

Zurich Financial Services UK Pension Scheme

Annual report and financial statements

Year ended 30 June 2025

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Introduction

The annual report and financial statements for the Zurich Financial Services UK Pension Scheme (the “Scheme”) describes how the Trustee has managed the Scheme and any changes which have happened in the reporting period. The reporting period is for the twelve months to 30 June 2025.

It includes:

- Audited accounts and auditor’s statements
- Trustee’s report
- Details of the Trustee directors and the Trustee’s advisers and asset managers
- An update on Scheme funding, including the actuary’s certification of the adequacy of the schedules of contributions
- An investment report, including how the investments have performed
- The Chair’s Statement regarding DC governance
- Defined Benefit (DB) and Defined Contribution (DC) implementation statements
- A link to the Scheme’s Task Force on Climate-Related Financial Disclosures (TCFD) report

If you have any comments or queries, please contact Sarah Dickinson (the Scheme Secretary) by email at zpenteam@uk.zurich.com or by writing to the address shown on page 4.

Trustee directors and advisers

Trustee directors

Company nominated

D P Sims (Chair)
C Jochum
E Staunton
S Henderson
G Ferguson (appointed 10 October 2024)

Independent

BESTrustees Limited (represented by H Evans and C Redmond)

Member nominated

T P Culling
N J Evans
S Reason
D Dunn (née.Wayman)

Trustee company secretary

Zurich Corporate Secretary (UK) Limited

Secretary to the Trustee

S Dickinson

Scheme Actuary

M Potter FIA
Hymans Robertson LLP
(M Potter was on sabbatical leave between 25 June 2025 and 18 August 2025. During this period C Shepherd FFA C.Act temporarily replaced M Potter as the Scheme Actuary).

Auditor

Ernst & Young LLP

Covenant advisers

PricewaterhouseCoopers LLP

Administrators

ZCashBuilder & DB pensioner payroll
Railpen Limited (up to 30 June 2025 when Railpen Limited sold its third-party administration business to the Broadstone Group)
Broadstone Administration Limited (from 1 July 2025)
ZPen DB & ES Executives' DB
Zurich UK Pensions and Benefits (the "ZPen team")

Solicitors

Eversheds Sutherland (International) LLP

Bankers

ZCashBuilder
The Royal Bank of Scotland plc
ZPen DB & ES Executives' DB
Lloyds Bank plc

Investment Managers

ZCashBuilder
Lloyds Banking Group plc (Scottish Widows Limited)

ZPen DB
Threadneedle Asset Management Limited
M&G Investment Management Limited
Insight Investment Management (Global) Limited
Macquarie Group Limited
Ares Management Limited
J.P.Morgan Investment Management Inc.
Kohlberg Kravis Roberts & Co
Wellington Management International Limited
(appointed 20 May 2025)

ES Executives' DB
Columbia Threadneedle Management Limited
(appointed 19 September 2024)
Threadneedle Asset Management Limited

AVC providers

Zurich Assurance Limited
Scottish Widows Limited (up to 14 March 2025)
ReAssure Limited
Threadneedle Asset Management Limited (up to 31 March 2025)

Custodian, investment performance & compliance monitoring

The Northern Trust Company

Investment advisers

ZCashBuilder
Lane Clark & Peacock LLP

ZPen DB and ES Executives' DB
Hymans Robertson LLP

Investment analyst

Zurich Insurance Company Limited, Investment Management

GMP equalisation adviser

Aon Solutions UK Limited

At retirement support provider

Willis Towers Watson

Address for general information and individual benefit enquiries

The ZPen team
UK Pensions and Benefits
PO Box 377
Darlington
DL3 6XY

ZPen DB and ES Executives' members
zpenteam@uk.zurich.com

ZCashBuilder members
zcashbuilderteam@broadstone.co.uk

Members with pensions in payment
zurichteam@broadstone.com

Trustee's report

How the Scheme is managed

The Trustee

The Zurich Financial Services UK Pension Scheme (the "Scheme") is set up under trust, which ensures legal separation of the Scheme's assets from those of the Zurich Insurance Group. In this document, when we refer to Company, we mean Zurich Financial Services (UKISA) Limited, the Scheme's sponsoring company. When we refer to employers, we mean the Scheme's participating employers, including the Scheme's sponsoring company.

Zurich Financial Services UK Pension Trustee Limited (the "Trustee") is responsible for managing the Scheme. The Trustee has a legal duty to run the Scheme in accordance with the governing Trust Deed and Rules for the benefit of the beneficiaries. In this report we refer to the directors of the Trustee as Trustee directors.

Under the Trustee's constitution there must always be between eight and ten Trustee directors, including at least:

- four company-nominated Trustee directors ("CNDs");
- three member-nominated Trustee directors ("MNDs"); and
- one independent Trustee director.

The Trustee can operate with vacancies, which does happen from time to time when people leave.

The ZPen Team

To support the Trustee and the Company in fulfilling these responsibilities, the ZPen team manages the day-to-day operation and governance of the Scheme. This includes preparing the annual report and financial statements, overseeing investment strategy and performance, administering benefits in line with statutory requirements, and ensuring compliance with legal and regulatory obligations. The team also provides technical guidance, member communications, and risk management, while coordinating with advisers and third-party providers to deliver robust financial and operational oversight.

Terms of office

The MNDs and independent Trustee director are typically appointed for three-year terms, provided that they continue to be eligible. MNDs may serve for up to three terms. However, to help ensure that any vacancy can be filled, after three terms an MND may be appointed for a further term (or terms) of office if it has not been possible to appoint another suitable candidate to fill a vacancy, but any such reappointment will be:

- subject to a review taking into account the need for progressive refreshing of the board; and
- explained in the Trustee's annual report and financial statements.

Trustee directors nominated by the Company do not have fixed terms of office and continue as Trustee directors until they resign, or the Company removes them. The Chair is appointed for a fixed period agreed by the Company.

Any Trustee director will stop being a Trustee director immediately if they are prohibited by law from acting as a trustee or a company director.

Selecting MNDs

The Trustee has a formal process for the nomination and selection of MNDs. A selection process was last held in 2023, as the term of office for two MNDs expired on 14 August 2023. A reserve member Trustee director ("RMD") can be appointed as an MND if one of the current MNDs leaves mid-term. Currently there is one RMD, A Panchmatia. R McKie resigned from his role as an RMD with effect from 3 October 2025. The next nomination and selection process will be held in 2026, when the terms of office for all four of the current MNDs expire.

Other changes to the Trustee directors

The vacancy for a CND which arose when L Ryan resigned on 14 March 2024 was filled when G Ferguson was appointed with effect from 10 October 2024.

Independent Trustee director

The current Independent Trustee director appointment was approved in 2023 and will next be reviewed in 2026.

Committees

The Trustee has two committees, the Funding Committee and the Defined Contribution (DC) Committee. Each committee includes representatives from the Trustee and the Company. The long-term goal of the Funding Committee is to ensure the Defined Benefit ("DB") sections of the Scheme are broadly financially and operationally self-sufficient and able to operate without further cash injections from the sponsor with a high degree of certainty that they can pay members' entitlements in full as they fall due. The long-term goal of the DC Committee is to help

members with DC benefits to make well informed decisions so as to achieve their individual future financial goals, and to invest members' savings responsibly. Both committees report into the Trustee quarterly.

The Trustee directors also meet from time to time in sub-committees or working groups to consider, amongst other things, discretionary, administrative and investment issues.

How the Scheme is structured

The Trustee company

The Trustee company, Zurich Financial Services UK Pension Trustee Limited, has 100 shares. Zurich Financial Services (UKISA) Limited holds 99 of these and the remaining share is held by Apex Corporate Trustees (UK) Limited (the "'B' Shareholder"). Any amendment to the Articles of Association for the Trustee company requires the consent of the 'B' Shareholder.

Zurich Financial Services (UKISA) Limited has the power to remove a company appointed director at any time and can remove the Member and Independent Directors if they fail to meet the required definition of Member/Independent Director. The Trustee has the power to remove any director by providing a notice signed by all other directors stating that that person should cease to be a director.

Scheme structure

The Scheme has two sections: the ZPen Section, with its associated arrangements (ZPen DB and ZPen DC), and the ES Executives' Section (ES Exec DB). The assets in each section are kept completely separate, as seen in the financial statements. The table below provides a basic overview of the Scheme structure.

Zurich Financial Services UK Pension Scheme		
ZPen Section		ES Executives' Section
Defined benefit (DB)	Defined contribution (DC)	Defined benefit (DB)
<i>includes:</i> ZPensionBuilder (ZPB) <i>and legacy schemes/tiers:</i> ES Tier AD Tier ZI Tier Tier 2000 Gresham Trust	<i>includes:</i> ZCashBuilder (ZCB) <i>and legacy arrangements:</i> Pre 2007 AVCs	

The sponsoring company

Zurich Financial Services (UKISA) Limited ("UKISA")

Participating employers

Zurich Global Corporate UK Limited
Zurich UK General Services Limited
Zurich UK General Employee Services Limited
Zurich Employment Services Limited
Employee Services Limited

Overview of the Scheme year

Trustee meetings

The Trustee directors meet as a full board at least five times a year. They will usually act by consensus, although they do each have one vote, should the need arise. The Chair does not have a casting vote.

Occasionally, it is necessary to have additional meetings to consider specific matters.

The Trustee directors keep an attendance record and attendance at the Trustee, Funding Committee and DC Committee meetings during the Scheme year is as shown in the table below. Meetings are held either virtually or in person.

	Trustee board ¹		Funding Committee		DC Committee	
	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend
D Sims	8	9	4	4	-	-
T Culling	8	9	-	-	4	4
N Evans	8	9	4	4	-	-
BESTrustees	9	9	4	4	4	4
C Jochum	9	9	4	4	-	-
S Henderson	7	9	-	-	3	4
S Reason	7	9	-	-	-	-
G Ferguson	6	6	-	-	-	-
E Staunton	8	9	-	-	-	-
D Dunn	7	9	-	-	-	-

Scheme events

General Code

The Pensions Regulator's general code of practice came into force on 28 March 2024. The code, replaced ten previous codes of practice and sets out The Pensions Regulator's expectations for a scheme with regard to governance. The Trustee has reviewed its governance arrangements in light of the new code and is preparing for the first Own Risk Assessment which involves an assessment of the effectiveness of governance arrangements and is due in 2026.

Pensions Dashboards

The Pensions Dashboards Programme is a government-backed initiative, designed to provide individuals with a comprehensive and easily accessible view of all their pension savings in one place. The ZPen team, working with the Trustee and its advisers, connected to the Pensions Dashboards system on 28 May 2025, ahead of the Scheme's staging date of 31 May 2025.

DB transfers out of the Scheme

Individuals who leave the Scheme before they retire can, if they wish, transfer the value of their benefits (usually known as a cash equivalent transfer value) into another pension arrangement. During the Scheme year all cash equivalent transfer values were calculated and verified in the manner prescribed by regulations made under section 97 of the Pension Schemes Act 1993. No allowance is made in these calculations for any discretionary benefits. There were no transfers where the cash equivalent paid was less than the amount provided for by section 94(1) of the Pension Schemes Act 1993.

Legacy AVC consolidation

An exercise was undertaken to consolidate the Scheme's legacy AVC arrangements. AVC policies held by Scottish Widows Limited ("Scottish Widows"), Threadneedle Asset Management Limited ("Threadneedle") and ReAssure Limited ("ReAssure") were transferred to ZCashBuilder during March and April 2025. Following this exercise there are no AVC policies remaining with Scottish Widows and Threadneedle. A number of AVC policies remain in place with ReAssure and Zurich Assurance Limited.

¹ Quarterly board meetings, risk day, additional meetings

Scheme Actuary appointment

During a period of sabbatical leave between 25 June 2025 and 18 August 2025, M Potter was temporarily replaced as the Scheme Actuary by one of his Hymans Robertson LLP colleagues, C Shepherd. As required, M Potter and C Shepherd provided letters of resignation which declared that there were no circumstances connected with their respective resignations which, in their opinion, significantly affect the interests of the members, prospective members or beneficiaries under the Scheme.

Increases to pensions in payment

Pensions in payment are increased annually, but in different ways for each of the tiers. The following table sets out the pension increases for the Scheme year to 30 June 2025. For members who retire part way through the year, the first increase is usually a proportion of the full year amount.

There is more information about how pension increases are calculated in the member's guide.

There were no discretionary increases during the Scheme year.

Category	Date	Increase
ZPensionBuilder (ZPB)		
ZPB (former ES tier)	1 July 2024	3.3%
	1 July 2025	4.5%
ZPB (former Tier 2000)	1 July 2024	3.3%
	1 July 2025	4.5%
ZPB (former ZI tier)	1 October 2024	2.9%
ZPB (former AD tier)	1 January 2025	3.6%
ZPB (former AD Isle of Man)	1 January 2025	3.6%
Legacy tiers		
ES tier	1 July 2024	3.3%
	1 July 2025	4.5%
Tier 2000	1 July 2024	3.3%
	1 July 2025	4.5%
ES Exec	1 July 2024	3.3%
	1 July 2025	4.5%
ZI tier	1 October 2024	2.9%
AD tier	1 January 2025	3.6%
AD Isle of Man	1 January 2025	1.0%

Guaranteed Minimum Pension (GMP) accrued from 6 April 1988²

Category	Date	Increase
All tiers except AD & AD Isle of Man	From 6 April 2024	3.0%
	From 6 April 2025	1.7%

Employer related investment

There were no direct employer related investments (as defined by the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005) in Zurich Group companies at any time during the year or at year end.

The ZCashBuilder arrangement includes indirect investments in the Zurich Group through the pooled investment vehicles; Z Growth, Z Cautious Growth, LGIM FTSE4Good Developed Equity Index 2, LGIM Future World 2 SW,

² A GMP is the minimum level of pension which a pension scheme has to provide to members who were contracted out of the State Earning Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. From GMP payment age, which is 60 for females and 65 for males, the GMP is increased in line with statutory pension increases.

BlackRock Corporate Bond All Stocks Index 2 SW and BlackRock World ex-UK Equity Index 2 SW. The Scheme assets are invested in 0.01% of Zurich Group shares through these passive funds.

Scheme investments comply with any restrictions prescribed by regulations made under section 40(2) of the 1995 Act.

Scheme running costs

A budget for Scheme expenses is agreed by the Trustee on an annual basis and actual spend against budget is monitored throughout the year. The budget includes costs for the ZPen and ES Executives' Sections. The Company has agreed to pay £4.6m per annum towards the Scheme expenses with the annual Pension Protection Fund levy for the ZPen Section reimbursed as an additional payment once the invoice is settled by the Scheme.

Scheme membership

The change in membership of the Scheme during the year is given below.

Section	ZPen DC	ZPen DC	ZPen DB	ZPen DB	ES Exec DB
Membership Status	Active	Preserved	Preserved	Pensioners	Pensioners
Balance at start of year	5,101	5,468	14,857	14,806	94
Retrospective adjustments	(42)	85	(70)	34	-
Joiners	609	-	-	-	-
Leavers with preserved benefits	(449)	449	-	-	-
Leavers transferred out	-	(190)	(17)	-	-
Leavers with no benefits	(2)	-	-	(6)	-
Deaths	(2)	(3)	(10)	(260)	(4)
Retirements	(23)	(78)	(744)	845	-
Partial benefits taken	-	-	-	51	-
Dependant pensioners	-	-	-	106	1
Commutation	-	-	-	(28)	-
Balance at 30 June 2025	5,192	5,731	14,016	15,548	91
<i>of which:</i>					
Hybrid members ³	866	1,087	-	-	-

The figures above show a gross movement in the Scheme's membership.

Included within ZPen DB pensioners are 1,735 (2024: 1,656) dependant members and 435 (2024: 446) annuitants.

Included within ES Exec DB pensioners are 20 (2024: 20) dependant members and 6 (2024: 6) annuitants.

³ Members who transferred from ZPen DB into ZPen DC on 1 January 2016 have retained a link to final pensionable salary on their DB benefits (2024: Active 956, Preserved 1,059)

Compliance Statement

Tax status of the Scheme

The Scheme is a registered scheme and as such is exempt from most UK income and capital gains taxes. The Trustee knows of no reason why this registration should be withdrawn.

Scheme investments

The investment managers appointed on behalf of the Trustee to manage funds under Section 34 of the Pensions Act 1995 are appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or are specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated to them.

Scheme funding

Actuarial liabilities

ZPen Section

Valuation as at 30 June 2022

Using the method and assumptions agreed by the Trustee, the ZPen Section had assets sufficient to cover 102% of its technical provisions as at 30 June 2022 (corresponding to a surplus of £135m). Consequently, the Trustee agreed with the Company that no deficit reduction contributions were required at the current time, although the Company will contribute an amount of £4.6m per annum, from January 2024, towards the expenses of running the ZPen Section. The costs of the PPF levy and the group life premium are met by the Trustee and reimbursed separately by the Company, as per the schedules of contributions.

Annual Actuarial Report

A full Scheme valuation is conducted every three years. In the intervening years the Trustee obtains an annual funding update. A summary of the funding position as at 30 June 2024, 30 June 2023 and the full valuation as at 30 June 2022 are shown below. Since the full Scheme valuation as at 30 June 2022, the funding level has increased to 111% and the surplus has increased to £572m as at 30 June 2024. The increase in surplus is driven by the value of the section's liabilities mainly due to the rising gilt yields, which is offset to some extent by a corresponding fall in the value of hedging assets. For the annual actuarial reports, the financial assumptions tend to be updated in line with market conditions whereas the demographic assumptions are rolled forward and only updated at each full valuation.

Asset backed contribution (SLP)

The asset backed contribution arrangement which was put in place for the ZPen Section of the Scheme following the 30 June 2013 valuation has continued to operate as expected. This involved the establishment of a Scottish Limited Partnership ("SLP") which houses an asset that generates net income of £60m a year.

This was valued at £455m as at 30 June 2025 and is included in the total audited value of the assets for the ZPen DB Section of £5,303m.

ES Executives' Section

Valuation as at 30 June 2022

Using the method and assumptions agreed by the Trustee, the ES Executives' Section had assets sufficient to cover 117% of its technical provisions as at 30 June 2022 (corresponding to a surplus of £25m). The Trustee agreed with the Company that no deficit reduction contributions were required at the current time, although the Company will contribute an amount of £36k per annum towards the expenses of running the ES Executives' Section.

Annual Actuarial Report

Since the full Scheme valuation as at 30 June 2022, the funding level has increased to 129% and the surplus has increased to £32.8m as at 30 June 2024. The increase in surplus is driven by the value of the section's liabilities mainly due to the rising gilt yields, which is offset to some extent by a corresponding fall in the value of hedging assets.

ZPen Section

Technical provisions basis	30-Jun-22 £m	30-Jun-23 £m	30-Jun-24 £m
Assets (excluding AVCs/APCs)	6,108	5,092	5,190
Amount needed to provide benefits	6,527	5,095	5,081
(Deficit)/Surplus	(419)	(3)	109
Funding level excluding SLP	94%	99%	102%
Asset backed contribution (SLP)	554	472	463
Surplus incl. SLP	135	469	572
Funding level including SLP	102%	109%	111%

ES Executives' Section

Technical provisions basis	30-Jun-22 £m	30-Jun-23 £m	30-Jun-24 £m
Assets	173	147	147
Amount needed to provide benefits	148	118	115
Surplus	25	29	33
Funding level	117%	124%	129%

By law, the statements from the Scheme Actuary on the next page must be included in this annual report. A copy of the full report on the valuation as at 30 June 2022 is available on the website www.zpen.info. The next full valuation as at 30 June 2025 is currently underway.

Method

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

The key assumptions used in the calculation of the Technical Provisions as at the 30 June 2022 valuation were as follows:

Key Financial Assumptions/Data as at 30 June 2022	30ZPen Section	ES Executives' Section
Pre and post-retirement discount rate	Full nominal gilt yield curve + 1.45% pa.	Full nominal gilt yield curve + 0.25% pa.
Price inflation – RPI	Market implied gilt inflation curve	
Price inflation – CPI	RPI less 1.0% pa prior to 2030 RPI curve less 0.0% from 2030 onwards	
Salary inflation	In line with the CPI curve with 2.5% p.a. deduction in first 2 years (December inflation reference month)	n/a
Pension increases	Pension increase curves derived from RPI or CPI, adjusted for the impact of any caps and floors	
Post-retirement longevity base tables	2022 VITA tables with 103.3% scaling for males and 100.5% scaling for females	
Pre-retirement longevity base tables	S3N standard tables	n/a
Longevity future improvements	CMI 2021 model with initial addition to improvements of 0.0%, no weighting to 2020-21 data and long term rate of improvement of 1.5% p.a.	
Cash commutation	Members are assumed to take on average the following proportions of the maximum tax-free lump sum permitted based on the current factors in force: Active members: 45% Deferred members: 60%	n/a

Actuarial certificate

Appendix C: Technical provisions certificate


My certification of the calculation of the technical provisions is included below. I am also required to certify the adequacy of the contribution rates set out in the schedule of contributions. That certificate is appended to the contribution schedule.

Actuarial certification of the calculation of technical provisions as required by regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: Zurich Financial Services UK Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 30 June 2022 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated September 2023.

Signature	<div><div>DocuSigned by:</div><div> 7C6FC02E5B1845D...</div></div>
Date	21-Sep-2023 17:07 BST
Name	Martin Potter
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	1 Semple Street, Edinburgh, EH3 8BL

Investment report

Investment strategy and principles

The overriding objective for the Trustee and the Funding Committee is to design and put in place an investment strategy that will deliver sufficient cash to pay benefits when they fall due. The investment strategy aims to achieve this by reaching an appropriate balance between risk seeking returns through growth assets and the extent to which the assets should be distributed to match the Scheme's liabilities (this is known as the strategic asset allocation ("SAA")). The Funding Committee considers the investment strategy for the ZPen and ES Executives' Sections separately but applies the same principles to both sections.

The Funding Committee keeps the investment strategy under review, developing proposals for the Trustee board for future strategies, and then implementing them once they are agreed. Within the Funding Committee's remit it can appoint investment managers, agree fees, carry out the necessary consultation with the Company and decide the best tactics for working toward the final strategy. The Funding Committee also reviews the investment managers, custodian and advisers and provides oversight of the day-to-day investment activity carried out by the managers and internal teams.

A separate committee manages the investment strategy for the DC arrangements.

Responsible investment

As a long term investor, the Trustee believes that incorporating environmental, social and governance (ESG) factors into investment decisions improves long term risk adjusted returns. As a result, the Trustee has been integrating ESG factors at various steps in its investment process for many years and has been working very closely with its advisers and investment managers.

The Scheme has already made good progress in this area over the last few years with its engagement activities, in respect of investments, and the positive environmental impact from the investment in renewable energy projects and utilities through the infrastructure debt portfolio.

During the last Scheme year the Trustee has continued its focus on climate change risks and opportunities in response to changing regulatory requirements and the development of its responsible investment (RI) strategy. The additional climate change regulations under Section 175(2A) of the Pensions Act 1995 require pension schemes with assets exceeding £5bn to comply with the TCFD recommendations, applicable since 1 October 2021. In order to comply with the regulations the Trustee has agreed and published a TCFD report, describing governance, strategy, metrics and targets, and risk management of climate change risks and opportunities. The TCFD report can be found at [www.zpen.info/Library/Responsible Investments](http://www.zpen.info/Library/Responsible%20Investments). The Trustee continues to monitor the progress on its 25% weighted average carbon intensity (WACI) reduction target over 5 years for its equity and corporate bond portfolios.

Financially material considerations

Within the Scheme's mandates, the Trustee has delegated responsibility for the consideration of stock specific issues to the respective Managers⁴. The Trustee has discussed the extent to which ESG factors, where relevant to the investment mandate, are integrated into the investment processes of the Managers and are satisfied that the Managers are following an approach which takes account of all financially material factors (including ESG factors, but not limited to, climate change) when selecting, retaining and realising investments. The Trustee is also satisfied that these factors are considered over a time horizon which is appropriate for the Scheme. The Trustee considers ESG factors at various steps in its investment process. The Trustee also notes the approach taken by the Zurich Group to responsible investment and will both consider and leverage the Group's policies and resources, including any potentially restricted securities, where the Trustee believes it appropriate to do so. Where restrictions are applied on any securities, the Trustee will provide this information to its Managers and require the Manager to comply with the restrictions. The Trustee is aware of the risks of climate change and aims to understand the potential impact that climate risk factors may have on the Scheme's future investment returns. In considering the expected transition to a low carbon economy, the Trustee has determined that investment in companies that derive material revenues from the mining of, or generation of energy from, thermal coal is exposed to financially material factors. So where the Scheme directly holds securities (as opposed to a fund), the Trustee has explicitly determined to exclude investments in the equity and debt of such companies within portfolios.

