Energy Transition Strategy | Environment: Climate change | A vote against is applied (against management recommendation) as L&G acknowledges the substantive progress the company has made in respect of climate related disclosure over recent years, and L&G views positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, L&G expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, L&G seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. | <input checked="" type="checkbox"/> |
| | Unilever Plc | 4.23 | 2024-05-01 | For | Approve Climate Transition Action Plan | Environment: Climate change | A vote in favour is applied (in line with management recommendation) as L&G understands it to meet minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and | <input checked="" type="checkbox"/> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| Fund | Company | Approx. Size of Holding at date of vote (%) | Date | How the manager voted | Summary of the Resolution | Priority Area for GKN significance | Rationale for the Manager vote | Final outcome |
|--|-------------------------------|---|------------|-----------------------|--|---|--|-------------------------------------|
| | | | | | | | long-term GHG emissions reduction targets consistent with Paris goals. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, L&G notes that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. | |
| L&G World Emerging Markets Equity Index Fund | Tencent Holdings Limited | 3.88 | 2024-05-14 | Against | Elect Charles St Leger Searle as Director | Governance: Diversity, equity and inclusion & Environment: Climate change | A vote against is applied (against management recommendation) as L&G expects the Committee to be comprised of independent directors and the company is deemed to not meet minimum standards with regard to climate risk management. | <input checked="" type="checkbox"/> |
| | Alibaba Group Holding Limited | 2.28 | 2024-08-22 | Against | Elect Director Irene Yun-Lien Lee | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G supports a declassified board as directors should stand for re-election on an annual basis and L&G has concerns regarding the time commitment required to manage all board positions and how this may impact their ability to remain informed and effectively contribute to board discussions. | <input checked="" type="checkbox"/> |
| L&G High Income Fund | Atos SE | 0.11 | 2025-01-31 | Against | Ratify Appointment of Philippe Salle as Director | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G expects the roles of Board Chair and CEO to be separate and not to be recombined once separated. These two roles are substantially different and a | <input checked="" type="checkbox"/> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| Fund | Company | Approx. Size of Holding at date of vote (%) | Date | How the manager voted | Summary of the Resolution | Priority Area for GKN significance | Rationale for the Manager vote | Final outcome |
|--|----------------------------|---|------------|-----------------------|--|---|---|-------------------------------------|
| | | | | | | | division of responsibilities ensures there is a proper balance of authority and responsibility on the board. | |
| L&G Sustainable Property Fund | Prologis, Inc. | 0.40 | 2024-05-09 | Against | Elect Director Hamid R. Moghadam | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. | <input checked="" type="checkbox"/> |
| | AvalonBay CommunitiesIn c. | 0.20 | 2024-05-16 | Against | Elect Director Susan Swaney | Governance: Diversity, equity and inclusion | A vote against is applied (against management recommendation) as L&G expects a company to have at least one-third women on the board. | <input checked="" type="checkbox"/> |
| HSBC Islamic Global Equity Index Fund | NVIDIA Corporation | 7.69 | 2024-06-26 | Against | Elect Director Stephen C. Neal | Governance: Diversity, equity and inclusion | HSBC is voting against (against management recommendation) this Nomination Committee Chair as they have concerns about insufficient gender diversity of the board. | <input checked="" type="checkbox"/> |
| | Amazon.comIn c. | 6.26 | 2024-05-22 | For | Report on Efforts to Reduce Plastic Use | Environment: Climate change | HSBC is voting for (against management recommendation) as HSBC believes that the proposal would contribute to circular economy. | <input type="checkbox"/> |
| Columbia Threadneedle Dynamic Real Return Fund | Amazon.comIn c. | 0.88 | 2024-05-22 | For | Report on Median and Adjusted Gender/Racial Pay Gaps | Human Rights | Threadneedle is voting for (against management recommendation) as the proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management. | <input type="checkbox"/> |

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

| Fund | Company | Approx. Size of Holding at date of vote (%) | Date | How the manager voted | Summary of the Resolution | Priority Area for GKN significance | Rationale for the Manager vote | Final outcome |
|------|-----------|---|------------|-----------------------|--|---|---|---------------|
| | NVR, Inc. | 0.02 | 2024-05-07 | For | Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics | Governance: Diversity, equity and inclusion | Threadneedle is voting for (against management recommendation) as the company should disclose its demographic workforce data as per the EEO-1 requirement. This will help to increase transparency and aid shareholders in assessing the effectiveness of the company's stated efforts to address related human capital material risks and opportunities. | ☒ |

Source: LGIM, HSBC and Columbia Threadneedle as at March 2025.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. In terms of next steps, LGIM will continue to engage with investee companies, publicly advocate their position on the above issues and monitor company and market-level progress.

HSBC and Threadneedle do not communicate their intent to the companies ahead of voting. Active stewardship continues to form an integral part of our research and investment process.

Examples of Underlying Manager Engagement

LGIM engagement case study: Rio Tinto

The mining and diversified metals sector produces minerals that are essential to the energy transition. As such, LGIM believes that long-term responsible investors can support these companies as they decarbonise and realise the associated financial opportunities.

LGIM has been engaging in detailed and constructive discussions with Rio Tinto since voting against their previous Climate Action Plan in 2022. At the time, while recognising that the company had strengthened its operational emissions reduction targets by 2030, together with making a commitment for substantial capital allocation linked to the company's decarbonisation efforts, LGIM was concerned by the absence of quantifiable targets for Scope 3 emissions, and the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner. LGIM climate-related engagement since then has aimed to bridge the remaining gaps against their expectations, particularly regarding the company's approach to Scope 3 emissions and customer decarbonisation.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

Following what LGIM views as substantive progress by Rio Tinto in this area, primarily through enhanced disclosure of its plans to decarbonise its value chains, as well as the clear and quantified actions set out to meet its emission reduction targets, they believe the company's enhanced strategy closely aligns with their framework, and should support its decarbonisation journey and the creation of long-term value as the climate transition unfolds. LGIM therefore voted in support of the company's Climate Action Plan and pre-declared their voting intention. LGIM will continue their engagement with the company on the implementation of this plan and monitor their progress.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

STATEMENT REGARDING DC GOVERNANCE

A message from the Chair of the Trustee of the GKN Group Pension Scheme (No.1)

The GKN Group Pension Scheme (No.1) ('the Scheme') is established within a Trust and is governed by a Trust Deed and Rules that set out how the Scheme operates. The Scheme has a single Trustee, GKN 1 Trustee 2018 Limited, which has a Board of Trustee Directors who are responsible for running the Scheme.

This statement is required by law to explain how the Trustee, with the help of its professional advisers, meets a number of statutory governance standards, including the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

This statement is in respect of the twelve-month period to 5 April 2025 and covers the following:

Section 1 - How the Trustee oversees the Scheme summarises the rigorous governance processes the Trustee undertakes each year to operate the Scheme.

Section 2 - Improving the Trustee's knowledge and understanding shows the continuous efforts the Trustee makes to ensure it maintains the specialist knowledge required to make sure the Scheme is well run.

Section 3 - Managing the Scheme's investment options & reviewing the default arrangements focuses on how the Trustee designs and monitors the investment options offered by the Scheme, to ensure that they are appropriate for members.

Section 4 - Statement of Investment Principles (SIP) describes the requirements on the Trustee to produce a SIP, what it contains (including the principles used to design the default arrangement) and when it was last updated.

Section 5 - Charges and transactions costs provides information on the various deductions made from Members' Accounts each year to pay for investment management services and the costs associated with running Members' Accounts.

Section 6 - Charges and transaction costs – illustrations provides examples showing how the investment charges and transaction costs described in Section 5 will affect the value of a Member's Account over time.

Section 7 - Net investment returns provides details of the performance of the Scheme's various investment options, after deduction of the costs described in Section 5.

Section 8 - Asset allocation provides the asset allocation within the investment strategies of the Scheme's default arrangements.

Section 9 - Value for members states what the Trustee does to ensure that members are receiving value for money from the Scheme, including the results of its latest annual assessment.

Section 10 - Monitoring and processing of core financial transactions explains the internal controls the Trustee has in place in respect of the administration services, including ensuring that financial transactions such as investment switches and transfers out are processed promptly and accurately.

This statement outlines the requirements in each area, how the Trustee ensures it meets or exceeds these requirements on an ongoing basis and the specific actions taken during the year to 5 April 2025 to meet the requirements.

A McKinnon – Chair

Chair of the Trustee of the GKN Group Pension Scheme (No.1)

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

Section 1: How the Trustee oversees the Scheme

What are the Trustee's responsibilities?

The Trustee is required to ensure that the Scheme offers a robust, well-governed pension savings vehicle that offers good value for money, helping members achieve their retirement savings goals.

How does the Trustee meet these requirements?

The Trustee's long-term strategy for helping improve member outcomes at retirement is guided by the following beliefs:

- The Trustee is here to serve all members, while also helping the company to provide a well-governed pension savings vehicle.
- All members should be encouraged and helped to develop a plan for attaining an appropriate income for life after work.
- While members have the opportunity to make their own investment decisions, the quality and suitability of the default arrangement is likely to be of key importance for many members.
- Operating robust internal controls and reliable administration processes is important to the Scheme being trusted and respected by members.
- The Trustee regularly reviews industry innovations, solutions and levels of charges for comparable pension schemes in order to ensure that the Scheme continues to provide members with good value for money.

To this end, the Trustee commits to comply with both the letter and spirit of regulations and will also implement best-practice governance arrangements where possible.

The Trustee has established an Administration Sub-Committee (ASC) that is tasked with overseeing the administration, accounting and defined contribution arrangements of the Scheme. The chair of the ASC reports back to the main board of the Trustee at each meeting, to ratify any decisions made.

Each year the ASC meets at least quarterly to monitor the overall operation of the DC Section of the Scheme, including:

- Reviewing the performance of the investment fund range and the underlying investment managers, discussing new developments with their professional advisers and, as needed, agreeing changes to the investment options offered by the Scheme.
- Review the administration service provided to members of the DC Section.
- Ensuring that the Scheme maintains robust risk management processes and internal controls.
- Ensuring compliance with all statutory requirements, including arranging an annual Independent Audit and production of the Annual Report and Accounts.

The Trustee receives substantial support from the company and its appointed professional advisers to deal with any issues and ensure the continued ongoing development and smooth running of the Scheme.

What did we do in the year to 5 April 2025?

During the year the ASC and the Trustee Board each held four formal quarterly meetings. The ASC also dealt with any urgent issues by email or additional conference call meetings. At all of these meetings, key issues were discussed and progressed with the Trustee's appointed advisers and representatives of the Company. Further information regarding the key actions undertaken by the ASC and the Trustee during the year is provided within the various sections of this statement.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

Section 2: Improving Trustee's knowledge and understanding

What are the Trustee's responsibilities?

The Scheme is operated by a corporate Trustee, which must ensure that its directors have appropriate knowledge and understanding to fulfil their role as Trustee Directors.

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding of pension-related legislation and best practice requirements. This, together with the professional advice available to the Trustee, enables it to properly carry out its duties in relation to the Scheme.

How does the Trustee meet these requirements?

The Trustee has a rigorous process for developing and maintaining the knowledge and understanding (TKU) of its Trustee Directors. The following points cover the Trustee's ongoing approach to meeting the TKU requirements.

