

Registered number: 12007217

**THE BRUSH GROUP (2013) PENSION SCHEME  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2021**

# THE BRUSH GROUP (2013) PENSION SCHEME

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# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE AND ITS ADVISERS YEAR ENDED 31 DECEMBER 2021

<b>Trustee</b>	Brush Scheme Trustees Limited
<b>Company Appointed Directors</b>	G Barnes (resigned 18 June 2021) B Hewitson C Lordereau (appointed 18 June 2021) G Morgan (resigned 31 March 2021)
<b>Member-Nominated Directors</b>	G Dallard G Peters A Pidgeon (resigned 31 March 2021)
<b>Independent Director</b>	A McKinnon, Independent Chairman
<b>Principal Employer</b>	Brush Electrical Machines Limited
<b>Secretary to the Trustee</b>	I Emery Aon Solutions UK Limited
<b>Actuary</b>	A Shah, FIA Aon Solutions UK Limited
<b>Administrator</b>	Aon Solutions UK Limited
<b>Independent Auditor</b>	Ernst & Young LLP
<b>Bankers</b>	Bank of Scotland plc HSBC (appointed on 1 August 2021)
<b>Investment Adviser</b>	Aon Solutions UK Limited
<b>Investment Managers</b>	Insight Investment ('Insight') (disinvested 23 June 2021) Invesco Asset Management Limited ('Invesco') (disinvested 22 June 2021) Legal & General Assurance (Pensions Management) Limited ('LGIM') (disinvested 10 December 2021) Morgan Stanley Investments ('Morgan Stanley') (disinvested 30 June 2021)
<b>AVC Providers</b>	Aviva plc ('Aviva') Royal London Group ('Royal London') Utmost Life and Pensions Limited ('Utmost')
<b>Fiduciary Manager</b>	Reviewer: Pricewaterhouse Coopers LLP ('Pricewaterhouse Coopers') Manager: Cardano Risk Management Limited ('Cardano') (appointed on 11 June 2021)
<b>Legal Adviser</b>	Squire Patton Boggs (UK) Limited

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE AND ITS ADVISERS YEAR ENDED 31 DECEMBER 2021

### Contact Details

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# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Introduction

The Trustee of The Brush Group (2013) Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited financial statements for the year ended 31 December 2021.

### Constitution and management

The Scheme is a Defined Benefit ('DB') scheme. The Scheme is governed by a Trust Deed as amended from time to time and is administered by Aon Solutions UK Limited in accordance with the establishing document and Rules solely for the benefit of its members and other beneficiaries.

The Scheme came into existence during 2013 following the demerger of the FKI Group Pension Scheme. The Definitive Deed was signed on 4 April 2013. A Deed of Amendment was subsequently signed on 27 June 2013 following agreement to the demerger. The Scheme is closed to new entrants.

The Trustee Directors are shown on page 1.

Under the Trust Deed and Rules of the Scheme, the Trustee is appointed and removed by the Principal Employer, subject to the Member-Nominated arrangements.

The power of appointing and removing the Trustee Directors is contained in the Articles of Association of Brush Scheme Trustees Limited, subject to the Member-Nominated arrangements.

In accordance with the Pensions Act 2004 at least one third of the total number of Trustee Directors must be nominated by Scheme members. The Member-Nominated Trustee Directors ('MNTDs') are elected from the membership.

The Trustee Board is comprised of five Directors, made up of one Independent Director, two Company Appointed Directors and two Member-Nominated Directors.

A Trustee Director can choose to retire from office at any time. A Member-Nominated Trustee Director can only be removed with the agreement of all other Trustee Directors. Company Appointed Directors are removed by the Principal Employer.

The Trustee Directors have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustee Directors have written agreements in place with each of them.

### Trustee meetings

The Trustee Board met formally three times during the year to consider the business of the Scheme. There were also two additional meetings. The first one regarding fiduciary appointment and the second one regarding acquisition.

### Scheme changes

#### Sponsoring employer

On 18 June 2021 Brush Electrical Machines was sold by Melrose to One Equity Partners (OEP). Although there was a change in ownership, BEML remains the principal employer for the Scheme.

The Trustee was made aware of the proposed sale in advance of its completion and instigated a review of the potential impact on the Scheme.

# THE BRUSH GROUP (2013) PENSION SCHEME

## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Scheme changes (continued)

#### Sponsoring employer

The Trustee and OEP engaged constructively and as part of the sale agreement, Melrose and OEP agreed that a one-off contribution of £25M should be paid into the Scheme. This was received on 16 June 2021 and was a very positive outcome for the Scheme. This contribution has significantly improved the funding position of the Scheme, and hence the security of members' benefits.

When considering the impact of the sale on BEML, the Trustee took independent legal and covenant advice, including advice on the level of financial support for the Scheme prior to and following the change in ownership. That advice did not raise any material concerns particularly given the significant contribution that was agreed.

The existing Trustee Board, including the member nominated directors, was largely unchanged except for the Melrose representative.

#### Financial statements

The financial statements included in this annual report have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

#### Membership

Details of the membership changes of the Scheme in the year are as follows:

	Deferreds	Pensioners	Total
Members at the start of the year	886	559	1445
Adjustments to members	(7)	7	-
New spouses	-	3	3
Retirements	(27)	27	-
Deaths	(1)	(7)	(8)
Trivial commutations	-	(1)	(1)
Transfers out	(7)	-	(7)
Leaver – no further liability	-	(1)	(1)
Members at the end of the year	<u>844</u>	<u>587</u>	<u>1431</u>

Pensioners include 20 (2020: 17) individuals receiving a pension upon the death of their spouse who was a member of the Scheme. Pensioners also include 2 (2020: 3) child dependants in receipt of a pension.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

The adjustments to members shown above are the result of retrospective updating of member records.

#### Pension increases

Pensions in payment in excess of the Guaranteed Minimum Pension ('GMP') were increased on 1 May 2021 by 3.0% for both pensions earned prior to 6 April 1997 and for pension earned after 6 April 1997.

There were no discretionary pension increases in the year.

Deferred benefits are increased in line with legislation and the Scheme Rules.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Transfers

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary increases.

Transfers into the Scheme are not allowed.