Engagement

The Managers' house policies are expected to broadly meet with the Trustee's views. If expectations are not met the Trustee will engage with the Manager. Where assets are directly held by the Trustee, the Trustee may set explicit

⁴ The term "Managers" refers to the Scheme's asset managers

guidelines within the IMA (Investment Management Agreement). After a period of engaging with the Manager, if expectations are not met then the Trustee would consider terminating the IMA and replacing the Manager. The Trustee believes it is appropriate for its Managers to engage with key stakeholders which may include corporate management of issuers of debt or equity, regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours (including the management of actual or potential conflicts of interest), improve performance and strategy and mitigate financial risks (including ESG factors). The Trustee expects its Managers to consider the capital structure of investments and the appropriateness of any investment made. Where Managers are responsible for investing in new issuance, the Trustee expects the Manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors. The Trustee will review engagement activities undertaken by its Managers as part of its broader monitoring activity periodically. The Trustee believes that such engagement incentivises the Managers to preserve and enhance long term shareholder value of its investments. The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each Manager has an appropriate conflicts of interest policy in place. Managers are required to disclose any potential or actual conflict of interest in writing to the Trustee.

Member engagement

The Trustee does not have a formal policy of soliciting member or beneficiary views on non-financial matters in its investment decision making but will periodically review its position.

Non-financial matters

Where the Scheme directly holds securities, the Trustee has determined to exclude investment in the debt and equity of companies involved in the manufacture of UN-sanctioned weapons from investment portfolios. The Trustee has not imposed any other restriction for non-financial reasons but will periodically review its position.

Statement of Trustee's Responsibilities

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including 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 the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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

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

The Trustee is responsible under pensions legislation for preparing, maintaining, and from time to time reviewing and if necessary revising, schedules of contributions showing the rates of contributions payable towards 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 are made to the Scheme by the employers in accordance with the schedules of contributions. Where breaches of the schedules occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

Investment strategy

ZPen DB

As a part of the 2022 triennial valuation process the Trustee reviewed the Scheme's investment strategy in the broader context of the covenant strength and its funding strategy. This is part of the Trustee's integrated risk management (IRM) policy which recognises the interrelationship between investment, funding and covenant. During the previous Scheme year, the Trustee signed agreements to invest approximately 2.5% of the Scheme assets into infrastructure equity funds. An \$80m capital call for J.P.Morgan was met in full by the Scheme on 1 July 2024. A £62.5m capital call for KKR was met in full by the Scheme on 1 October 2024.

In March 2025, the Trustee approved new target hedging ratios. The new targets set for the LDI mandate are 100% and 95% for interest rates and inflation respectively on a gilts + 0.65% basis. The previous targets were 95% and 90% for interest rates and inflation respectively on a gilts + 0.65% basis. The revised guidelines were signed in April 2025 and the revised hedging targets were reached on 12 April 2025.

ES Exec DB

The section benefits from a robust funding level on a technical provisions basis and has a shorter liability duration in comparison to the ZPen DB arrangement. Having a shorter liability duration means the section is more mature, the membership profile consists fully of pensioners (ZPen DB consists of 53% pensioners as at 30 June 2025). In June 2024, the Trustee agreed to adopt a formal LDI strategy for the section. The target hedging ratio for both interest rates and inflation moved from 90-100% on a gilts + 40bps basis to 100% on the section's technical provisions basis (gilts + 25bps). Due to the strong funding position of the Exec Section, the Trustee agreed to move the remaining 5% of equities to cash to protect the surplus. The Trustee consulted with UKISA on the investment strategy change in July 2024, the SAA change and actual execution of the strategy was implemented in November 2024. In March 2025, the Trustee agreed a reduction in the credit allocation from 35% to 20%, the LDI fund allocation was increased to counter the reduction in interest rate hedging delivered by the credit, with the remaining proceeds increasing the liquidity fund. The strategy change was executed in June 2025.

Statement of Investment Principles (SIP)

In accordance with Section 35 of the Pensions Act 1995 the Trustee, after consultation with Zurich Financial Services (UKISA) Limited, investment managers and advisers, has drawn up two SIPs governing decisions about investments for the purposes of the Scheme, which it reviews on a regular basis. One SIP covers the ZPen Section and the ES Executives' Section (the DB arrangements) and the other SIP covers ZCashBuilder and the legacy AVC arrangements (the DC arrangements). The statements describe the Trustee's investment objectives and how investments are chosen, what kinds of investments it holds, the balance between different types of investment, its approach to risk and how it monitors the investment performance. The latest DB and DC SIPs are available on www.zpen.info. The policies on financially material considerations, engagement, member engagement and non-financial matters for DC are detailed in the DC Default SIP [shown here](#).

Distribution of investments

The table below shows the ZPen DB Strategic Asset Allocation (SAA) as at 30 June 2025.

Asset Manager	Assets	Current SAA
Columbia Threadneedle Investments (CTI) & Wellington Management International LTD	Equities	19.0%
Insight	Liability Driven Investment	43.0%
CTI	Corporate bonds	16.0%
M&G		
Macquarie	Infrastructure debt	8.5%
M&G	Loans	4.0%
CTI	Property	4.0%
Ares	Middle market loans	3.0%
J.P. Morgan (JPM) & Kohlberg Kravis Roberts (KKR)	Infrastructure equity	2.5%

The assets were held in line with the current SAA at the Scheme year end.

The table below shows the ES Executives' Section SAA as at 30 June 2025.

Asset Manager	Assets	Current SAA
CTI	Corporate bonds	20.0%
CTI	Liability Driven Investment	55.0%
CTI	Liquidity Fund	25.0%

As at the Scheme year end, the ES Executives' Section had a high cash balance at the Scheme year-end due to the implementation of the updated investment strategy. Proceeds from the reduction in the corporate bond fund were temporarily held in cash, pending a post-year-end transaction to transfer the cash to the liquidity fund.

Management and custody of investments

The Trustee has delegated management of investments to professional investment managers detailed on the [Trustee directors and advisers](#) page. These Managers, which are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objective and policies set out in the SIP are followed.

The agreements put in place by the Trustee specify how rights attaching to the Scheme's segregated investments are acted upon. This includes active voting participation and consideration of environmental, social and governance factors when making investment decisions. The Trustee has less influence over the underlying investments within pooled investment vehicles held by the Scheme but reviews the managers' policies and statements of compliance in respect of these matters.

The Trustee has appointed the Northern Trust Company to act as custodian for the Scheme investments, other than:

- Pooled investment vehicles, where the manager makes its own arrangements for custody of underlying investments;
- Additional Voluntary Contributions and other investments which are in the form of insurance policies, where the master policy documents are held by the Trustee;
- The Scottish Limited Partnership, a form of limited partnership registered under Scots law.

The investments held with Northern Trust are held in a designated nominee account in the name of the Trustee of the Scheme. The Trustee receives reports each month covering the assets held by the custodian and transactions in the month. These are monitored by the Trustee and, if appropriate, followed up with the custodian on a timely basis. The custodian is independent of the investment managers and provides a check on the recording of the assets of the Scheme and their performance.

Interest in Scottish Limited Partnership

As detailed in note 17, on 31 July 2014 the ZPen DB Section acquired an interest in a Scottish Limited Partnership (SLP), funded by a special contribution from the Company of £697m. The partnership agreement is structured to provide the ZPen Section with an annual income of £60m. However, as the interest in the SLP is for the purpose of addressing the 2013 funding deficit, it is not considered as part of the asset allocation nor the investment performance information and is therefore not included in the [distribution of investments table](#).

Infrastructure Debt

In March 2016, the Trustee agreed an investment into infrastructure debt. Infrastructure assets are the physical systems of a nation such as transportation, communication, sewage, water, electricity systems, schools and hospitals. These investments are long-term loans which finance infrastructure development. Infrastructure debt matches pension liabilities well as it provides long term cash flows that match well with long term, often fixed, liabilities.

As at 30 June 2025, the ZPen Section had thirty-eight investments in infrastructure debt totalling £448m (2024: £468m).

Liability Driven Investments (LDI)

The Trustee has an allocation to LDI. The strategy aims to address the most significant risks faced by the ZPen Section, being interest and inflation rate risks. By increasing the Scheme's hedging ratios for interest and inflation rates, it reduces its exposure to these risks whilst providing more exposure to growth assets. The targets set for the LDI mandate are 100% and 95% for interest rates and inflation respectively (on a gilts + 0.65% basis). The revised guidelines were signed in April 2025 and the revised hedging targets were reached on 12 April 2025.

Investment performance

In the actively managed portfolios, the Trustee set a benchmark asset allocation. Performance targets are set based on the benchmark allocations and manager performance is compared against this, but the investment manager has discretion to manage investments within ranges around these benchmarks. This discretion accommodates short term changes between different markets and also to allow the manager to add value by being over or under the benchmark weight in different types of assets.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and considers them to be appropriate relative to the reasons for holding each class of investment. The SAA agreed by the Trustee is shown in the distribution of investments section. The Trustee monitors the asset allocation on a quarterly basis to ensure assets are invested within agreed SAA ranges.

The Trustee has monitored asset performance closely, as a long-term investor more value is placed on the long-term expectations of asset classes rather than short term performance. The Scheme outperformed the benchmark during the Scheme year. This was primarily due to the equity portfolio outperforming its benchmark. The Trustee continues to monitor performance closely and regularly discusses performance with all asset managers.

More details about investments are given in the notes to the financial statements.

ZPen DB and ES Exec DB Performance

Asset Manager	Annualised gross return over:	1 year %	3 years %	5 years %
	ZPen DB	-3.4	-4.2	-2.1
	<i>Benchmark</i>	-2.9	-6.1	-4.1
	<u>Growth assets</u>			
CTI	Equities & Property	3.7	7.2	7.9
	<i>Benchmark</i>	8.5	8.1	9.0
M&G	European Loan Fund	8.3	10.2	6.7
	<i>Benchmark</i>	8.5	10.7	7.4
Ares	Middle Market Loans ⁵	9.7	8.5	n/a
	<i>Benchmark</i>	8.5	10.7	n/a
JPM	Infrastructure Equity ⁶	2.0	n/a	n/a
	<i>Benchmark</i>	2.0	n/a	n/a
KKR	Infrastructure Equity ⁷	n/a	n/a	n/a
	<i>Benchmark</i>	n/a	n/a	n/a
	<u>Matching assets</u>			
CTI	Corporate Bonds	5.6	2.9	-0.6
	<i>Benchmark</i>	5.3	2.4	-1.0
M&G	Corporate Bonds	5.1	2.9	-0.6
	<i>Benchmark</i>	5.3	2.4	-1.0
Macquarie	Infrastructure Debt	1.6	1.0	-1.2
	<i>Benchmark</i>	1.6	1.0	-1.2
Insight	Liability Driven Investments ⁸	-5.5	-11.3	-13.7
	<i>Benchmark</i>	-5.7	-11.4	-13.7
	ESExec DB	1.3	-0.9	-2.8
	<i>Benchmark</i>	1.8	-0.8	-2.7
	<u>Matching assets</u>			
CTI	Corporate Bonds	5.0	2.4	0.3
	<i>Benchmark</i>	5.3	2.5	-1.0

⁵ The middle market loans fund was launched in September 2021.

⁶ Investment into the fund was made on 1 July 2024.

⁷ Investment into the fund was made on 1 October 2024.

⁸ The liability driven investment performance is reported as non-leveraged returns, this is so the returns are consistent with the benchmark the portfolio is measured against.

Asset Manager	Annualised gross return over:	1 year %	3 years %	5 years %
CTI	Short Profile Unleveraged Real Gilt Fund⁹	n/a	n/a	n/a
	<i>Benchmark</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
CTI	Short Profile Unleveraged Nominal Gilt Fund⁹	n/a	n/a	n/a
	<i>Benchmark</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
CTI	Liquidity Fund⁹	n/a	n/a	n/a
	<i>Benchmark</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

ZCashBuilder performance

Fund Provider	Annualised net return over:	1 year %	3 years %	5 years %
<u>Lifestyle Strategies funds</u>				
Scottish Widows Ltd	Z Cautious Growth Fund¹⁰	8.8	8.1	3.5
	<i>Benchmark</i>	9.3	8.0	3.2
Scottish Widows Ltd	Z Growth Fund¹⁰	10.3	14.1	10.7
	<i>Benchmark</i>	11.0	14.6	10.9
Scottish Widows Ltd	Z Annuity Fund	0.7	-2.2	-6.1
	<i>Benchmark</i>	-5.3	-4.5	-7.3
Scottish Widows Ltd	Z Cash Fund¹⁰	4.9	4.4	2.7
	<i>Benchmark</i>	4.7	4.3	2.6
<u>Self-select funds¹¹</u>				
Scottish Widows Ltd	BlackRock Corporate Bond All Stocks Index 2 SW	5.3	2.4	N/A
	<i>Benchmark</i>	5.4	2.6	N/A
Scottish Widows Ltd	BlackRock Index-Linked Over 5 Year Gilt Index 2 SW	-7.1	-8.7	-11.1
	<i>Benchmark</i>	-6.9	-8.6	-11.0
Scottish Widows Ltd	BlackRock UK Equity Index 2 SW	7.9	9.0	9.2
	<i>Benchmark</i>	8.2	9.3	9.9
Scottish Widows Ltd	BlackRock World ex UK Equity Index 2 SW	6.6	13.9	12.2
	<i>Benchmark</i>	6.9	13.8	12.4
Scottish Widows Ltd	HSBC Islamic 2 SW	1.6	15.6	13.1
	<i>Benchmark</i>	1.8	16.0	13.6
Scottish Widows Ltd	LGIM FTSE4Good Developed Equity Index 2 SW	3.4	12.6	12.2
	<i>Benchmark</i>	3.9	13.2	12.8
Scottish Widows Ltd	LGIM Future World 2 SW	4.9	9.2	N/A
	<i>Benchmark</i>	5.4	9.8	N/A
Scottish Widows Ltd	Property 2 SW	8.8	0.1	6.9
	<i>Benchmark</i>	8.6	-3.1	4.2
Scottish Widows Ltd	Zurich Managed 2 ZP	8.0	9.0	8.9
	<i>Benchmark</i>	5.3	6.5	5.4

Source: ZPen DB and ES Exec DB Performance: Northern Trust, Insight Investment & Columbia Threadneedle. ZCashBuilder performance: Scottish Widows.

⁹ Performance for the LDI funds is not available, the investment into the funds were made in November 2024.

¹⁰ Funds used in the default lifestyle strategies

¹¹ Fund names have been updated in the table in accordance with Scottish Widows' fund naming conventions

The Trustee approves the Trustee Report, the DC Chair's Statement, and the DB and DC Implementation Statements.

Signed on behalf of the Trustee by:

DP SIMS

Trustee director

Name: David Sims

Date: 12 December 2025




Chair's Statement regarding DC governance for the year ending 30 June 2025

Summary



Governance requirements apply to defined contribution (DC¹²) pension arrangements to help members achieve a good outcome from their pension savings. The Trustee of the Zurich Financial Services UK Pension Scheme (the "Scheme") is required to produce an annual statement (which is signed by the Trustee Chair) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested and the asset allocations at different ages for those in the default options
- the requirements for processing financial transactions
- the charges and transaction costs borne by members
- an illustration of the cumulative effect of these costs and charges
- investment returns after charges
- a 'value for members' assessment'; and
- Trustee knowledge and understanding.

The statement covers the period from 1 July 2024 – 30 June 2025. More information can be found in the pages that follow.

	Key points:	Rating	Link
Default investment arrangements: The Trustee is required to review the default investment strategies at least every three years and to monitor performance against its investment aims and objectives.	A review of the default investment arrangements was carried out in 2023 and the resulting changes implemented in May 2024. No changes were made to the investments over the year to 30 June 2025. The default strategies continue to invest in an equity fund with a climate tilt and to use an actively managed bond fund. Work continues to facilitate the launch of a carbon neutral fund within the self-select fund range but this was not available during the year ending 30 June 2025.		<u>Default Investments</u>
Core financial transactions: The Trustee is required to make sure that core financial transactions (e.g. investing contributions) are processed promptly and accurately.	The Trustee receives regular reports from the administrator and monitors performance against agreed service levels. Based on this the Trustee considers that the core financial transactions have been processed promptly and accurately during the Scheme year.		<u>Core financial transactions</u>
Value for Members: The Trustee is required to assess the extent to which the charges, and as far as possible transaction costs, paid by the members represent value for money.	The Trustee carries out an annual assessment using the methodology set out by The Pension Regulator. The assessment which was carried out during the year to 30 June 2025 concluded that the Scheme's DC arrangements provide good value for members.		<u>Value for members</u>

¹² Defined Contribution: a type of pension scheme where the amount of money going in is fixed according to a given formula (usually a percentage of salary). Also known as a money purchase arrangement.

Trustee Knowledge and understanding: The Trustee is required to meet certain standards of knowledge and understanding to ensure the Trustee directors are able to properly exercise their duties as a Trustee.	The Trustee directors take personal responsibility for keeping themselves up to date with relevant developments and believe that this, combined with the use of advisers and the specialist knowledge available within the employer, enables them to properly exercise their duties as Trustee directors.		<u>Trustee knowledge</u>
Governance: The Trustee is aware of the General Code which sets out the Pension Regulator's expectations of the conduct and practice the Trustee should meet in order to comply with their duties in legislation.	The Trustee carried out a gap analysis against the General Code and identified some areas where work was required in order to confirm that the Scheme was compliant with the Code. The Trustee and the DCC continue to work through these areas. The first Own Risk Assessment is expected to be completed in 2026.		<u>Governance</u>

Introduction

The Trustee is required to produce an annual statement to describe how it meets certain governance requirements. The Trustee has taken note of the statutory guidance when preparing this statement.

The Scheme provides both defined benefit (DB¹³) and DC benefits. The DC benefits are provided through ZCashBuilder and legacy AVC providers. To assist the Trustee in meeting the governance requirements around these DC benefits, the Trustee has a DC Committee (DCC¹⁴) including both Trustee and company nominated representatives.

The key points that the Trustee Directors would like members reading this Statement to take away are:

- We regularly monitor the investment arrangements and are satisfied that the default and other investment options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrator's performance.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.
- The majority of the legacy AVCs were transferred into ZCashBuilder during March - May 2025. The remaining legacy AVCs could not be transferred due to underlying guarantees. The latest Value for members assessment as at 30 June 2025 concluded that these continue to provide good value for members.
- A new member website home page launched on 27 February 2025.
- In March 2025 the first Savings Snapshots were issued to all ZCashBuilder members.

1 Default investment arrangements

ZCashBuilder is a qualifying pension scheme for auto-enrolment and is therefore required to have a default investment option. Members who join the Scheme and who do not choose an investment option are placed into one of the following defaults:

- Drawdown Lifestyle: for members with ZCashBuilder benefits only (DC only default).
- Cash Lifestyle: for members who joined the Scheme before 31 March 2007 and have both DB and ZCashBuilder benefits (hybrid default).

¹³ Defined benefit: A pension scheme where you know what the final benefit is going to be according to a given formula, but the company doesn't know how much it will cost to provide it, eg ZPensionBuilder.

¹⁴ Defined Contribution Committee

The Statement of Investment Principles

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangements. On 26 September 2023, the Trustee approved a new Statement of Investment Principles (SIP) for the DC assets including the Trustee's policies on illiquid assets and stewardship. This SIP includes a section which forms the SIP for the default arrangements and is attached to this statement.

The aims and objectives of the default arrangements, as stated in the SIP in effect on 30 June 2025 are as follows:

- To provide a good value lifestyle strategy which:
 - is expected to be suitable for the majority of members who do not wish to make an active choice
 - aims to protect members against volatility in the approach to retirement.

The Trustee believes that the default strategies are suitable for the majority of members. The default arrangements are therefore lifestyle strategies which:

- gradually move investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Scheme; and
- targets members who are expected to access Drawdown (DC only strategy) and members who are expected to take cash at retirement (DB and DC strategy).

These aims and objectives are intended to ensure that the assets are invested in the best interests of the members.

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangement.

Investment review

The default strategy and the performance of the default arrangement are reviewed at least every three years.

The latest comprehensive review was carried out by the DC Committee during 2023, working with the Trustee's DC investment adviser, and ratified by the Trustee at its meeting on 21 December 2023. The work carried out by the Committee included:

- a review of the default strategies and their suitability for the membership;
- consideration of the asset allocation within each stage of the default strategies including asset classes, UK, overseas and emerging market equities and the use of currency hedging;
- consideration of the most appropriate way of incorporating responsible investment into the default arrangements;
- a review of the self-select options.

As a result of the investment review the following changes were made in May 2024:

- Z Growth Fund is 100% invested in a low carbon global equity fund with a net zero target.
- Z Cautious Growth Fund is invested:
 - 55% in the low carbon global equity fund used in Z Growth Fund; and
 - 45% in an actively managed global bond fund which includes carbon targets and a commitment to net zero.
- The L&G FTSE4Good Developed Equity Fund is closed to new contributors. Members already contributing to this fund can continue doing so.

No changes were made to the investments over the year ending 30 June 2025. The default strategies continue to invest in an equity fund with a climate tilt and to use an actively managed bond fund.

A climate focused fund which uses carbon credits to offset its estimate carbon footprint was added to the fund range in September 2025.

The DC Committee also carried out a review of Scottish Widows as investment platform provider during the Scheme year.

Legacy AVCs

During the year the following legacy AVCs were transferred into ZCashBuilder, providing the members with online access and a wider range of lifestyles and investment funds:

- Supplementary Scheme: £1.4m was transferred on 17 March 2025.
- Threadneedle: £1.5m was transferred on 31 March 2025.
- ReAssure: one policy with a value of £0.4m was transferred on 28 April 2025.

Members were notified of these changes and given the opportunity to select their own investment funds from the range available within ZCashBuilder. Those that did not make a decision were invested in the Cash Lifestyle, as the default strategy for members who also have final salary benefits.

These transfers were pre-funded to protect members from out of market exposure whilst the assets were being transferred.

The following AVCs were not transferred into ZCashBuilder due to the presence of accompanying guarantees.

- Eagle Star with profits and unit-linked funds: these all have a guaranteed annuity rate at retirement.
- ReAssure: the remaining assets pay a guaranteed interest rate in line with the Nationwide Standard Mortgage Rate.

2 Processing core financial transactions

The Trustee has received assurance from the Scheme's administrator (Railpen¹⁵) and has taken steps to ensure that there were adequate internal controls so that the core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme year. This includes the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members and beneficiaries.

The Scheme has a service level agreement (SLA) in place with the administrator which covers the accuracy and timeliness of all core financial transactions. These are split into granular detail with each step being assigned an SLA.

The key processes adopted by the administrator to help it meet the SLA are as follows:

- Operating appropriate procedures, checks and controls and operating within the SLA.
- Production of quarterly reports which include reporting on performance against SLAs, and which are reviewed by the Scheme management team and the Trustee.
- Holding regular calls with the Scheme management team. These take place at least monthly, and on an ad-hoc basis if required.
- Checks are carried out by Railpen before investment instructions are entered into the automated system for action by Scottish Widows.

The Trustee receives quarterly reports about the administrator's performance and compliance with the SLA. This report is also reviewed by the Scheme management team and any queries raised with Railpen. Based on this information provided by the administrators the Trustee is satisfied that over the period covered by the statement:

- The quarterly reports verify the number of transactions performed and how many were outside the SLA including by how much and why.
- During the year Railpen completed 898 core financial transactions of which 2 were completed outside SLA giving a performance of over 99%.
- Where a transaction is completed outside SLA the Trustee asks for further information.
- There have been no material administration errors in relation to processing core financial transactions.
- Where Railpen's internal checks identified an error had occurred, this was rectified and if appropriate, calculations and transactions carried out to ensure the member did not lose out financially.
- The Trustee reviewed the processes and internal controls implemented by Railpen on engagement and considered them to be suitably designed to enable core financial transactions to be effectively processed. In particular, the Trustee noted the high level of automation in the processes to reduce errors and inaccuracies. These processes will be reviewed as part of the implementation of the new administration system.
- The Scheme management team also compares expected contributions to actual contributions going into the Scheme on a monthly basis and at an individual level, with all material differences being investigated.

¹⁵ The sale of Railpen's third-party administration function to Broadstone was completed on 30 June 2025. This Statement covers the period up to and including 30 June 2025 so refers to Railpen.

- Quarterly reports with performance against SLAs were received from Scottish Widows in relation to the Supplementary Scheme up to 31 December 2024. These assets were transferred to ZCashBuilder on 17 March 2025.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- The administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA.
- There have been no material administration issues in relation to processing core financial transactions.
- Core financial transactions have been processed promptly and accurately to an acceptable level during the Scheme year.

3 Member-borne charges and transaction costs

The Trustee is required to set out the ongoing charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges also include any costs, e.g. administration and investment costs, since members incur these costs.