- The training needs of new Trustee Directors are assessed, and they are given appropriate training in the first 6 months of their appointment, including on the law relating to pensions and trusts and relevant principles relating to funding and investment of occupational schemes.
- Refresher training is provided where appropriate so that all Trustee Directors have sufficient knowledge and understanding of the relevant pensions, trust laws and principles relating to the investment of pension assets.
- All Trustee Directors are required to complete the Pensions Regulator's Trustee Toolkit.
- The Trustee obtains appropriate advice and training on the Scheme documents, including ensuring that all Trustee Directors have a working knowledge of the Trust Deed and Rules, the Statement of Investment Principles and all other documents setting out the Trustee's policies. In addition, when dealing with benefit queries that require legal advice, the Scheme's advisers will refer the Trustee to the specific Scheme Rules, to ensure it is clear on the interpretation of the Scheme's governing documentation.
- The Trustee's legal advisers provide training and input on legal considerations and update the Trustee Directors on new legal issues.
- All Scheme documents and policies are reviewed regularly in accordance with the Trustee's ongoing Business Plan and updated if required. A number of key Scheme documents are available to members on the dedicated website: <https://gknepensions.co.uk/index.html>.
- The Trustee has a standing agenda item at every meeting to consider the individual and group training requirements of its Directors. Any topics identified are recorded and a training session arranged for a future meeting.
- Regular specific training from professional advisers on the latest current issues and legislation, regulatory and best-practice requirements is incorporated into appropriate Trustee meetings, along with extensive reading materials from the Scheme's professional advisers.
- All Trustee training carried out at Trustee meetings is recorded via the Scheme's training log. Individual Trustee Directors maintain their own log of any additional training undertaken outside of meetings.
- The Trustee Board includes one accredited professional trustee who is also a qualified actuary who still complies with the continuing professional development requirements of the Institute of Actuaries. In addition, the Board includes a member nominated trustee who has voluntarily been accredited as a professional trustee.

The Trustee also receives professional advice to support it in reviewing the performance of the Scheme and governing it in line with Trust Deed and Rules and other formal documentation. If there are any ambiguities or questions over the interpretation of the Rules or legislative requirements, the Trustee always obtains legal advice.

Overall, the Trustee and its advisers are satisfied, given the advice received and the extensive combined experience of the individual Trustee Directors, that the Trustee exceeds the required regulatory standards.

What did we do in the year to 5 April 2025?

During in the year to 5 April 2025:

- The Trustee undertook specific reviews of the following Scheme documentation:
 - Implementation Statement
 - Chair's Statement
 - Risk Register, which is reviewed at each ASC meeting.
- The Trustee is reviewing the training requirements of the Trustee Directors in order to implement an updated training plan for 2025 and beyond based on the future requirements of the Scheme.
- In addition to receiving updates on current issues at all Trustee meetings, specific training was undertaken on a number of important issues impacting defined contribution arrangements, including the following:

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| Training Topic | Delivered by | Date |
|--|-----------------------|-------------------------|
| TCFD Pillars 2 and 3 | Aon Hewitt | 19 June 2024 |
| Multi-Asset Investing – Market Exposures | Cardano | 11 December 2024 |
| Political outlook including policy change | PinSENT Masons | 2 April 2025 |

- The ASC received updates from its advisers on upcoming legislation and changes to market practice at each of its quarterly meetings.
- The Trustee commenced a review of the Scheme's governance arrangements against the requirements of the Pension Regulator's General Code of Practice, published in March 2024. An Effective System of Governance (ESOG) gap analysis of current Scheme practice against the Code was conducted, which allowed the Trustee to prioritise areas of focus for action. Progresses toward documenting the Scheme's compliance with the General Code are being made with the first statutory Own Risk Assessment due to be undertaken later in 2025.

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Section 3 - Managing the Scheme's investment options & reviewing the default arrangements

What are the Trustee's responsibilities?

The Trustee is responsible for setting the Scheme's investment strategy and for appointing investment managers to deliver appropriate investment options for members to select. This includes offering default arrangements for those members who do not wish to select their own investment options.

The Trustee is required to review the Scheme's default arrangements at least every three years to ensure that they remain appropriate, considering the profile and likely requirements of the Scheme's membership. The Trustee is also required to monitor the performance and ongoing return expectations of the default arrangements on a regular basis, to ensure that they continue to meet their objectives.

Finally, the Trustee is also required to monitor and regularly review the additional self-select fund options offered by the Scheme, making changes as necessary, to ensure that they continue to meet the varied and evolving requirements of members who wish to select their own investment options.

How does the Trustee meet the requirements for the default arrangements?

As mentioned in the last Chair's Statement, the Trustee completed a two-step review of the default arrangements in September and November 2022, with the following changes were implemented in March 2023:

- Within the GKN Growth Fund, the LGIM Future World Fund was replaced with the LGIM Future World Global Equity Index Fund (GBP Hedged);
- Within the GKN Diversified Fund, the Columbia Threadneedle Dynamic Real Return Fund was replaced with the LGIM Diversified Fund.

There were no changes made to the default arrangements during the year to 5 April 2025. The next formal triennial review of the investment arrangements will commence in September 2025.

The default arrangement for members of the DC Section only

Since January 2020 the Scheme's default arrangement for members who only have DC Section investments, including all new joiners, is the 'GKN Drawdown Lifestyle', designed for members moving their savings into income drawdown when they reach retirement.

As a member's fund value grows, investment risk will have a greater impact on their retirement outcome, so the Trustee believes that a default strategy that seeks to reduce investment risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches, designed to reduce investment risk over the 15-year period before a member's Selected Retirement Date, so that when the member reaches retirement their savings are in their final asset allocation, based on how they are likely to take their benefits. The switching process is designed as follows:

- For members who are more than 15 years from their Selected Retirement Date, this strategy's growth phase invests in the GKN Growth Fund, which in turn aims to grow the members' savings by investing in global equities, including an allocation with a tilt towards companies with more favourable Environmental, Social and Governance ("ESG") characteristics.
- When a member is within 15 years of their Selected Retirement Date, their savings are gradually switched into the GKN Diversified Fund; this switching takes place gradually over 5 years until the member is 10 years from retirement. The GKN Diversified Fund aims to continue to grow members' savings, but also incorporates increased diversification and some risk reducing assets in order to reduce exposure to investment market volatility.
- When a member is 5 years from their Selected Retirement Date, their investments begin a further period of switching, gradually moving some of their savings into the GKN Cash Fund. By the time the member retires, the intention is that 25% of their savings will be invested in the GKN Cash Fund, in order to minimise the impact that investment market volatility might have on the amount that the member can take as a tax-free cash sum. The remaining 75% of their savings remains invested in the GKN Diversified Fund.

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This strategy is primarily designed for members who draw 25% of their assets as cash and transfer the remaining savings into an income drawdown policy.

The default arrangement for members with past DB service

The Scheme's lifestyle options progressively and automatically switch members from higher risk/higher expected return funds to lower risk/lower expected return funds as the member approaches their selected retirement date. Three default investment strategies are in place for members with past DB service, catering for differing needs and likely benefit choices. Each default strategy utilises one of the Scheme's lifestyle options, as follows:

- **Drawdown Lifestyle** – This investment option is designed for members who wish to keep their retirement savings invested and draw down a regular income after retirement. This is the default arrangement for members who are expected to have a large DC fund at retirement after taking their tax-free cash. These members have a small amount of past DB service relative to their years to Selected Retirement Date.
- **Partial Drawdown Lifestyle** – This investment option is designed for members who intend to withdraw the majority of their savings as cash upon retirement, with any remainder continuing to be invested to allow income drawdown. This is the default arrangement for members who are expected to have a small DC fund at retirement after taking their tax-free cash. These members have a moderate amount of past DB service relative to their years to Selected Retirement Date.
- **Cash Lifestyle** – This investment option is designed for members who intend to withdraw their entire savings as cash. This strategy is 100% invested in the GKN Cash Fund at retirement. This is the default arrangement for members who are expected to use their whole DC fund at retirement to fund their tax-free cash. These members have a significant amount of past DB service relative to their years to Selected Retirement Date.

The switching process for the Drawdown Lifestyle is as described for the default investment arrangement for members of the DC Section only section above. The switching process for the Partial Drawdown Lifestyle and the Cash Lifestyle is identical to the Drawdown Lifestyle until a member reaches 5 years from their Selected Retirement Date, when the switching changes as follows:

- **The Partial Drawdown Lifestyle** begins a further period of switching so that, at retirement, 62.5% of a member's savings will be invested in the GKN Cash Fund. This is to minimise the impact that investment market volatility might have on the expected amount that the member can take as a tax-free cash sum when combined with their DB Section benefits. The remaining 37.5% of their savings remains invested in the GKN Diversified Fund.
- **The Cash Lifestyle** begins a further period of switching so that, at retirement, 100% of a member's savings will be invested in the GKN Cash Fund, in order to minimise the impact that investment market volatility might have on the amount that the member can take as a tax-free cash sum, when combined with their DB Section benefits.

All three Lifestyle Options share the same overall aims, to generate positive nominal long-term returns in excess of inflation over the long term during the growth phase of each Lifestyle strategy, while managing downside risk for members within 15 years of their expected retirement.

Additional Technical default arrangements – GKN Cash Fund

In addition to the default arrangements described above, the Scheme might also operate one or more additional arrangements that are considered to be statutory technical default arrangements, as a result of members' savings being transferred into these investment options without their express consent. This usually occurs when a fund option is being closed and members' funds need to be moved to a new fund option.

The Scheme currently has one technical default arrangement, the GKN Cash Fund, as a result of a bulk transfer in August 2021 of members' additional voluntary contributions from the Utmost Money Markets Fund, which allowed the fund to be closed.

Section 8 shows how the savings of members invested in the Scheme's default arrangements were being invested as at 5 April 2025, across each of the main asset classes.

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How does the Trustee meet the requirements for the self-select fund options?

In addition to operating default arrangements the Trustee believes that having taken expert advice, it is appropriate to offer a range of fund options via Legal & General in which members can invest. These funds provide a different balance between risk and reward, including actively and passively managed funds covering various asset classes and regions.

Monitoring the investment managers, performance and strategies

The Scheme's investments, including all of the default arrangements, are monitored and reviewed by the Trustee's Administration Sub-Committee ('ASC'). The Trustee Directors on the ASC have sufficient knowledge and relevant understanding to provide sound and prudent oversight of the investment strategy. They also have the required investment and risk management expertise to critically evaluate and oversee associated risks. In addition:

- The ASC monitors the performance of the default arrangements, the funds underlying the default arrangements and the additional self-select fund options available to members on a quarterly basis.
- The Trustee's investment advisers provided regular updates and ratings of the investment managers that manage the Scheme's investment options.
- The Trustee may decide to replace self-select fund options or the underlying investment managers for any fund option, if it feels that it is appropriate or to introduce attractive new options. Members are notified of any changes made to the investment managers.
- The Trustee regularly undertakes an assessment of their training needs and members of the ASC receive ongoing and frequent training from their professional advisers on investment principles, strategies and risks, which is recorded in a formal training log.

What did we do in the year to 5 April 2025?

The Trustee last reviewed the self-select fund options in November 2022.

The self-select fund options were introduced in 2019, following investment advice received by the Trustee and an assessment of members' potential needs. In 2022 the self-select fund options were reviewed, and the Trustee agreed that the current range of fund options remained suitable for the Scheme's membership at that time. Over the year to 5 April 2025, The Trustee's investment advisers have advised the Trustee that they are no longer able to undertake ongoing manager research on the Threadneedle Fund. As the Trustee does not wish to actively offer an investment option to members that is not subject to ongoing research, the Fund was removed from the self-select fund options for members who did not already have savings invested in it. The next review of the self-select fund options will commence in September 2025.

The ASC has reviewed the performance of default arrangements and the self-select fund range at each of their quarterly meetings during the scheme year. In 2025, they also considered investment performance as part of their annual review of the value for money offered by the Scheme (see Section 9). This included analysis of fund performance and market outlook to check that the risk and return levels met expectations. The Trustee concluded that most funds have met their long-term objectives and continue to be rated highly by the Trustee's appointed investment adviser.

It was noted however that the GKN Diversified Fund underperformed its benchmark (which is a composite of the underlying funds' benchmarks) over the 3-year period. The Trustee will keep the performance of the fund under review and carry out a formal review of the default arrangements as part of the next Investment Strategy Review, scheduled to start in September 2025.