### Contributions

The Trustee and the Employer have agreed that no deficit reduction contribution will be paid to the Scheme following the results of the actuarial valuation as at 31 December 2019. However as part of the sale of Brush Electrical Machines Limited from Melrose and OEP, a one-off special contribution of £25M was paid into the Scheme on 16 June 2021.

The expenses of administering the Scheme (including the Pension Protection Fund Levy) are met directly by the Employer, with the Scheme then reimbursing the Employer.

### Going concern and COVID-19

#### Funding Position of the Scheme at 31 December 2021

The funding level of the Scheme as at 31 December 2021 was estimated to be 112.2% on the Technical Provisions basis and 97.5% on the Gilts flat basis. Recent updates indicate that the funding position of the Scheme has not been significantly affected by market volatility so far this year.

No decision has been made to wind up the Scheme and no event triggering wind up has occurred.

#### Assessment by Independent Employer Covenant provider

The Trustee has appointed an independent employer covenant assessor – Mercer Limited. A formal assessment was provided at the time of the acquisition by OEP and this concluded that the post acquisition covenant rating would be satisfactory.

#### Company update on the business

The Company provides an update on the business at each Trustee meeting and the Trustee has no concerns.

#### Plan Assets

The Trustee takes professional advice when investing the Scheme's assets which are now invested on a low risk delegated basis. The Trustee is comfortable that the assets have appropriate levels of diversification, liquidity and allocations between growth and matching assets.

#### Impact of COVID-19

The pandemic has had limited impact on day to day running of the Scheme. The Scheme's funding and investments have been closely monitored, with the diverse range of investments resulting in limited funding impact.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Report on Actuarial Liabilities

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

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

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2019 and revealed:

The value of the technical provisions was: £276.0 million

The value of the assets at that date was: £277.7 million

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

### Method

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

### Significant actuarial assumptions

**Discount interest rate:** term dependent rates set by reference to the UK government fixed interest gilt curve at the valuation date plus an addition of 0.75% p.a.

**Future Retail Price inflation ('RPI'):** term dependent rates derived from the market yields on fixed interest and index-linked gilts at the valuation date.

**Future Consumer Price inflation ('CPI'):** term dependent rates derived from the market yields on fixed interest and index-linked gilts at the valuation date with a deduction equal to Aon's prevailing best estimate of the difference between RPI and CPI inflation. As at 31 December 2019 this difference was 0.9% p.a.

**Pension increases:** derived from the RPI or CPI price inflation as appropriate, allowing for the maximum and minimum annual increases, and for inflation to vary from year to year.

**Mortality:** for the period in retirement standard tables S2PMA for male members and S2PFA for female members with a scaling factor of 110% for all members with an allowance for improvements in mortality in line with the CMI 2018 core projections with parameters  $Sk=7.0$  and  $A=0.5\%$ , subject to a long-term rate of improvement of 1.5% p.a.



# THE BRUSH GROUP (2013) PENSION SCHEME

## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Investment matters

#### Management of investments

As required by Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles ('SIP').

A copy of the SIP can be found on the Scheme's website at <https://www.brushpensions.co.uk/pdf/bru-brush-sip-2020-08.pdf> and is available on request from the Secretary to the Trustee.

The Trustee has delegated management of investments to the investment managers shown on page 1. These managers, who are regulated by the Financial Conduct Authority in the United Kingdom, manages the investments in line with the investment managers agreements which are designed to ensure that the objectives and policies captured in the SIP are followed.

The Trustee has considered environmental, social and governance ('ESG') factors for investments (including but not limited to climate change) and has delegated to the investment managers the responsibility for taking these considerations into account when assessing the financial potential and suitability of an investment and for exercising the rights (including voting rights) relating to the Scheme's investments.

The investment managers are paid fees for their services. The fees are calculated as a percentage of the market value of the part of the Scheme that they manage.

The Trustee has not appointed a custodian to the Scheme as the investment managers appoint a custodian for the assets underlying the investments they manage for the Trustee. The Custodians appointed by the investment managers are shown below:

<b>Managers</b>	<b>Custodians</b>
Cardano Risk Management Limited	State Street Custodial Services (Ireland) Limited
Insight Investment	State Street Custodial Services (Ireland) Limited
Invesco Asset Management Limited	The Bank of New York Mellon (international) Limited
Legal & General Assurance (Pensions Management) Limited	HSBC Bank Plc and Citibank
Morgan Stanley Investments	J.P. Morgan Bank Luxembourg S.A.

The Custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodians' nominee company, in line with common practice for pension scheme investments.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and believe them to be appropriate relative to the reasons for holding each class of investments.

# THE BRUSH GROUP (2013) PENSION SCHEME

## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Investment report

#### Performance

Total Scheme Performance to 31 December 2021 (p.a.)		
1 Year	3 Years	5 Years
0.6%	11.5%	7.3%

Source: Aon/Fund Managers.

Please note that the assets were transferred to Cardano in several tranches over 2021. These performance numbers reflect the transition but are necessarily estimates.

#### Investment policy and objectives

The Trustee aims to invest the assets of the Scheme to meet members' benefits as and when they fall due. The Trustee is responsible for determining the Scheme's investment strategy and have set the investment strategy after taking appropriate professional investment advice.

Asset allocation decisions are delegated to Cardano Risk Management Limited (the 'Fiduciary Manager'). There is no target allocation to growth or matching elements. The Fiduciary Manager will size the respective allocations in order to target the investment objective. The investment objective given to the fiduciary manager is to outperform the Scheme's liabilities by 1.2% p.a. net of fees.

#### Investment principles

The Trustee has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995.

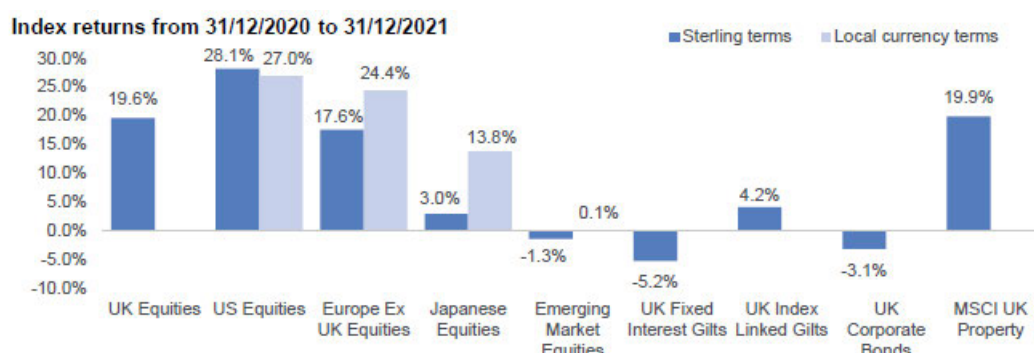
The Statement summarises how the Trustee:

- Sets the investment policy and chooses the most suitable types of investments for the Scheme;
- Delegates buying and selling investments to the Scheme's investment manager; and
- Monitors the performance of the Scheme's investments.