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

- ZCashBuilder have been supplied by Scottish Widows, who are the Scheme's platform provider and for some funds, also the investment manager.
- The remaining legacy AVCs have been supplied by each of the providers.

There is no missing transaction cost data.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

Default arrangements

The Scheme has the following default arrangements:

1. Drawdown Lifestyle: for members with ZCashBuilder benefits only (DC only default).
2. Cash Lifestyle: for members who joined the Scheme before 31 March 2007 and have both defined benefit and ZCashBuilder benefits (DB+DC default).

These defaults have been set up as a lifestyle strategy which means that members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested. The funds used in these defaults are Z Growth Fund, Z Cautious Growth Fund and Z Cash Fund. The charges for these funds are shown in section 3.2 of this statement. There are no performance-based charges in the default arrangements.

Charges can have a significant impact on the total fund value over time so below we show some projected fund values for a typical member both before and after the charges. The member borne charges for all the Scheme's default arrangements complied with the charge cap.

On the next pages are the projected fund values which for a range of sample members show the projected fund value before and after charges for the default arrangements.

3.1 Default arrangements: effects of costs and charges on members' pots

The following pages show projected outcomes for the default arrangements and some self-select funds. These notes apply to all the projections on the following pages.

When mentioning charges in this statement we refer to bps, or basis points, which is the measure used in the investment industry. One basis point is one hundredth of a percent or 0.01% of the fund value. This means that 50 bps = 0.5% and 100 bps = 1%.

Notes:

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges can't be known in advance, the Trustee has had to make a number of assumptions about what these might be and these are explained below:

- The 'before costs' figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs.
- The 'after costs' figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The transaction costs figures used in the illustration are an average of those provided by the managers over the past 5 years. The Trustee has used average transaction costs over the previous 5 years, which reflects available data and the fact that, in its view, disclosing average costs is the most appropriate and proportionate method of measurement, given the fluctuations in transaction costs during this timeframe.
- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- Charges are based on the projected pension pot values so are also shown in today's terms.
- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- The following financial assumptions have been made for all projections:
 - Longer term inflation is assumed to be 2.50% each year.
 - Salaries will increase with inflation.
- Regard has been given to the DWP Guidance "Reporting of costs, charges and other information: guidance for trustees and managers of occupational schemes" issued in October 2021.
- The assumptions are set by the Trustee each year, taking advice from its advisers and are in line with AS TM1 (The Financial Reporting Council's Technical Memorandum 1).

Table 1 shows the assumed growth rate and charges for the funds used in the projections.

TABLE 1: Funds	Growth (before taking account of inflation)	Charges*
Z Growth Fund	6.0%	0.34%
Z Cautious Growth Fund	4.0%	0.48%
Z Cash Fund	2.0%	0.08%

*These charges take into account the total member charge, shown in 3.2 below, plus an average of the transaction costs over the past 5 years.

TABLE 2:	DC only youngest member
Starting age	17 years
Starting fund value	£3,800
Basic salary	£23,700
Future contributions:	Employer contributions of 12% until aged 68. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyling	YES

Table 3 shows the projected fund value, both before and after charges, for the youngest member in the DC only default arrangement (the Drawdown Lifestyle). Some details of this sample member are shown in Table 2.

Using Year 40 as an example, this shows that the estimated total charges over 40 years are £18,749.

TABLE 3:	Drawdown Lifestyle	
	Before charges	After charges
Year 1	£4,483	£4,446
Year 3	£10,580	£10,523
Year 5	£17,100	£16,954
Year 10	£35,450	£34,840
Year 15	£57,155	£55,643
Year 20	£82,828	£79,840
Year 25	£113,193	£107,983
Year 30	£149,110	£140,718
Year 35	£191,591	£178,793
Year 40	£240,738	£221,989
Year 45	£277,330	£251,281
Year 50	£305,234	£272,521

TABLE 4:	Hybrid (DB+DC) youngest member
Starting age	35 years
Starting fund value	£65,600
Basic salary	£27,555
Future contributions:	Employer contributions of 12% until aged 60 years. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyling	YES

Table 5 shows the projected fund value, both before and after charges for the youngest member with both final salary and DC benefits in the default arrangement (the Cash Lifestyle). Some details of this sample member are shown in Table 4.

Using Year 20 as an example, this shows that the estimated total charges over 20 years are £10,887.

TABLE 5:	Cash Lifestyle	
	Before charges	After charges
Year 1	£65,778	£65,312
Year 3	£77,073	£76,520
Year 5	£89,152	£88,003
Year 10	£123,150	£119,938
Year 15	£162,639	£156,333
Year 20	£194,525	£183,638
Year 25	£212,027	£198,809
Year 30	-	-
Year 35	-	-
Year 40	-	-

TABLE 6:	DC only typical member
Starting age	39 years: this is the mean age of members of DC only members, to the nearest year.
Starting fund value	£69,500: this is the mean fund value for those aged 39 years.
Basic salary	£53,100: this is the mean salary for those aged 39 years.
Future contributions:	Employer contributions of 12% until aged 67 years. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyling	YES

Table 7 shows the projected fund value, both before and after charges, for an average member in the DC only default arrangement (the Drawdown Lifestyle). Some details of this sample member are shown in Table 6.

Using Year 20 as an example, this shows that the estimated total charges over 20 years are £14,023.

TABLE 7:	Drawdown Lifestyle	
	Before charges	After charges
Year 1	£70,416	£69,912
Year 3	£88,269	£87,657
Year 5	£107,361	£106,059
Year 10	£161,098	£157,236
Year 15	£224,658	£216,761
Year 20	£291,838	£277,815
Year 25	£346,215	£323,906
Year 30	-	-
Year 35	-	-
Year 40	-	-

TABLE 8:	Hybrid (DB+DC) typical member
Starting age	51 years: this is the mean age of members of DC only members, to the nearest year.
Starting fund value	£130,100: this is the mean fund value for those aged 51 years.
Basic salary	£65,200: this is the mean salary for those aged 51 years.
Future contributions:	Employer contributions of 12% until aged 60 years. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyle	YES

Table 9 shows the projected fund value, both before and after charges, for an average member with both final salary and DC benefits in the default lifestyle for these members (the Cash Lifestyle). Some details of this sample member are shown in Table 8.

Using Year 5 as an example, this shows that the estimated total charges over 5 years are £3,003.

TABLE 9:	Cash Lifestyle	
	Before charges	After charges
Year 1	£130,774	£129,845
Year 3	£150,444	£148,983
Year 5	£170,693	£167,690
Year 10	-	-
Year 15	-	-
Year 20	-	-
Year 25	-	-
Year 30	-	-
Year 35	-	-
Year 40	-	-

3.2 Levels of costs and charges

In addition to the default arrangements, members also have the option to invest in other lifestyle strategies and several other self-select funds. The level of charges for each self-select fund, including those used in the lifestyle strategies, are set out in the following table. The underlying funds for the lifestyle strategies, including those used in the default arrangements are shown in bold.

Transaction costs are the costs associated with buying and selling the assets within the fund. These figures include an element of 'slippage cost' which is the difference between the price at the time the instruction was sent to the market and the price that is used when the trade is carried out. It is possible for the slippage cost to be negative; for example, if the price at the time the instruction was sent is higher than the price actually paid. Negative transaction costs can also occur where managers are able to offset the purchases and sales in any one fund as a way of reducing the transaction costs paid by members.

TABLE 10:	Admin charge (bps)	Fund charge (bps)	Total member charges (bps)	Transaction cost (bps)
Z Growth Fund¹⁶	17.5	10.5	28.0	2.1
Z Cautious Growth Fund¹⁶	17.5	17.5	35.0	23.0
Z Annuity Fund	17.5	10.5	28.0	0.0
Z Cash Fund¹⁶	Nil	6.0	6.0	2.1
UK Equity Index Fund	17.5	8.5	26.0	7.8
World ex-UK Equity Index	17.5	9.5	27.0	3.0
FTSE4Good Developed Equity Index	17.5	25.5	43.0	0.6
HSBC Islamic	17.5	34.5	52.0	0.7
L&G Future World Fund	17.5	25.5	43.0	5.1
Scottish Widows Managed Fund	17.5	43.5	61.0	19.6
Property	17.5	69.5	87.0	0.0
Corporate Bond All Stocks Index	17.5	7.5	25.0	0.0
Index Linked Over 5 years Gilt Index	17.5	7.5	25.0	-2.7
Wellington Global Credit ESG	17.5	25.6	43	48.9

Funds in bold are used within the range of lifestyle strategies.

3.3 Self-select options – effects of costs and charges on members

Below are the projected fund values, both before and after charges for a typical member in one of the self-select investment funds. The notes in Section 3.1 of this Statement apply to these projections and the assumed growth rates and charges are shown in the table below. These projections are over a 40 year period for the following funds:

- Z Growth Fund: is the most commonly used fund.
- Property Fund: is the fund with the highest charges.
- Z Cash Fund is the fund with the lowest charges.

	Typical member
Starting age	24 years: this is used to show the projections over 40 years.
Starting fund value	£13,600: this is the mean fund value for those aged 24 years.
Basic salary	£33,400: this is the mean salary for those aged 51 years.
Future contributions	Employer contributions of 12% until aged 67 years. This assumes no employee contributions as the scheme is non-contributory, although members are able to contribute.
Incorporates lifestyle	No

	Growth (before taking account of inflation)	Charges
Z Growth Fund	6.0%	0.34%
Property Fund	4.0%	0.93%
Z Cash Fund	2.0%	0.08%

The charges take into account the total member charge plus an average of the transaction costs over the past 5 years.

¹⁶ Funds used in the default lifestyle strategies

	Z Growth Fund	
	Before charges	After charges
Year 1	£14,455	£14,443
Year 3	£23,612	£23,482
Year 5	£33,405	£33,084
Year 10	£60,967	£59,789
Year 15	£93,568	£90,850
Year 20	£132,128	£126,978
Year 25	£177,736	£169,000
Year 30	£231,682	£217,876
Year 35	£295,489	£274,725
Year 40	£370,959	£340,848

	Property Fund		Z Cash Fund	
	Before charges	After charges	Before charges	After charges
Year 1	£14,386	£14,355	£14,317	£14,314
Year 3	£22,885	£22,558	£22,174	£22,145
Year 5	£31,634	£30,857	£29,954	£29,887
Year 10	£54,653	£52,021	£49,076	£48,861
Year 15	£79,406	£73,800	£67,736	£67,302
Year 20	£106,024	£96,209	£85,946	£85,225
Year 25	£134,647	£119,267	£103,715	£102,645
Year 30	£165,427	£142,993	£121,056	£119,576
Year 35	£198,527	£167,407	£137,977	£136,031
Year 40	£234,119	£192,528	£154,490	£152,023

3.4 Remaining legacy AVC funds: level of cost and charges

At 30 June 2025 approximately 150 members had DC benefits in one of the remaining legacy AVC arrangements. These legacy AVCs attract varying levels of management charge depending on the provider and fund chosen as set out below. There are no additional administration charges paid by the members. Transaction costs are shown to the latest available date provided by the investment manager.

Zurich Assurance Limited (Eagle Star)	Admin charge (bps)	Total Annual Management Charge (bps)	Transaction cost (bps)
With Profits	Nil	50.0	5.56
Global Select	Nil	117.0	30.27
Equity Managed	Nil	116.0	16.24
Managed	Nil	119.0	11.97
Secure	Nil	109.0	1.05

The table below sets out the charges paid by the 22 members who had benefits with Scottish Widows, in the Supplementary Scheme. These charges applied for the period up to 17 March 2025, when these assets were transferred into ZCashBuilder. For this reason the transaction costs up to 30 June 2025 are not available.

Scottish Widows (Supplementary Scheme)	Admin charge (bps)	Total AMC (bps)	Transaction cost (bps)
Zurich Long Dated Gilt	Nil	55.0	N/A
Zurich Managed	Nil	56.0	N/A
Zurich Property	Nil	83.0	N/A
Zurich Threadneedle American	Nil	69.0	N/A
Zurich Threadneedle Asia	Nil	72.0	N/A
Zurich Threadneedle European	Nil	68.0	N/A
Zurich Threadneedle Global Equity	Nil	82.0	N/A

Zurich Threadneedle Japan	Nil	67.0	N/A
BlackRock Sterling Liquidity Fund	Nil	35.0	N/A

The table below sets out the charges paid by the 35 members who had legacy AVCs invested with Threadneedle. These charges applied for the period up to 31 March 2025, when these assets were transferred into ZCashBuilder. For this reason the transaction costs up to 30 June 2025 are not available.

Threadneedle	Admin charge (bps)	Total AMC (bps)	Transaction cost (bps)
Global Select	Nil	42.0	N/A
Aquila Over 15 yrs UK Gilt Index	Nil	15.0	N/A

The ReAssure funds are not listed as there are no admin, fund or transaction charges.

4 Investment returns

The investment returns for the default arrangements and self-select funds, after deduction of charges and transaction costs is shown below. When preparing these returns the Trustee has taken account of the relevant statutory guidance.

The annualised 3 and 5 year returns are calculated using the geometric mean.

	1 year performance (%)	1 year benchmark (%)	Relative performance
Z Growth Fund ¹⁷	10.27	11.02	-0.75
Z Cautious Growth Fund ¹⁷	9.38	9.32	0.06
Z Annuity Fund	0.71	-5.32	6.03
Z Cash Fund ¹⁷	4.88	4.71	0.17
UK Equity Index	7.87	8.23	-0.36
World ex-UK Equity Index	6.62	6.86	-0.24
FTSE4Good Developed Equity Index	3.36	3.89	-0.53
HSBC Islamic	1.63	1.79	-0.16
L&G Future World Fund	4.91	5.43	-0.52
Scottish Widows Managed Fund	7.99	5.30	2.69
Property	8.85	8.57	0.28
Corporate Bond All Stocks Index	5.30	5.40	-0.10
Index Linked Over 5 years Gilt Index	-7.14	-6.95	-0.19
Wellington Global Credit ESG	N/A	N/A	N/A

	3 year performance (%)	3 year benchmark (%)	Relative performance
Z Growth Fund ¹⁷	14.12	14.56	-0.44
Z Cautious Growth Fund ¹⁷	8.01	8.03	-0.02
Z Annuity Fund	-2.16	-4.49	2.33
Z Cash Fund ¹⁷	4.44	4.31	0.13
UK Equity Index	8.96	9.30	-0.34
World ex-UK Equity Index	13.88	13.85	0.03
FTSE4Good Developed Equity Index	12.61	13.22	-0.61
HSBC Islamic	15.60	15.95	-0.35
L&G Future World Fund	9.16	9.83	-0.67
Scottish Widows Managed Fund	9.01	6.47	2.54
Property	0.12	-3.06	2.94
Corporate Bond All Stocks Index	2.36	2.63	-0.27
Index Linked Over 5 years Gilt Index	-8.66	-8.56	-0.10

¹⁷ Funds used in the default lifestyle strategies

	5 year performance (%)	5 year benchmark (%)	Relative performance
Z Growth Fund ¹⁷	10.68	10.94	-0.26
Z Cautious Growth Fund ¹⁷	3.61	3.22	0.39
Z Annuity Fund	-6.07	-7.26	1.19
Z Cash Fund ¹⁷	2.70	2.63	0.07
UK Equity Index	9.18	9.87	0.69
World ex-UK Index	12.15	12.44	0.29
FTSE4Good Developed Equity Index	12.25	12.81	0.56
HSBC Islamic	13.07	13.57	-0.50
L&G Future World Fund	N/A	N/A	N/A
Scottish Widows Managed Fund	8.92	5.37	3.55
Property	6.95	4.20	2.75
Corporate Bond All Stocks	N/A	N/A	N/A
Index Linked Over 5 years Gilt Index	-11.06	-10.95	-0.11
Wellington Global Credit ESG	N/A	N/A	N/A

N/A is used where the returns are not available as the fund has not been available in ZCashBuilder for the required period of time.

5 Default arrangements: asset allocation

The asset allocations for the default arrangements are shown below. When preparing this statement the Trustee has taken account of the relevant statutory guidance.

These defaults have been set up as a lifestyle strategy which means that members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the asset allocation may change depending on how close members are to their target retirement date and in which fund they are invested. The funds used in these defaults are:

Fund	Asset holdings
Z Growth Fund	100% listed equities
Z Cautious Growth Fund	55% listed equities, 45% global credit
Z Cash Fund	100% money market instruments

Drawdown Lifestyle

The default Target Retirement Age (TRA) is the individual's State Pension Age, although members are able to set their own TRA.

Asset Class	Percentage allocation – average 25 y/o (%)	Percentage allocation – >10 yrs before TRA	Percentage allocation – 5 years before TRA	Percentage allocation – average 1 day prior to TRA (%)
Cash	0%	0%	0%	25%
Bonds ¹⁸	0%	0%	45%	34%
Listed Equities	100%	100%	55%	41%
Private equity ¹⁹	0%	0%	0%	0%
Property	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%
Private debt	0%	0%	0%	0%
Other	0%	0%	0%	0%

¹⁸ Includes corporate bonds and government bonds

¹⁹ includes venture capital and growth equity

Cash Lifestyle

The default Target Retirement Age (TRA) is 60 years, although members are able to set their own TRA.

Asset Class	Percentage allocation – average 25 y/0 (%)	Percentage allocation – >10 yrs before TRA	Percentage allocation – 5 years before TRA	Percentage allocation – average 1 day prior to TRA (%)
Cash	0%	0%	0%	100%
Bonds ¹⁸	0%	0%	45%	0%
Listed Equities	100%	100%	55%	0%
Private equity ¹⁹	0%	0%	0%	0%
Property	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%
Private debt	0%	0%	0%	0%
Other	0%	0%	0%	0%

6 Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of 'good value' but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market. The assessment was undertaken taking account of the pensions Regulator's General Code of Practice, which came into effect on 28 March 2024 and superseded Code of Practice No 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

6.1 ZCashBuilder

The Trustee reviews all member-borne charges (including transaction costs where available) annually with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The last review was carried out on 30 June 2025. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of service received has also been considered in this assessment. The Trustee's DC adviser has confirmed that the fund charges are competitive for the types of funds available to members. Following a request from the Trustee, Scottish Widows agreed to reduce the charges across all funds by 0.7bps with the exception of Z Cash Fund as there are no administration charges on this fund.

As detailed in the earlier section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes. The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and we expect this to lead to greater investment returns net of fees over time.

Overall, the Trustee believes that members of the Scheme are receiving good value for money for the charges and cost that they incur. The Trustee believes this because:

- Members continue to benefit from good governance with a strong DC Committee and Trustee board which includes a professional trustee and strong support of an in-house executive pensions team.
- Members benefit from an employer contribution of 12% and a highly effective administration service with very good performance against Railpen's agreed SLAs and a low number of complaints.
- LCP, the Trustee's DC adviser, has assessed:
 - compared to schemes of a similar size members pay total charges that are either at or below median for most of the asset classes they are invested in.
 - The fund range available to members compares well with schemes of a similar size.
 - The quarterly performance monitoring carried out is in line with standard practice amongst medium to large own-trust schemes.
 - There is close investment performance monitoring and the majority of funds have performed broadly in line with their benchmarks over the period.

- The level of information and online support present on the ZPen website goes beyond what is seen in many own-trust schemes.
- The presence of a dedicated DC Committee is positive for governance purposes.
- The core company contribution of 12% compares well with industry body recommendations regarding contribution rates required to achieve an adequate income.
- The support services provided by the ZPen team go beyond what is commonly seen amongst own-trust schemes.

6.2 Remaining legacy AVCs²⁰

The Trustee assessed each of the remaining providers separately on 30 June 2025 and reached the following conclusions. LCP, the Trustee's DC adviser commented that:

- The charges are broadly similar to those across other AVC mandates.
- It is positive that members are able to transfer into ZCashBuilder.

The Trustee will continue to monitor the performance of both the investments and administration services of its AVC providers.

AD Supplementary Scheme: the Trustee concluded that these represent value for members because:

- Before the transfer to ZCashBuilder on 17 March 2025 there were no issues with the administration of the AD Supplementary Scheme benefits.
- Following the transfer to ZCashBuilder, members now benefit from access to a wider range of funds and lifestyles, access to fund value and fund information online and being able to see all their Scheme benefits together for retirement planning purposes.

Threadneedle: The Trustee concluded that these represent value for members because:

- before the transfer to ZCashBuilder on 31 March, there were no concerns regarding Threadneedle and the charges were low compared to other AVC arrangements.
- following the transfer to ZCashBuilder, members now benefit from access to a wider range of funds and lifestyles, access to fund value and fund information online and being able to see all their Scheme benefits together for retirement planning purposes.

Eagle Star: the Trustee concluded that these funds represent value for members as whilst the charges are comparatively high, members benefit from guaranteed annuity rates at retirement. It was noted that some of these funds may not represent value for those members who do not take advantage of the guaranteed annuity rates. This was communicated to these members.

ReAssure: Issues with the administration service continue to be experienced. However, the Trustee concluded that these funds represent value for members because:

- members paid no charges whilst invested in the ReAssure funds.
- members whose funds were transferred into ZCashBuilder benefit from a wider range of funds and lifestyles, access to fund value and fund information online and being able to see all their Scheme benefits together for retirement planning purposes.
- members whose funds remain with ReAssure continue to pay no charges and receive interest linked to the Nationwide Standard Mortgage Rate.

7 Trustee knowledge and understanding (TKU)

The Scheme's Trustee directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee director must:

- Be conversant with the trust deed and rules of the Scheme, the Scheme's current statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.

²⁰ AVCs: Additional Voluntary Contributions are contributions made by individuals to the Scheme to build up additional benefits at retirement. These are sometimes called Additional Pension Contributions.

- Have, to the degree that is appropriate for the purpose of enabling the individual properly to exercise his or her functions as Trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding and investment of assets of occupational pension schemes.
- The Trustee is aware of the requirement to comply with TCFD reporting and publishes an annual TCFD report.
- The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance, knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below:
 - All Trustee directors are required to maintain a CPD (Continuing Professional Development) log with a minimum requirement of completing 15 hours per year. Each Trustee director has a personal review with the Chair and Head of UK Pensions at least annually. This includes a review of their TKU and specific development areas. Any training needs identified by the assessments are met through tailored training programmes which use a variety of training tools, including interactive workshop sessions, seminars and individual study. Use is made of in-house expertise and the Trustee's own advisers as well as external training programmes and seminars.
 - Professional trustees are subject to additional regulatory requirements to ensure continually high standards are attained, this includes a minimum of 25 hours relevant learning and development. The standards were developed by The Professional Trustee Standards Working Group, the latest standards were published on 26 February 2019.
- As at 30 June 2025, all Trustee directors had completed The Pension Regulator's Trustee Toolkit, which is designed to meet the minimum level of knowledge and understanding required by law.
- The Trustee board includes accredited professional trustees who have supported the Scheme for some time and are conversant with the Scheme specifics and documentation, as well as bringing general pension knowledge and experience. Two individuals are used depending on the knowledge required, e.g. one attends the Trustee Board and Funding Committee meetings and the other attends the DC Committee meetings.
- The Trustee's advisers proactively raise any changes in the governance requirements and other relevant matters as they become aware of them and would typically deliver training on such matters if they were material. During the period covered by this statement:
 - The DCC received the following training:
 - Investment: US Market concentration and volatility (3 June 2025)
 - Pension Schemes bill in King's Speech and Pensions Review (3 June 2025)
 - The Trustee received training on the following topics:
 - General Code of Practice (18 July 2024)
 - The IFRS17 accounting basis – follow up session (4 September 2024)
 - Regulators: PRA, FCA and TPR (16 December 2024)
 - Valuation training from Hymans (9 June 2025)
 - Employer covenant guidance from PWC (3 February 2025)
 - As part of its oversight activities, the DCC received:
 - A presentation from Scottish Widows on 3 June 2025 on responsible investment, i.e. how they engage with managers on their platform on responsible investment and stewardship.
 - A paper from LCP on 25 February 2025 on their survey of RI managers.
- The Trustee is supported by the Scheme management team providing technical and governance support and Scheme secretarial services.
- All Trustee directors are familiar with, and have access to copies of, the current Scheme governing documentation, including Trust Deed and Rules, together with any amendments, the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and where relevant deciding individual member cases.
- The induction training for new Trustee directors includes:
 - Attending external and internal training courses.
 - Being allocated an existing Trustee director as a 'buddy' to provide support and answer questions.
 - Reserve member Trustee directors attend the DC Committee meetings as an introduction to the Trustee and how it works.

The Trustee has its own dedicated, secure website where Scheme documents, trustee procedures and other useful information, including contact information, meeting agendas and minutes are stored. This enables the Trustee to have quick access to the most up to date information relating to the Scheme.

On 5 November 2024 the Trustee carried out a Board Effectiveness Review (BER) and noted that the results were largely positive and appeared to show an improvement since the review in 2021.