The Scheme continues to comply with the Regulations on charge controls introduced from April 2015. Specifically, the Trustee is pleased to confirm that the funds used in all of the Scheme's default investment options have combined total expense ratios that are below the charge cap of 0.75% p.a. of savings.

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Section 4 - Statement of Investment Principles

What are the Trustee's responsibilities?

The Trustee is required to include within this statement, a copy of the latest Statement of Investment Principles (the 'SIP') prepared for the Scheme in compliance with Section 35 of the Pensions Act 1995 and regulation 2/regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

The SIP covers the following key matters in relation to the default arrangements:

- The Trustee's aims and objectives in relation to the investments held in the default arrangements.
- The Trustee's policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent (as appropriate) to which social, environmental or ethical considerations are considered when selecting, retaining or realising investments.
- An explanation of how these aims, objectives and policies (which together form a part of the Trustee's 'default investment strategy') are intended to ensure that assets are invested in the best interests of members.

The Trustee reviews the SIP at least triennially or more often if changes are required.

What did we do in the year to 5 April 2025?

A copy of the current SIP is set out in Appendix 6. The SIP was last updated in March 2024, to incorporate the Trustee's policy in relation to investment in illiquid assets. The SIP was last reviewed in June 2025 when it was confirmed that no changes were required.

The Trustee also publishes an Implementation Statement each year, describing how it has ensured that the policies and objectives set out in the SIP were adhered to over the course of the Scheme year. A copy of the latest Implementation Statement can be found on at gknpensions.co.uk.

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Section 5 - Charges & transaction costs

What are the Trustee's responsibilities?

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to obtain and publish annually the level of costs and charges that apply to:

- Each default arrangement during the Scheme year.
- Each fund option in which members' savings have been invested during the Scheme year.

These requirements are intended to ensure transparency on the costs that members pay from their retirement savings.

Charges include the Annual Management Charge (AMC), the annual fee charged by the investment manager for investing in a fund. Additional expenses such as trading fees or legal fees are included in the Total Expense Ratio (TER), which is the total cost of investing in a fund.

Any relevant charges are deducted as a percentage of a member's funds.

Transaction costs are incurred within the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling investments within a fund.

Transaction costs can be incurred as part of the process of buying and selling any investment and are implicit within the performance of a fund. The prescribed method of calculating transaction costs states the trading cost is arrived at by comparing the price at which the transaction was executed with the price when the order to transact entered the market. When selling into a rising market or buying into a falling market, the calculation produces a credit that may outweigh the other 'explicit' transaction costs, resulting in negative overall transaction costs.

The Trustee is also required to assess annually the extent to which these charges and costs represent good value for members. See '**Value for Members**' in Section 9. The Trustee has taken account of statutory guidance when producing this section and the related appendices.

How does the Trustee meet the requirements?

The Trustee formally reviews the charges paid by members on an annual basis and, through the ASC, works closely with the Scheme's investment provider to obtain the lowest possible charges for all of the available fund options.

What did we do in the year to 5 April 2025?

Charges and transaction costs - default arrangements

The level of charges and transaction costs applicable to each component fund within the default arrangements during in the year to 5 April 2025 are as shown in Appendix 1, expressed as a percentage of a members' fund holdings. This includes the GKN Cash Fund, which is treated by the Scheme as a technical default arrangement as described in Section 3.

These charges and transaction costs were supplied by Legal & General, the Scheme's investment platform provider. There is no missing transaction cost data. These are the only costs incurred by members of the Scheme.

All of the default arrangements remain within the Government's charge cap of 0.75% p.a.

Charges and transaction costs – Self-Select Fund Options

The level of charges and transaction costs that applied as at 5 April 2025 to the self-select and additional voluntary contribution fund options in which members have chosen to invest are shown in Appendix 2 and 3, along with further details on the funds used within each of the Lifestyle options. There were no performance-based fees incurred by any of the Scheme's funds during the Scheme year.

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Section 6 - Charges and transaction costs - illustrations

What are the Trustee's responsibilities?

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 also require the Trustee to produce illustrations of the cumulative effect over time of the transaction costs and charges that apply to the fund options offered by the Scheme. This is to improve transparency and help members understand the impact that charges and transaction costs might have on their own savings.

Charges and transaction cost illustrations - in the year to 5 April 2025

The Trustee has taken account of the applicable statutory guidance and has produced illustrations to demonstrate the effect of the costs and charges for the investment funds and strategies offered by the Scheme for four different example members (two active and two deferred).

The illustrations in Appendix 4 show, based on a number of assumptions and investment options, the projected fund values at retirement before and after charges and transaction costs have been deducted, so that the potential impact of these costs is clearly shown.

Please note that the figures in Appendix 4 are only illustrations and the actual fund values and impact of charges on members' investments will be different, depending on their personal details and investment choices, and whether or not the assumptions are borne out. The information contained in Appendix 4 is not a substitute for the individual and personalised illustrations provided to members each year within the annual benefit statements provided by Legal & General.

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Section 7 - Net investment returns

What is required?

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations in the year to 5 April 2022 introduced new requirements on the Trustee to calculate and publish the return on investments of the Scheme's default arrangements and those self-select fund options in which members have invested, after taking account of transaction costs and charges.

Net investment return disclosures - in the year to 5 April 2025

Appendix 5 provides the net investment return disclosures as at 31 March 2025 (the closest available to the Scheme year-end), showing the investment performance of the Scheme's default arrangement, alternative lifestyle strategies and self-select fund options, after adjustment for all charges and transaction costs discussed in Sections 5 and 6. The Trustee has taken account of the statutory guidance when preparing these disclosures.

Most of the funds offered by the Scheme through the Legal & General platform, including the default arrangements, demonstrated net investment returns (after the deduction of costs and charges) over 1 and 5 years in line with or above their respective performance benchmarks.

It is important to remember that past investment performance is not a guide to future investment performance.

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Section 8 – Asset Allocation

In order that members invested in the Scheme's default arrangement can see how their savings were being invested as at 31 March 2025, the table below shows the percentage of each of the main asset classes held by the 'GKN Drawdown Lifestyle' default arrangement and the Scheme's additional default arrangements, for members at different ages/periods to retirement. Where the arrangement invests in one or more underlying funds, the asset allocation shown is that of the underlying funds. A description of the asset classes is provided below.

For more information on the investment options offered by the Scheme, please log into your online account with Legal & General (L&G), which you can access via the GKN Pensions Website at gknpensions.co.uk.

| | Percentage allocation – average 25 years (%) | Percentage allocation – average 45 years (%) | Percentage allocation – average 55 years (%) | Percentage allocation – average 65 years (%) |
|----------------|--|--|--|--|
| Cash | 0.0% | 0.0% | 5.3% | 29.0% |
| Bonds | 0.0% | 0.0% | 39.6% | 29.7% |
| Listed Equity | 100.0% | 100.0% | 42.0% | 31.4% |
| Private Equity | 0.0% | 0.0% | 0.0% | 0.0% |
| Property | 0.0% | 0.0% | 11.4% | 8.6% |
| Infrastructure | 0.0% | 0.0% | 0.0% | 0.0% |
| Private Debt | 0.0% | 0.0% | 0.5% | 0.4% |
| Other | 0.0% | 0.0% | 1.2% | 0.9% |

Source: LGIM as at 31 March 2025.

In addition to the default, the Trustee makes available two alternative lifestyle arrangements, which are additional default arrangements for legacy reasons:

Partial Drawdown:

This investment option is designed for members who intend to withdraw the majority of their savings as cash upon retirement, with any remainder continuing to be invested to allow income drawdown.

This is the default investment option for members who are expected to have a small DC fund at retirement after taking tax-free cash. These members have a moderate amount of past DB service relative to their years until their Selected Retirement Date.

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| | Percentage allocation – average 25 years (%) | Percentage allocation – average 45 years (%) | Percentage allocation – average 55 years (%) | Percentage allocation – average 65 years (%) |
|-----------------------|--|--|--|--|
| Cash | 0.0% | 0.0% | 5.3% | 64.5% |
| Bonds | 0.0% | 0.0% | 39.6% | 14.9% |
| Listed Equity | 100.0% | 100.0% | 42.0% | 15.7% |
| Private Equity | 0.0% | 0.0% | 0.0% | 0.0% |
| Property | 0.0% | 0.0% | 11.4% | 4.3% |
| Infrastructure | 0.0% | 0.0% | 0.0% | 0.0% |
| Private Debt | 0.0% | 0.0% | 0.5% | 0.2% |
| Other | 0.0% | 0.0% | 1.2% | 0.4% |

Source: LGIM as at 31 March 2025.

Cash Lifestyle:

This investment option is designed for members who intend to withdraw their entire savings as cash. This strategy is 100% invested in the GKN Cash Fund at retirement.

This is the default investment option for members who are expected to utilise their whole DC fund at retirement to fund their tax-free cash. These members have a significant amount of past DB service relative to their years until their Selected Retirement Date.

| | Percentage allocation – average 25 years (%) | Percentage allocation – average 45 years (%) | Percentage allocation – average 55 years (%) | Percentage allocation – average 65 years (%) |
|-----------------------|--|--|--|--|
| Cash | 0.0% | 0.0% | 5.3% | 100.0% |
| Bonds | 0.0% | 0.0% | 39.6% | 0.0% |
| Listed Equity | 100.0% | 100.0% | 42.0% | 0.0% |
| Private Equity | 0.0% | 0.0% | 0.0% | 0.0% |
| Property | 0.0% | 0.0% | 11.4% | 0.0% |
| Infrastructure | 0.0% | 0.0% | 0.0% | 0.0% |
| Private Debt | 0.0% | 0.0% | 0.5% | 0.0% |
| Other | 0.0% | 0.0% | 1.2% | 0.0% |

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Source: LGIM as at 31 March 2025.

Notes to all tables:

- Normal Retirement Date (NRD) is assumed to be age 65.
- The following describes the types of investments covered by the above asset classes:
 - **Cash** – Cash and assets that behave similarly to cash e.g. treasury bills and repurchase agreements.
 - **Bonds** – Loans made to the bond issuer, usually a government or a company, to be repaid at a later date. This includes Corporate and Government Bonds, Securitized.
 - **Listed Equity** – Shares in companies that are listed on global stock exchanges.
 - **Private Equity** – Unlisted equities that are not publicly traded on stock exchanges.
 - **Property** – Real estate, potentially including offices, retail buildings which are rented out to businesses.
 - **Infrastructure** – Physical structures, facilities, systems, or networks that provide or support public services.
 - **Private Debt** – Other forms of loan that do not fall within the definition of a 'Bond'.
 - **Other** – Any assets that do not fall within the above categories. This includes Alternatives, Commodities, Absolute Return Funds and Volatilities.

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Section 9 - Value for members

What are the Trustee's responsibilities?

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 require that the Trustee conducts an annual review of the value for money that members receive from the Scheme and disclose the results of this review in this statement. If it is identified that members are not receiving good value, the Trustee is required to investigate and identify what steps can be taken to improve the position for the affected members.

How does the Trustee meet the requirements?

The Trustee is committed to ensuring that members receive value for money from the Scheme, meaning that all of the services and features that members receive, compared to the charges deducted from their savings, should represent good value.

Scheme members meet the charges and costs for the administration, communications and investment services provided to run their account, which are deducted from their savings in the Scheme. The charges and transaction costs, along with illustrations of the impact of these costs on members' savings at retirement, are discussed earlier in this statement.

The costs associated with the Trustee's ongoing governance of the Scheme, including all professional adviser fees, are met by the sponsoring employers.

Each year, the Trustee, with its advisers, carries out a formal assessment of the charges paid by members and the services that they receive, compared to other similar pension arrangements. The assessment considers the value provided by the Scheme's investment options and the broader value of the additional services provided, including administration, communications and online services. The value added by the ongoing governance of the Trustee is also considered. These assessments are undertaken in line with the Department of Work and Pensions (DWP) guidance and the Regulator's DC Code of Practice.