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These risks include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee will monitor the actual asset allocation chosen by the Fiduciary Manager.

#### Market background: 12 Months to December 2021

##### Index returns



Source: FactSet, MSCI (Equities, Property), iBoxx (Corporate Bonds), FTSE (Gilts)

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Investment report (continued)

#### General background

Global equities generated strong positive returns over the last twelve months, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, the discovery of the new Covid-19 variants cast doubts over the prospect of global economic growth in 2021. Inflation rates worldwide continued to increase, as supply chain problems and rising wages persisted. Leading to major central banks indicating the end of pandemic-era asset purchase programs and hinting at accelerated interest rate hikes to help ease persistent inflation. Yet, equity markets were able to shrug most of these concerns posting solid gains in 2021.

Geopolitical tensions remained elevated, as Joe Biden warned his Russian counterpart, Vladimir Putin, that the US and its allies would respond “decisively” if Russia invaded Ukraine. Russia has placed roughly 100,000 troops on Ukraine’s border. Elsewhere, tensions between China and Taiwan escalated as Xi Jinping, China’s president, insisted that peaceful reunification between the two countries ‘must be fulfilled’. Taiwanese president, Tsai Ing-Wen, stated that Taiwan would not ‘bow’ to Beijing’s pressure.

US equities posted the strongest local and sterling returns over the year, helped by their high exposure to large technology companies. The US Senate approved a \$1.9tn economic relief package soon after Democrat Joe Biden was sworn in as US President in January 2021, which fed market expectations of more substantial US growth and inflation. Later in the year, a \$1.2tn bipartisan infrastructure bill was passed. However, President Biden’s ambitious \$1.75tn “Build Back Better” bill suffered a significant setback after his fellow Democratic Senator, Joe Manchin, opposed the bill due to rising inflation, a surging pandemic, and global uncertainty.

UK equities were the second-best performing equity market in sterling terms over the last year. The UK’s impressive vaccination program suppressed hospitalizations and deaths, and Brexit fears eased. The reopening of the global economy bolstered the UK’s Energy and Industrials sectors during 2021. However, the UK reported approximately 5 million Covid-19 cases in Q4 2021 due to the newly discovered Omicron variant, dampened equity returns relative to other regions such as the US and Europe over Q4.

Emerging markets (‘EM’) were the worst-performing market in local currency and sterling terms over the last twelve months. EM equities had held up well over the early stages of the pandemic, supported by the low global interest rate backdrop and the weak dollar in 2020. However, the risk of a reversal in both of these drivers resulted in EM returns lagging other markets in 2021. A poor return from Chinese equities due to state regulatory clampdowns across many of China’s corporate sectors, and concern over the Chinese property sector, particularly the collapse of Evergrande Group, a large indebted property developer, caused sharp falls in equity prices. Elsewhere, Brazilian equities suffered as the central bank hiked rates and political uncertainty remained ahead of the upcoming presidential election.

On a global sector level, Energy (38.4%), Information Technology (28.9%) and Financials (26.9%) were the best performing sectors in local currency terms. Consumer Discretionary (11.5%) was the worst-performing sector, followed by Communication Services (12.0%) and Utilities (12.6%).

Sterling ended the twelve months 4.4% higher on a trade-weighted basis. The relief rally in sterling in Q1 2021 in the wake of the Brexit deal was boosted by a successful UK vaccination program launch. More recently, in Q4 2021, the Bank of England was the latest of the major central banks to raise rates, upping its benchmark interest rate by 15bps to 0.25% to combat inflation. This earlier than expected tightening in monetary policy supported sterling against currencies such as the euro, given that a policy rate rise in the Eurozone is not expected so soon.

Brent crude oil prices rose by 50.2% to \$78/BBL over the last twelve months. Economic recovery and a cutback in production over the pandemic supported oil prices. In Q3 2021, OPEC+ reached an agreement to increase crude oil production by 400,000 barrels a day from August until the end of 2022, although this pace disappointed expectations. In the fourth quarter, the momentum in oil prices dropped as Omicron, and resurgent Covid fears surfaced.

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Investment report (continued)

Optimism over global economic recovery in the light of several vaccine discoveries and stimulus packages drove global government bond yields higher at the beginning of 2021. However, in Q2 2021, yields fell back as variant virus risks and worries over a slower pace of global economic recovery arose. Nominal yields then picked up once more over the third quarter, driving the negative performance of UK fixed-interest government bonds. Yields rose on the back of brought-forward interest rate hike expectations against the background of rising inflation and central bank indications that they were considering policy rate increases. However, longer-dated yields fell back in the fourth quarter due to heightened uncertainty surrounding Omicron. Short-dated yields began to factor in potential monetary policy changes and saw notable increases. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 5.2%, whilst index-linked gilts rose by 4.2% over the last twelve months. Index-linked gilts significantly outperformed nominal gilts due to increased breakevens driven by expectations of more persistent inflation.

Credit markets were underwhelmed over the year as they declined from risk-averse sentiment during the fourth quarter. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, were unchanged at 108bps.

UK commercial property returned 19.9% over the period, supported by an income return of 5.3% and a 13.9% increase in capital values. The easing of lockdown restrictions helped the retail sector as it returned 14.6% over the year. The office sector returned 5.1% over the year, whilst industrials outperformed with a return of 38.2%.

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS')

#### Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the 'Regulations'). The Regulations require that the Trustee produces an annual statement called an Engagement Policy Implementation Statement ('EPIS') which outlines the following:

- Explain how and the extent to which the Trustee has followed its engagement policy which is set out in the Statement of Investment Principles ('SIP').
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

The EPIS has been prepared by the Trustee of the Brush Group (2013) Pension Scheme (the 'Scheme') and covers the Scheme year 1 January 2021 to 31 December 2021.