The training programme is reviewed regularly to ensure it is aligned with the objectives of the Trustee's work plan and addresses knowledge gaps identified by the Trustee directors through self-evaluation. The Trustee directors consider they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

Taking into account the knowledge and experience of the Trustee directors with the specialist advice received from the appointed professional advisers, including investment consultants and legal advisers, the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.

8 Governance

To assist the Trustee in meeting its governance requirements:

- A dedicated DC committee was set up in 2019 made up of representatives from the Trustee board and the Company. On establishment of the DC committee, it took responsibility from the Funding Committee for the investment of the DC assets. The DC Committee reports back to the full board regularly on matters relating to ZCashBuilder and the legacy AVCs.
- The Trustee carried out a gap analysis against the Pension Regulator's General Code and identified some areas where work was required in order to confirm that the Scheme was compliant with the Code. The Trustee and the DCC continue to work through these areas during the year ending 30 June 2025 and since. The first Own Risk Assessment is expected to be completed in 2026.
- The Trustee Governance Handbook has been reviewed as part of the ongoing review of trustee policies under the requirement of the General Code of Practice. The Handbook documents how the Trustee governs the pension Scheme and provides a framework to signpost all the Trustee's policies and key documentation.
- The Trustee produced an investment governance framework setting out how the Trustee meets its key roles and responsibilities, and which regulations apply. The framework is split between DB and DC arrangements and includes the relationships between the Trustee Board, respective Committees and the key advisers involved in investment decision making.

9 Conclusion

- Taking account of all the factors considered, the Trustee believes that the Scheme's DC arrangements provide good value for members and is expected to deliver good outcomes for members at retirement.
- The Trustee continues to look for ways to improve the value for members, including planning a suite of communication materials, developing a new member website and considering ways to support members in the approach to retirement.

This statement was approved by the Trustee on 12 December 2025 and signed on their behalf by:

DP SIMS

David Sims

Chair: Zurich Financial Services UK Pension Trustee Limited

Statement of Investment Principles for the default investment strategies

Zurich Financial Services UK Pension Trustee Limited ("the Trustee") has produced this Statement of Investment Principles ("the Statement") which sets out how the Trustee invests the defined contribution (DC) assets for the default investment strategies within the Zurich Financial Services UK Pension Scheme ("the Scheme"). Separate Statements of Investment Principles are available for the DC assets and the defined benefit (DB) arrangements held within the Scheme.

The Statement of Investment Principles for the Scheme's default arrangements* comprises items 1 and 3 of the Trustee's Statement of Investment Principles for the DC assets.

- Statement of the aims and objectives for the default investment arrangements**
- Statement of investment beliefs, risks and policies***.

This Statement has been prepared in accordance with all relevant legislations in force at the date of approval. It outlines the principles and policies governing investment decisions made by, or on behalf of the Trustee for the management of the defined contribution assets and the Trustee's policy for complying with Sections 35 and 36 of the Pensions Act 1995 and subsequent legislation.

This Statement will be reviewed by the Trustee at least every three years, and without delay after any significant change in the investment approach or the demographics of the Scheme. Before revising this Statement the Trustee will obtain and consider the written advice of the Trustee's appointed Investment Adviser ("the Adviser") to ensure its contents are appropriate to the circumstances of the Scheme.

The Trustee also consults the principal employer Zurich Financial Services (UKISA) Limited ("the Employer") as to the contents of this Statement as well as any material change to its investment strategy not explicitly described in this Statement.

The part of the Scheme which holds the DC assets, and provides the DC benefits, is called ZCashBuilder and is referred to throughout this Statement. Additional voluntary contributions paid by members of the Scheme are also used to provide DC benefits. Some of these are not held in ZCashBuilder but are invested separately with external providers.

Members are able to invest in any of the default arrangements or ZCashBuilder investment options outside the defaults, but have to make a choice and notify the Scheme's administrators.

* As required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015

* * In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

*** In accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as modified by subsequent Regulations and section 35 of the 1995 Act.

1. Statement of the aims and objectives for the default investment arrangements

The Trustee offers the following default strategies:

for DC only members which targets drawdown at retirement;

- a) for members with both DB and DC benefits which targets cash at retirement;
- b) for members where, for some reason, the Trustee can't invest contributions in line with the member's instructions.

To provide a good value lifestyle strategy which:

- *is expected to be suitable for the majority of members who do not wish to make an active choice*
- *aims to protect members against volatility in the approach to retirement*

1.1 Investment Aims and Objectives

The Trustee has agreed the following investment objectives for the Scheme's DC default arrangements where members' have not instructed their contributions to be invested elsewhere:

The Trustee believes that these strategies are suitable for the majority of members based on modelling the expected fund values at retirement and how members are expected to take their benefits.

The main default arrangements are therefore lifestyle strategies which:

- Gradually move investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Scheme; and

- Targets members who are expected to access Flexi-Access Drawdown during their retirement (DC only strategy) and members who are expected to take cash at retirement (DB and DC strategy).

If for some reason the Trustee cannot invest contributions in line with the member's instructions it may decide to re-direct contributions to a fund with a similar, or lower, level of investment risk. The aim of this is to invest the contributions promptly and protect against market volatility whilst members are informed of the change and given the opportunity to review their investment instructions.

1.2 Expected levels of investment returns

The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangement. The expected levels of return will be based on the level of risk chosen. These returns and the approach to managing investment risks including financially material considerations such as climate change are described in Section 3.

1.3 Kind of investments to be held

The Trustee invests in pooled funds accessed through the Scheme's investment platform provider. These pooled funds may invest in a wide range of assets including equities, bonds, cash, property, derivatives and alternatives, subject to complying with relevant legislation. In practice, the kinds of investments held, depend on the investment strategy of each fund within the default strategies.

1.4 Illiquid assets

The Trustee acknowledges that illiquid assets may have a role to play in the default investment strategies.

However, given the complexity surrounding the accessibility of illiquid investments (in particular, potential divestment complications), the current lack of suitable options available on the investment platform used by the Scheme, as well as the higher costs associated with illiquid investments means that they do not merit further exploration by the Trustee at this time.

The Trustee will monitor the development of this asset class with a view to considering its inclusion in the default strategies at a future date.

1.5 Balance between different kinds of investments

The expected levels of investment return will be based on the level of risk chosen.

The return received from different kinds of investment is achieved in different ways and at different rates (for example, low risk but little opportunity for capital growth as opposed to high risk but substantial opportunity for capital growth).

The Trustee considers the merits of both active and passive management for the default strategies and may select different approaches for different asset classes.

The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

The Trustee believes that the current default strategies and self-select range are suitable for the members with DC benefits in the Scheme. It will review this regularly, at least triennially or after significant changes to the demographics of the Scheme's membership.

These reviews take into account the Trustee's views of how members are likely to behave at retirement, based on a combination of an understanding of member demographics and behaviours, views of the Adviser, wider pensions industry knowledge and experience and modelling of members' expected pension outcomes.

2. Statement of investment beliefs, risks and policies

2.1 Investment beliefs

The Trustee has agreed a set of DC investment beliefs and refers to these when making strategic investment decisions. These beliefs will be revisited at regular intervals and updated as and when appropriate.

2.2 Risks

Investment risk in a DC scheme ultimately sits with the members.

The Trustee has considered a number of risks in arriving at the investment fund choices and designing the lifestyle strategies. These include, but are not limited to, those listed in the table on the next page.

The Trustee has put in place a structure both to monitor these risks and take action to mitigate them when it believes it is appropriate to do so. It is not possible to mitigate all of the risks at the same time, so members are encouraged to consider the risks that are most relevant to them and to invest to mitigate those risks.

The Trustee aims to provide information that allow members to take informed decisions.

In arriving at the investment fund choices and designing the lifestyle strategies the Trustee has considered a number of risks including:

Risk	Definition	How we address the risk
Climate risk	The extent to which climate change causes a material decrease in asset values as a consequence of factors including, but not limited to policy change, physical impacts and the expected transition to a low carbon economy. This is a macro-economic risk.	Engagement with the Adviser, fund managers and investment platform provider to understand the potential implications for the DC assets.
Counterparty risk	The failure of the investment platform provider.	The Trustee ensures that the selected investment platform provider is regulated by the Financial Conduct Authority and is required, where appropriate, by the Prudential Regulation Authority to maintain adequate financial resources to ensure that it can meet its liabilities as they fall due.
Concentration risk	The failure of some of the investments that constitute a significant proportion of the assets.	The Trustee uses a range of pooled funds across different asset classes to diversify risk. The funds available to members are also pooled funds across the different asset classes to offer diversification to members.
Credit risk	That one party to a financial instrument will cause financial loss for the other party by defaulting or falling in value.	The Trustee uses pooled funds which invest in a wide range of corporate and government bonds to minimise the impact should any one party default or fall in value.
Currency risk	Where a fund invests in overseas assets, a risk that the currency of the assets underperforms relative to Sterling leading to losses (or gains) in the value of the asset.	The Trustee has considered the need for currency hedging within the default investment strategies.
Equity risk	The risk that equities may fall in value due to fluctuations in the market, as well as the financial risk involved in holding equity in a particular company.	<p>The Trustee manages equity risk primarily through investing in a range of global equities and by using pooled funds which minimise the financial risk associated with any particular company.</p> <p>All lifestyle strategies look to reduce downside risk in the years prior to retirement by switching into lower risk funds.</p> <p>A cash fund is available both in the lifestyle strategies and self-select fund range to provide capital protection.</p>
ESG (Environmental, social and governance) risk	The extent to which ESG issues (including, but not limited to, climate change) are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations, over the timescale relevant until DC members take their benefits.	<p>The Trustee has a policy on responsible investment that addresses how these risks are considered and managed.</p> <p>The Trustee monitors the ESG activities of its fund managers and will engage periodically.</p>
Interest rate risk	The risk of a reduction in the value of a bond fund as a result of an increase in interest rates.	The Trustee uses bond funds in combination with other asset classes to diversify risk. Members use

		the bond funds to as lower risk investments and also if they are likely to purchase an annuity.
Inflation risk	That investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the member's retirement savings.	The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Liquidity risk	The risk that a fund, or asset, cannot be traded quickly when required.	The Trustee's policy is to invest in funds that offer daily dealing as far as possible to enable members to readily realise and change their investments.
Manager risk	A fund underperforms against the benchmark that it is being assessed against in the long term.	Fund performance is monitored on a regular basis. The Trustee has adopted a passive investment style for some of the funds which minimises the risk from underperformance.
Operational risk	The loss or error arising from the failure of people, processes and systems, or disruption due to an external event.	Appropriate processes and controls are integrated into business activities. The annual assessment against Code of Practice 13 includes confirmation that business continuity plans are in place and checked regularly.
Pension conversion risk	The risk that at retirement the assets held do not closely match how the member is expected to use their fund value in retirement. This is particularly important following the introduction of DC flexibilities at retirement.	For the default strategies this risk is managed by gradually switching into assets which more closely match how the Trustee expects members to access their retirement savings. A range of lifestyle strategies are available for members to select the option which best matches how they plan to take their benefits at retirement.
Political risk	The level of concentration in any one market leading to the risk of a negative influence on investment values arising from political intervention of other events.	Diversification of the assets within the default strategy
Real estate risk	The risk that real estate may fall in value due to fluctuations in the market.	The Trustee uses a Property Fund as part of a diversified range of pooled funds.
Retirement benefit risk	The risk that a member's retirement benefit falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid.	Regular reviews of the suitability and performance of the investment options offered with the aim of helping members optimise their retirement income. The level of contributions is outside the Trustee's control, but member communications include reminders to consider the level of contributions. The member retirement planner allows members to see how changing contributions affects their fund value at retirement.

2.3 Responsible investment

The Trustee recognises that members are long term investors and believes that incorporating ESG factors into investment decisions improves the long-term risk adjusted returns for them. ESG factors may, however, be outweighed in appropriate circumstances by other financially material factors.

Stewardship

The Trustee aims to be a responsible steward of the DC assets and believes stewardship includes:

- the selection and appointment of asset managers that invest on behalf of the Trustee
- asset allocation
- voting and engagement across all asset classes.

Selecting managers

The Trustee includes ESG considerations when assessing the default strategies and self-select fund choices available to members. The fund selection process includes the fund manager's responsible investment practices and consideration of ESG factors, including, but not limited to, climate change.

When appointing the investment platform provider and selecting fund managers, the Trustee will require that each has an appropriate conflict of interest policy in place.

Asset allocation

The Trustee recognises that in using pooled funds it has delegated consideration of stock-specific issues to the fund manager.

Voting

The Trustee has adopted a policy of delegating voting decisions to the fund managers. The fund manager's house policies are expected to broadly meet with the Trustee's views. The Trustee will monitor fund managers' voting activity and may periodically review fund managers' voting patterns.

The Trustee currently uses an expression of wish form to set out its priorities on voting.

Engagement

The Trustee believes it is appropriate for its fund managers to engage with key stakeholders, which may include corporate management, issuers of debt or equity regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours, improve performance and strategy and mitigate financial risks.

The Trustee periodically reviews engagement activity undertaken by the fund managers as part of its broader monitoring activity. The Trustee believes that engagement by fund managers with investee companies will enhance the long-term value of shareholder investments. Where appropriate, the Trustee communicated its views on ESG issues to fund managers.

Financially material considerations

The fund and manager selection processes include consideration of how financially material factors are taken into account when selecting, retaining and realising investments. The Trustee also assesses how these considerations are taken into account over an appropriate time horizon.

The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believes the choice of benchmarks will deliver appropriate risk adjusted returns.

Priorities

The Trustee has set the following stewardship themes for the DC assets:

- Climate Change - the Trustee believes climate change to be a source of financial risk that could have a material impact on member outcomes over the short-, medium-, and long-term as a result of the impact of the physical and transition risks on markets and, therefore, investors.
- Diversity, Equality and Inclusion (DEI) - the Trustee believes that investees that are diverse and inclusive deliver better financial performance than firms with poor DEI practices, due to their ability to make better decisions, identify risks and opportunities more effectively, and their ability to appeal to a wider customer base.

- Corporate Transparency - the extent to which a company provides open and accessible information about its activities and decision-making processes to its stakeholders, including shareholders, employees, customers, suppliers, and the wider community.
- The Trustee believes stewardship is an appropriate tool to utilise when trying to manage and mitigate the risks identified above as well as other ESG risks.
- The Trustee has communicated these stewardship priorities to its investment managers and also confirmed its more general expectations in relation to ESG factors and voting and engagement activities, specifically how these factors are taken into account when making investment decisions with the aim of improving risk-adjusted returns.
- If the Trustee's monitoring identifies areas of concern, it will engage with the relevant manager to encourage improvements.

Non-financial matters

- The Trustee note that non-financial matters can affect various investment risks which are borne by members.
- Fund managers are only expected to take non-financial factors into account when these do not conflict with the financial interests of members or beneficiaries and the Scheme's investment objectives.

Member engagement

- The Trustee recognises the importance of member engagement in relation to the investment options offered within ZCashBuilder. The DC Committee includes company representatives and regular attendance by members of the ZPen team who are both in a position to collate and present member feedback.
- The Trustee promotes member engagement via the Scheme's website www.zpen.info, giving members access to resources including fund factsheets, member guides and newsletters.
- The Trustee is aware that across the membership there will be differing views on responsible investment and aims to meet these through offering a range of self-select funds so members who wish to can select a fund which better reflects their views. Regular communications from the Trustee should encourage members to review their investment options to ensure they remain appropriate for their overall objectives.

2.4 Asset managers

The realisation of investments

The Trustee policy is to invest in funds that offer daily dealing as far as possible to enable members to readily realise and change their investments.

In the unlikely event of any fund having a short-term dealing suspension, the Trustee will always keep affected members informed via the ZPen website.

The expected return from investments

When considering the range of investment options made available to members, the Trustee will have regard to the relative investment return that each asset class and fund is expected to produce net of fees. In particular, when selecting investments for the default strategies, the Trustee will have regard to the relative investment return of each category and structure of the fund such that it is expected to deliver a return consistent with their investment objective.

Having established the investment options available to members, the Trustee monitors the performance of the funds within these options. A consistent failure to achieve adequate performance, or to provide continued value for members could result in a fund being replaced.

Performance measurement

The Trustee regularly monitors actual fund performance against the benchmarks set and will contact the fund manager if it has any concerns. The Trustee would not expect to replace a fund based on short term underperformance as the focus is on longer term outcomes; this aligns with the Trustee's beliefs on corporate governance.

The Trustee will review on a regular basis the investment performance of the investment funds together with the continuing suitability of the fund range made available to members. If the review showed that the performance or continuing suitability needed to be addressed, the DC Committee would either make a decision on behalf of the Trustee, or for more substantial issues would recommend an action to the Trustee.

Turnover

In the normal course of events the managers of pooled funds will sell investments from time to time to be replaced by others. The fund managers are aware that the expenses involved in transactions can affect performance and that transaction costs are reported to the Trustees for inclusion in the Chair's Statement each year.

In addition, the Trustee recognises that for the passive fund range the amount of each asset held by the investment manager is dictated by the benchmark and that the manager has limited freedom to minimise transaction costs. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and the stock turnover that comes with this.

When selecting actively managed funds, the Trustee will consider, with the help of its investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment platform provider to report on at least an annual basis on the underlying assets held within funds with details of any transaction costs incurred over the Scheme's reporting year.

The Trustee will challenge the platform provider and/or investment managers or if the level of turnover seems excessive.

Duration

The agreement between the Trustee and the investment platform provider will continue until it is no longer required; this could be when the Scheme ceases or if either party takes measures to end the agreement.

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Scheme members' investment horizon. The Trustee will carry out due diligence on the fund manager's investment decision making process, to ensure the investment decisions are over an appropriate time horizon and aligned with the objectives.

Incentives

The Trustee invests in pooled funds where the fund managers are paid for their services through an Annual Management Charge set and paid by the investment platform provider. For this reason, the Trustee does not have an arrangement providing incentives for the fund manager to either align its investment strategies and decisions with the Trustee's policies, or to make decisions aimed at improving their performance in the medium to long term.

The Trustee will:

- conduct an annual Value for Members assessment
- periodically review the Scheme's choice of investment platform provider and fund managers
- at least every 3 years review the suitability of both the investment options and the investment management arrangements.

The Investment platform provider and fund managers are aware that should they be found to not be providing value for members or otherwise acting in line with the Trustee's policies then the Trustee would consider replacing them.

Independent Auditor's report to the Trustee of the Zurich Financial Services UK Pension Scheme

Opinion

We have audited the financial statements of the Zurich Financial Services UK Pension Scheme for the year ended 30 June 2025 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 30 June 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; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of 12 months from when the Scheme's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 15, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the Trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. In our assessment, we also considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for its awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustee's minutes.

- The Scheme is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team, including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

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

Use of our report

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

Ernst & Young LLP

Ernst & Young LLP

Statutory Auditor

Reading

Date *12 DECEMBER 2025*

Financial statements

Fund account for the year ended 30 June 2025

Amount in £'000		ZPen DB	ZPen DC	ESExec DB	2025 Total	ZPen DB	ZPen DC	ESExec DB	2024 Total
Employer contributions	4	12,454	53,699	36	66,189	12,341	50,892	36	63,269
Employee contributions	4	-	5,440	-	5,440	-	5,527	-	5,527
Total contributions		12,454	59,139	36	71,629	12,341	56,419	36	68,796
Transfers from other plans	5	638	3,523	-	4,161	309	2,852	-	3,161
Other income	6	1,547	7	25	1,579	1,238	-	11	1,249
		14,639	62,669	61	77,369	13,888	59,271	47	73,206
Benefits paid or payable	7	(229,356)	(17,025)	(8,945)	(255,326)	(217,924)	(9,352)	(9,059)	(236,335)
Payments to and on account of leavers	8	(2,299)	(27,618)	-	(29,917)	(4,036)	(12,937)	-	(16,973)
Other payments	9	(2,420)	-	-	(2,420)	(2,482)	-	-	(2,482)
Administrative expenses	10	(5,043)	-	(48)	(5,091)	(4,896)	-	(3)	(4,899)
		(239,118)	(44,643)	(8,993)	(292,754)	(229,338)	(22,289)	(9,062)	(260,689)
Net (withdrawals)/additions from dealings with members		(224,479)	18,026	(8,932)	(215,385)	(215,450)	36,982	(9,015)	(187,483)
Net returns on investments									
Investment income	11	158,880	-	3,378	162,258	170,437	-	1,680	172,117
Change in market value of investments	12	(270,419)	63,111	(1,302)	(208,610)	165,078	101,402	8,093	274,573
Investment management expenses	13	(19,531)	-	(146)	(19,677)	(21,940)	-	(189)	(22,129)
		(131,070)	63,111	1,930	(66,029)	313,575	101,402	9,584	424,561
Net (decrease)/increase in the fund		(355,549)	81,137	(7,002)	(281,414)	98,125	138,384	569	237,078
Opening net assets		5,658,755	657,227	147,438	6,463,420	5,560,630	518,843	146,869	6,226,342
Closing net assets		5,303,206	738,364	140,436	6,182,006	5,658,755	657,227	147,438	6,463,420

Statement of net assets available for benefits as at 30 June 2025

Amount in £'000		ZPen DB	ZPen DC	ESExec DB	2025 Total	ZPen DB	ZPen DC	ESExec DB	2024 Total
Investment assets									
Equities	12	878,665	-	-	878,665	1,006,285	-	-	1,006,285
Bonds	12	5,335,880	-	-	5,335,880	5,426,293	-	86,296	5,512,589
Pooled investment vehicles	15	800,355	737,135	115,176	1,652,666	691,155	645,286	59,836	1,396,277
Derivatives	16	151	-	-	151	107	-	-	107
Cash	19	34,593	-	24,595	59,188	113,695	-	363	114,058
Other investments	19	49,567	-	11	49,578	50,867	-	1,154	52,021
AVC investments	12, 18	-	1,359	-	1,359	-	5,236	-	5,236
Interest in SLP	17	455,000	-	-	455,000	463,000	-	-	463,000
Annuities		5,600	-	-	5,600	5,600	-	-	5,600
Amounts receivable under reverse repurchase agreements	21	327,187	-	-	327,187	334,499	-	-	334,499
		7,886,998	738,494	139,782	8,765,274	8,091,501	650,522	147,649	8,889,672
Investment liabilities									
Bonds	12	(288,116)	-	-	(288,116)	(331,106)	-	-	(331,106)
Derivatives	16	(59)	-	-	(59)	(43)	-	-	(43)
Amounts payable under repurchase agreements	21	(2,294,738)	-	-	(2,294,738)	(2,079,145)	-	-	(2,079,145)
Other investment balances	19	(26,120)	-	-	(26,120)	(25,765)	-	-	(25,765)
		(2,609,033)	-	-	(2,609,033)	(2,436,059)	-	-	(2,436,059)
Total net investments									
		5,277,965	738,494	139,782	6,156,241	5,655,442	650,522	147,649	6,453,613
Current assets	25	36,925	1,297	1,558	39,780	17,255	7,208	166	24,629
Current liabilities	26	(11,684)	(1,427)	(904)	(14,015)	(13,942)	(503)	(377)	(14,822)
Net current assets		25,241	(130)	654	25,765	3,313	6,705	(211)	9,807
Total net assets available for benefits									
		5,303,206	738,364	140,436	6,182,006	5,658,755	657,227	147,438	6,463,420

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 ZPen DB Section and ES Exec DB Section, is dealt with in the report on actuarial liabilities in the Scheme funding section of this report, and these financial statements should be read in conjunction with this report.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Trustee on 12 December 2025 and were signed on its behalf by:

Trustee director 

Name: David Sims

Notes to the financial statements

1. Identification of the financial statements

The Zurich Financial Services UK Pension Scheme ('the Scheme') is established as a trust under English Law. The address for enquiries is ZPen Team, PO Box 377, Darlington, DL3 6XY. The registered office for the Scheme is Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

The Scheme has two defined benefit sections ("ZPen DB" & "ES Executives'") which are no longer open to new members and closed to future accrual, and a defined contribution arrangement ("ZPen DC") which is open to new members and is used as an auto-enrolment scheme by the participating employers.

The assets in each section are kept completely separate in the financial statements.

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

2. Basis of preparation

The individual financial statements of the Scheme have been prepared in accordance with the Section 41(1) and (6) of the Pensions Act 1995 (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 have been prepared on the going concern basis. In assessing the appropriateness of the going concern basis of accounting, the Trustee considered a period of 12 months from the date that the financial statements are approved.

3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Currency

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

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value.

b) Contributions

Normal and additional voluntary contributions from employees and employers are accounted for on an accruals basis in the payroll period to which they relate. In the case of member contributions this is when deducted from pay.

All contributions payable under salary sacrifice arrangements are classified as employer contributions.

Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement when received.

When applicable, employers' deficit funding contributions are accounted for on the due dates set out in the schedules of contributions, or on receipt if earlier, with the agreement of the employer and the Trustee.