The review process considers all of the following factors:

- The investment performance of the Scheme's fund options.
- Whether the lifestyle options and range of self-select fund options remain appropriate.
- Benchmarking the Scheme charges against other pension schemes of a similar size and nature and the transaction costs against relevant asset class comparators.
- The performance of the administration service, covering the service standards achieved, data quality and interactions with members.
- The quality of the communication and online services provided to members by the Trustee and pension provider.
- The governance and management of the Scheme.

Value for Members Assessment – Year ending 5 April 2025

The Trustee has carried out an assessment of the value offered to members by the Scheme. The assessment covered the year to 5 April 2025 and the Trustee concluded that:

- Overall, charges paid by members are competitive relative to comparable funds available for DC investment.
- Most of the Scheme's funds met or outperformed their return objectives over the 3-year period assessed, including the GKN Growth Fund, which holds 58% of member assets. The GKN Diversified Fund, which holds c.31% of member assets, underperformed its benchmark over the 3-year period, largely due to performance of the Threadneedle Dynamic Real Return (DRR) Fund against its benchmark. The Trustee replaced the DRR Fund with the L&G Diversified Fund in the default strategy in 2023.
- Additional value is provided through the ongoing governance of the Scheme, including comprehensive risk management, communications and engagement processes. The Scheme offers a broad range of online tools and support, timely communications and administration response times, which were largely within agreed SLAs over the Scheme year.
- Overall, the Trustee has concluded the Scheme continues to offer good value to members.

Section 10 - Monitoring and processing of core financial transactions

What are the Trustee's responsibilities?

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 requires that a pension scheme's core financial transactions are processed promptly and accurately. These transactions include, but are not limited to:

- Investment of contributions in respect of active members
- Transfer of member assets into or out of the Scheme.
- Switching between different investments within the Scheme.
- Payments to and in respect of members, for example on retirement or death.

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The Trustee is required to monitor these activities and take action where there are systematic process delays or inaccuracies.

How does the Trustee meet the requirements?

Active member contributions

The company is responsible for ensuring that contributions in respect of active members are paid to the Scheme promptly. The Trustee relies on the company to ensure contribution payments are accurate by carrying out appropriate checks. The timing of these payments and their subsequent investment is monitored by the Trustee through quarterly reports produced by the Scheme's Administrator.

Administration arrangements

The Trustee outsources the administration of the Scheme and the operation of the Scheme's bank account to Legal & General, a professional administration provider, which carries out the bulk of the core financial transactions undertaken by the Scheme.

Data quality

The Trustee monitors the accuracy of the Scheme's common data on a regular basis, the results of which are reported annually to the Pension Regulator. Reasons for any decline in common data quality are considered, alongside the remedial measures available to the Trustee. The Trustee requires updates on any agreed remedial measures to ensure they have been satisfactorily implemented.

Internal controls

The Trustee believes that strong and well documented internal controls are a key element in delivering high quality, risk managed services to members.

The Trustee operates a system of internal controls aimed at monitoring the Scheme's administration and management and have a Risk Register in place which outlines the main risks to the Scheme including operational and financial risks to the members. The Risk Register is reviewed and updated on a regular basis.

Core financial transactions – accuracy and timely processing in the year to 5 April 2025

Legal & General administration services

Legal & General carried out monthly checks on the accuracy and timeliness of processing transactions.

Performance during the Scheme year against SLA targets was 99.8% or 97.6% when excluding the processing of monthly contributions. When focusing specifically on Core Financial Transactions, which encompass critical administration processes including benefit payments, quotations, transfers in and out and recordkeeping, L&G's performance against their SLA targets were 97.4%, meeting the high standards of administration expected by the Trustee. The Trustee has received regular updates from Legal & General on their service delivery and consider the overall administration performance has been of a high standard over the year.

Overall, the Trustee is satisfied that the Scheme's core financial transactions were processed accurately and within acceptable timescales during the period to which the Statement relates.

The Trustee continues to monitor the administration service provided by Legal & General.

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Chair's declaration

This statement has been prepared in accordance with the Regulations and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

A. McKinnon – Chair

Signed on behalf of GKN 1 Trustee 2018 Limited,
Trustee of the GKN Group Pension Scheme (No.1)

05 November 2025
Date

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

Appendix 1 – Charges and transaction costs

Default arrangements and the technical default arrangement

The table below illustrates the charges and transaction costs applicable to each component fund within the three default arrangements and the technical default arrangement offered by the Scheme. Please note that the allocation of a member's savings between the component funds within the Lifestyle strategies will change as they approach their target retirement date. For more information on the investment options offered by the Scheme, please log into your online account with Legal & General (L&G), which you can access via the GKN Pensions Website at gknpensions.co.uk.

| Default arrangements | Component funds | Total Expense Ratio* (TER) (%) | Total transaction costs** (%) |
|----------------------|----------------------|--------------------------------|-------------------------------|
| Drawdown Lifestyle | GKN Growth Fund | 0.23 | 0.02 |
| | GKN Diversified Fund | 0.45 | 0.04 |
| | GKN Cash Fund | 0.19 | -0.01 |

The table below illustrates the charges and transaction costs applicable to each component fund within the alternatives Lifestyle options.

| Alternative Lifestyle option | Component funds | Total Expense Ratio* (TER) (%) | Total transaction costs** (%) |
|------------------------------|----------------------|--------------------------------|-------------------------------|
| Partial Drawdown Lifestyle | GKN Growth Fund | 0.23 | 0.02 |
| | GKN Diversified Fund | 0.45 | 0.04 |
| | GKN Cash Fund | 0.19 | -0.01 |
| Cash Lifestyle | GKN Growth Fund | 0.23 | 0.02 |
| | GKN Diversified Fund | 0.45 | 0.04 |
| | GKN Cash Fund | 0.19 | -0.01 |

The following notes apply to all of the above tables:

* Total Expense Ratio (TER) is the total cost of investing in the fund. It is automatically deducted from the price of the funds in which you are invested. The TER includes the annual management charge for that fund and any other additional fund expenses such as legal fees, auditor fees and other operational expenses. The TERs are correct as at 31 March 2025.

** Transaction costs are costs incurred in the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis, are included within the overall performance of the fund and are in addition to the Total Earnings Ratio (TER) figures provided. The transaction costs reflect the latest information provided to L&G by the fund managers as at 31 March 2025. Any negative transaction costs shown indicate that transacting has resulted in a net gain rather than a net loss for the fund over the period. The Trustees do not expect gains of this type to be repeated in future years.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

Appendix 2 – Charge and transaction costs

Self-select fund options

The level of charges and transaction costs applied to the non-default arrangement options on the Legal & General platform can be seen in the table below. For more information on the investment options offered by the Scheme, please log onto your online account.

| Self-select fund options | Total Expense Ratio* (TER) (%) | Total transaction costs** (%) |
|--|--------------------------------|-------------------------------|
| L&G AAA-AA-A Corporate Bond All Stocks Index Fund [†] | 0.20 | 0.00 |
| L&G All Stocks Gilts Index Fund [†] | 0.16 | 0.02 |
| L&G Future World Fund | 0.32 | 0.05 |
| L&G High Income Fund [†] | 0.38 | 0.05 |
| L&G HSBC Islamic Global Equity Index Fund | 0.40 | -0.06 |
| L&G Sustainable Property Fund [†] | 2.03 | 0.05 |
| L&G Threadneedle Dynamic Real Return Fund ^{††} | 0.63 | 0.26 |
| L&G UK Equity Index Fund [†] | 0.18 | 0.01 |
| L&G World Emerging Markets Equity Index Fund | 0.34 | 0.00 |
| L&G World ex-UK Equity Index Fund [†] | 0.20 | 0.02 |

Notes:

* Total Expense Ratio (TER) is the total cost of investing in the fund. It is automatically deducted from the price of the funds in which you are invested. The TER includes the annual management charge for that fund and any other additional fund expenses such as legal fees, auditor fees and other operational expenses. The TERs are correct as at 31 March 2025.

** Transaction costs are costs incurred in the day-to-day management of the assets by the fund manager. This covers things such as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis, are included within the overall performance of the fund and are in addition to the Total Earnings Ratio (TER) figures provided. The transaction costs reflect the latest information provided to L&G by the fund managers as at 31 March 2025. Any negative transaction costs shown indicate that transacting has resulted in a net gain rather than a net loss for the fund over the period. The Trustees do not expect gains of this type to be repeated in future years.

[†] This fund is a component of the Scheme's default arrangements.

^{††} This fund was a component of the Scheme's default arrangements until 27 March 2023 when it was removed from the self-select fund options for members who do not already have savings invested in it.

GKN GROUP PENSION SCHEME (NO.1)

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Appendix 3 – Charge and transaction costs – Additional Voluntary Contributions

Details of charges and costs experienced by members invested the Prudential AVC policy are shown below:

| Funds | Total Expense Ratio* (TER) (%) | Total transaction costs** (%) |
|--|--------------------------------|-------------------------------|
| Prudential With-Profits Cash Accumulation Fund | 0.99 | 0.13 |

Notes:

* Total Expense Ratio (TER) is the total cost of investing in the fund. It is automatically deducted from the price of the funds in which members are invested. The TER includes the annual management charge for that fund and any other additional fund expenses such as legal fees, auditor fees and other operational expenses. The TERs are correct as at 31 March 2025.

** Transaction costs are costs incurred in the day-to-day management of the assets by the fund manager. This covers things such as the cost of buying and selling securities within a fund. Transaction costs are incurred on an on-going basis, are included within the overall performance of the fund and are in addition to the Total Earnings Ratio (TER) figures provided. The transaction costs reflect the latest information provided by Prudential as at 31 March 2025. Any negative transaction costs shown indicate transacting has resulted in a net gain rather than a net loss for the fund over the period.

GKN GROUP PENSION SCHEME (NO.1)

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Appendix 4 – Charges and transaction costs - illustrations

The tables below illustrates the effect of the costs and charges detailed in Appendix 1 and 2 for investment funds and strategies available through L&G, for four example members (two active and two deferred) with different terms to retirement and accumulated fund values.

The four example members have been selected to illustrate the possible impact of costs and charges on the accumulated fund values of a range of different Scheme members:

- **Typical Active Member:** Active member with total contributions of £7,350 p.a., starting fund value: £50,660, member retires after 22 years based on a retirement age of 65.
- **Youngest Active Member:** Active member with total contributions of £5,168 p.a., starting fund value: £11,580, member retires after 47 years based on a retirement age of 65.
- **Typical Deferred Member:** Deferred member making no further contributions, starting fund value: £14,960, member retires after 22 years based on a retirement age of 65.
- **Youngest Deferred Member:** Deferred member making no further contributions, starting fund value: £7,050, member retires after 47 years based on a retirement age of 65.

The illustrations show the projected fund values (rounded to the nearest £100) based on certain assumptions before and after the charges so that the potential impact of charges is clearly shown. We have shown the most popular investment options in terms of number of members invested: the GKN Drawdown Lifestyle Strategy, GKN Partial Drawdown Lifestyle Strategy and GKN Cash Lifestyle Strategy.

In addition, illustrations have been included for the technical default fund, the L&G Cash Fund, and two self-select funds, the L&G Property Fund and L&G All Stocks Gilts Index Fund. These funds have been selected both to demonstrate the effect of a fund with a higher charges and costs (L&G Property Fund) compared to one with lower charges and costs (L&G All Stocks Gilts Index Fund) and also to demonstrate the impact of differing long term return assumptions for different asset classes.