#### Executive summary

Based on the activity over the year, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice.

The Trustee recognises that it has a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

The Trustee will continue to ensure it considers, and discusses with its fiduciary manager and investment advisor, robust practices in these areas and amend its policies where needed.

#### Scheme stewardship policy

The below bullet points summarise the Scheme's stewardship policy in force over the Scheme year to 31 December 2021.

The full SIP can be found here: <https://www.brushpensions.co.uk/investment/>

- The Trustee regularly reviews the suitability of the Scheme's appointed investment managers and takes advice from its investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager (where possible) and seek a more sustainable position but may ultimately look to replace the manager.
- The Trustee reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Scheme's investment managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner
- With regard to transparency over voting, the Trustee expects to receive reporting from its investment managers on voting actions and rationale for those votes, where relevant to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant (more than 20%) or votes were abstained.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Scheme stewardship activity over the year

##### Training

During the year, the Trustee received an introductory session on climate change risk and TCFD and bespoke training for the new Trustee.

##### Ongoing Monitoring

The Trustee receives regular investment updates from its investment consultant and fiduciary manager. The Trustees' ongoing monitoring includes a monthly dashboard provided by its fiduciary manager.

##### *Investment performance monitoring*

The Trustee receives, on a quarterly basis, monitoring reports from its fiduciary manager outlining the valuation of all investments held, the performance of these investments and any significant transactions made during the quarter. Investment returns are compared against the performance objective to monitor the relative performance of these investments.

##### *Investment risk disclosures*

The Trustee reports on the risks associated with their investments annually in the investment risk disclosure report which accompanies the annual report and accounts. In this report, the Trustee monitors the risks associated within the Scheme's investments, concentrating on market risks, credit risk, interest rate risk, inflation risk and other risks.

##### *Cost and Transparency*

The Trustee has received a cost transparency report which covered each of its asset managers. The Trustee is satisfied that these metrics are in line with expectations and that no further action is required. This information will continue to be reviewed on an annual basis.

The Trustee intends to invite Cardano to a Trustee meeting in 2022 in order to explain their stewardship policy and how they integrate ESG factors into their investment decision making process in practice.

#### Manager Appointments

During the year, the Trustee appointed Cardano Risk Management Limited ('Cardano') as the Scheme's fiduciary manager, with the assets being transferred to the fiduciary arrangement over June to December 2021. This process involved selling the legacy holdings and investing in new funds.

Under the Trustee's fiduciary mandate managed by Cardano, Cardano are set an overall return target. To the extent that Cardano appoint third party asset managers, the Trustee delegates the monitoring of ESG integration and stewardship quality to Cardano. The Trustee still expects Cardano to report to the Trustee on stewardship and engagement activity across the Scheme's assets.

#### Review of the SIP

The Trustee is currently consulting with the Sponsor on the SIP which has been updated to reflect the appointment of a fiduciary manager. Once consultation is complete the SIP will be available publicly online.

The SIP is reviewed at least triennially or when there is a significant change to the circumstances of the Scheme.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Voting and Engagement Activity – Underlying Investment Managers

Over the period, the Scheme's growth assets were first invested in a number of equity and diversified growth funds before being transferred to Cardano. This section provides an overview of the voting (where applicable) and engagement activities of the managers.

#### Engagement activity – Fiduciary Manager

It is encouraging to see from the information Cardano provided for the EPIS that the manager is aware and active in their role as stewards of capital.

Cardano does not include direct investment in companies in its portfolios therefore its ability to engage directly with investee companies is limited. However, engagement is undertaken by the external fund managers that Cardano researches and includes in its clients' portfolios.

The following section demonstrates some of the engagement activity being carried out by the Scheme's fiduciary manager over the year.

#### Cardano Risk Management Limited ('Cardano') Solution Fund 4 (the 'Fund')

While Cardano support the principals behind the ICSWG engagement survey (a guide used for engagement reporting by asset managers) and use it as part of its manager research framework, it is not applicable in the case of the Scheme's investment strategy. Cardano do not invest directly in single name equities through this Fund, and the vast majority of exposure is gained through derivatives (which carry no voting rights).

At a firm level, Cardano note that with regards to stewardship, its preference is to engage and change behaviour rather than divest. It is a signatory to the UK Stewardship Code and a member and supporter of Climate Action 100+. While Cardano does not invest in single equities, it does invest in single credits and has a high expectation of its managers' stewardship activities.

Cardano states that it believes good stewardship can be subjective and therefore seeks:

- Quality over quantity
- Long-term relationships with companies
- Real world impact
- Honesty
- Collaboration
- Innovation
- Integration

Further information can be found in Cardano's sustainable investment policy here: [Cardano-Sustainable-Investment-Policy-0321\\_final-1.pdf](#)

# THE BRUSH GROUP (2013) PENSION SCHEME

## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Voting and Engagement activity – Equity and Diversified Growth funds

Over the year, the material equity and diversified growth investments held by the Scheme were:

Fund Manager	Fund Name
Morgan Stanley Investment Management	Global Franchise
Legal and General Investment Management	All World Equity Index
Invesco	Global Targeted Returns Fund
Insight Investment	Insight Broad Opportunities Fund

All fund managers use the services of proxy voting organisations for various services that may include research, vote recommendations, administration and vote execution.

In this section there is a summary of voting information and examples of significant voting activity for each of the Scheme's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has its own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the Trustee considers inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Scheme

The Trustee considers a significant vote as one which the voting manager deems to be significant.

#### Morgan Stanley Investment Management ('MSIM') Global Franchise

##### Voting

The table below shows the voting statistics for MSIM's Global Franchise for the period to 31<sup>st</sup> December 2021.

Number of resolutions eligible to vote on over the period	398
% of resolutions voted on for which the fund was eligible	100.0%
Of the resolutions on which the fund voted, % that were voted against management	10.0%
Of the resolutions on which the fund voted, % that were abstained from	0.3%

Source: MSIM

##### Voting Policy

MSIM utilises the services provided by proxy voting advisor Institutional Shareholder Services ('ISS') for vote execution, reporting and recordkeeping. MSIM also makes use of research providers to analyse proxy issues and to make voting recommendations on those issues. While MSIM reviews the recommendations of the research providers when making proxy voting decisions, it is not obligated to follow such recommendations. MSIM vote on all resolutions adhering to its own proxy voting policies in the best interests of its client. The International Equity Team makes all voting decisions for votes for the portfolios they manage. MSIM does not consult with clients before voting on resolutions.



# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Significant Vote – Zoetis Inc.

In May 2021, MSIM voted against a resolution to approve a remuneration report for an American animal health company, Zoetis Inc. MSIM voted in this way due to concerns with the short term and long term performance metrics of the company. The vote was passed but MSIM plan to continue to engage with the company regarding this topic. MSIM deemed this vote significant as it was a vote against management.

#### Engagement Policy

Individual investment teams are responsible for monitoring, tracking and evaluating the success and progress of their interactions. This is in addition to identifying areas for further engagements or escalations, leading to better sustainability outcomes.

Engagements are prioritised based on a variety of factors including position size, annual general meetings, headline events, and materiality of engagement topics. Engagement objectives and focus points are also established in different ways; these range from information gathering, encouraging specific disclosures and improved sustainability and governance practices such as adopting long-term vesting schedules or adopting Science Based Target<sup>1</sup> initiatives.

MSIM recognises that certain environmental and social issues can cause systemic risk to the economy and capital markets, and in some cases can pose an existential threat. MSIM periodically identify sustainability focus areas that are of strategic importance to the global economy and long-term stability of the capital markets. These themes touch all of MSIM's investment teams to varying degrees depending on asset class, geography, investment style and strategy. MSIM may collaboratively engage alongside peer investors with individual companies/issuers or with groups of companies/issuers in order to support meaningful action on its sustainability focus areas.

#### Engagement example

MSIM engaged with a beverage company, Pernod Ricard, regarding matters of diversity within the board and executive compensation. The objective of this engagement was to encourage change and was part of an ongoing series of engagements on the subject.

MSIM's portfolio managers look at diversity, equity and inclusion ('DE&I') and executive pay as part of its material risk indicator assessment carried out for each global stock.

The engagement would contribute to the spirit of Sustainable Development Goals<sup>2</sup> ('SDG') 5 and target 5.5 which seek to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.

Regarding diversity, despite being a global company with a major footprint in markets outside of Europe, the company had an all-white European board. MSIM had therefore urged the company to diversify its board and were delighted with the appointment of Ms Namita Shah who is of Indian heritage and who brings business experience from Asia, including Australia, Malaysia and Myanmar.

On executive pay, MSIM had pushed for more performance-linked incentives, which it considers to be an example of best pay practice and are pleased to see this coming into force. This engagement saw outcomes MSIM had been working towards coming to fruition and MSIM is continuing to engage with the company on other relevant topics.

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<sup>1</sup> Ambitious corporate climate action - Science Based Targets

<sup>2</sup> THE 17 GOALS | Sustainable Development (un.org)

# THE BRUSH GROUP (2013) PENSION SCHEME

## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Legal and General Investment Management ('LGIM') All World Equity Index Fund

##### Voting

Number of resolutions eligible to vote on over the period	57,452
% of resolutions voted on for which the fund was eligible	99.9%
Of the resolutions on which the fund voted, % that were voted against management	17.8%
Of the resolutions on which the fund voted, % that were abstained from	1.1%

##### Voting Policy

LGIM uses proxy voting service provider ISS to execute votes electronically and for research, which augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. It has put in place a custom voting policy with ISS that applies to all markets globally, seeking to uphold what it considers to be the best practice standards companies should observe. If appropriate, LGIM retains the ability to override any voting decisions based on the voting policy, for example, if engagements with the company have provided additional information.

##### Significant Voting Example

On the fund level, in April 2021, LGIM voted against a resolution to elect Alex Gorsky as the Director of Johnson & Johnson. LGIM has a longstanding policy advocating for the separation of the roles of Chief Executive Officer ('CEO') and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 it has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it has been voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website) and has reinforced its position on leadership structures across all stewardship activities.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Its policy states it does not engage with investee companies in the three weeks prior to an annual general meeting as its engagement is not limited to shareholder meeting topics. The outcome of the resolution was that 93.4% of shareholders were in favour of the resolution. LGIM considers this vote to be significant as it is in application of an escalation of its voting policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

##### Engagement Policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM takes an active role in stewardship and considers it a duty to be accountable to its clients' assets and ensure it upholds the highest corporate governance standards. LGIM monitors several ESG subjects and conducts engagement on various issues. Its top five engagement topics are climate change, remuneration, diversity, board composition and strategy.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Engagement policy (continued)

All decisions are made by LGIM's investment stewardship team and in accordance with its relevant corporate governance, Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. The corporate governance team meets with the active equity and fixed income team on a bi-weekly basis to share information gained from analysis and engagement activity. This is a forum for raising and discussing particular investment and ESG concerns, insights and updates.

LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

More information can be found on LGIM's engagement policy on [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-engagement-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf).

LGIM was unable to provide engagement examples at a fund level. The Trustee, supported by its adviser Aon, has engaged with LGIM on this topic to encourage it to report on its engagement activities in line with its peers. The Trustee expects to see improvements in LGIM's stewardship reporting in the next reporting year.

#### Engagement Example

Over 2021, LGIM engaged with a number of companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to the uncontrolled release of antimicrobial agents into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

LGIM believes it is important to promote an enhanced and standardised approach to antimicrobial resistance through influencing the regulatory landscape. As such, it is also working with its peers in the Investor Action on Antimicrobial Resistance initiative.

# THE BRUSH GROUP (2013) PENSION SCHEME

## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Invesco Global Targeted Returns Fund

##### Voting

Number of resolutions eligible to vote on over the period	5,343
% of resolutions voted on for which the fund was eligible	98.3%
Of the resolutions on which the fund voted, % that were voted against management	7.9%
Of the resolutions on which the fund voted, % that were abstained from	0.3%

Source: Invesco

Invesco views proxy voting as an integral part of its investment management responsibilities. The proxy voting process at Invesco focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders.

Invesco supplement its internal research with information from third-parties, such as proxy advisory firms. Globally, Invesco leverages research from ISS and Glass Lewis and it uses the Investment Association Institutional Voting Information Service in the UK for research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions.

Its custom voting guidelines are reviewed annually and seek to support Invesco's Good Governance Principles on best practice standards in corporate governance and long-term investment stewardship.