Other contributions made by the employer to reimburse costs and levies payable by the Trustee are accounted for on the same basis as the corresponding expense.

Employer S75 debt contributions are accounted for when a reasonable estimate of the amount receivable can be determined.

All other contributions are accounted for in accordance with the agreement under which they are payable, or in the absence of such an agreement, when they are received.

c) Transfers from and to other schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes or other Zurich group companies or payable to the pension arrangements for members who have left the Scheme. They are accounted for when the liability is discharged. This is normally when the transfer value is paid or, where the Trustee has agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

d) Benefits and payments to and on account of leavers

Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate.

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

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Scheme as appropriate. Refunds and opt-outs are accounted for when the Trustee is notified of the member's decision to leave the Scheme.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within benefits.

e) Administrative expenses

Administrative expenses and premiums on term insurance policies are accounted for on an accruals basis.

f) Investment income and expenditure

Income from equities, and any pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend, or in the case of unquoted instruments, when the dividend is declared.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds. Other interest on cash and short-term deposits and income from other investments is accounted for on an accruals basis. Accrued income is excluded from the market value of investments.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Income arising from the Trustee's interest in the SLP is accounted for on an accruals basis in accordance with the agreement under which it is paid.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

Income arising from annuity policies is accounted for on an accruals basis and included in investment income and the pensions paid included in pension payments.

Investment income includes withholding taxes. Withholding tax is accrued on the same basis as investment income. Where withholding tax is not recoverable, this is shown as a separate expense within investment returns.

Investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

g) Valuation and classification of investments

Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted or other unit prices are not available, the Trustee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the financial statements where used.

The methods of determining fair value for the principal classes of investments are:

- Equities, bonds and certain pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, at a bid or single price, and are actually traded on substantially all pricing days are included at the price provided by the manager at the year end.

- The value of other equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case an adjustment is made.
- Exchange traded futures are valued at the difference between exchange settlement prices and inception prices.
- Forward exchange contracts are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- Swaps are valued at the net present value of future cash flows arising therefrom.
- With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.
- Unitised insurance policies are valued on the same basis as pooled investment vehicles with similar characteristics.
- The Trustee's interest in the Scottish Limited Partnership (SLP) has been valued by Zurich General Partner (Scotland) Limited having consulted with an independent pricing agent (Barnett Waddingham LLP), at fair value. The fair value is calculated by using a discounted cash flow model based on the expected present value of future cash flows, arising over the partnership arrangement. This takes into account prevailing interest rates, the credit risk associated with the asset and market-corroborated credit spreads for instruments with similar credit risk profiles. The approach used is stochastic as payments are contingent on the Scheme's funding level.
- The infrastructure debt investments (included in bonds) have been valued by the investment manager based on the net present value of the future cash flows. The method used is the mark-to-market model (MTM). Investments are only recognised once payment has been made. Any delayed drawdowns are shown as loan commitments.
- Accrued interest is excluded from the market value of bonds but is included in investment income receivable.
- Annuities are valued at the amount of the related obligation determined using the Scheme's triennial funding valuation assumptions. The valuation is updated every three years following the triennial funding valuation and is not adjusted in the intervening periods on grounds of immateriality.

In accordance with the SORP, financial assets and liabilities should not be offset unless there is a legally enforceable right to set-off the assets and liabilities and the Scheme intends either to settle on a net basis, or to realise the asset and liabilities simultaneously. This means that the total asset value and the total liabilities should be disclosed separately on the face of the Statement of Net Assets.

h) Other investment arrangements - repurchase agreements

The Scheme continues to recognise assets delivered out under repurchase contract arrangements to reflect its ongoing interest in those securities. Cash received from repurchase contracts is recognised as an investment asset, and an investment liability is recognised for the fair value of the repurchase obligation.

Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements. Securities received in exchange are disclosed as collateral supporting this receivable but not included as Scheme assets.

Bonds that have been purchased and simultaneously agreed to sell back to the counterparty at a later date, as part of a reverse repurchase contract, are recognised as a liability in the financial statements.

i) Critical accounting judgements and estimation uncertainty

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom be the same as the actual results due to uncertainty and estimation. The Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year relate to valuation of the Scheme's investments and, in particular, those investments classified as level 3 in the fair value hierarchy table. The key assumptions which support the valuation of investments are included above and within note 22 to the financial statements.

4. Contributions

Amount in £'000	ZPen DB	ZPen DC	ESExec DB	2025 Total	ZPen DB	ZPen DC	ESExec DB	2024 Total
Employer contributions								
Normal	-	53,699	-	53,699	-	50,892	-	50,892
Other contributions	5,000	-	-	5,000	5,000	-	-	5,000
Augmentation	342	-	-	342	130	-	-	130
PPF levy	92	-	-	92	129	-	-	129
Group life premium	2,420	-	-	2,420	2,482	-	-	2,482
Expense contributions	4,600	-	36	4,636	4,600	-	36	4,636
	12,454	53,699	36	66,189	12,341	50,892	36	63,269
Employee contributions								
Additional voluntary contributions	-	5,440	-	5,440	-	5,527	-	5,527
	-	5,440	-	5,440	-	5,527	-	5,527
	12,454	59,139	36	71,629	12,341	56,419	36	68,796

Employer normal contributions include £19.8m (2024: £18.1m) contributions in respect of salary sacrifice arrangements made available to active members by the employer.

Other contributions relate to £5m (2024: £5m) paid to the Scheme by Zurich Employment Services Limited annually. The agreed payment schedule runs until January 2026 and is in respect of Openwork Services Ltd.'s exit as a participating employer in 2018.

Augmentation contributions comprise a series of single payments to augment the benefits of individual members on redundancy.

Expense contributions of £4.6m (2024: £4.6m) to ZPen DB and £36k (2024: £36k) to the ES Executives' Section are paid annually by the participating employers, commencing from January 2024, as required by the Schedules of Contributions approved on 21 September 2023.

5. Transfers from other plans

Amount in £'000	ZPen DB	ZPen DC	ESExec DB	2025 Total	ZPen DB	ZPen DC	ESExec DB	2024 Total
Individual transfers in from other schemes	638	3,523	-	4,161	309	2,852	-	3,161
	638	3,523	-	4,161	309	2,852	-	3,161

Transfers into the ZPen DB Section are received in respect of individuals within the ZCashBuilder arrangement forming a part of a retirement lump sum of hybrid members.

Transfers into ZCashBuilder are individual transfers from other schemes outside of the Zurich Group.

6. Other income

Amount in £'000	ZPen DB	ZPen DC	ESExec DB	2025 Total	ZPen DB	ZPen DC	ESExec DB	2024 Total
Claims on term insurance policies	761	-	-	761	157	-	-	157
Bank Interest	786	7	25	818	1,081	-	11	1,092
	1,547	7	25	1,579	1,238	-	11	1,249

The Scheme has insurance with Zurich Assurance Limited to cover death in service benefits detailed in note 9.

7. Benefits paid or payable

	ZPen	ZPen	ESExec	2025	ZPen	ZPen	ESExec	2024
Amount in £'000	DB	DC	DB	Total	DB	DC	DB	Total
Pensions	(200,511)	-	(8,945)	(209,456)	(188,965)	-	(9,059)	(198,024)
Commutation of pensions/lump sum retirement benefits	(27,316)	(16,965)	-	(44,281)	(28,182)	(9,286)	-	(37,468)
Lump sum death benefits	(1,391)	(60)	-	(1,451)	(301)	(66)	-	(367)
Taxation where lifetime or annual allowance exceeded	(138)	-	-	(138)	(476)	-	-	(476)
	(229,356)	(17,025)	(8,945)	(255,326)	(217,924)	(9,352)	(9,059)	(236,335)

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

8. Payment to and on account of leavers

	ZPen	ZPen	ESExec	2025	ZPen	ZPen	ESExec	2024
Amount in £'000	DB	DC	DB	Total	DB	DC	DB	Total
Individual transfers out to other schemes	(2,299)	(27,618)	-	(29,917)	(4,036)	(12,937)	-	(16,973)
	(2,299)	(27,618)	-	(29,917)	(4,036)	(12,937)	-	(16,973)

9. Other payments

	ZPen	ZPen	ESExec	2025	ZPen	ZPen	ESExec	2024
Amount in £'000	DB	DC	DB	Total	DB	DC	DB	Total
Premiums on term insurance policies	(2,420)	-	-	(2,420)	(2,482)	-	-	(2,482)
	(2,420)	-	-	(2,420)	(2,482)	-	-	(2,482)

The Company arranges for the life insurance premium to be reimbursed by the participating employers of the Scheme within 60 days.

10. Administrative expenses

All administrative expenses are borne by the Scheme. Settlement of administrative expenses is made initially by the Zurich group and recharged quarterly to the Scheme. In 2025, expenses were split proportionately between ZPen and ESExec.

	ZPen	ZPen	ESExec	2025	ZPen	ZPen	ESExec	2024
Amount in £'000	DB	DC	DB	Total	DB	DC	DB	Total
Trustee Training	(6)	-	-	(6)	-	-	-	-
Trustee Fees	(181)	-	-	(181)	(158)	-	-	(158)
Auditor fees	(163)	-	(16)	(179)	(183)	-	-	(183)
Systems costs	(949)	-	-	(949)	(720)	-	-	(720)
Actuarial Fees	(608)	-	(27)	(635)	(917)	-	-	(917)
Payroll & Admin costs	(452)	-	(3)	(455)	(407)	-	(3)	(410)
Legal fees	(430)	-	-	(430)	(299)	-	-	(299)
Staff costs & Overheads	(1,962)	-	-	(1,962)	(1,813)	-	-	(1,813)
Industry Fees & PPF	(245)	-	(2)	(247)	(283)	-	-	(283)
Internal communication	(41)	-	-	(41)	(21)	-	-	(21)
Bank charges	(6)	-	-	(6)	(5)	-	-	(5)
VAT Charge	-	-	-	-	(90)	-	-	(90)
	(5,043)	-	(48)	(5,091)	(4,896)	-	(3)	(4,899)

2024 VAT charge is due to true-up calculations in respect of prior years' VAT returns.

11. Investment income

	ZPen	ZPen	ESExec	2025	ZPen	ZPen	ESExec	2024
Amount in £'000	DB	DC	DB	Total	DB	DC	DB	Total
Dividends from equities	18,061	-	-	18,061	23,692	-	-	23,692
Income from bonds	121,965	-	524	122,489	112,287	-	1,434	113,721
Income from pooled investment vehicles	35,639	-	2,470	38,109	39,578	-	-	39,578
Annuity income	612	-	26	638	657	-	27	684
Interest on cash deposits	1,665	-	178	1,843	3,066	-	36	3,102
Income from SLP	60,000	-	-	60,000	60,000	-	-	60,000
Net (payments) from repurchase agreements	(89,172)	-	-	(89,172)	(82,312)	-	-	(82,312)
Other investment income	10,110	-	180	10,290	13,469	-	183	13,652
	158,880	-	3,378	162,258	170,437	-	1,680	172,117

Income from the SLP relates to the asset backed contribution (ABC) arrangement. More details are shown in note 17.

12. Reconciliation of net investments

ZPen DB

	Opening value	Purchases and derivative payments	Sales proceeds and derivative receipts	Change in market value	Closing value
Amount in £'000					
Equities	1,006,285	601,550	(745,148)	15,978	878,665
Bonds	5,095,187	1,285,062	(1,035,766)	(296,719)	5,047,764
Derivatives	64	2,100	(2,746)	674	92
Interest in SLP	463,000	-	-	(8,000)	455,000
Pooled investment vehicles	691,155	519,068	(428,091)	18,223	800,355
Annuities	5,600	-	-	-	5,600
Repurchase agreements	(1,744,646)	9,258,000	(9,480,905)	-	(1,967,551)
	5,516,645	11,665,780	(11,692,656)	(269,844)	5,219,925
Cash and cash equivalents	138,797			(575)	58,040
ZPen DB net investments	5,655,442			(270,419)	5,277,965

All figures above for bonds, repurchase agreements, derivatives and cash and cash equivalents are shown net. The gross values can be found in the Statement of net assets available for benefits.

ZPen DC

Amount in £'000	Opening value	Purchases	Sales	Change in market value	Closing value
Post 2007 ZCashBuilder Investments	645,286	115,053	(86,342)	63,138	737,135
AVC Investments	5,236	2	(3,852)	(27)	1,359
ZPen DC net investments	650,522	115,055	(90,194)	63,111	738,494

ESExec DB

Amount in £'000	Opening value	Purchases	Sales	Change in market value	Closing value
Bonds	86,296	1,948	(87,230)	(1,014)	-
Pooled investment vehicles	59,836	101,684	(46,056)	(288)	115,176
	146,132	103,632	(133,286)	(1,302)	115,176
Cash and cash equivalents	1,517				24,606
ESExec DB net investments	147,649			(1,302)	139,782

13. Investment management expenses

Amount in £'000	ZPen DB	ZPen DC	ESExec DB	2025 Total	ZPen DB	ZPen DC	ESExec DB	2024 Total
Administration	(3)	-	-	(3)	(58)	-	-	(58)
Management	(16,622)	-	(128)	(16,750)	(19,391)	-	(185)	(19,576)
Custody	(241)	-	(8)	(249)	(251)	-	(8)	(259)
Performance measurement	(53)	-	(10)	(63)	(51)	-	(9)	(60)
Performance fees	(177)	-	-	(177)	196	-	16	212
Other advisory fees	(2,435)	-	-	(2,435)	(2,385)	-	(3)	(2,388)
	(19,531)	-	(146)	(19,677)	(21,940)	-	(189)	(22,129)

14. Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in note 12. Direct transaction costs incurred are analysed as follows;

ZPen DB		Other Assets	2025		Other Assets	2024
Amount in £'000	Equities		Total	Equities		Total
Fees	(603)	-	(603)	(844)	-	(844)
Commissions	(465)	(205)	(670)	(564)	(494)	(1,058)
	(1,068)	(205)	(1,273)	(1,408)	(494)	(1,902)

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It is not a requirement for the Trustee to quantify such indirect transaction costs.

15. Pooled investment vehicles

Amount in £'000	ZPen	ZPen	ESExec	2025	ZPen	ZPen	ESExec	2024
	DB	DC	DB	Total	DB	DC	DB	Total
Equities	12,573	644,394	-	656,967	27,116	568,113	7,591	602,820
Bonds	384,318	48,411	104,423	537,152	432,393	40,486	52,245	525,124
Diversified growth	-	5,813	-	5,813	-	5,428	-	5,428
Property	206,286	4,062	-	210,348	193,535	3,821	-	197,356
Infrastructure Equity	129,313	-	-	129,313	-	-	-	-
Cash	67,865	34,455	10,753	113,073	38,111	27,438	-	65,549
	800,355	737,135	115,176	1,652,666	691,155	645,286	59,836	1,396,277

The increase in ZPen DB cash relates to the Insight Liquidity Fund, held within the LDI portfolio, with its manager having discretion over the value held in the fund in order to manage the portfolio. The composition of the Exec DB investments changed as explained in the [Investment Report](#).

16. Derivatives

ZPen DB			2025			2024
Amount in £'000	Assets	Liabilities	Total	Assets	Liabilities	Total
Over-the-counter contracts						
Forward foreign currency	-	(59)	(59)	45	(12)	33
Swaps	151	-	151	62	(31)	31
	151	(59)	92	107	(43)	64

Objectives and policies for holding derivatives and swaps

To manage risk, the Trustee has authorised the use of derivative financial instruments by its investment managers as part of its investment strategy as follows:

Forwards: The Scheme has overseas investments which means that the value of the Scheme's assets can be affected by movements in foreign currencies. The Scheme's investment managers use forwards to reduce some of the exposure to currency risk.

Futures: The Scheme's investment managers may use futures to hedge against the risk of movements in foreign currency and interest rates associated with holding non-sterling bonds.

Outstanding derivative financial instruments at the year-end are summarised as follows:

Forward foreign currency

Type	Expires	Currency	Currency	Fair value	
Amount in £'000	within	bought	sold	Asset	Liability
Sell EUR for GBP (4 contracts)	1 month	4,563	(5,396)	-	(59)
				-	(59)

Futures

The Scheme held no futures at year-end 30 June 2025.

Swaps

Type	Expires	Notional	Fair value	
Amount in £'000	within	principle	Asset	Liability
Interest rate	1-5 Years	47,995,600	151	-
			151	-

The Trustee aims to match the liability-driven element of the investment portfolio with the Scheme's long term liabilities, particularly in relation to the sensitivities to interest rate movements.

17. Interest in Scottish Limited Partnership (SLP)

Special contributions were made to the ZPen DB Section on 31 July 2014, on condition they were used to purchase an interest in a Scottish Limited Partnership (SLP). The asset backed contribution (ABC) arrangement is structured by way of loans guaranteed by Zurich Insurance Company Ltd (ZIC) and generates an annual income stream for the ZPen DB Section of £60 million, with the first income payment paid in June 2015. The income stream will cease after 24 years, or sooner if certain funding conditions are met (or if certain prescribed events occur).

The SLP was valued by an independent pricing agent (Barnett Waddingham LLP) as at 30 June 2025 at £455m (2024: £463m). This valuation was based on a number of assumptions and economic variables, the most important among these being:

1. Assumed returns on Scheme assets
2. Volatility of returns on Scheme assets
3. Gilt yield curve
4. Expected inflation
5. An illiquidity premium
6. Default recovery rate

All of the assumptions were applied when determining the fair value. The value of the SLP reduced by £8m relative to the prior year, reflecting one less payment of £60m, the change in market conditions and the likelihood of how long the payments will continue if the ZPen DB Section hits pre-determined funding levels.

Should the SLP arrangement fail to operate as expected (e.g. due to changes in future legislation), Zurich Financial Services (UKISA) Limited, the Principal Company, has agreed to procure that the employers become responsible for continuing payment of contributions of £60m per annum (payable by 30 June each year) or £70m per annum if the payments are not guaranteed by ZIC (payable by 30 June each year). The period over which these future payments will then be made will depend on the circumstances at the time.

The Trustee has a legal right to dispose of the partnership interest but it is noted that there is unlikely to be a third party purchaser in view of the Company's ability to affect the value of the partnership interest by changing the level of Scheme funding over the life of the partnership. However, in view of the security of the cash flows over the partnership life the Trustee considers that the partnership interest meets the definition of a financial asset under FRS 102.

18. AVC investments

Previously, the Scheme made AVC arrangements available whereby members of the defined benefit arrangement were able to pay additional contributions which were invested in with-profits policies, unit linked, supplementary and traditional money purchase on a defined contribution basis. These arrangements were withdrawn in 2007.

From April 2007, members of the ZPen DB Section were able to make additional contributions into ZCashBuilder (part of the ZPen DC Section). Currently, members of ZCashBuilder are able to pay contributions at a higher rate than required in the Scheme rules. These contributions are co-invested with other ZCashBuilder assets for each member and are not separately distinguishable. AVC assets shown in the financial statements relate to certain former Supplementary Scheme benefits and pre 2007 AVCs.

During 2025, an exercise to consolidate the former Supplementary Scheme benefits and a number of the remaining pre 2007 AVCs took place, with affected members transferred to the ZPen DC Section. A number of policies will remain until the remaining members take their benefits.

19. Cash and other investment balances

Amount in £'000	ZPen DB	ZPen DC	ESExec DB	2025 Total	ZPen DB	ZPen DC	ESExec DB	2024 Total
Investment assets								
Cash-sterling	23,316	-	24,595	47,911	33,193	-	363	33,556
Cash-foreign currency	11,277	-	-	11,277	80,502	-	-	80,502
Variation margin	-	-	-	-	-	-	-	-
Income receivable	42,671	-	-	42,671	43,373	-	-	43,373
Income tax recoverable	5,271	-	-	5,271	4,522	-	-	4,522
Balances due from brokers	1,625	-	11	1,636	2,972	-	1,154	4,126
Collateral	-	-	-	-	-	-	-	-
	84,160	-	24,606	108,766	164,562	-	1,517	166,079
Investment liabilities								
Interest payable	(22,824)	-	-	(22,824)	(23,805)	-	-	(23,805)
Balances due to brokers	(3,296)	-	-	(3,296)	(1,960)	-	-	(1,960)
	(26,120)	-	-	(26,120)	(25,765)	-	-	(25,765)
	58,040	-	24,606	82,646	138,797	-	1,517	140,314

The Exec DB Section had a high cash balance at the Scheme year-end due to the ongoing implementation of the updated investment strategy. Proceeds from the reduction in the corporate bond fund were temporarily held in cash, pending a post-year-end transaction to transfer the funds to the liquidity fund.

20. Defined contribution assets

ZPen DC Section investments 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 units on a pooled basis for the Trustee. The Scheme administrator allocates investment units 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 prior to vesting.

ZPen DC Section investment assets can be allocated to members or unallocated, and therefore available to the Trustee to apply as specified in the Scheme rules, as follows:

Amount in £'000	2025 Total	2024 Total
Not allocated to members	1,952	1,996
Allocated to members	736,542	648,526
	738,494	650,522

Assets not allocated to members decreased during the Scheme year. Some of these assets were used to offset contributions due to be received from the Employer which is in accordance with the Scheme rules. The subsequent reduction in contributions from the Employer made funds available for a pension related project, so it was in the interests of the Trustee to instruct these transactions.

21. Repurchase Agreements

Amount in £'000	2025 Total	2024 Total
Amounts receivable under reverse repurchase agreements	327,187	334,499
Amounts payable under repurchase agreements	(2,294,738)	(2,079,145)
	(1,967,551)	(1,744,646)

Bonds with fair value of £2,299m (including interest) have been sold subject to repurchase contracts and therefore continue to be recognised in the financial statements (2024: £2,075m). There are 52 (2024:48) repurchase agreements, with maturity dates between July 2025 and October 2026.

Bonds with a fair value of £326m (including interest) were received as collateral in respect of reverse repurchase agreements (2024: £336m). As these were sold, the liability to buy them back is disclosed as Bonds sold short in the Statement of Net Assets. There are 6 (2024: 5) reverse repurchase agreements, with maturity dates in between July 2025 and October 2026.

Additionally, £23m (2024: £13m) of collateral bonds were pledged and £12m (2024: £1m) were received, in respect of the net liability under the repurchase and reverse repurchase agreements.

22. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

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

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investments have been included at fair value within these categories as follows. Figures are shown as net:

Category				2025
Amount in £'000	1	2	3	Total
ZPen DB				
Equities	878,642	-	23	878,665
Bonds - net	-	4,599,474	448,290	5,047,764
Derivatives - net	(59)	151	-	92
Interest in SLP	-	-	455,000	455,000
Pooled Investment Vehicles	4,484	508,751	287,120	800,355
Repurchase agreements - net	-	(1,967,551)	-	(1,967,551)
Annuities	-	-	5,600	5,600
Cash and other net balances - net	59,711	(1,671)	-	58,040
ES Exec DB				
Pooled Investment Vehicles	-	115,176	-	115,176
Cash and other investment balances	24,606	-	-	24,606
ZPen DC				
Post 2007 ZCashBuilder Investments	-	737,135	-	737,135
AVC Investments	-	1,359	-	1,359
	967,384	3,992,824	1,196,033	6,156,241

The equities shown in category 3 relate to the company Joules where the shares have been suspended. Due to the suspension and the inherent uncertainty in the valuation, the fair value of the suspended Level 3 equities have been estimated based on the most recent observable data prior to the suspension, adjusted for any known changes in the company's financial position and market conditions.

Category				2024
Amount in £'000	1	2	3	Total
ZPen DB				
Equities	1,006,262	-	23	1,006,285
Bonds - net	-	4,627,460	467,727	5,095,187
Derivatives - net	33	31	-	64
Interest in SLP	-	-	463,000	463,000
Pooled Investment Vehicles	-	532,659	158,496	691,155
Repurchase agreements - net	-	(1,744,646)	-	(1,744,646)
Annuities	-	-	5,600	5,600
Cash and other net balances - net	137,785	1,012	-	138,797
ES Exec DB				
Bonds	-	86,296	-	86,296
Pooled Investment Vehicles	-	59,836	-	59,836
Cash and other investment balances	752	765	-	1,517
ZPen DC				
Post 2007 ZCashBuilder Investments	-	645,286	-	645,286
AVC Investments	-	5,236	-	5,236
	1,144,832	4,213,935	1,094,846	6,453,613

The bonds shown in category 3 relate to infrastructure debt. The debt is priced using a Mark to Market Model, there are two key stages in the methodology for each asset: projection forward of asset cash flows and discounting of cash flows to give a present value. Cashflows are discounted by selecting a relevant base rate. The asset manager will select the base rate taking into account the currency of the asset cash flows and the type of coupon it pays (i.e. fixed or inflation linked). In addition to the base rate a valuation spread will be included in the discount factor used to value each cashflow. This consists of a market consistent spread (MCS), that represents a loans' credit rating and an idiosyncratic spread (IS). The IS is the difference between the valuation spread and the MCS and captures specific asset features that are not captured by the MSC.