Typical Active Member (Age 43)

| Age | Most popular: GKN Drawdown Lifestyle Strategy | | Partial Drawdown Lifestyle Strategy | | Cash Lifestyle Strategy | |
|-----------|---|----------------------------|-------------------------------------|----------------------------|-------------------------------|----------------------------|
| | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred |
| 44 | £59,900 | £59,800 | £59,900 | £59,800 | £59,900 | £59,800 |
| 45 | £69,500 | £69,200 | £69,500 | £69,200 | £69,500 | £69,200 |
| 50 | £122,800 | £120,900 | £122,800 | £120,900 | £122,800 | £120,900 |
| 55 | £176,600 | £171,200 | £176,600 | £171,200 | £176,600 | £171,200 |
| 60 | £229,000 | £217,900 | £229,000 | £217,900 | £229,000 | £217,900 |
| 65 | £281,400 | £263,900 | £275,300 | £259,100 | £269,400 | £254,400 |

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| Age | Technical default fund: L&G Cash Fund | | Highest cost fund: L&G Property Fund | | Lowest cost fund: L&G All Stocks Gilts Index Fund | |
|-----|--|----------------------------------|---|----------------------------------|--|----------------------------------|
| | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred |
| 44 | £57,700 | £57,600 | £60,400 | £59,200 | £58,800 | £58,700 |
| 45 | £64,800 | £64,600 | £70,700 | £68,000 | £67,100 | £66,900 |
| 50 | £99,500 | £98,500 | £129,100 | £115,000 | £110,500 | £109,400 |
| 55 | £133,300 | £131,200 | £201,900 | £167,800 | £157,200 | £154,900 |
| 60 | £166,300 | £162,800 | £292,600 | £227,300 | £207,500 | £203,500 |
| 65 | £198,500 | £193,400 | £405,700 | £294,200 | £261,800 | £255,400 |

Youngest Active Member (Age 18)

| Age | Most popular: GKN Drawdown Lifestyle Strategy | | Partial Drawdown Lifestyle Strategy | | Cash Lifestyle Strategy | |
|-----|--|----------------------------------|--|----------------------------------|-------------------------------------|----------------------------------|
| | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred |
| 19 | £17,200 | £17,200 | £17,200 | £17,200 | £17,200 | £17,200 |
| 20 | £23,100 | £23,000 | £23,100 | £23,000 | £23,100 | £23,000 |
| 25 | £55,700 | £54,900 | £55,700 | £54,900 | £55,700 | £54,900 |
| 30 | £94,500 | £92,500 | £94,500 | £92,500 | £94,500 | £92,500 |
| 35 | £140,600 | £136,500 | £140,600 | £136,500 | £140,600 | £136,500 |
| 40 | £195,600 | £188,200 | £195,600 | £188,200 | £195,600 | £188,200 |
| 45 | £261,000 | £248,900 | £261,000 | £248,900 | £261,000 | £248,900 |
| 50 | £338,900 | £320,200 | £338,900 | £320,200 | £338,900 | £320,200 |
| 55 | £407,800 | £379,100 | £407,800 | £379,100 | £407,800 | £379,100 |
| 60 | £467,400 | £425,700 | £467,400 | £425,700 | £467,400 | £425,700 |
| 65 | £523,800 | £468,900 | £512,200 | £460,100 | £500,700 | £451,400 |

| Age | Technical default fund: L&G Cash Fund | | Highest cost fund: L&G Property Fund | | Lowest cost fund: L&G All Stocks Gilts Index Fund | |
|-----|--|----------------------------------|---|----------------------------------|--|----------------------------------|
| | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred |
| 19 | £16,700 | £16,600 | £17,400 | £17,000 | £17,000 | £16,900 |
| 20 | £21,800 | £21,700 | £23,400 | £22,600 | £22,400 | £22,400 |

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| | | | | | | |
|-----------|----------|----------|----------|----------|----------|----------|
| 25 | £46,700 | £46,300 | £58,000 | £52,500 | £51,000 | £50,600 |
| 30 | £71,100 | £70,100 | £101,200 | £86,100 | £81,800 | £80,700 |
| 35 | £94,900 | £93,100 | £155,000 | £124,000 | £114,900 | £112,900 |
| 40 | £118,000 | £115,300 | £222,000 | £166,500 | £150,700 | £147,400 |
| 45 | £140,600 | £136,800 | £305,400 | £214,400 | £189,200 | £184,200 |
| 50 | £162,700 | £157,500 | £409,500 | £268,200 | £230,700 | £223,500 |
| 55 | £184,200 | £177,600 | £539,200 | £328,800 | £275,500 | £265,500 |
| 60 | £205,200 | £196,900 | £700,700 | £396,900 | £323,700 | £310,500 |
| 65 | £225,600 | £215,600 | £902,100 | £473,500 | £375,600 | £358,500 |

Typical Deferred Member (Age 43)

| Age | Most popular: GKN Drawdown Lifestyle Strategy | | Partial Drawdown Lifestyle Strategy | | Cash Lifestyle Strategy | |
|-----------|---|----------------------------|-------------------------------------|----------------------------|-------------------------------|----------------------------|
| | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred |
| 44 | £15,500 | £15,400 | £15,500 | £15,400 | £15,500 | £15,400 |
| 45 | £16,000 | £16,000 | £16,000 | £16,000 | £16,000 | £16,000 |
| 50 | £19,100 | £18,700 | £19,100 | £18,700 | £19,100 | £18,700 |
| 55 | £21,400 | £20,600 | £21,400 | £20,600 | £21,400 | £20,600 |
| 60 | £23,200 | £21,700 | £23,200 | £21,700 | £23,200 | £21,700 |
| 65 | £24,600 | £22,600 | £24,100 | £22,100 | £23,500 | £21,700 |

| Age | Technical default fund: L&G Cash Fund | | Highest cost fund: L&G Property Fund | | Lowest cost fund: L&G All Stocks Gilts Index Fund | |
|-----------|---------------------------------------|----------------------------|--------------------------------------|----------------------------|---|----------------------------|
| | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred |
| 44 | £14,900 | £14,900 | £15,600 | £15,300 | £15,200 | £15,200 |
| 45 | £14,800 | £14,800 | £16,300 | £15,700 | £15,400 | £15,400 |
| 50 | £14,400 | £14,300 | £20,400 | £17,600 | £16,600 | £16,400 |
| 55 | £14,100 | £13,800 | £25,400 | £19,800 | £17,900 | £17,500 |
| 60 | £13,700 | £13,300 | £31,600 | £22,300 | £19,300 | £18,800 |
| 65 | £13,400 | £12,800 | £39,400 | £25,100 | £20,800 | £20,000 |

Youngest Deferred Member (Age 18)

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| Age | Most popular: GKN Drawdown Lifestyle Strategy | | Partial Drawdown Lifestyle Strategy | | Cash Lifestyle Strategy | |
|-----------|---|----------------------------|-------------------------------------|----------------------------|-------------------------------|----------------------------|
| | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred |
| 19 | £7,300 | £7,300 | £7,300 | £7,300 | £7,300 | £7,300 |
| 20 | £7,600 | £7,500 | £7,600 | £7,500 | £7,600 | £7,500 |
| 25 | £9,000 | £8,800 | £9,000 | £8,800 | £9,000 | £8,800 |
| 30 | £10,700 | £10,400 | £10,700 | £10,400 | £10,700 | £10,400 |
| 35 | £12,700 | £12,200 | £12,700 | £12,200 | £12,700 | £12,200 |
| 40 | £15,200 | £14,300 | £15,200 | £14,300 | £15,200 | £14,300 |
| 45 | £18,100 | £16,800 | £18,100 | £16,800 | £18,100 | £16,800 |
| 50 | £21,500 | £19,700 | £21,500 | £19,700 | £21,500 | £19,700 |
| 55 | £24,200 | £21,700 | £24,200 | £21,700 | £24,200 | £21,700 |
| 60 | £26,100 | £22,800 | £26,100 | £22,800 | £26,100 | £22,800 |
| 65 | £27,800 | £23,700 | £27,100 | £23,300 | £26,500 | £22,800 |

| Age | Technical default fund: L&G Cash Fund | | Highest cost fund: L&G Property Fund | | Lowest cost fund: L&G All Stocks Gilts Index Fund | |
|-----------|---------------------------------------|----------------------------|--------------------------------------|----------------------------|---|----------------------------|
| | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred | Fund with no Charges Incurred | Fund with Charges Incurred |
| 19 | £7,000 | £7,000 | £7,400 | £7,200 | £7,200 | £7,100 |
| 20 | £7,000 | £7,000 | £7,700 | £7,400 | £7,300 | £7,200 |
| 25 | £6,800 | £6,700 | £9,600 | £8,300 | £7,800 | £7,700 |
| 30 | £6,600 | £6,500 | £12,000 | £9,300 | £8,400 | £8,300 |
| 35 | £6,500 | £6,300 | £14,900 | £10,500 | £9,100 | £8,800 |
| 40 | £6,300 | £6,100 | £18,600 | £11,800 | £9,800 | £9,400 |
| 45 | £6,200 | £5,800 | £23,100 | £13,300 | £10,600 | £10,100 |
| 50 | £6,000 | £5,700 | £28,800 | £15,000 | £11,400 | £10,800 |
| 55 | £5,900 | £5,500 | £35,900 | £16,800 | £12,300 | £11,500 |
| 60 | £5,700 | £5,300 | £44,800 | £18,900 | £13,200 | £12,300 |
| 65 | £5,600 | £5,100 | £55,800 | £21,300 | £14,200 | £13,200 |

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Members should be aware that these are simply illustrations, so the actual fund values and implication of charges for members' investments may be different if members' personal details or investment choices differ from those shown or the assumptions are not borne out. Due to the effect of rounding, the impact of charges on member Retirement Account values may appear uneven, particularly in the early years. The information contained here is not a substitute for the individual and personalised illustrations provided to members each year by the Scheme.

Notes and assumptions

1. The projected Retirement Account values are shown in today's terms and are calculated using the same assumptions as the SMPI benefit projections issued annually to members.
2. Annual investment returns and costs/charges as a percentage reduction are assumed to be deducted at the end of each year. Charges and costs are deducted before the application of investment returns.
3. Lifestyle switching costs are assumed to be zero for the lifestyle strategy.
4. Values shown are estimates and not guaranteed.
5. The projected growth rates (before inflation) for each fund are as follow:
 - GKN Drawdown Lifestyle Strategy - from 3.5% p.a. to 6.0% p.a. (adjusted depending on term to retirement).
 - GKN Partial Drawdown Lifestyle Strategy - from 2.8% p.a. to 6.0% p.a. (adjusted depending on term to retirement).
 - GKN Cash Lifestyle Strategy - from 2.0% p.a. to 6.0% p.a. (adjusted depending on term to retirement).
 - L&G Property Fund – 7.0% p.a.
 - L&G All Stocks Gilts Index Fund – 4.0% p.a.
6. Price inflation is assumed to be 2.5% each year and is deducted from the above returns as part of the calculations.
7. The Regulations require that where possible the transaction costs assumed in these illustrations are based on an average of the previous five years' transaction costs for each fund. As such, transaction costs are an average of the costs provided for the 5-year periods to 31 of March 2025.

GKN GROUP PENSION SCHEME (NO.1)

YEAR ENDED 5 APRIL 2025

Appendix 5 – Net investment returns

The tables below show the net investment returns for each of the investment options available under the Scheme to 31 March 2025. The Trustee has taken into account the statutory guidance when providing these investment returns and has not deviated from this.

| Lifestyle strategy | Age of member at start of period | Last 12 months (%) | Last 5 Years (% p.a.) |
|----------------------------|----------------------------------|--------------------|-----------------------|
| Drawdown Lifestyle | 25 | 5.7 | 15.1 |
| | 45 | 5.7 | 15.1 |
| | 55 | 4.1 | 5.8 |
| Partial Drawdown Lifestyle | 25 | 5.7 | 15.1 |
| | 45 | 5.7 | 15.1 |
| | 55 | 4.1 | 5.8 |
| Cash Lifestyle | 25 | 5.7 | 15.1 |
| | 45 | 5.7 | 15.1 |
| | 55 | 4.1 | 5.8 |

Source: LGIM and Mercer estimates.

Performance shown net of all charges and transaction costs.