The final voting decision lies with the portfolio managers and analysts with input and support from Invesco's Global ESG team and Proxy Operations functions. For more information on Invesco's use of third-party proxy advisory firms, please see its Policy Statement on Global Corporate Governance and Proxy Voting which is publicly available: <https://www.invesco.com/corporate/about-us/esg>.

##### Voting Example

In April 2021 Invesco voted against management of Woodside Petroleum Ltd. to approve the amendments to the company's constitution. Invesco noted that a vote against this resolution was warranted, as the request to amend the company's constitution is potentially broad with no regulatory framework to oversee shareholder proposals. Invesco believes that Woodside Petroleum's current engagement process provides valuable feedback on its strategies, affairs and outlook which provides information and flexibility to adjust both its strategy and its external reporting of that strategy and operations to respond appropriately to the prevailing expectations of its shareholders and stakeholders.

The vote did not pass, per Invesco's voting decision, therefore Invesco did not take further action beyond its continuous engagement and dialogue with the company, as appropriate.

##### Engagement

At the issuer level, Invesco primarily seek to address problematic areas or opportunities for improvement from an ESG perspective. When engaging with other stakeholders, such as regulators or industry bodies, the goal is more towards creating an environment that would allow for optimal ESG outcomes in an efficient and fair manner, such as alignment with existing frameworks and reduced reporting burden.

While Invesco's engagement activity is based on the premise of a company's continual improvement, it is setting up an engagement reporting template that tracks engagement outcomes on a yearly basis based on clearly defined ESG objectives and goals. Invesco is also developing an escalation engagement framework to guide stewardship processes and achievements, for example, in 2022 it will be developing a Net-Zero engagement framework that will guide its climate related engagements.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Engagement Policy Implementation Statement ('EPIS') (continued)

#### Engagement example:

Invesco engaged with Bank of America Corp ('BoA') over the period regarding racial equity audits. The company reached out to Invesco for a post-proxy call to update on BoA's ESG practices. Earlier in 2021, Invesco discussed with BoA the annual general meeting shareholder proposals, including the one on racial equity audit, which received 26 percent approval from shareholders.

BoA reiterated its commitment to support communities, and strengthen diversity and inclusion efforts, which are evident through the progress it has made to hire diverse senior management talent, currently at 50 percent of the management team. The issue at stake, however, is the third-party independent audit on diversity and racial equity issues, and Invesco reiterated the reputational aspect of such disclosures. Invesco stressed that there are no downsides to committing to such audit processes and are expecting the racial equity audit shareholder proposal to be filed again in 2022.

### Insight Investment Management ('Insight') Broad Opportunities Fund

#### Engagement

As a matter of policy, all Insight's credit analysts regularly meet with issuers to discuss ESG-related and non-ESG related issues. Each analyst identifies the engagement issues relevant for each specific issuer. Insight will use ESG ratings and its carbon model to engage so-called 'laggard' companies. If Insight does not receive a response from the issuer regarding engagement then it will lead on a wider collaborative initiative, for example via the Principles for Responsible Investment ('PRI'), or by engaging with other investors, to achieve greater influence over the issuer.

These engagements inform the overall credit analyst views of the companies and provide a platform not only for both increased transparency around ESG issues, but also ongoing engagement to change company behaviour, where appropriate.

#### Engagement example (Broad Opportunities Fund)

Over 2020 and 2021, Insight engaged with Greencoat UK Wind plc. In the half year report Greencoat UK disclosed that a serious health and safety incident had occurred at an underlying wind farm and Insight engaged to discuss the details of the incident and what remedial actions were planned including preventative actions to minimise chance of recurrence.

The company confirmed that it reviewed relevant systems and procedures in 2020 to ensure that processes were enhanced, and subsequently shared relevant learnings from the incident across its portfolio and at appropriate industry forums, thus helping to minimise the potential for similar incidents elsewhere. The engagement continued in 2021 where these conclusions were reviewed and reiterated by the Company's board.

As a result of the engagement, Insight have reviewed the incident and it remains satisfied that the matter had been dealt with appropriately and the position continues to remain a key part of its renewable energy exposures.

### Employer related investments

The investments of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Employer related investments are disclosed in note 21 to the financial statements.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Further information

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Investment Principles can be inspected.

If members have any queries concerning the Scheme's or their own pension position, or wish to obtain further information, they should contact Aon Solutions UK Limited at the contact details on page 1 who will also be able to provide them with a further copy of the Scheme's booklet should they require one and answer any queries that they may have about entitlement to benefits.

Aon Solutions UK Limited processes the personal data as contained in this report and financial statements for the purpose of providing the Trustee with a report and financial statements on the operation of the Scheme. Aon Solutions UK Limited processes personal data in the context of providing pension scheme administration services on behalf of the Trustee, the data controller. Aon Solutions UK Limited, when operating in its capacity as a data processor who provides the members of the Scheme with pension scheme administration services on behalf of the Trustee, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustee.

The Trustee or the Employer will ensure the data subjects of whom personal data is processed for the purposes of this report and financial statements are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Compliance matters

#### HM Revenue & Customs Registration

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Principal Employer and the members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

#### Pension Tracing

The Scheme is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members in tracing their rights if they have lost contact with the previous Employers' scheme. The address for the Pension Tracing Service is:

The Pension Tracing Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU

0800 731 0193  
[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

#### The Pensions Regulator

The Pensions Regulator ('TPR') is the United Kingdom ('UK') regulator of work-based pension schemes.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applies to occupational pension schemes.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify Trustee for acting unlawfully, and can impose fines on wrong doers.

TPR can be contacted at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

0345 600 1011  
[customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Compliance matters (continued)

#### The Pension Protection Fund

The Pension Protection Fund was established to provide compensation to members of eligible pension schemes, when there is a qualifying insolvency event in relation to the Employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund can be contacted at:

PPF Member Services  
Pension Protection Fund  
PO Box 254  
Wyndham  
NR18 8DN

0330 123 2222  
ppfmembers@ppf.co.uk  
www.ppf.co.uk

#### Questions about pensions

If you have any questions about your pension, MoneyHelper, which is part of the Money and Pensions Service, provides professional, independent and impartial help with pensions for free. Services include independent information and general guidance on pension matters.