The Interest in the Scottish Limited Partnership (SLP) was independently priced by Barnett Waddingham LLP as at 30 June 2025. The valuation was based on a number of assumptions and economic variables. More details are shown in note 17.

The pooled investment vehicles shown in category 3 relate to both middle market loans and infrastructure equity holdings.

Interests in the middle market loan unquoted pooled investment vehicles are valued using the net asset value as determined by the pooled investment manager who uses fair value principles to value the underlying investments of the pooled agreements. These underlying investments are valued using a technique known as yield analysis, which is typically performed for non-credit impaired debt investments. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, the valuer considers the current contractual interest rate, the maturity and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As investments held are substantially illiquid with no active transaction market, the valuation depends on primary market data, including newly funded transactions, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable. Following completion of the valuation process, the valuations are finalised by the middle market loan's Portfolio Management Team. Once complete, an independent third party review

takes place and the valuation recommendations are reconciled with the values/ranges provided for those investments.

Interests in the infrastructure equity unquoted pooled investment vehicles are also valued using the net asset value as determined by the pooled investment manager who uses fair value principles to value the underlying investments of the pooled agreements. The underlying investments are valued using discounted cash flow models which utilise company specific financial and operating data while incorporating broader economic and market assumptions. The valuation of interests in both infrastructure equity funds are subject to rigorous internal review, are validated quarterly by independent third parties and are subject to a full external annual audit.

The annuities shown in category 3 have been valued by the Scheme Actuary (Martin Potter, Hymans Robertson LLP) at the amount of the related obligation, determined using the most recent Scheme funding valuation assumptions updated for market conditions as at 30 June 2023.

23. Investment risks

Types of risk relating to investments

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

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

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

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

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

Amount in £'000	Credit risk	Market risk			2025	2024
	Currency	Interest rate	Other price			
ZPen DB						
Equities	○	●	○	●	878,665	1,006,285
Bonds - net	●	●	●	○	5,047,764	5,095,187
Derivatives - net	●	●	●	●	92	64
Interest in SLP	●	○	●	●	455,000	463,000
Pooled investment vehicles	●	●	●	●	800,355	691,155
Repurchase agreements - net	●	○	●	○	(1,967,551)	(1,744,646)
Annuities	●	○	●	●	5,600	5,600
Cash and cash equivalents - net	●	●	○	○	58,040	138,797
ZPen DC						
Post 2007 ZCashBuilder Investments	●	●	●	●	737,135	645,286
AVC Investments	●	●	●	●	1,359	5,236
ESExec DB						
Bonds	●	○	●	○	-	86,296
Pooled investment vehicles	●	●	●	●	115,176	59,836
Cash and cash equivalents	●	○	○	○	24,606	1,517
					6,156,241	6,453,613

○ Hardly/not at all

● Partially

● Significantly

The Trustee has monitored credit and market risks closely during the Scheme year; many of the asset classes with exposures to partial or significant risks noted above have increased due to various economic turbulence as a result of macroeconomic turbulence. Credit risks have increased over many different industries due to the disruption of 'business as usual', meaning income may have fallen or completely stopped. Market risks have increased due to the volatile conditions. The Trustee has an integrated risk management policy that takes these risks into consideration with a number of other factors, including the employer covenant and funding position.

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

ZPen DB and ES Exec DB Sections

Investment strategy

The investment objectives of the ZPen DB and ES Exec DB Sections are to:

- 1) Invest in assets of appropriate quality and liquidity, which meet, together with contributions from the employers, the benefits the Scheme provides as and when they fall due, as set out in the Trust Deed and Rules, and
- 2) Manage the investment risk relative to the agreed levels to which the Trustee is prepared to expose the Scheme.

The Trustee sets the investment strategy for the DB sections taking into account considerations such as the strength of the employer covenant, the long-term liabilities and the funding agreed with the Company. The investment strategy is set out in its Statement of Investment Principles ('SIP'). The current strategy is described in the [investment report](#) section.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, infrastructure debt arrangements, European loans, over-the-counter ("OTC") derivatives, repurchase agreements and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

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

	2025	2024
ZPen DB		
Bonds - net	5,047,764	5,095,187
Derivatives - net	92	64
SLP	455,000	463,000
Pooled Investment Vehicles	800,355	691,155
Annuities	5,600	5,600
Repurchase agreements - net	(1,967,551)	(1,744,646)
Cash and other net balances - net	58,040	138,797
	4,399,300	4,649,157
ESExec DB		
Bonds	-	86,296
Pooled Investment Vehicles	115,176	59,836
Cash and other net investment balances	24,606	1,517
	139,782	147,649

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated or at a rating agreed in the Investment Management Agreement. Infrastructure debt is included within the bonds category, credit risk arising from infrastructure debt investment is managed in a similar way to corporate bonds. The Investment Management Agreement restricts the investment manager to minimum credit quality for debt investments and includes limits on sector and subsectors (e.g. social infrastructure, transportation and power).

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by S&P Global Ratings or Fitch, or rated at Baa3 or higher by Moody's, the Trustee also relies upon the investment manager's internal rating system in some instances.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC (Over the Counter). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts.

Credit risk arising from repurchase activities is mitigated through collateral arrangements which fully collateralise the exposure. Collateral positions are taken with multiple counterparties to further manage the credit risk.

Credit risk also arises within other investments including the interest in an SLP which is ultimately secured by a guarantee from Zurich Insurance Company Ltd and generates an income of £60m annually. Credit risk is reduced by Zurich Financial Services (UKISA) Limited, the Principal Company, agreeing to procure that the employers become responsible for continuing payment of contributions of at least £60m per annum or £70m per annum if the payments are not guaranteed by ZIC (payable by 30 June each year as explained in note 17).

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

Direct credit risk arising from pooled investment vehicles, which are unrated, is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager. Pooled investment arrangements used by the Scheme, including AVC investments, comprise unit linked insurance contracts and authorised unit trusts.

Amount in £'000	2025	2024
ZPen DB		
Unit linked insurance contracts	206,286	193,535
Open ended investment companies	302,466	339,124
Limited liability partnership	287,119	158,495
Exchange traded funds	4,484	-
ESExec DB		
Unit linked insurance contracts	28,556	59,836
Mutual funds	86,620	-
ZPen DC		
Unit linked insurance contracts	738,494	650,522
	1,654,025	1,401,512

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by diversification of investments within the funds as well as by carrying out due diligence checks on the appointment of new pooled arrangements and of new pooled investment managers. All fund performance is monitored regularly.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

Credit risk has been monitored closely by the Trustee in light of several macroeconomic events, the majority of credit risk is held within the bond asset class. Further information on the actions the Trustee has taken to monitor the elevated credit risk levels are shown in the [investment strategy](#) section.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure). The Trustee has set a benchmark limit on some portfolios to overseas currency exposure of 15% of the total portfolio value which is achieved through a currency hedging policy utilising forward foreign currency contracts. The exposure at the current and previous year-ends was:

Amount in '000	2025 Exposure	2024 Exposure
Australian dollar (AUD)	1,776	0
Brazilian real (BRL)	3,240	3,746
Canadian dollar (CAD)	6,088	4,445
Chilean peso (CLP)	506	0
Danish krone (DKK)	9,982	18,586
Euro (EUR)	163,271	176,595
HK offshore Chinese Yuan Renminbi (CNH)	4,429	5,325
Hong Kong dollar (HKD)	22,557	13,779
Hungarian forint (HUF)	1,602	0
Indonesian rupiah (IDR)	352	3,765
Japanese yen (JPY)	63,472	79,850
Mexican peso (MXN)	970	2,974
New Taiwan dollar (TWD)	16,622	21,137
Norwegian krone (NOK)	7,322	4,029
Philippine peso (PHP)	6	1,108
Polish zloty (PLN)	3,683	1,135

South African rand (ZAR)	2,994	611
South Korean won (KRW)	11,035	12,790
Swedish krona (SEK)	0	10,600
Swiss franc (CHF)	35,469	52,095
Thai baht (THB)	2,698	0
Turkish lira (TRY)	246	0
United Arab Emirates dirham (AED)	3,488	0
United States dollar (USD)	411,975	476,019

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme investments are held in bonds, gilts and an interest in a SLP. The Trustee has set a benchmark limit of the total investment in bonds and gilts which can be seen in the Strategic Asset Allocation. If interest rates fall, the value of the liability matching assets will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise the liability matching assets will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

To reduce exposure to interest rate and inflation risk the Trustee has target interest rate and inflation hedging rates that are implemented by the liability driven investment portfolio. For more information on the Trustee's current target hedging ratios see the [investment report](#) section.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking assets which includes directly held equities, equities held in pooled vehicles, real estate and loans. The Scheme has set a target asset allocation to each of these asset classes as can be seen in the strategic asset allocation.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. The infrastructure debt portfolio is unlikely to be traded as it is on a buy and hold strategy.

Given the nature of the SLP asset, sale to a third-party purchaser is unlikely. Whilst this gives rise to illiquidity risk, the Trustee considers that the SLP meets the definition of a financial asset as defined by FRS 102 given the security of the future cash flows.

ZPen DC Section

Credit risk

ZCashBuilder is subject to direct credit risk in relation to Scottish Widows through its holdings. 2025: £737m (2024: £645m).

Scottish Widows Ltd is regulated by the Financial Conduct Authority and maintains separate unrated funds for its policyholders.

ZCashBuilder is subject to indirect credit risk and market risk arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

Members can self-select other funds which are more exposed to credit risk, but these tend to be well diversified as they are passively managed against benchmarks.

Market risk

ZCashBuilder is subject to indirect foreign exchange, interest rate, liquidity and other price risk arising from the underlying financial instruments held in the funds managed by the underlying fund managers.

24. Concentration of investments

Investments accounting for more than 5% of the net assets of the Scheme were:

Amount in £'000	2025		2024	
	Value	%	Value	%
ZPen DB				
Interest in SLP	455,000	7.39%	463,000	7.16%
ZPen DC				
Z Growth Fund	535,152	8.69%	472,021	7.28%
	990,152		935,021	

25. Current assets

Amount in £'000	ZPen	ZPen	ESExec	2025	ZPen	ZPen	ESExec	2024
	DB	DC	DB	Total	DB	DC	DB	Total
Other debtors	96	-	-	96	170	-	-	170
Cash balances	36,829	1,297	1,558	39,684	17,085	7,208	166	24,459
	36,925	1,297	1,558	39,780	17,255	7,208	166	24,629

The ZPen DC cash balance includes a balance of £1.3m designated to members (2024: £7.2m).

26. Current liabilities

Amount in £'000	ZPen	ZPen	ESExec	2025	ZPen	ZPen	ESExec	2024
	DB	DC	DB	Total	DB	DC	DB	Total
Unpaid benefits	(1,191)	(1,427)	(724)	(3,342)	(2,277)	(503)	(215)	(2,995)
Tax payable	(3,574)	-	-	(3,574)	(3,276)	-	-	(3,276)
Accrued expenses	(2,524)	-	(80)	(2,604)	(4,120)	-	(68)	(4,188)
Amounts due to employer	(4,395)	-	(100)	(4,495)	(4,269)	-	(94)	(4,363)
	(11,684)	(1,427)	(904)	(14,015)	(13,942)	(503)	(377)	(14,822)

Amounts due to employer relate to Zurich Employment Services. More details are shown below in the [related party transactions](#) note.

27. Capital commitments

During the year the Trustee continued to invest in a middle market loans fund managed by Ares, where there are capital commitments of £27.5m (2024: £25.5m) which have not been fully drawn at the year end.

28. Guaranteed minimum pensions (GMP) equalisation

In October 2018, the High Court ruled that pension schemes were required to equalise benefits for the effect of unequal GMPs for men and women built up between 17 May 1990 and 5 April 1997. A subsequent ruling stated that schemes providing GMPs must revisit and, where necessary, top-up historic cash equivalent transfer values paid out which were calculated on an unequal basis. The Trustee is now reviewing, with its advisers, the implication of these rulings on the Scheme. As soon as this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

29. Related party transactions

Related party transactions and balances comprise:

Key Management Personnel

- Contributions accrued under ZCashBuilder, in accordance with the Trust Deed and Rules, include amounts in respect of four Trustee directors (2024: six) and pensions paid in respect of three Trustee directors (2024: three).
- Fees and expenses of £181k (2024: £158k) were paid to professional/paid Trustee directors in respect of their services to the Scheme and to other Trustee directors as out of pocket expenses.
- Other than the remuneration disclosed in the administrative expenses note, the directors of Zurich Financial Services UK Pension Trustee Limited and key management of the Scheme had no material transactions with the Scheme.

Company and other related parties

- Additional Personal Contributions (APCs) and pre 2007 AVCs held in unit linked and with profits funds, some of which are provided by members of the Zurich group, are subject to annual management charges. These typically range from 0.15% to 1.19% of the fund value. The change in market value of these investments is net of this charge.
- Contributions made to the pre 2007 AVC funds, are invested in a variety of unit linked and with profits funds, some of which are provided by companies within the Zurich group. The total value of these funds at 30 June 2025 was £1.3m (2024: £1.6m).
- The Trustee holds a life insurance policy with Zurich Assurance Ltd to provide lump sum death benefits. In accordance with the Schedules of Contributions, the Company has agreed to make an additional contribution of £2.4m (2024: £2.4m) to reimburse the Scheme for the cost of this insurance premium.
- All administrative expenses are initially settled by Zurich Employment Services and then recharged to the Scheme on a quarterly basis. Amounts due to be settled at 30 June 2025 are disclosed in the current liabilities note above, as balances due to employer.
- On the 31 July 2014 the Scheme received a special contribution from the employer of £697m used to purchase an interest in Zurich (Scotland) Limited Partnership. The Scheme has received income of £60m per annum from Zurich (Scotland) Limited Partnership where the other partners are companies in the Zurich group including Zurich Employment Services Limited and Zurich UK General Services Limited.
- Zurich Insurance Company Limited and a number of subsidiaries held 53% and Zurich Financial Services UK Pension Scheme 47% of the participating shares in the M&G Managed European Loan Fund Limited. The Scheme held an investment of £222m (2024: £270m) as at 30 June 2025.
- Zurich Insurance Company Limited and a number of subsidiaries held 65% and Zurich Financial Services UK Pension Scheme 35% of the participating shares in the Middle Market Loan Fund managed by Ares Management Limited. The Scheme held an investment of £158m (2024: £158m) as at 30 June 2025.

Other than those items disclosed above and elsewhere in the financial statements, there were no other related party transactions.

All related party transactions were in accordance with the Trust Deed and Rules.

30. Employer related investments

The Trustee has taken legal advice that its interest in the SLP does not constitute an employer related investment.

The Scheme held 0.01% (2024: less than 0.01%) employer related investments at the year end. These were held indirectly in the Zurich Group through the pooled investment vehicles (ZCashBuilder passive funds – Z Growth, Z Cautious Growth, LGIM Future World 2 SW, LGIM FTSE4Good Developed Equity Index 2, BlackRock Corporate Bond All Stocks Index 2 SW and BlackRock World ex-UK Equity Index 2 SW).

Independent auditor's statement about contributions to the Trustee of the Zurich Financial Services UK Pension Scheme

We have examined the summary of contributions to the Zurich Financial Services UK Pension Scheme for the Scheme year ended 30 June 2025 which is set out in the summary of contributions section on page 69.

In our opinion contributions for the Scheme year ended 30 June 2025 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the Scheme actuary on 21 September 2023.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 69 have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedules of contributions.

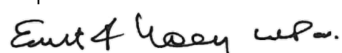
Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities on page 15, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, schedules of contributions and for monitoring whether contributions are made to the Scheme by the employers in accordance with the schedules of contributions.

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

Use of our statement

This statement is made solely to the Scheme's Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our work, for this statement, or the opinions we have formed.



Ernst & Young LLP

Statutory Auditor

Reading

Date 12 DECEMBER 2025

Summary of contributions payable during the year

During the year ended 30 June 2025, the contributions payable to the Scheme were as follows:

Amount in £'000	ZPen DB	ZPen DC	ESExec DB	2025 Total
Contributions required by the schedules of contributions				
Normal contributions	-	53,699	-	53,699
Group life premium	2,420	-	-	2,420
Other payments	5,000	-	-	5,000
Expense contributions	4,600	-	36	4,636
PPF Levy	92	-	-	92
	12,112	53,699	36	65,847
Other contributions				
Augmentations	342	-	-	342
Additional voluntary contributions	-	5,440	-	5,440
Total	12,454	59,139	36	71,629

The actuary's certificates confirming the adequacy of the latest contribution rate are shown on the following page.

The summary of contributions on this page was approved by the Trustee on 12 December 2025 and is signed on their behalf by:

Trustee director

Name: David Sims

Actuarial certification of Schedules of Contributions

Zurich Financial Services UK Pension Scheme

ZPen Section

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions


In my opinion, the contributions shown in this schedule are such that the statutory funding objective could have been expected, on 30 June 2022, to be met for the period for which the schedule is expected to be in force.

Consistent with Rule 77 of the Scheme's rules and Schedule 2 of Paragraph 9 of The Occupational Pension Schemes (Scheme Funding) Regulations 2005, I also certify that the rates of contribution shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 21 September 2023.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Signature 
Date 21-Sep-2023 | 17:07 BST
Name Martin Potter
Qualification Fellow of the Institute and Faculty of Actuaries
Name of Employer Hymans Robertson LLP
Address 1 Semple Street, Edinburgh, EH3 8BL

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Zurich Financial Services UK Pension Scheme

ES Executives' Section

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions


In my opinion, the contributions shown in this schedule are such that the statutory funding objective could have been expected, on 30 June 2022, to be met for the period for which the schedule is expected to be in force.

Consistent with Rule 77 of the Scheme's rules and Schedule 2 of Paragraph 9 of The Occupational Pension Schemes (Scheme Funding) Regulations 2005, I also certify that the rates of contribution shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 21 September 2023.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

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Implementation Statement – DB assets

12 December 2025

Background

This statement has been prepared by the Trustee of Zurich Financial Services UK Pension Scheme (“the Scheme”) to demonstrate how, and the extent to which, the policies relating to stewardship and engagement in the Scheme’s DB Statement of Investment Principles (“DB SIP”) have been implemented during the year ended 30 June 2025.

This document (the Statement) has been prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and will be included in the Scheme’s Report and Accounts and published on www.zpen.info.

The DB SIP in force during the Scheme year ended 30 June 2025 was prepared in accordance with all relevant legislation in-force at the date of the approvals. The DB SIP outlines the principles and policies governing investment decisions made by, or on behalf of the Trustee for the management of the DB assets and the Trustee’s policy for complying with Sections 35 and 36 of the Pensions Act 1995 and subsequent legislation.

Review of the DB SIP during the year

The Trustee did not review the SIP during the Scheme year ended 30 June 2025 and therefore the SIP has not changed during the year. The last review took place during the year ended 30 June 2024 when the Trustee agreed to adopt non-statutory guidance issued by the Department of Work and Pensions (DWP) to reflect both evolving best practice on stewardship and demonstrate greater ownership by the Trustee of its stewardship policy.

This Statement covers the policies included in the DB SIP during the Scheme year end to 30 June 2025.

How have the policies in the SIP been followed over the year?

In the opinion of the Trustee, the policies set out in the DB SIP have been adhered to throughout the year for the Scheme. The rest of this statement explains how and the extent to which these policies have been adhered to.

Policies for choosing and realising investments, and the kinds of investments to be held

The DB SIP outlines the Trustee’s principles and policies for choosing investments and the kind of investments to be held. In selecting investments, the Trustee obtains and considers written advice from a regulated investment adviser.

For both the ZPen and ES Executives’ Sections, this is fulfilled by identifying appropriate objectives which reflect the risk and return requirements and constructing a portfolio of investments to meet these objectives. In the Scheme year, the Trustee made a number of changes to the investment strategy:

ZPen Section

- *Interest rate and inflation hedging ratios:* In March 2025, the Trustee agreed to increase the hedging ratios from 95% to 100% for interest rates and from 90% to 95% for inflation. The strengthening of the hedging basis represented a further increase in the value of liabilities hedged by the Scheme and largely eliminates risks of adverse long term funding changes attributable to interest rates and inflation. The leverage position was broadly maintained through the transfer of cash to the Liability-Driven Investment (LDI) portfolio to be used as collateral, as per the Trustee’s agreed collateral buffer. The cash transfer was delivered through the regular Asset Allocation rebalancing activity and a small change in the Strategic Asset Allocation (SAA) with a reduction in the allocation to credit from 16.5% to 16%.

Equity Manager Changes

- Following a period of volatile performance in the equity portfolios the Trustee requested a detailed review of equity investment performance and subsequently initiated a Fund Manager search for the Global Emerging Market equity portfolio. The extensive selection exercise was guided by the Scheme investment analysts and considered a significant number of potential managers. Following a detailed assessment of the short-listed candidates, the Trustee selected Wellington Management International Ltd (Wellington) as the new asset manager for the Global Emerging Markets portfolio in November 2024.
- A manager on-boarding exercise was completed in the scheme year and the asset portfolio was transferred from Columbia Threadneedle Investments to Wellington on 28 May 2025.

Investment Strategy Refinements:

- The Trustee has previously agreed an allocation of 2.5% of the section's assets to infrastructure equity, with an intent to subscribe to approximately £125m of investments across two asset managers.
- The subscription agreement with Kohlberg Kravis Roberts (KKR) was approved and executed in the previous Scheme year, with a capital call for £62.5m met in full on 1 October 2024.
- The subscription agreement with J.P. Morgan (JPM) was approved and executed in the previous Scheme year, with the capital call for \$80m (£63.2m) met in full on 1 July 2024.
- In November 2024 the Trustee agreed a change to the investment guidelines operated by Insight for the LDI portfolio to deliver a small change in the collateral monitoring metrics which simplifies the process while retaining the agreed collateral buffer.
- In March 2025 the Trustee agreed a revised SAA with a reduced allocation to Credit moving from 16.5% to 16% and an increased allocation to Middle Market Loans moving from 2.5% to 3%. This change was delivered alongside the changes to the interest rate and inflation rate hedging changes set out above.

ES Executives' Section

Interest rate and inflation hedging ratios:

- In the previous scheme year, the Trustee agreed to adopt a formal LDI strategy for the ES Executives' Section ("Exec Section"), utilising advisory services and a range of funds delivered by Columbia Threadneedle Management Limited.
- The target hedging ratio for both interest rates and inflation moved from 90-100% on a gilts + 40bps basis to 100% on the section's technical provisions basis (gilts + 25bps).
- The new LDI strategy was implemented in November 2024.

Investment Strategy Refinements:

- As a result of relatively high Gilt yields, low credit spreads and positive interest rates on cash, and following a proposal from the Funding Committee, the Trustee agreed a reduction in credit allocation in March 2025.

A reduction in credit exposure from 35% to 20% was subsequently delivered in June 2025. As a consequence of this change the allocation to Liability-Driven Investments was increased by 6% to 55% to maintain the current hedging ratios.

No changes to the DB SIP were required due to these amendments. Formal advice was provided by regulated investment advisers confirming the suitability of the investments under Section 36 of the Pensions Act 1995.

The DB Investment Policy Implementation Document (IPID) was updated to reflect the amendments to the Strategic Asset Allocation (SAA) for both the ZPen and Exec sections.

Throughout the year, the asset managers had discretion in the timing of realisation of investments.

The asset allocation is reviewed for all arrangements on a quarterly basis via the Funding Committee. The DB assets are also referred to the Trustee board on a quarterly basis and are reviewed regularly by the ZPen team and the Trustee's investment analyst. Any re-balancing that takes place outside of the monthly outflows is reported to the Funding Committee and the Trustee board on a quarterly basis. The Trustee is comfortable that over the year the investments held were consistent with the policies set out in the DB SIP.

For more information on how the Scheme's investments are governed, please see the Report and Accounts at www.zpen.info.

Policies on managing and measuring risk, and expected returns

DB assets: ZPen & ES Executives' Sections

The Trustee's objectives are to:

- invest in assets of appropriate quality and liquidity which meet, together with contributions from the employers, the benefits the Scheme provides as and when they fall due, as set out in the Trust Deed and Rules and
- to manage the investment risk relative to the agreed levels to which the Trustee is prepared to expose the Scheme.

The Trustee believes by fulfilling its objectives and by adhering to the policies in the DB SIP it ensures that assets are invested in the best interests of members and their beneficiaries.

During the year, the Trustee monitored the return on assets on a quarterly basis. The SAA for the ZPen section was amended once during the Scheme year as per the summary on pages 71-72. Assets were monitored and re-balanced in line with the agreed policy, to the agreed SAA applicable at that point of the Scheme year. Where possible, re-balancing was delivered through monthly cashflows (for example, pensioner payroll) to reduce unnecessary transaction costs.