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| Self-Select fund options | Last 12 months (%) | Last 5 years (% p.a.) |
|---|--------------------|-----------------------|
| GKN Growth Fund† | 5.7 | 15.1 |
| GKN Diversified Fund† | 4.1 | 5.8 |
| GKN Cash Fund† | 5.1 | 2.5 |
| L&G AAA-AA-A Corporate Bond All Stocks Index Fund | 2.3 | -0.8 |
| L&G All Stocks Gilts Index Fund | -0.8 | -5.9 |
| L&G Future World Fund | 1.7 | 12.4 |
| L&G High Income Fund | 7.5 | 6.3 |
| L&G HSBC Islamic Global Equity Index Fund | 3.6 | 16.2 |
| L&G Sustainable Property Fund | 4.7 | 2.4 |
| Threadneedle Dynamic Real Return Fund†† | 2.4 | 5.9 |
| L&G UK Equity Index Fund | 9.9 | 12.0 |
| L&G World Emerging Markets Equity Index Fund | 8.1 | 8.0 |
| L&G World ex-UK Equity Index Fund | 3.4 | 14.9 |

† These funds are components of the Scheme's default arrangements.

†† This fund was a component of the Scheme's default arrangements until 27 March 2023 and was removed from the self-select fund range for members who do not already have savings invested in it.

Notes:

1. Returns are net of the fund specific charges and factor in the transaction costs incurred by the funds.
2. Age specific returns shown under the lifestyle strategies are based on a member with a target retirement age of 65.
3. The returns were provided by L&G as at 31 March 2025.

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Appendix 6 – Statement of Investment Principles

Statement of Investment Principles

Defined Contribution Section (“DC Section”) of the GKN Group Pension Scheme (No.1)

March 2024

1. Introduction

- 1.1 This Statement of Investment Principles (“the Statement”) has been prepared by the Trustee of the GKN Group Pension Scheme (No.1) (“the Scheme”). The Statement sets out the principles governing the Trustee’s decisions about the investment of the Scheme’s defined contribution assets. The Trustee refers to this Statement when making investment decisions, to ensure they are consistent with the principles set out in it.
- 1.2 This Statement has been written to comply with the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and subsequent legislation.
- 1.3 Before preparing this Statement, the Trustee has consulted with the Company (acting on behalf of all participating employers) and obtained and considered written professional advice from the Scheme’s DC Investment Consultant regarding the DC Section’s investment strategy.
- 1.4 The Scheme’s assets are held in Trust by the Trustee. The Trustee notes that, according to the law, they have ultimate power and responsibility for the investment of the Scheme’s assets and their investment powers are set out in the Scheme’s Trust Deed and Rules, subject to applicable legislation. The Trustee maintains responsibility for some decisions and delegates others.
- 1.5 When determining which decisions to delegate, the Trustee has taken into account whether they have the appropriate training and are able to secure the necessary expert advice in order to take an informed decision. Further, the Trustee’s ability to effectively execute the decisions is also considered.
- 1.6 The Trustee believes that their investment policies and their implementation are in keeping with best practice, including the six principles published by the Investment Governance Group and taking into account the DC Code of Practice.
- 1.7 The Trustee seeks to maintain a good working relationship with the Employer and will discuss any proposed changes to the Statement with the Employer. However, the Trustee’s fiduciary obligations are to the Scheme’s members and will take precedence over the Employer’s wishes.
- 1.8 The Trustee will review this Statement from time to time and at least every three years and without delay if there are changes to the legislative framework or if there are relevant, material changes to the Scheme and/or Principal Employer. These include material changes in the Scheme’s membership profile and finances, changes to regulatory requirements, and in the attitude to risk of the Trustee.

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2. Scheme Governance

Division of Responsibilities

1.1 With regard to the DC Section of the Scheme, the duties and responsibilities of the Trustee, their Investment Consultant and Provider are as follows:

- **The Trustee** has retained the following duties and responsibilities in relation to the DC Section:
 - Overall responsibility for the Scheme's investments.
 - Complying with legislation and regulation.
 - Appointing the Investment Consultant.
 - Deciding upon investment strategy, in consultation with the Investment Consultant.
 - Considering proposed changes, and agreeing final changes to the Statement.
 - Consulting with the Company before amending the Statement.
 - Appointing the Provider and selecting the underlying funds in consultation with the Investment Consultant.
 - Monitoring the Investment Consultant, fund options and Investment Managers.
- **The Investment Consultant's** duties and responsibilities are to:
 - Advise the Trustee in accordance with the Letter of Engagement in place between the Trustee and Investment Consultant.

The details of the Investment Consultant's appointment, including the scope of its remit and its fees are set out in a contract entered into between the Trustee and the Investment Consultant.

The Trustee believes that the Investment Consultant meets the requirements of Section 35(5a) of the Pensions Act 1995 and subsequent legislation.

- **The Platform Provider** to the Scheme is Legal & General (the "Provider"). The terms of the Provider's appointment are contained in the policy of assurance issued by the Provider to the Trustee. The Provider's responsibilities are also governed by applicable law. Each Investment Manager of the underlying funds made available under the policy of insurance has an Investment Management Agreement ("IMA") or re-assurance agreement with the Provider.

The Investment Managers' roles in practice include the responsibility to:

- Manage the portfolios of assets within the investment guidelines, objectives, risk parameters and restrictions set out in the respective agreements but, subject to that, exercising discretion as appropriate when investing the portfolio.
- Have regard to the need for diversification of investments so far as appropriate and to the suitability of investments.
- Appoint custodians for the assets managed in the underlying funds.
- In addition, the Provider will:
 - Exercise the powers of investment with a view to complying with the content of the Statement, so far as reasonably practicable.

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- Provide the Trustee with periodic statements of the assets and cash flows and report on the results of past actions and any changes to the investment process and, where possible, on corporate actions and their future policies in that regard.
- Inform the Trustee of any changes in the performance objective or guidelines of any underlying funds used by the Scheme as soon as practicable.

2.2 A listing of the Scheme's fund options, including a description of their mandates and benchmarks is set out in Section 5 and Appendix A. Details of the basis of their remuneration are set out in Section 13.

2.3 Given that the Scheme invests in pooled funds, the safekeeping of the underlying assets is undertaken by custodians selected by the fiduciaries of the pooled funds.

3 Investment Policy

Objectives

3.1 The Trustee recognises that Scheme members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances.

3.2 The objectives set out below and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Broader considerations including Environmental, Social and Corporate Governance ("ESG") issues are discussed in Section 11.

3.3 The following encapsulates the Trustee's objectives with regard to the DC Section:

- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.
- Offer funds which facilitate diversification and long term capital growth (in excess of inflation).
- Offer funds that enable members to reduce risk in their investments as they approach retirement.
- Offer funds which aim to mitigate the impact of sudden and sustained reductions in capital values or rises in the cost of purchasing benefits in retirement.
- To structure the range of funds, provide a suitable number of funds and present this range in a manner which may make it easier for members to make investment decisions.
- To provide a default investment option for members who do not make their own investment decisions.
- To provide general information as to the purpose of each investment option.
- To encourage members to seek impartial guidance and / or financial advice from an appropriate organisation, where required.

3.4 The Trustee is responsible for deciding the range of funds to offer to members. In determining what types of funds are offered, the Trustee has taken investment advice regarding the suitability of investment vehicles considering factors such as:

- The asset class (or classes)
- The level of diversification,
- The styles of managing assets; and
- The nature of the investment objectives.

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3.5 However, the Trustee has no influence over the investment aims of each fund used or how the Investment Managers choose the underlying investments within each fund, as the assets are pooled with many other investors to obtain economies of scale.

3.6 Nevertheless, notwithstanding how the assets of each fund are managed, the Trustee regularly obtains professional advice to monitor and review the suitability of the funds provided and from time to time may change the managers or investment options.

3.7 The investment choices for the DC Section comprise primarily of equity, property, bonds, diversified growth funds and cash. Both active and passive management options are offered to members depending on asset class.

3.8 As previously mentioned, members who do not indicate a preference are invested in the default options, which include lifestyling towards taking their benefits at retirement via income drawdown or cash. More detail on this is provided in Section 6.

3.9 The growth phase and consolidation phase of all default options are the same, with the asset allocation only diverging from the start of the five year pre-retirement phase.

3.10 The underlying components of the default options are subject to periodic review by the Trustee. The review relates to the appropriateness of the asset classes held within the funds, and also the managers appointed to manage the funds on behalf of the Trustee.

3.11 All funds, including those in the default options, are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets. Where pooled investment arrangements do not invest assets in regulated markets these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member and Trustee demand. However, the Investment Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within the parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

Risks

3.12 The Trustee recognises that all forms of investment carry some degree of risk. The Trustee has considered these risks when setting the Investment Strategy and ultimately the choice of funds made available to members as detailed in the following section.

3.13 The Trustee has considered risk from a number of perspectives. These are:

- *Benefit adequacy risk.* The investment returns over a member's working life may not secure adequate benefits at retirement.
- *Risk of capital loss in nominal terms.* The protection of capital, in the approach to retirement, in supporting the provision of benefits to be funded from the members' individual accounts.
- *Risk of erosion by inflation.* If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts will decrease.
- *Market risk.* The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested. However, the Trustee realises that this risk is implicit in trying to generate returns above that earned by cash and accept this by investing in assets other than cash.
- *Manager risk.* The performance of the investment vehicles used falls short of the Trustee's expectations and the funds' benchmarks. This will lead to lower than expected returns to members. The Trustee recognises that the use of active investment management involves such a risk.
- *Liquidity risk.* This refers to the risk of members not being able to realise their investments. The Trustee has invested in unitised pooled funds which are daily dealt to facilitate the availability of assets to meet benefit outflows.
- *Default risk.* The value of interest bearing securities would be at risk if a bond issuer or licensed deposit taker defaults on their commitments.

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- *Conversion risk.* The costs of converting a member's accumulated defined contribution account into benefits at retirement is influenced by a number of factors such as future investment growth, price volatility, long-term interest rates and life expectancy.
- *Mismatch risk.* The risk that members are invested in funds/an investment strategy that is not in line with the way they intend to take benefits at retirement.
- *ESG risk.* The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 11 sets out how these risks are managed.

3.14 Active and passive management

The Trustee recognises that passively managed funds are subject to market risk whereas actively managed funds are subject to both market and manager risk. The Trustee has decided to use actively managed funds where they offer the greatest opportunities for adding value.

- 4.1 The funds used by the DC Section of the Scheme are accessed through an investment platform operated by the Provider through a bundled arrangement (details are set out in Section 5).
- 4.2 The Trustee considers that this approach is an appropriate arrangement for the DC Section of the Scheme. This route provides access to a range of investment options at competitive charges and reduces the out-of-market risks and transaction costs encountered on switching between investment options.
- 4.3 In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).
- 4.4 The Trustee will review the continued appropriateness of this approach at least triennially or more frequently if required.

Range of funds

- 5.1 The Trustee believes, having taken expert advice, that it is appropriate to offer a range of investment funds to allow members to tailor their own investment strategy ("Self Select").
- 5.2 The Trustee has decided to adopt a core range of funds characterised by their asset type with one fund in each of the principal asset types. The purpose of this approach is to simplify the choice presented to members, whilst remaining broadly appropriate to the expected needs of most members.
- 5.3 The Trustee has also decided to offer a selection of additional, more specialist funds for members wishing to more closely tailor their fund choices to their personal circumstances.
- 5.4 The Trustee has decided to offer the following types of funds to members:
 - **Core Funds (passively managed except where shown)**
 - Global Equity
 - Global Equity with ESG focus
 - UK Equity
 - Diversified Growth (multi-asset) (actively managed)
 - Property (actively managed)
 - UK Government Bonds

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- UK Corporate Bonds
- High Income (actively managed)
- Cash (actively managed)
- ***Additional Funds (passively managed except where shown)***
 - Islamic Equity
 - Emerging Market Equity
 - Factor-Based Global Equity with climate overlay

Switching

- 5.5 Members are responsible for reviewing their investment choices in the light of their own circumstances.
- 5.6 Members may redirect future contributions or transfer their accumulated account between funds at any time prior to setting up their retirement benefits.
- 5.7 There are no administrative charges for switching, but members may incur transaction costs on selling and buying units.