MoneyHelper can be contacted at:

Money and Pensions Service  
120 Holborn  
London  
EC1N 2TD

0800 011 3797  
www.moneyhelper.org.uk

#### Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's Administrator. In the event that a member's complaint cannot be resolved by the Administrator they may make a formal complaint using the Scheme's Internal Dispute Resolution ('IDR') procedure, details of which can be obtained from the Secretary to the Trustee or use the Pensions Ombudsman's informal Early Resolution Service.

The Government appointed Pensions Ombudsman can investigate complaints of injustice due to bad administration either by the Trustee or the Scheme's Administrator, or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

0800 917 4487  
enquiries@pensions-ombudsman.org.uk  
www.pensions-ombudsman.org.uk



# THE BRUSH GROUP (2013) PENSION SCHEME

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## TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2021

### Statement of Trustee's Responsibilities

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulations 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 judgments 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 a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer 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 Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

### Approval

Approved by the Trustee and signed on its behalf by:

Trustee Director:

Date:

# THE BRUSH GROUP (2013) PENSION SCHEME

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRUSH GROUP (2013) PENSION SCHEME

### Opinion

We have audited the financial statements of The Brush Group (2013) Pension Scheme for the year ended 31 December 2021 which comprise the Fund Account, the Statement of Net Assets (Available for Benefits) and the related notes 1 to 24, 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 FRS102 '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 31 December 2021, 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 at least twelve months from the date when the Scheme's report and 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 report and financial statements 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.

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.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRUSH GROUP (2013) PENSION SCHEME

### Other information (continued)

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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 Statement of Trustee's Responsibilities set out on page 23, 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.

## THE BRUSH GROUP (2013) PENSION SCHEME

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### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRUSH GROUP (2013) PENSION SCHEME

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

- 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. 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, 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**  
Statutory Auditor  
Reading

Date:

## THE BRUSH GROUP (2013) PENSION SCHEME

### FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Employer contributions	4	25,000	-
Other income	5	7	-
		25,007	-
Benefits paid or payable	6	(5,051)	(5,017)
Payments to and on account of leavers	7	(1,782)	(3,745)
Administrative expenses	8	(603)	(729)
		(7,436)	(9,491)
<b>Net additions/(withdrawals) from dealing with members</b>		17,571	(9,491)
<b>Returns on investments</b>			
Investment income	9	-	3
Change in market value of investments	10	(1,481)	42,591
Investment management expenses	11	(327)	(467)
		(1,808)	42,127
<b>Net returns on investments</b>		(1,808)	42,127
<b>Net increase in the fund during the year</b>		15,763	32,636
<b>Opening net assets</b>		311,543	278,907
<b>Closing net assets</b>		327,306	311,543

The notes on pages 29 to 41 form part of these financial statements.

## THE BRUSH GROUP (2013) PENSION SCHEME

### STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
<b>Investment assets</b>			
Pooled investment vehicles	13	322,243	308,963
AVC investments	14	1,270	1,313
Cash in transit	15	900	-
		<u>324,413</u>	<u>310,276</u>
<b>Total net investments</b>		<u>324,413</u>	<u>310,276</u>
<b>Current assets</b>	19	3,080	1,497
<b>Current liabilities</b>	20	(187)	(230)
<b>Net assets available for benefits at 31 December</b>		<u>327,306</u>	<u>311,543</u>

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 does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included in the Trustee's Report on page 6. These financial statements and Actuarial Certificate should be read in conjunction with this report.

The notes on pages 29 to 41 form part of these financial statements.

These financial statements on pages 27 to 41 were approved by the Trustee and were signed on its behalf by:

Trustee Director:

Date:

# THE BRUSH GROUP (2013) PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 1. Basis of preparation

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 ('FRS 102') – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice ('SORP') (2018) - Financial Reports of Pension Schemes, published by the Pensions Research Accountants Group ('PRAG').

### 2. Identification of financial statements

The Brush Group (2013) Pension Scheme is a Defined Benefit occupational pension scheme established under trust under English Law.

The address of the Scheme's principal office is Brush Electrical Machines Limited, Power House, Excelsior Road, Ashby-De-La-Zouch, England, LE65 1BU

### 3. Accounting policies

The principal accounting policies applied to the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### Functional and presentational currency

The Scheme's functional and presentational currency is Pounds Sterling (GBP).

#### Contributions

The additional contributions from the sponsoring employer have been accounted for in accordance with the terms of the agreement under which they have been received

#### Benefits paid or payable

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

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

#### Payments to and on account of leavers

Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

#### Administrative expenses

Administrative expenses are accounted for on an accruals basis, net of recoverable VAT.

#### Other income

Other income is accounted for on an accrual basis.

#### Investment income

Income from cash and short-term deposits is accounted for in these financial statements on an accrual basis.

# THE BRUSH GROUP (2013) PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. Accounting policies (continued)

#### Change in 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, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

#### Investment management expenses

Investment management fees and rebates are accounted for on an accruals basis, net of recoverable VAT.

Management fees for pooled investment vehicles are incorporated in the unit price and reflected in change in the market value of investments in the Fund Account.

#### Valuation of investment assets

##### Investments

Pooled investment vehicles which are traded on an active market are included at quoted price, which is usually bid price.

Pooled investment vehicles which are unquoted or not actively traded are stated at bid price or single price where there is no bid/offer spread as provided by the investment managers at the year end.

With profits insurance policies 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.

AVC funds are included within the Statement of Net Assets (Available for Benefits) on the basis of fair values provided by the AVC provider at the year end.

### 4. Contributions

	2021 £000	2020 £000
<b>Employer:</b>		
Other	25,000	-

Contribution of £25M is a special contribution as part of sale agreement between BEML and OEP.

### 5. Other income

	2021 £000	2020 £000
Other income	7	-



## THE BRUSH GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 6. Benefits paid or payable

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Pensions	3,945	3,652
Commutations of pensions and lump sum retirement benefits	996	1,308
Lump sum death benefits	110	57
	5,051	5,017
	5,051	5,017

#### 7. Payments to and on account of leavers

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Individual transfers to other schemes	1,782	3,745
	1,782	3,745
	1,782	3,745

#### 8. Administrative expenses

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Administration and processing	106	98
Actuarial fees	132	202
Audit fees	10	10
Legal fees	89	32
Other professional fees	111	110
Scheme levies	140	255
Trustee fees and expenses	14	21
Bank charges	1	1
	603	729
	603	729

#### 9. Investment income

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest on cash deposits	-	3
	-	3
	-	3

## THE BRUSH GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 10. Investments

	Opening value at 1 Jan 2021	Purchases at cost	Sales proceeds	Change in market value	Closing value at 31 Dec 2021
	£000	£000	£000	£000	£000
Pooled investment vehicles	308,963	927,636	(912,794)	(1,562)	322,243
AVC investments	1,313	-	(124)	81	1,270
	<u>310,276</u>	<u>927,636</u>	<u>(912,918)</u>	<u>(1,481)</u>	<u>323,513</u>
Cash in transit	-				900
Total net investments	<u>310,276</u>				<u>324,413</u>

Included in the purchases and sales figures above are £444,831k in relation to switches between L&G funds.