The Trustee sets target hedging ratios for interest rates and inflation in order to manage interest rate and inflation risk. The target hedging ratios were amended once for both the ZPen and the Exec Section during the Scheme year. Interest rates and inflation represent a market risk for the Scheme on an economic basis, and hedging reduces these risks. The revised investment guidelines to execute the new hedging targets for the ZPen Section were signed on 4 April 2025. The agreed hedging targets for the Exec Section were executed in November 2024.

The Trustee has an Integrated Risk Management (IRM) policy that it adheres to. Risk monitoring has been reported to the Trustee board via the Funding Committee on a quarterly basis. Any investment strategy decisions are taken in the context of the IRM, this includes the investment strategy refinements referred to in the previous section. The Trustee reviewed and approved a revised IRM policy in September 2025 following the final DB Funding Code of Practice being released.

Responsible Investment (RI) Strategy

As a long term investor, the Trustee has agreed that the Scheme should be an active responsible investor. The Trustee has agreed five responsible investment principles:

- We believe that incorporating ESG factors into investment decisions improves long term risk-adjusted returns
- We are an active owner – we vote proxies and engage, where appropriate
- We take a pragmatic approach to responsible investments – we focus on what matters most
- We note Zurich Group’s strategy and will leverage its global resources where it makes sense
- We will evolve our responsible investment approach over time – and acknowledge that we will never be done

The RI policy links to the DB SIP objectives in the following ways:

- Achieving long-term sustainable returns: Incorporating ESG factors into investment decisions aligns with the DB SIP objective of achieving long-term sustainable returns.
- Managing risks: Focusing on what matters most and leveraging Zurich Group’s global resources enhances the overall risk management framework.
- Stewardship and engagement: Active ownership and engagement align with the DB SIP objective of stewardship, leading to better long-term outcomes.
- Alignment with beneficiaries’ interests: The policy ensures that the investment strategy aligns with the values and interests of the beneficiaries.
- Continuous improvement: Acknowledging that the responsible investment approach will evolve over time aligns with the DB SIP objective of maintaining a dynamic and responsive investment strategy.

During the latest Scheme year the Trustee has continued its focus on climate change risks and opportunities as a result of the responsible investment (RI) strategy. The Trustee publishes a TCFD report on an annual basis, describing governance, strategy, metrics and targets and risk management of climate change risks and opportunities. The TCFD report is included in the Responsible Investment section of the Scheme’s website www.zpen.info/Library/Responsible-Investment. The Trustee continues to monitor the progress on its 25% weighted average carbon intensity (WACI) reduction target over 5 years for its equity and corporate bond portfolios. The five year target reduction period runs to 30 June 2026, the Trustee will work with the Group’s global RI team and engage with the external asset management teams to agree and monitor a new RI target for relevant Scheme assets.

Policies on the exercise of voting rights and undertaking engagement activities

The Trustee’s specific strategy on engagement is summarised below, together with its assessment of how, and the extent to which, this has been implemented over the Scheme year to 30 June 2025:

Policy & response

DB assets: ZPen & ES Executives' Sections

Selecting Managers

During the previous Scheme year, the Trustee agreed to carry out a search for a fund manager for the Global Emerging Market equity portfolio. The search considered a number of Managers and the assessment process included a full review of the Managers' responsible investment practices and consideration of ESG factors. Consequently, the Funding Committee approved the appointment of Wellington to manage the Global Emerging Markets equity portfolio. The Trustee is comfortable that Wellington has an integrated investment decision process that appropriately incorporates responsible investment practices and consideration of ESG factors.

Asset Restrictions

During the Scheme year, the Trustee continued to operate its restriction list with regard to companies exposed to coal and oil for directly held equities and bonds. The restriction list is updated on a quarterly basis and has been shared with the equity and bond asset managers. There were no exceptions noted to the restriction list during the Scheme year.

Following the Trustee setting a target for its equity and corporate bond portfolios to reduce its WACI by 25% over 5 years, the Trustee has continued working with its asset managers to progress a net zero ambition. The Trustee recognises its duty to manage climate change and other sustainability risks and therefore has set an ambition to actively tackle climate change as both a risk and an opportunity. The Trustee has an ambition for the Scheme to achieve net zero by 2050 or earlier. The net zero ambition covers the ZPen DB section assets and the Trustee's operations, more information is included in the Responsible Investment section of the Scheme's website www.zpen.info/library/responsible-investment

Additionally, as noted above, the Trustee will develop a new set of RI targets that are aligned with the net-zero ambition and draw on experience from the Zurich Group where a new set of five year carbon reduction targets have been put in place.

Voting & Stewardship

For the directly held securities, the Trustee delegated voting activities and decisions to CTI and Wellington (the Managers), the equities asset managers. The Trustee reviewed quarterly updates on voting statistics from the Managers during the Scheme year.

Taking into account the periodic reviews and the responses given to the questions raised during the annual responsible investment meeting, the Trustee is satisfied that the Managers' voting policies are aligned with its own guiding principles. The Managers vote actively at company meetings, applying principles on a pragmatic basis.

CTI views their voting approach as one of the most effective ways of signalling approval (or otherwise) of a firm's governance, management and strategy. CTI's RI team makes the final voting decisions in collaboration with the firm's portfolio managers and analysts. CTI's proxy voting dashboard can be found on the following website - <https://vds.issgovernance.com/vds/#/Mjc3NQ==>

The voting decisions made by CTI are available on their website seven days after each company meeting.

CTI's proxy voting policy can be found on the following website - <https://www.columbiathreadneedleus.com/binaries/content/assets/cti/public/1.-proxy-voting-policy.pdf>

Wellington's proxy voting policy, guidelines and voting decisions can be found on the following website - www.wellington.com/en/sustainability/reports-and-policies

The Trustee has set its Stewardship Themes for the DB assets:

- Climate and energy transition, this includes climate policies, net zero targets, climate litigation, carbon capture storage technologies, global summits, green hydrogen and nuclear
- Food and materials transition, this includes biodiversity, circular economy and sustainable food.
- Corporate governance, ensuring companies are well governed in order to manage the risks and challenges inherent in business.

The Trustee considers that stewardship is an important tool for managing risk and improving the financial outcomes of the Scheme. Recognising the broad scope of Responsible Investment, the Trustee has decided to focus its engagements on a few key Stewardship Themes. The selected themes are believed to increasingly shape the economic and investment landscape. As a result, reporting and engagement efforts are expected to continue concentrating on these areas. This is delivered through the following activities:

- Focused engagements and reporting on these themes to manage risk and improve financial outcomes.
- Received quarterly reports from asset managers including information on their responsible investment policies and actions.
- Asset managers present quarterly as part of the standard governance procedures, this includes responsible investment reporting
- Periodically asset managers are invited to present at the Funding Committee.
- Reviewed the significant votes cast by asset managers as part of the production of this statement and the current voting policy.
- Reviewed the performance of the asset managers on a quarterly basis, with a focus on the longer-term outcomes of the investments held.
- Monitored adherence to current policies in the area of stewardship and engagement.

The Trustee identified no material concerns during the year in relation to current policies in the area of stewardship and engagement.

Engagement

The Trustee continues to meet with its asset managers on a regular basis and RI remains a standing item for the majority of asset managers. RI is discussed less regularly with the Liability Driven Investment (LDI) manager, Insight, due to the limited scope of its investments (mainly Gilts). For more information about the meetings with asset managers, including examples of meetings which have taken place and matters that the Trustee has raised with asset managers, please see the below section entitled 'Engagement with Managers'.

Non-financial matters

The restriction list to exclude investment in the debt and equity of companies involved in the manufacture of UN-sanctioned weapons is updated on a quarterly basis and has been shared with the equity and bond asset managers quarterly. There were no exceptions noted to the restriction list during the Scheme year.

Member engagement

The Trustee maintained its position on soliciting member views on non-financial matters in their investment decision making.

The realisation of investments

The Trustee operates an investment re-balancing process which is set out in the DB IPID. The management of the re-balancing process is delegated to the ZPen Finance and Investment team. During the Scheme year there was a relatively high frequency of re-balancing activity due to the investment strategy changes that took place during the Scheme year. The key movements are consistent with the previous Scheme year with equity sales and, a number of transactions for the less liquid asset classes, including the M&G European Loan fund as this was overweight according to the agreed SAA. The Funding Committee were informed of any active re-balancing transactions as part of the standing investment management agenda item.

The expected return from investment and performance measurements

The Trustee continues to monitor the performance of the DB assets on a quarterly basis. The Funding Committee considers the performance of the assets and takes additional actions if necessary. During the Scheme year, an asset manager search was completed and, as noted above, Wellington was appointed and are now managing The Global Emerging Markets equity portfolio.

Turnover

The Trustee maintained its position of not setting specific targets on transaction costs. In the previous Scheme year The Trustee commissioned a report from an external provider to provide analysis of the DB asset's transaction costs and turnover for the Scheme year. The transaction cost report for the

Scheme year ended 30 June 2024 was reviewed by the Funding Committee in March 2025 with no further action required.

Durations

None of the agreements with the asset managers ceased during the Scheme year, the agreement with CTI was amended to reflect the transfer of management of the Global Emerging Market fund to Wellington.

Incentives

There were no material changes to the current fee arrangements during the Scheme year. In the Trustee's opinion all of the asset managers are incentivised to act in accordance with the Trustee's policies and in the best interest of the Scheme and its beneficiaries.

Engagement with Managers

The Trustee engages with the asset managers regularly. This includes engagements through the Funding Committee and meetings with Trustee and ZPen team representatives. The Trustee has found direct meetings with asset managers is the most effective ways to engage on responsible investment and voting records.

Annual Responsible Investment meetings – 24 June 2025 - 26 June 2025

The annual Responsible Investment meetings consisted of four attendees representing the Trustee. This included the nominated Trustee for responsible investment, the ZPen Finance and Investment Manager, Investment Governance Manager and the Trustee's Pension Investment Manager. The attendees were briefed ahead of each asset manager meeting with key information on each mandate in order to facilitate discussions.

The meetings all followed a similar format and were structured to discuss four main topics, these were:

- Responsible investment updates through 2024/2025 (including policy changes/personnel)
- Stewardship Themes
- An update of the Scheme's net zero ambition and the WACI reduction progress
- TCFD reporting, discussing requirements for the Scheme

The Scheme's requirements were discussed in respect of different asset classes and ways of measuring the Scheme's climate change risks and opportunities. All asset managers provided an update on any net zero targets, both for investments and operations, this information is helpful as the Trustee has an ambition to become net zero by 2050. Specific engagement examples and voting activities were also challenged with the respective asset managers. From each meeting conclusions were drawn and next steps determined to follow up on.

KKR presentation to the Funding Committee – 5 September 2024

Representatives from KKR presented at the Funding Committee, KKR presented on the following topics:

- Introduction to KKR
- Current Macro Environment
- What is Infrastructure?
- The Diversified Core Infrastructure Fund and Q2 2024 updates
- KKR Sustainable Investing Approach

The Funding Committee were satisfied with KKR's presentation and their responses to the questions it asked. The Funding Committee noted that KKR had provided an explanation of the redemption process and confirmed ongoing support for TCFD reporting disclosures.

JPM presentation to the Funding Committee – 3 March 2025

Representatives from JPM presented at the Funding Committee, the JPM team presented on the following topics:

- Introduction and Team
- Investment Strategy for the Fund

- Performance metrics
- Geographical presence and outlook

The Funding Committee were satisfied with JPM's presentation and their responses to the questions it asked.

Stewardship Policy

In September 2024 the Trustee agreed a new Stewardship Policy. The policy replaces the previous Proxy Voting Policy and broadens the focus to encompass both proxy voting and wider engagement with investee companies, hence identifying additional mechanisms for influencing the actions of those companies in which the Scheme has invested.

Exercise of voting rights

The Trustee operates a proxy voting approach, the approach operates with the following principles:

- The Trustee is ultimately responsible for exercising voting rights efficiently and in line with its mandate to generate superior risk-adjusted economic returns on the investments for the benefit of the Scheme's members. No consideration shall be given to an investee company's potential business relationships to Zurich outside of the Scheme.
- The safety of the underlying investment and obtaining the sustained generation of long-term economic return generated by the shares are the primary objectives in determining how votes are exercised. In the process, due attention shall be paid to the assessment of ESG issues.
- As a long-term investor, the Scheme does apply a longer-term focus and expects asset managers to vote in order to support the investee companies' strong and sustainable governance, as well as a long-term oriented strategy and its implementation. Long-term value creation is preferred over short-term gains.
- Voting rights for financial investments shall be exercised actively following clearly defined voting guidelines.
- However, where economic costs of exercising voting rights are not commensurate with expected benefits, voting may be refrained from.

As all of the Scheme's assets are externally managed, the Trustee reviews the asset manager's applicable proxy voting policies every three years or more frequently if there are any material changes. If these are in alignment with the guiding principles described above, the Trustee will delegate the authority to exercise voting rights to the asset managers. As discussed in the 'Policy and Response' section, the Trustee met with all of its asset managers during the Scheme year. RI topics continue to be a key area of focus.

The Scheme has two types of equity structures within the ZPen & ES Executives' sections.

- Segregated mandates in segregated custody accounts (DB)
- Pooled mandates in segregated custody accounts (DB)

In May 2024 the Trustee agreed to reduce equity exposure in the ES Executive section to zero. The following metrics present the voting statistics for the ZPen DB section of the Scheme.

For the ZPen DB Section the equity assets are managed by CTI and Wellington. There are approximately £0.9bn of equities held in total, the majority of these equities at the Scheme year end were held through segregated mandates, with a small element held via pooled equity funds.

The statistics set out below for CTI reflect the fact that CTI would have voted on behalf of the Trustee (through the segregated custody accounts) and as fund managers (through the pooled funds). The data for Wellington reflects voting in connection with the direct equity holdings in the Emerging Market portfolio.

The Trustee reviewed quarterly updates on voting statistics from CTI during the Scheme year and for the period since inception for Wellington. During the annual responsible investment meetings, key individual company voting records were challenged. All of the voting decisions are available on the Managers' websites, the relevant links are set out in the Policy and Response section above.

As discussed in the 'Policy and response' section, the Trustee is satisfied that the voting policies for CTI and Wellington are aligned with its own guiding principles.

CTI votes actively at company meetings, applying principles on a pragmatic basis. CTI views this as one of the most effective ways of signalling approval (or otherwise) of a firm's governance, management and strategy. CTI's RI team makes the final voting decisions in collaboration with the firm's portfolio managers and analysts.

Wellington have adopted voting policies and procedures it believes are reasonably designed to ensure that proxies are voted in the best interests of clients for which it exercises proxy voting discretion.

The CTI statistics are as follows:

- **Number of meeting eligible to vote: 389**
- **Number of resolutions eligible to vote: 5,409**
- **% of resolutions vote: 100**
- **Of the resolutions on which voted, % voted with management: 94.68**
- **Of the resolutions on which voted, % voted against management: 4.46**
- **Of the resolutions on which voted, % abstained from voting: 0.86**
- **Of the meetings in which voted, % with at least one vote against management: 32.9**
- **Votes relating to Environment: 0.3%, Social: 1.6%, Governance: 97.5%, Mix: 0.6%**

Wellington statistics are as follows:

- **Number of meeting eligible to vote: 27**
- **Number of resolutions eligible to vote: 318**
- **% of resolutions vote: 100**
- **Of the resolutions on which voted, % voted with management: 90.25**
- **Of the resolutions on which voted, % voted against management: 9.75**
- **Of the resolutions on which voted, % abstained from voting: 0**
- **Of the meetings in which voted, % with at least one vote against management: 55.56**

How significant votes align with the Trustee's stewardship priorities

The Trustee has identified a number of votes as most significant during the Scheme year. These were selected based on factors such as the potential impact of the vote on long-term value, size of the holding and alignment with the Trustee's Stewardship Themes.

For each significant vote, the Trustee considered how the vote outcome supported its Stewardship Themes. All significant votes identified in this Statement during the Scheme year relate to the Trustee's corporate governance Stewardship Theme, reflecting its focus on promoting strong governance practices, board independence, and alignment between executive remuneration and long-term shareholder value.

Significant votes

Company name	Equals Group Plc
Date of vote	8 January 2025
Approximate size of portfolio's holding as at the date of the vote (as % of portfolio)	0.04%
Summary of the resolution	Approve Matters Relating to the Recommended Cash Acquisition of Equals Group plc by Alakazam Holdings BidCo Limited
How you voted	Against

Rationale for the voting decision	The Asset Manager does not believe the offer reflects sufficient value for the takeover of the business.
Outcome of the vote	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Active stewardship (engagement and voting) continues to form an integral part of CTI's research and investment process.
On which criteria have you assessed this vote to be "significant"?	Vote against management

Company name	Diageo Plc
Date of vote	26 September 2024
Approximate size of portfolio's holding as at the date of the vote (as % of portfolio)	0.07%
Summary of the resolution	Approve Remuneration Report
How you voted	Against
Rationale for the voting decision	Vote AGAINST due to concerns with link between pay and performance.
Outcome of the vote	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Active stewardship (engagement and voting) continues to form an integral part of CTI's research and investment process.
On which criteria have you assessed this vote to be "significant"?	Vote against management

Company name	Asahi Intecc Co., Ltd.
Date of vote	26 September 2024
Approximate size of portfolio's holding as at the date of the vote (as % of portfolio)	0.27%
Summary of the resolution	Elect Director and Audit Committee Member Moriguchi, Shigeki
How you voted	Against
Rationale for the voting decision	The board should establish one-third board independence to ensure appropriate balance of independence and objectivity. The audit committee should be at least three-fourths independent and companies should strive to make them fully independent.
Outcome of the vote	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Active stewardship (engagement and voting) continues to form an integral part of CTI's research and investment process.

On which criteria have you assessed this vote to be "significant"?	Vote against management
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Company name	Compagnie Financiere Richemont SA
Date of vote	11 September 2024
Approximate size of portfolio's holding as at the date of the vote (as % of portfolio)	0.24%
Summary of the resolution	Reelect Anton Rupert as Director
How you voted	Against
Rationale for the voting decision	The Asset Manager opposes dual class structures with impaired or enhanced voting rights. The company should amend its structure to allow for equal voting rights among shareholders.
Outcome of the vote	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Active stewardship (engagement and voting) continues to form an integral part of CTI's research and investment process.
On which criteria have you assessed this vote to be "significant"?	Vote against management

Implementation Statement – DC assets

12 December 2025

1. Background

This Statement has been prepared by the Trustee of the Zurich Financial Services UK Pension Scheme (“the Scheme”) to demonstrate how, and the extent to which, the policies relating to stewardship and engagement in the Scheme’s DC Statement of Investment Principles (“DC SIP”) have been implemented in the year ending 30 June 2025.

The document has been prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and will be included in the Scheme’s Report and Accounts and published on www.zpen.info

The DC SIP in force during the Scheme year ended 30 June 2025 was prepared in accordance with all relevant legislation in force at the date of the approvals. The DC SIP outlines the principles and policies governing investment decisions made by, or on behalf of the Trustee for the management of the DC assets and the Trustee’s policy for complying with Sections 35 and 36 of the pensions Act 1995 and subsequent legislation.

This Statement covers the policies included in the latest DC SIP which was agreed by the Trustee on 27 September 2023.

How have the policies in the SIP been followed over the year?

In the opinion of the Trustee, the policies set out in the DC SIP have been adhered to throughout the year for the Scheme. The rest of this Statement explains how and the extent to which these policies have been adhered to.

2.1 Investment aims and objectives for the default arrangements

The Trustee has agreed the following investment objectives for the Scheme’s DC default arrangements where members have not instructed their contributions to be invested elsewhere:

To provide a good value lifestyle strategy which:

- *Is expected to be suitable for the majority of members who do not wish to make an active choice; and*
- *Aims to protect members against volatility in the approach to retirement.*

To meet these aims and objectives the Trustee has established the following default options:

1. A lifestyle strategy for DC only members which targets 75% drawdown and 25% cash at retirement; and
2. A lifestyle strategy for members with both DB and DC benefits which targets cash at retirement.

There were no changes to the default arrangements during the year.

To meet its policies for the default investment arrangements on:

- Expected levels of investment returns;
- The kind of investments held; and
- The balance between different kinds of investments, the Trustee:
 - Continues to use lifestyle strategies as the default arrangements which
 - Have a higher level of investment risk and expected return in the growth stage of the lifestyle strategies;
 - Starts to reduce the level of investment risk and expected return by moving into less risky assets over the period 5 – 10 years from retirement; and

- Uses passively managed pooled funds to reduce the fund charges paid by members.
- Uses a fund structure which allows it to make changes to the underlying funds, if required, with minimum disruption; and
- Is invested in pooled funds which offer daily dealing funds as far as possible to enable members to readily realise and change their investments.

Investment review

The default strategy and the performance of the default arrangement are reviewed at least every three years. The latest comprehensive review was carried out by the DC Committee during 2023, working with the Trustee's DC investment adviser, and ratified by the Trustee at its meeting on 21 December 2023.

Following this review, the following changes were made in May 2024:

- Z Growth Fund is now 100% invested in a low carbon global equity fund with a net zero target, and hedges 50% of its currency exposure.
- Z Cautious Growth Fund is invested:
 - 55% in the low carbon global equity fund used in Z Growth Fund
 - 45% in an actively managed global bond fund which includes carbon targets and a commitment to net zero.

No changes were made to the default arrangements during the Scheme year end to 30 June 2025.

2.2 Investment aims and objectives for the investment options outside the default arrangements

The Trustee has agreed the following investment objectives for the Scheme's DC fund choices:

- To provide a range of funds and lifestyle strategies with the aim of helping members invest their savings appropriately according to their own beliefs and requirements.
- To ensure the investment strategy structure and design is based on the membership profile, where practical to do so.
- To provide a range of lifestyle strategies which:
 1. are designed to generate real growth whilst members are some years from retirement;
 2. in the period approaching retirement aim to protect the value of members' retirement income as well as protecting members from volatility; and
 3. are aligned to how members are able to take their benefits and consistent with the pension flexibilities enabled by the 'freedom and choice' regulations.
- To provide a range of alternative investment options which:
 1. recognises that members have different needs and objectives;
 2. enables members to invest in funds which provide real growth over the long term;
 3. are appropriate for members' attitude to risk and proximity to retirement as members' investment needs and risk appetite change;
 4. caters for the needs of certain groups within the membership that have ethical or religious beliefs or want to invest more responsibly; and
 5. offers members a choice between active and passively managed funds.

To meet these aims and objectives the Trustee offers the following options:

- 3 lifestyle strategies which:
 - target the 3 options at retirement: drawdown, annuity purchase and cash.

- use a climate focussed global equity fund in the growth phase (Z Growth Fund) with the aim of generating growth whilst members are some time from retirement.
- start switching to a lower risk fund 10 years from the target retirement age. This fund (Z Cautious Growth Fund) contains a mix of climate focussed global equities and bonds with the aim of continuing to provide some growth whilst also offering some protection from market volatility.
- have an allocation of 25% cash at retirement to reflect the expectation members will take 25% of their benefits as the tax-free cash sum.
- a range of 13 investment funds which:
 - covers a range of asset classes and risk profiles to meet differing member needs and objectives over time.
 - includes funds catering for members' religious or ethical beliefs and a fund that gradually moves its investments to firms with a lower carbon footprint.
- has a range of funds aiming to provide longer term growth including equity, property and mixed asset funds.
- includes access to both active and passively managed funds.

The Trustee reviews the self-select fund range at least every three years. The latest comprehensive review was carried out by the DC Committee during 2023, working with the Trustee's DC investment adviser, and ratified by the Trustee at its meeting on 21 December 2023 with:

- The introduction of a low carbon fund in Z Growth Fund, the self-select fund range included a number of responsible investment equity funds.
- The LGIM FTSE4Good Developed Equity Index being closed to new contributors from May 2024. Members already contributing to this fund can continue doing so. This was to simplify the member choice.
- In September 2025 a global equity fund which uses carbon credits to offset its carbon footprint was added to the self-select fund.

No changes were made to the self-select funds during the Scheme year end to 30 June 2025.

2.3 How have other policies been met over the year?

Policies on choosing and realising investments, the kind of investments to be held and the balance between different kinds of investments.

The DC SIP outlines the Trustee's principles and policies for choosing investments and the kind of investments to be held. In selecting investments, the Trustee obtains and considers written advice from a regulated investment adviser.

The Trustee completed its most recent performance and strategy review of the DC default arrangements in December 2023. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

To meet its policies for the investment options outside default investment arrangements the Trustee:

- Continues to invest in pooled funds which offer daily dealing funds as far as possible to enable members to readily realise and change their investments.
- Offers a range of investment funds to members covering different asset classes to meet differing risk requirements.