Lifestyle Investment Options

- 5.8 The Trustee recognises that, while the division between core and additional fund ranges should help members choose funds appropriate to their circumstances, there is likely to be a number of members who would prefer the simplicity of an investment strategy that automatically changes to be suitable at different stages of their working life. The Trustee has therefore decided to include three lifestyle options as part of the investment options.
- 5.9 The lifestyle options progressively and automatically switch members from higher risk/higher expected return funds to lower risk/lower expected return funds as the member approaches their selected retirement date. Three lifestyle strategies are to be offered for members which should broadly meet the needs and reflect the likely benefit choices of the Scheme's membership, as follows:
 - Drawdown Lifestyle – this investment option is designed for members who wish to keep their retirement savings invested after retirement and draw down an income in retirement by making regular withdrawals from their pension pot. **It is the default investment option for DC only members, including new joiners, and members who are expected to have a large DC pot at retirement after taking their tax-free cash. These members have a small amount of past DB service relative to their years to Selected Retirement Date.**
 - Partial Drawdown Lifestyle – this investment option is designed for members who intend to withdraw the majority of their savings as cash upon retirement, and who wish to keep the remainder of their retirement savings invested after retirement and achieve an income in retirement by making regular withdrawals from this pot. **It is the default investment option for members who are expected to have a small DC pot at retirement after taking tax-free cash. These members have a moderate amount of past DB service relative to their years to Selected Retirement Date.**
 - Cash Lifestyle – this investment option is designed for members who intend to withdraw their entire savings as cash upon retirement. As such, this strategy is 100% invested in the GKN Cash Fund at retirement. **It is the default investment option for members who are expected to utilise their whole DC pot at retirement to fund their tax-free cash. These members have a significant amount of past DB service relative to their Years to Selected Retirement Date.**
- 5.10 The Trustee is aware that the default lifestyle strategy may not be appropriate for all members because of their varying needs. In addition, lifestyle strategies will not protect members' accumulated accounts from negative financial consequences and may be inappropriately perceived by members as a strategy which will always protect them from financial volatility. The Trustee would therefore encourage members to make their own investment decisions.

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5.11 The Trustee, having taken appropriate advice, has also decided that automatic switching within the lifestyle options should take place quarterly as a member approaches retirement.

5.12 The Trustee believes that these strategies meet the investment objectives and controls the risks identified for the Scheme's membership. The Trustee will review the appropriateness of the lifestyle options from time to time.

Risk Management and Measurement

| Type of Risk | Description | How is the risk monitored and managed? |
|---|--|--|
| Market risks | Inflation risk | The risk that the investment return over members' working lives will not keep pace with inflation and do not secure adequate retirement benefits. |
| | Currency risk | The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate. |
| | Credit risk | The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due. |
| | Equity, property and other price risk | The risk that investment market movements lead to a substantial reduction in the anticipated level of the benefit. |
| Environmental, Social and Corporate Governance risk | The risk that environmental, social or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets. | The management of ESG related risks is delegated to the Investment Manager, who in turn delegates this to underlying investment managers. See Section 11, below, for the Trustee's responsible investment and corporate governance statement. |
| Investment Manager risk | The risk that the investment manager underperforms its objectives, fails to carry out operational tasks, does not ensure safe-keeping of assets or breaches agreed guidelines. | The Trustee considers fund returns relative to their benchmark and compared to the investment manager's stated target / expected tracking error. The Trustee monitors the performance of the investment vehicles on a regular basis. The management of this risk is the responsibility of the Investment Manager. |

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| Type of Risk | Description | How is the risk monitored and managed? |
|-------------------------|--|---|
| Risk | | |
| Liquidity risk | The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustee demand. | The Scheme is invested in daily dealt and daily priced pooled funds. Where liquidity restrictions are required by the Investment Manager, the Trustee works with their administrator and advisers to ensure the best outcomes for members. |
| Pension Conversion risk | The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement. | The Trustee makes available three lifestyle options for members. Lifestyle strategies automatically switch member assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. |

The above items listed in Section 5 of this Statement are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

The Trustee has considered these risks when choosing the funds to make available to members. The Trustee believes that the investment strategy for the Scheme is appropriate for mitigating and managing the risks outlined above.

The Trustee pays close regard to the risks that may arise from the lack of diversification of investments. The Trustee believes that the choice of funds in place provide an adequately diversified distribution of assets.

The Trustee recognised that many of these risks are inherent to investing and understands that the above list is not exhaustive.

Investment Restrictions

5.13 The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds. For the DC Section, it is noted that this is particularly true given that it is Legal & General, the Scheme's investment platform provider, who has the direct relationship with the third parties offering the funds (and not the Trustee).

Implementation, Realisation of Investments and Engagement Policy

5.14 Within the DC Section of the Scheme, the Trustee has contracted with Legal & General to deliver DC investment management services. Legal & General are regulated by the Financial Conduct Authority (the "FCA").

The pooled investment vehicles are daily-dealt, with assets mainly invested in regulated markets and therefore should be realisable at short notice, based on either Trustee or member demand. The selection, retention and realisation of investments within the pooled investment vehicles is the responsibility of the relevant investment manager.

The below table sets out the Trustee's approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustee.

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| Policy statement | Trustee's Approach |
|--|---|
| <p>How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies</p> | <p>The Trustee appoints underlying investment managers based on their capabilities and, therefore the perceived likelihood of achieving the expected return and risk characteristics required. Mercer's manager research rating reflects Mercer's forward-looking assessment of a manager's ability to meet or exceed their objectives.</p> <p>As the Trustee invests in pooled investment vehicles, it accepts that it has no ability to influence investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates can be selected to align with the overall investment strategy.</p> <p>The underlying investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to replace the manager.</p> <p>If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.</p> |
| <p>How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term</p> | <p>The Trustee expects investment managers to incorporate the consideration of longer-term factors, such as ESG considerations, into their decision making process where appropriate. The extent to which this is so will be considered during the selection, retention and realisation of manager appointments. Voting and engagement activity should be used by investment managers to discuss the performance of an issuer of debt or equity.</p> |
| <p>How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies</p> | <p>The Trustee's focus is on longer-term performance but shorter-term performance is monitored to ensure any concerns can be identified in a timely manner. The Trustee reviews both absolute and relative performance against a portfolio or underlying investment manager's benchmark on a quarterly basis, including assessments of both shorter and longer time horizons. The remuneration for investment managers used by the Scheme is based on assets under management; the levels of these fees are reviewed annually as part of the annual value for money assessment to ensure they continue to represent value for members. If performance is not satisfactory, the Trustee will ask the fund manager to provide additional rationale, and if not satisfied with this, may request further action be taken, including a review of fees.</p> <p>The Trustee reviews the absolute performance, relative performance against a suitable benchmark, and against the underlying manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account.</p> |

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| Policy statement | Trustee's Approach |
|---|---|
| How the Trustee monitors portfolio turnover costs incurred by the asset manager. | Portfolio turnover costs for each of the funds are reviewed on an annual basis as part of the annual value for members assessment. The ability to assess the appropriateness of these costs is limited by the availability of data. The Trustee will monitor industry developments in how to assess these costs and incorporate this in future value for members assessments. Importantly, performance is reviewed net of portfolio turnover costs. |
| How the Trustee defines and monitors targeted portfolio turnover or turnover range. | The Trustee does not currently define target portfolio turnover ranges for funds. |
| How the Trustee defines and monitors the duration of the arrangement with the asset manager. | <p>The Trustee is a long term investor, all DC funds are open-ended and therefore there is no set duration for manager appointments.</p> <p>The funds are reviewed on a regular basis, supported by advice from the investment consultants.</p> <p>The Trustee may choose to remove a fund from the fund range, if it is no longer considered appropriate, and the fund range is reviewed on at least a triennial basis.</p> |

Compliance with this Statement

5.15 The Trustee will monitor compliance with this Statement annually, or immediately after any change in strategy.

Review of this Statement

5.16 The Trustee will review this Statement at least once every three years and after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

6.1 For members who do not wish to take an active role in investment decisions, the Trustee offers three default investment options which should broadly meet the needs and reflect the likely benefit choices of the typical member.

6.2 The aims of the default investment options, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate positive nominal long-term returns in excess of inflation during the growth phase of the lifestyle strategy.

The default strategies' growth phase structure invests in equities. These investments are expected to provide growth and some protection against erosion in both real and nominal terms.
- To generate positive nominal long-term returns in excess of inflation during the growth phase of the lifestyle strategy whilst managing downside risk.

The default strategies' consolidation phase structure invests in a diversified growth fund. These investments are expected to provide growth with some downside protection and some protection against erosion in both real and nominal terms. This is achieved via automated lifestyle switches by phasing in the diversified growth fund at 15 years prior to retirement, for a period of 5 years.
- To provide a strategy that reduces investment risk for members as they approach retirement. See Section 5.9 for further details.

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- 6.3 Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default investment options, the Trustee has explicitly considered the trade-off between risk and expected returns.
- 6.4 Assets in the default investment options are invested in the best interests of members and beneficiaries, taking into account the profile of members.
- 6.5 In particular, the Trustee considered detailed membership profiling analysis in order to inform decisions regarding the default investment options. For example, based on this understanding of the DC membership, a default investment option which targets income drawdown is appropriate for DC only members, whereas members with past DB service will be defaulted into one of three strategies depending on their past DB service relative to the number of years until their Selected Retirement Date at the point of allocation. Members are supported by clear communications regarding the aims of each default investment option and the access to alternative approaches. The Trustee will continue to review the default investment options over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

Lifestyle Matrices

- 6.6 Members can only invest in one of the lifestyles or the Self Select options at any one time. The lifestyle strategies all have the same growth and consolidation phases, which are as follows:

Growth phase

- 6.7 The growth phase invests 100% in the GKN Growth Fund up to 15 years before a member's Selected Retirement Date.

The GKN Growth Fund has the following fund allocation:

- L&G Future World Global Equity Index Fund (GBP Hedged) (see Section 11) – 50%
- L&G UK Equity Index Fund – 5%
- L&G World Ex-UK Equity Index Fund – 45%

Consolidation phase

- 6.8 The consolidation phase gradually disinvests from the GKN Growth Fund over a period of 5 years, until it invests 100% in the GKN Diversified Fund at 10 years before a member's Selected Retirement Date. It invests 100% in the GKN Diversified Fund up to 5 years before a member's Selected Retirement Date.

The GKN Diversified Fund has the following fund allocation:

- GKN Growth Fund – 30%
- L&G Property Fund – 10%
- L&G All Stocks Gilt Index Fund – 15%
- L&G AAA-AA-A Corporate Bond All Stocks Index Fund – 10%
- L&G High Income Fund – 5%
- L&G Sterling Liquidity Fund – 5%
- L&G Diversified Fund – 25%

The GKN Diversified Fund is phased in with the following proportions:

| Years to Retirement | GKN Growth Fund (%) | GKN Diversified Fund (%) |
|----------------------------|----------------------------|---------------------------------|
| >15 | 100 | 0 |
| 14 | 80 | 20 |
| 13 | 60 | 40 |

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| | | |
|--------|----|-----|
| 12 | 40 | 60 |
| 11 | 20 | 80 |
| 10 – 5 | 0 | 100 |

Pre-retirement phase

6.9 The pre-retirement phase disinvests differently according to each lifestyle option. All members are defaulted to one lifestyle depending on how much past DB service they have relative to their remaining years to their Selected Retirement Date.

Drawdown Lifestyle

| Years to Retirement | GKN Diversified Fund (%) | GKN Cash Fund (%) |
|---------------------|--------------------------|-------------------|
| 5 | 100 | 0 |
| 4 | 95 | 5 |
| 3 | 90 | 10 |
| 2 | 85 | 15 |
| 1 | 80 | 20 |
| 0 | 75 | 25 |

Partial Drawdown Lifestyle

| Years to Retirement | GKN Diversified Fund (%) | GKN Cash Fund (%) |
|---------------------|--------------------------|-------------------|
| 5 | 100 | 0 |
| 4 | 87.5 | 12.5 |
| 3 | 75.0 | 25.0 |
| 2 | 62.5 | 37.5 |
| 1 | 50.0 | 50.0 |
| 0 | 37.5 | 62.5 |

Cash Lifestyle

| Years to Retirement | GKN Diversified Fund (%) | GKN Cash Fund (%) |
|---------------------|--------------------------|-------------------|
| | | |

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| | | |
|---|-----|-----|
| 5 | 100 | 0 |
| 4 | 80 | 20 |
| 3 | 60 | 40 |
| 2 | 40 | 60 |
| 1 | 20 | 80 |
| 0 | 0 | 100 |

6.10 Other default options

In September 2021, members who were previously invested in the Utmost Life Money Market Fund were moved into the GKN Cash Fund as part of an AVC consolidation exercise. The GKN Cash Fund is low-risk and aims to provide capital stability in the short-term. Members were given the option to review their investments after the transfer process was completed.

6.11 Illiquid Assets

The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund. Within the Scheme's default investment option, the GKN Diversified Fund is gradually introduced for members once they are 15 years from their selected retirement age, until a 75% allocation at-retirement. This fund has a direct allocation to illiquid assets, through a 10% allocation to the L&G Property Fund. The GKN Diversified Fund also has indirect exposure to illiquid assets through its 25% investment in the L&G Diversified Fund, which is a multi-asset fund that includes an allocation of c.7% to illiquid assets as at 31 December 2023. This comprises exposure to the following illiquid asset classes: c.5% in UK physical property and c.2% in private credit.

The other funds used in the default investment option do not invest in underlying illiquid assets.

The Trustee is comfortable directly and indirectly investing a small proportion of assets in illiquid assets through the L&G Property and L&G Diversified Funds, to access the potential return and diversification benefits relative to more traditional asset classes (such as bonds or equities) that illiquid assets can offer. While these benefits are recognised by the Trustee, it is also aware of the risks of investment in illiquid assets to members, such as the potential for valuations of illiquid assets to not reflect their true value at a given time. The Trustee considers these risks, supported by advice from its investment advisers, in making decisions relating to Scheme investment in illiquid assets.

In selecting investments for the default investment option, the Trustee uses both qualitative and quantitative analysis to consider the combined effects of strategic asset allocations. For any future investment, the Trustee carefully considers whether the investment provides value for members taking account of the potential for returns and associated risks. It is the Trustee's policy to review the default investment option on at least a triennial basis. Such reviews will include whether the incorporation of illiquid investments is appropriate.

7.1 The Trustee utilises funds made available by Legal & General (the Provider), through their investment platform.

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7.2 The Trustee has effectively delegated day to day investment decisions to the Investment Managers via the Provider.

7.3 The underlying funds chosen by the Trustee to be made available to members are pooled fund vehicles operated by the following Investment Managers:

- Legal & General Investment Management ("LGIM")
- HSBC
- Columbia Threadneedle

7.4 The Provider accesses these funds by means of investment management or re- assurance agreements with the managers.

The investment funds used and their Investment Managers are:

| Fund category | Underlying Fund names | Fund manager | Active or passive |
|---|---|-----------------------|-------------------|
| Global Equity | L&G World (ex UK) Equity Index Fund | L&G | Passive |
| Factor-Based Global Equity with climate overlay | L&G Future World Fund | L&G | Passive |
| UK Equity | L&G UK Equity Index Fund | L&G | Passive |
| Emerging Market Equity | L&G World Emerging Markets Equity Index Fund | L&G | Passive |
| Islamic Equity | HSBC Islamic Global Equity Index Fund | HSBC | Passive |
| Diversified Growth | Threadneedle Dynamic Real Return Fund | Columbia Threadneedle | Active |
| Property | L&G UK Property Fund | L&G | Active |
| Government Bonds | L&G All Stocks Gilt Index Fund | L&G | Passive |
| Corporate Bonds | L&G AAA-AA-A Corporate Bond All Stocks Index Fund | L&G | Passive |
| High Income | L&G High Income Fund | LGIM | Active |
| Cash | L&G Sterling Liquidity Fund | L&G | Passive |

7.5 The Trustee is satisfied that the spread of assets by type and the Investment Managers' policies on investing in individual securities within each type provides adequate diversification of investments for members.

7.6 The performance objectives and benchmarks of these funds are described in Appendix A to this Statement.

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7.7 The Scheme also holds historic assets in relation to Additional Voluntary Contributions ("AVCs") with Scottish Widows, Legal & General and Prudential.

8.1 The Trustee delegates the day to day management of the assets to the Provider and the underlying Investment Managers. The Trustee has taken steps to satisfy themselves that the Provider and underlying fund managers have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

8.2 The Trustee regularly reviews the continuing suitability of the Scheme's investments including the appointed Provider and the funds utilised, and these may be amended from time to time. However, any such adjustments would be done with the aim of ensuring the overall level of risk is consistent with that targeted.

9.1 The funds available are expected to provide an investment return relative to the level of risk associated with it. The Trustee believes that the range of investment options offered to members should provide a spread of risk and return levels suitable for the membership as a whole. Most asset classes are expected to provide long term real growth to enhance member outcomes.

10.1 Given that the Scheme invests solely in pooled funds, the Trustee acknowledges that they have no ability to restrict the holdings of the pooled funds. The Trustee has considered the investment restrictions attaching to each of the pooled funds prior to investing in the pooled funds and are comfortable with these.

11.1 The Trustee believes that good stewardship can create and preserve value for companies and markets as a whole and can therefore enhance long-term portfolio performance, and is therefore in the best interests of the Scheme's beneficiaries and aligned with fiduciary duty.

11.2 The Trustee believes that Environmental, Social and Corporate Governance ("ESG") issues may have a material impact on investment risk and return outcomes, thereby affecting the performance of investment portfolios and should therefore be considered as part of the Scheme's investment process.

11.3 The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

11.4 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustee's policy is that the extent to which ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, are taken into account in these decisions is left to the discretion of the investment managers.

11.5 However, the investment managers who are registered with the FCA are expected to act in accordance with their own corporate governance policies and current best practice, as well as comply with the UK Corporate Governance Code and UK Stewardship Code, including public disclosure of compliance via an external website.

11.6 The Trustee will also consider the Investment Consultant's assessment of how the investment managers embeds ESG into their investment process and how the managers' responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policies on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

11.7 Member views are not taken into account in the selection, retention and realisation of investments.

12.1 The Investment Managers have responsibility for buying and selling the underlying assets. As noted, day-to-day activities of the Investment Managers are governed by the arrangement between Investment Managers and the platform Provider.

13.1 The Provider deducts a fund management charge ("FMC") from the units held before unit prices are set and expressed as a percentage per annum of the total funds under management in each fund. Since the arrangement is bundled, the Provider also deducts an annual management charge ("AMC") to cover administration, communication and governance fees. The AMC is 0.08% p.a. and this is charged in addition to the FMC.

13.2 The current fee scales negotiated with the Scheme's Provider is set out below.

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| Fund category | Fund names | Fund manager | FMC ¹ % |
|--------------------------------|--|--------------------------|-----------------------|
| Default Funds | | | |
| Global Equity | GKN Growth Fund | L&G | 0.15 |
| Diversified Growth | GKN Diversified Fund | L&G | 0.30 |
| Cash | GKN Cash Fund | L&G | 0.11 |
| Self-Select Funds | | | |
| Global Equity | L&G World (ex UK) Equity Index Fund | L&G | 0.12 |
| Factor-Based Global | L&G Future World Fund | L&G | |
| Equity with climate overlay | | | 0.24 |
| UK Equity | L&G UK Equity Index Fund | L&G | 0.10 |
| Islamic Equity | HSBC Islamic Global Equity Index Fund | HSBC | 0.35 |
| Emerging Market Equity | L&G World Emerging Markets Equity Index Fund | L&G | 0.25 |
| Diversified Growth | Threadneedle Dynamic Real Return Fund | Columbia Threadneedle | 0.55 |
| High Income | L&G High Income Fund | LGIM | 0.30 |
| Property | L&G UK Property Fund | L&G | 1.28 |
| Government Bonds | L&G All Stocks Gilt Index Fund | L&G | 0.08 |
| Corporate Bonds | L&G AAA-AA-A Corporate Bond All Stocks Index Fund | L&G | 0.12 |
| Cash | L&G Sterling Liquidity Fund | L&G | 0.11 |

¹ Excludes any additional expenses

13.3 The Scheme's DC Investment Consultant is remunerated on a project-by-project basis and their fees can vary from year to year according to the level of activity required.

13.4 The fees will be reviewed when there is a change to the funds made available to members or to the Provider appointed by the Trustee and/or when there is a change to the fee scale agreed between the Trustee and Provider.

14.1 The Trustee will monitor compliance with this Statement annually, or immediately after any material change in strategy. In particular, they will obtain written confirmation from the Provider that they have given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the Investment Managers have done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

15 The Trustee will review this Statement from time to time and at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by

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their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

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Appendix A – Fund Objectives and Benchmarks

The benchmarks and performance objectives for the underlying funds are as follows:

| Fund | Benchmark | Performance objective |
|--|---|--|
| L&G Future World Fund | FTSE All-World ex CW Climate Balanced Factor Index | Track benchmark within +/-0.6% p.a. |
| L&G UK Equity Index Fund | FTSE All-Share Index | Track benchmark within +/-0.25% p.a. |
| L&G World (ex UK) Equity Index Fund | FTSE World (ex UK) Index | Track benchmark within +/-0.5% p.a. |
| L&G Future World Global Equity Index Fund (GBP Hedged) | Solactive L&G ESG Global Markets Index - GBP Hedged | Track benchmark within +/-0.6% for two years out of three. |
| L&G World Emerging Markets Equity Index Fund | FTSE Emerging Index | Track benchmark within +/- 1.5% p.a. |
| HSBC Islamic Global Equity Index Fund | Dow Jones Islamic Market Titans 100 TR Index | Track benchmark within +/-0.5% p.a. |
| Threadneedle Dynamic Real Return Fund | UK CPI + 4% | Return over CPI |
| L&G Diversified Fund | FTSE Developed World Index - 50% GBP Hedged * | England Base Rate +3.75% ** |
| L&G High Income Fund | ICE BofA Global High Yield BB-B Rated (excluding financials) 2% Constrained Index | Exceed benchmark by 1.0% p.a. |
| L&G UK Property Fund | IA Sector: UK Direct Property (comparator benchmark) | Combination of income and capital growth |
| L&G All Stocks Gilt Index Fund | FTSE Actuaries UK Conventional Gilts All Stocks Index | Track benchmark within +/-0.25% p.a. |
| L&G AAA-AA-A Corporate Bond All Stocks Index Fund | Markit iBoxx £ Non-Gilts (ex-BBB) Index | Track benchmark within +/-0.5% p.a. |
| L&G Sterling Liquidity Fund | Sterling Overnight Index Average | Money market rates |

* Legal & General compare the performance of the Fund against an equity comparator index as the long-term expected rate of return of the Fund is broadly similar to that of a developed market equity fund.

** The fund is additionally shown against a secondary comparator of the Bank of England Base Rate +3.75% per annum as Legal & General expected rate of return can also be illustrated using 'risk-free returns' plus an 'equity risk premium'. The market consensus for the latter is accepted to be in the region of 3.5 – 4.0% p.a.

It is noted that the performance of the funds of the Provider may differ from the underlying parent funds.