Policies on managing risk and expected returns

During the year the Trustee monitored the return on assets on a quarterly basis.

The DC SIP outlines the key risks considered by the Trustee and the steps taken by the Trustee to mitigate each risk. The Trustee has put in place a structure both to monitor these risks and take action to mitigate them when it believes it is appropriate to do so. It is not possible to mitigate all of the risks at the same time, so members are encouraged to consider the risks that are most relevant to them and to invest to mitigate those risks. Risks are monitored on an ongoing basis with the help of the Trustee's DC investment adviser and the Trustee maintains a risk register, which is discussed regularly.

Further actions the Trustee is taking to meet its policies are:

- uses a range of pooled funds which:
 - are mainly passively managed to reduce the risk of under-performance relative to stated benchmarks.
 - cover different asset classes to allow members to diversify risks. In particular, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce positive real returns over the longer term.
 - include currency hedging in the global equity fund to reduce currency risk.
- uses Scottish Widows as its platform provider. Scottish Widows is regulated by the Financial Conduct Authority and Prudential Regulation Authority and has to maintain adequate financial resources to ensure it can meet its liabilities as they fall due. At its meeting on 26 November 2024, the DC Committee received a paper from its DC advisers providing a high level review of the Scottish Widows Investment Only platform, noting that there are significant assets under management on the platform and Scottish Widows has demonstrated a clear commitment to the investment only business. The Committee noted its adviser's positive view of Scottish Widows as platform provider.
- offers lifestyle strategies targeted at each of the 3 main benefit income_options available to members at retirement.
- uses fund structures in the lifestyle strategies, including the two default arrangements, which enable the Trustee to make changes to the underlying funds with the minimum disruption, should the need arise.
- receives quarterly updates on the fund performance.
- has confirmed with Scottish Widows that it has floating charges in place with all the investment managers it uses.

Policy on responsible investment (RI)

As a long-term investor, the Trustee has agreed that the Scheme should be an active responsible investor. The Trustee has agreed four responsible investment principles:

- We believe that incorporating ESG factors into investment decisions improves long term risk-adjusted returns.
- We take a pragmatic approach to responsible investments – we focus on what matters most.
- We note Zurich Group's strategy and will leverage its global resources where it makes sense.
- We will evolve our responsible investment approach over time – and acknowledge that we will never be done.

The Trustee continued its focus on responsible investment in the Scheme Year:

The Trustee publishes a TCFD report on an annual basis, describing governance, strategy, metrics and targets and risk management of climate change risks and opportunities. The TCFD report is included in the Responsible Investment section of the Scheme's website [Responsible investment | Library | ZPen](#)

At the meeting on 25 February 2025, the DC Committee received a paper from its advisers, setting out the responses from ZCashBuilder's fund managers to its responsible investment survey and noted that:

- Both LGIM and Wellington, who are fund managers for the default strategies, had amber ratings however the reasons for these were known and the adviser is engaging with the fund manager. These were therefore not considered to be of concern to the Trustee.
- The responsible investment 'scores' for the passive funds used in ZCashBuilder had decreased. This was a result of a change in the way funds are scored; because passive funds are tracking an index they are not able to integrate ESG factors into their decision making, or manage climate risks, in the same way as actively managed funds.
- The responsible investment scores for the funds used in the default lifestyle strategies were noted to be above average compared to other funds.
- According to the survey, only 56% of managers with a net zero target say they are on track to achieve it. Factors influencing this include some managers having interim targets to help them assess progress, other schemes being invested in funds which do not have a net-zero target where the fund managers need to encourage these clients to move to another fund as part of their move towards net zero.

The Trustee publishes a TCFD report on an annual basis, describing governance, strategy, metrics and targets and risk management of climate change risks and opportunities. The TCFD report can be found in the Library on the Scheme Website www.zpen.info.

Selecting managers: the Trustee considered responsible investment as part of its investment review in 2023, including how to incorporate it into the default arrangements and investments options available outside the default arrangements. The outcome of this was that:

- the Trustee took into account the way Legal & General Investment Management (LGIM) engages in stewardship activities and uses its size to engage with companies and influence them in its selection of a number of funds invested with LGIM. This includes funds used within both the default arrangements and the other investment options.
- the Trustee took into account the way Wellington has a dedicated ESG research team and explicitly incorporates ESG factors into its fundamental credit research alongside incorporating material environmental and social factors into its risk analysis.

Financially material considerations: the Trustee recognises that in using pooled funds it has delegated consideration of stock-specific issues to the fund manager and that the choice of benchmark dictates the assets held by the investment manager who therefore has limited freedom to take account of ESG factors that may be deemed to be financially material. The Trustee:

- is aware of the risks of climate change and aims to understand the potential impact that climate risk factors may have on future investment returns.
- is supported by a Responsible Investment Champion who has access to resources and the global Zurich network of expertise.
- has nominated a responsible investment Trustee director who also sits on the DC Committee.
- agreed a DC Climate Change policy in June 2021. There has been no change to this policy over the year.

Engaging with managers: Because the Trustee uses Scottish Widows as a platform provider, the Trustee does not have a direct relationship with the DC fund managers; that relationship is held by Scottish Widows. For this reason, the Trustee has written to Scottish Widows to set out the Trustee's stewardship themes and expectations in relation to responsible investment, including in respect of those themes.

The Trustee has found that direct meetings with Scottish Widows are the most effective way to engage on responsible investment and voting records, and the provision of data required for the TCFD report.

Meeting with LGIM

Representatives from LGIM met with representatives from the Trustee and DC Committee on 24 June 2025 and presented on how LGIM carries out its engagement and stewardship responsibilities including:

- Meeting its net-zero target: LGIM are committed to reaching net zero by 2050 on the Asset Management business and has set an interim target of 70% of eligible assets by 2030.
- LGIM have three pillars supporting its net zero strategy: Invest, Influence and Operate.
- LGIM's Climate Impact Pledge and how LGIM uses quantitative data analysis to establish which companies are meeting LGIM's minimum expectations. LGIM gave some examples of how it believes its engagement with companies had led to action and improvement.

The Trustee representatives and DC Committee members were satisfied with LGIM's presentation and noted that LGIM was clearly committed to fulfilling its engagement and stewardship responsibilities.

Policy on asset managers

To meet its policies the Trustee:

- is invested in pooled funds which offer daily dealing funds as far as possible to enable members to readily realise and change their investments.
- receives quarterly reports on fund performance, including updates from its investment adviser on any issues with individual funds or fund managers.
- recognises that in using passively managed pooled funds, the amount held in each fund is dictated by the index and the manager has limited freedom to minimise transaction costs and turnover of assets within each fund.
- receives and monitors transaction cost information on all funds with DC assets, including legacy AVC funds. This information is reported in the Chair's Statement.
- does not have an arrangement with the fund managers to provide incentives because the charges are met by the members through the Annual Management Charge.

The Trustee carried out an annual Value for Members assessment in September 2025 for the Scheme Year to 30 June 2025 to ensure the funds continue to provide members with good value for the charges paid. This analysis assessed a range of factors, including the fees payable to managers in respect of the DC Section, which were found to be reasonable when compared against schemes with similar sizes mandates. The outcome of the value for members assessment was that the Scheme provides good value for members. Further detail is reported in the Chair's Statement.

The fund managers within the default strategies were appointed in 2024 following the investment review which took place in 2023. As the Trustee uses pooled funds it has not set portfolio turnover targets for its managers.

Voting, stewardship and engagement

The Trustee aims to be a responsible steward of the DC assets and believes stewardship includes:

- The selection and appointment of asset managers that invest on behalf of the Trustee.
 - The Trustee took into account the way LGIM engages in stewardship activities and uses its size to engage with companies and influence them as part of its decision to select LGIM as a fund manager for the Z Growth Fund. LGIM produces a quarterly ESG Impact Report which details its key activities over the period including engagement campaigns, key votes and work with policy makers.
- Asset allocation
 - The Trustee recognises that in using pooled funds it has delegated consideration of stock-specific issues to the fund manager.
- Voting and engagement across all asset classes.

- The DC assets are all in pooled funds, so the Trustee has adopted a policy of delegating voting decisions and engagement with companies to the fund managers, who are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.
- The Trustee reviews engagement activity undertaken by the fund managers as part of its broader monitoring activity.
- The Trustee is engaged with its platform provider Scottish Widows as they own the primary relationship with the asset managers.

Stewardship Themes

The Trustee considers that stewardship is an important tool for managing risk and improving the financial outcomes of the Scheme. Recognising the broad scope of Responsible Investment, the Trustee has decided to focus its engagements on a few key stewardship themes.

- Climate Change - the Trustee believes climate change to be a source of financial risk that could have a material impact on member outcomes over the short-, medium-, and long-term as a result of the impact of the physical and transition risks on markets and, therefore, investors.
- Diversity, Equality and Inclusion (DEI) - the Trustee believes that companies that are diverse and inclusive deliver better financial performance than firms with poor DEI practices, due to their ability to make better decisions, identify risks and opportunities more effectively, and their ability to appeal to a wider customer base.
- Corporate Transparency - the extent to which a company provides open and accessible information about its activities and decision-making processes to its stakeholders, including shareholders, employees, customers, suppliers, and the wider community.

The selected themes are believed to increasingly shape the economic and investment landscape. As a result, reporting and engagement efforts are expected to continue concentrating on these areas. This is delivered through the following activities:

- The DC Committee receives an annual report on the significant votes cast by the fund managers. These votes are reviewed as part of the production of this statement.
- Periodically, fund managers are invited to present at the DC Committee.
- The DC Committee received a report from the investment advisers on how its fund managers responded to the Responsible Investment Survey 2024.

The Trustee identified no material concerns during the year in relation to current policies in the area of stewardship and engagement.

Member engagement: The DC Committee includes company representatives who are able to collate and present member feedback.

- Caroline Taylor continues to attend the DC Committee meetings; Caroline is the National Secretary of Community and sits on the Employee Consultation Board.
- A member of the Pensions Support team (part of the ZPen team) attends each DC Committee meeting and feeds back member views collated during webinars and other contact with members.
- As part of the DC investment review, the Trustee acknowledged that members have differing views on responsible investment and decided to offer a range of global equity funds so members who wish to can select the fund which best reflects their views on responsible investment. These funds are:
 - Z Growth Fund: a global equity fund which targets net zero emissions by 2050.
 - LGIM Future World Fund: favours companies which are less carbon intensive or which earn green revenues. The fund excludes companies in controversial weapons and pure coal as well as those that haven't signed up to LGIM's Climate Impact Pledge. It can also choose to exclude companies that fail to meet LGIM's standard on low carbon transition and corporate governance standards.
 - LGIM FTSE4Good Developed Equity Index: seeks to invest in global companies that demonstrate sustainability practices, but excludes firms in tobacco, weapons systems, components for controversial weapons and coal companies.

3. Stewardship: engagement and exercise of voting rights

Engagement

For the period 1 July 2024– 30 June 2025: Z Growth Fund was invested in the LGIM Low Carbon Transition Global Equity Fund. During this period:

- 1399 engagement activities were undertaken with 966 companies, including conference calls, face to face meetings and in writing.
- 941 (67%) of these activities were on Environmental issues of which 726 related to climate change.
- 117 (8%) of these activities were on Governance issues of which 64 related to remuneration.
- 317 (23%) of these activities were on Social issues of which 36 related to Diversity
- 24 (2%) of these activities were on other issues including Strategy and Company Disclosures.

Voting rights

The Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee does not direct how individual votes are exercised and the Trustee itself has not used proxy voting services over the year. The funds which include equities are set out in the tables below:

LGIM	Fund	% of fund assets	% ZCashBuilder assets (@ 30 June 2025)	Further information links:
Z Growth Fund & Z Cautious Growth Fund	1 July 2024 – 30 June 2025: LGIM Low Carbon Transition Global Equity Fund	100% Z Growth Fund	72.60%	ZGF ZCGF
		55% Z Cautious Growth Fund	7.44%	
LGIM FTSE4Good Developed Equity Index	LGIM FTSE4Good Developed Equity Index	100%	1.03%	FTSE4Good
LGIM Future World	LGIM Future World	100%	0.24%	Future World
TOTAL			81.31%	

BlackRock	Fund	% of fund assets	% ZCashBuilder assets (@ 30 June 2025)	Further information links:
BlackRock World ex-UK Equity Index Fund	BlackRock ACS World ex-UK Equity Tracker	100%	3.84%	ex UK Equity
BlackRock UK Equity Index Fund	BlackRock ACS UK Equity Tracker	100%	1.16%	UK Equity
TOTAL			5.00%	

Other fund managers	Fund	% of fund assets	% ZCashBuilder assets (@ 30 June 2025)	Further information links:
HSBC Islamic Fund	HSBC Islamic Global Equity Index Fund	100%	1.11%	HSBC Islamic Fund
SW Managed Fund	SW Managed Fund	100%	0.79%	SW Managed Fund
TOTAL			1.90%	

How significant votes align with the Trustee's stewardship priorities

The Trustee has identified a number of votes as most significant during the Scheme year. These were selected based on factors such as the potential impact of the vote on long-term value, size of the holding and alignment with the Trustee's Stewardship Themes.

For each significant vote, the Trustee considered how the vote outcome supported its Stewardship Themes. All significant votes identified in this Statement during the Scheme year relate to the Trustee's corporate governance Stewardship Theme, reflecting its focus on promoting strong governance practices, board independence, and alignment between executive remuneration and long-term shareholder value.

LGIM Low Carbon Transition Global Equity Index

Manager name: Legal and General Investment Management	
ZCashBuilder fund name: Z Growth Fund and 55% of Z Cautious Growth Fund	
Total size of fund as at 30 June 2025	£1,137,008,459
Value of ZCashBuilder assets at 30 June 2025 invested in this fund	Z Growth Fund: £535,152,076 Z Cautious Growth Fund: £54,856,963 Total: £590,009,039 80.31% of ZCashBuilder assets
Number of equity holdings as at 30 June 2025	2734
Number of meetings eligible to vote	4632
Number of resolutions eligible to vote	46,563
% of resolutions voted	99.94%
Of the resolutions on which voted, % voted with management	80.12%
Of the resolutions on which voted, % voted against management	18.55%
Of the resolutions on which voted, % abstained from voting	1.33%
Of the meetings in which the manager voted, % with at least one vote against management	59.17%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	10.98%

	Vote 1	Vote 2
Company	Meta Platforms, Inc.	Alphabet Inc
Date of vote	28/05/2025	06/06/2025
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.62	1.25
Summary of the resolution	Resolution 1.1: Elect Director Peggy Alford	Resolution 1d: Elect Director John L Hennessy
How you voted	Against	Against
Where you voted against management, did you communicate your intent	L&G's Asset Management business publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our	

to the company ahead of the vote?	policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	
Rationale for the voting decision	<p>Diversity: A vote against is applied as LGIM expects a company to have at least one-third of women on the board. Lead Independent Director - Accountability: A vote against is applied as LGIM expects companies to elect an independent lead director where there is a combined Board Chair and CEO.</p> <p>Remuneration/Nomination/Governance Committee - Accountability: WITHHOLD votes are further warranted for Peggy Alford in her capacity as chair of the compensation, nominating, & governance committee due to consecutive years of high director pay without reasonable rationale disclosed.</p>	<p>Board balance - Independence: A vote against is applied to the (re-)election of a non-independent director due to lack of independence on the board. Independence: A vote against is applied as LGIM expects the Chair of the Nominations/Governance Committee to have served on the board for no more than 12 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. Diversity: A vote against is applied as LGIM expects a company to have at least one-third of women on the board. Independence: A vote against is applied as LGIM expects the Chair of the Board to have served on the board for no more than 12 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. Independence - Board balance: A vote against is applied because the board does not comprise of a majority of independent directors. Shareholder rights: A vote against is applied because LGIM supports the equitable structure of one-share-one-vote. We expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure.</p>
Outcome of the vote	N/A	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G's Asset Management business will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	
On which criteria has this vote been assessed as "most significant"?	Thematic - Diversity: L&G's Asset Management business views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	Thematic - Diversity: L&G's Asset Management business views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

LGIM FTSE4Good Developed Equity Index**Manager name: Legal and General Investment Management****ZCashBuilder fund name: LGIM FTSE4Good Developed Equity Index**

Total size of fund as at 30 June 2025	£1,304,507,734
Value of ZCashBuilder assets at 30 June 2025 invested in this fund	£7,595,666 1.03% of ZCashBuilder assets
Number of equity holdings as at 30 June 2025	1134
Number of meetings eligible to vote	1190
Number of resolutions eligible to vote	16,893
% of resolutions voted	99.88%
Of the resolutions on which voted, % voted with management	81.96%
Of the resolutions on which voted, % voted against management	17.74%
Of the resolutions on which voted, % abstained from voting	0.30%
Of the meetings in which the manager voted, % with at least one vote against management	72.86%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	13.82%

	Vote 1	Vote 2
Company	Mastercard Incorporated	Johnson and Johnson
Date of vote	24/06/2025	24/04/2025
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.025	0.91
Summary of the resolution	Resolution 7: Oversee and Report on a Racial Equity Audit	Resolution 1d: Elect Director Joaquin Duato
How you voted	For	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G's Asset Management business publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	
Rationale for the voting decision	Shareholder Resolution Diversity: A vote in favour is applied as we support such information and risk management approach to Diversity.	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
Outcome of the vote	Fail (11.5%)	N/A

Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G's Asset Management business will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	
On which criteria has this vote been assessed as "most significant" ?	Thematic - Diversity: L&G's Asset Management business views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	Thematic - Board Leadership: L&G's Asset Management business considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.

LGIM Future World Fund

Manager name: Legal and General Investment Management

ZCashBuilder fund name: LGIM Future World

Total size of fund as at 30 June 2025	£8,381,932,355
Value of ZCashBuilder assets at 30 June 2025 invested in this fund	£1,787,689 0.24% of ZCashBuilder assets
Number of equity holdings as at 30 June 2025	1,308
Number of meetings eligible to vote	1,660
Number of resolutions eligible to vote	21,134
% of resolutions voted	99.91%
Of the resolutions on which voted, % voted with management	79.89%
Of the resolutions on which voted, % voted against management	19.81%
Of the resolutions on which voted, % abstained from voting	0.30%
Of the meetings in which the manager voted, % with at least one vote against management	68.80%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	16.05%

	Vote 1	Vote 2
Company	Moody's Corporation	International Business Machines
Date of vote	15/04/2025	29/04/2025
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.46	0.75
Summary of the resolution	Resolution 1g: Elect Director Lislie F Seidman	Resolution 1g: Elect Director Andrew N Liveris

How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	L&G's Asset Management business publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	
Rationale for the voting decision	Diversity: A vote against is applied as LGIM expects a company to have at least one third of women on the board.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third of women on the board. Independence: A vote against is applied as LGIM expects the Chair of the Nominations/Governance Committee to have served on the board for no more than 12 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.
Outcome of the vote	Pass (86.8)	N/A
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	L&G's Asset Management business will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	
On which criteria has this vote been assessed as "most significant"?	Thematic - Diversity: L&G's Asset Management business views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	Thematic - Diversity: L&G's Asset Management business views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

BlackRock World ex-UK Equity Tracker Fund

Manager name: BlackRock

ZCashBuilder fund name: BlackRock World ex-UK Equity Index

Total size of fund as at 30 June 2025	£8,874,158,795
Value of ZCashBuilder assets at 30 June 2025 invested in this fund	£28,269,554 3.84% of ZCashBuilder assets
Number of equity holdings as at 30 June 2025	1,713
Number of meetings eligible to vote	22,994
Number of resolutions eligible to vote	22,693
% of resolutions voted	98.69%
Of the resolutions on which voted, % voted with management	21,490
Of the resolutions on which voted, % voted against management	1,204

Of the resolutions on which voted, % abstained from voting	112
Of the meetings in which the manager voted, % with at least one vote against management	494
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.

	Vote 1	Vote 2
Company	Costco Wholesale Corporation	MacDonald's Corporation
Date of vote	23/01/2025	20/05/2025
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Information not available	
Summary of the resolution	Report on risks of Maintaining Diversity, Equity and Inclusion Efforts	Disclose an assessment of current climate transition plans
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. It publishes its voting guidelines to help companies understand its thinking on key governance matters that are commonly put to shareholder vote.	
Rationale for the voting decision	The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.	The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.
Outcome of the vote	Not provided	Not provided
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock's approach to corporate governance and stewardship is explained in its Global Principles, which describes its philosophy on stewardship, including how it monitors and engages with companies. The high-level principles are the framework for its more detailed approach.	
On which criteria has this vote been assessed as "most significant"?	Not provided	

BlackRock UK Equity Tracker Fund

Manager name: BlackRock

ZCashBuilder fund name: BlackRock UK Equity Index

Total size of fund as at 30 June 2025	£7,238,937,927
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Value of ZCashBuilder assets at 30 June 2025 invested in this fund	£8,543,519 1.16% of ZCashBuilder assets
Number of equity holdings as at 30 June 2025	375
Number of meetings eligible to vote	6195
Number of resolutions eligible to vote	5904
% of resolutions voted	95.30%
Of the resolutions on which voted, % voted with management	5634
Of the resolutions on which voted, % voted against management	270
Of the resolutions on which voted, % abstained from voting	143
Of the meetings in which the manager voted, % with at least one vote against management	120
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, it works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform its voting decision.

	Vote 1	Vote 2
Company	National Grid Plc	Rio Tinto Plc
Date of vote	07/10/2024	04/03/2025
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Information not available	
Summary of the resolution	Approve Climate Transition Plan	Approve Climate Action Plan
How you voted	Voted For	Voted For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock endeavours to communicate to companies when it intends to vote against management, either before or just after casting votes in advance of the shareholder meeting. It publishes its voting guidelines to help companies understand its thinking on key governance matters that are commonly put to shareholder vote.	
Rationale for the voting decision	Not provided	Not provided
Outcome of the vote	Not provided	Not provided
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock's approach to corporate governance and stewardship is explained in its Global Principles, which describes its philosophy on stewardship, including how it monitors and engages with companies. The high-level principles are the framework for its more detailed approach.	

On which criteria has this vote been assessed as "most significant" ?	Not provided	Not provided
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HSBC Islamic Global Equity Index Fund

Manager name: HSBC	
ZCashBuilder fund name: HSBC Islamic	
Total size of fund as at 31 March 2025	\$ 2,382,205,725
Value of ZCashBuilder assets at 30 June 2025 invested in this fund	£8,188,506 1.11% of ZCashBuilder assets
Number of equity holdings as at 30 June 2025	100
Number of meetings eligible to vote	103
Number of resolutions eligible to vote	1,610
% of resolutions voted	97% (1,566 proposals)
Of the resolutions on which voted, % voted with management	83% (1,304 proposals)
Of the resolutions on which voted, % voted against management	16% (262 proposals)
Of the resolutions on which voted, % abstained from voting	0% (2 proposals)
Of the meetings in which the manager voted, % with at least one vote against management	75% (78 meetings)
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	1% (23 proposals)

	Vote 1	Vote 2
Company	NVIDIA Corporation	Microsoft Corporation
Date of vote	25/06/2025	10/12/2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	8.73%	8.30%
Summary of the resolution	Enhance Workforce Data Reporting	Report on Risks of Using Artificial Intelligence and Machine Learning Tools for Oil and Gas Development and Production
How you voted	Voted For	Voted For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No
Rationale for the voting decision	We believe that the proposal would enhance accountability to shareholders.	We believe that the proposal would contribute to the better management of the relevant issues.

Outcome of the vote	The Shareholders resolution was rejected.	The Shareholders resolution was rejected.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We will likely vote for a similar proposal.	We will likely vote for a similar proposal.
On which criteria has this vote been assessed as "most significant"?	The company has a significant weight in the portfolio and we voted against management.	The company has a significant weight in the portfolio and we voted against management.

Scottish Widows Managed Fund

Manager name: Schroders

ZCashBuilder fund name: Managed

Total size of fund as at 30 June 2025	Information not provided
Value of ZCashBuilder assets at 30 June 2025 invested in this fund	£5,813,209 0.8% of ZCashBuilder assets.
Number of equity holdings as at 30 June 2025	Information not provided
Number of meetings eligible to vote	Information not provided
Number of resolutions eligible to vote	Information not provided
% of resolutions voted	Information not provided
Of the resolutions on which voted, % voted with management	Information not provided
Of the resolutions on which voted, % voted against management	Information not provided
Of the resolutions on which voted, % abstained from voting	Information not provided
Of the meetings in which the manager voted, % with at least one vote against management	Information not provided
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	Information not provided

No information was provided on engagement or voting for the Scottish Widows Managed Fund.

Description of voting process

LGIM

Information on LGIM's investment stewardship policies and activities can be found here: [Investment stewardship & governance | L&G](#)

BlackRock

Information on BlackRock's Investment Stewardship Principles can be found here: [BlackRock Global Engagement and Voting Guidelines](#)