#### Transaction costs

There are no direct transaction costs in the year nor in the previous year. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles. It is not possible for the Trustee to quantify these indirect costs.

#### 11. Investment management expenses

	2021 £000	2020 £000
Administration and management fees	268	407
Management fee rebates	(17)	(23)
Consultancy fees	76	83
	<u>327</u>	<u>467</u>

#### 12. Taxation

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Employer and the members qualify for full tax relief, and is exempt from income tax and capital gains tax except for withholding tax on overseas investment income.

## THE BRUSH GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 13. Pooled investment vehicles

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Bond funds	-	138,860
Equity funds	-	109,687
LDI funds	-	60,416
Common Contractual funds	322,243	-
	322,243	308,693

The legal nature of the Scheme's pooled arrangements is:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Common contractual funds	322,243	-
Open ended investment company	-	23,380
Unitised insurance policies	-	231,732
Unit linked insurance policies	-	22,000
Undertakings for collective investment	-	31,851
	322,243	308,693

The Scheme is the sole investor in Cardano Solutions Fund 4 which is managed by Cardano. A breakdown of the underlying assets at the year end is set out below:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Pooled investment vehicles	122,835	-
Bonds	100,905	-
Derivatives	(7,474)	-
Cash	105,977	-
	322,243	-

## THE BRUSH GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 14. AVC investments

	2021 £000	2020 £000
Aviva	1,154	1,198
Utmost	47	44
Royal London	69	71
	<u>1,270</u>	<u>1,313</u>

The Trustee holds assets which are separately invested from the main Scheme to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 December each year confirming the amounts held to their account and movements during the year.

The total amount of AVC investments at the year end is shown above.

A valuation at the year end for Aviva, Utmost and Royal London has not been received, as a result the valuation shown above is based on the previous valuation for subsequent cash movements.

AVC providers can be further analysed as:

	2021 £000	2020 £000
Unit trusts	1,154	1,198
With profits	47	44
Crest Secure Fund	69	71
	<u>1,270</u>	<u>1,313</u>

#### 15. Cash and other investment balances

	2021 £000	2020 £000
Cash in transit	<u>900</u>	<u>-</u>

## THE BRUSH GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 16. Fair value hierarchy

FRS102 requires for each class of financial instrument an analysis of the level in the following fair value hierarchy into which the fair value measurements are categorised. 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 an identical asset or liability that the entity can access at the assessment dates;

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

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

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

	Level 1 £000	Level 2 £000	Level 3 £000	2021 Total £000
<b>Investment assets</b>				
Pooled investment vehicles	-	322,243	-	322,243
AVC investments	-	-	1,270	1,270
Cash	900	-	-	900
	<u>900</u>	<u>322,243</u>	<u>1,270</u>	<u>324,413</u>

	Level 1 £000	Level 2 £000	Level 3 £000	2020 Total £000
<b>Investment assets</b>				
Pooled investment vehicles	31,851	277,112	-	308,963
AVC investments	-	-	1,313	1,313
	<u>31,851</u>	<u>277,112</u>	<u>1,313</u>	<u>310,276</u>

Valuation techniques in determining fair value are described in note 3 are applied.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 17. Investment risks

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

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

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

**Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

**Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

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

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

#### Risk management structure

The Trustee is responsible for identifying and managing risks, including risks arising from the investment activities.

The Trustee has appointed a fiduciary manager to manage the investments of the Scheme. The Trustee requires the fiduciary manager to operate within agreed constraints as set out within an Investment Management Agreement.

The Trustee reviews the performance of the fiduciary manager against the agreed performance objectives.

#### Risk measurement and reporting

The Trustee monitors the Scheme's risks periodically with appropriate reference to potential losses.

The Trustee measures risks both qualitatively and quantitatively.

The Trustee monitors and measure the overall risk in relation to the aggregate risk exposure across all risk types and activities, including employer covenant and funding risks.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 17. Investment risks (continued)

#### Risk mitigation

The Trustee has delegated all day-to-day decisions about the investments, including the realisation of investments, to the fiduciary manager through a written contract. When choosing investments, the fiduciary manager is required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

The Trustee acknowledges that the investment manager may use derivatives and other instruments for trading purposes in connection with its risk management activities. The Scheme has indirect exposure to derivatives through its LDI portfolio and Growth portfolio (both managed by Cardano).

#### Credit risk

##### Direct credit risk

The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the pooled investment vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of the investments amongst a number of pooled arrangements.

##### Indirect credit risk

The Scheme's assets include a pooled Growth fund managed by Cardano. These investments include exposure to credit risk in an effort to generate returns.

The Scheme also has an allocation to a bespoke LDI portfolio with Cardano. The Scheme is therefore indirectly exposed to credit risk through the underlying derivative contracts held within the pooled funds. This risk is mitigated by the fund manager through the collateralisation process operated within the pooled LDI funds. There is no direct link between the Scheme and the counterparties the fund manager trades with on behalf of the Scheme.

##### Indirect currency risk

The Scheme is subject to indirect currency risk to the extent that the pooled funds in which it invests purchase assets denominated in currencies other than Sterling without hedging the currency risk.

The fund manager will decide whether or not to hedge the currency risks associated with any non-Sterling denominated investments and may take currency positions as part of their strategy to generate investment returns.

##### Indirect interest rate risk

The Scheme is subject to indirect interest rate risk on the LDI portfolio.

The principal purpose of the LDI portfolio is to match movements in the value of the liabilities due to changes in interest rates and inflation expectations. If interest rates fall, the value of the LDI portfolio should rise in sympathy with the value of the pension liabilities.

## THE BRUSH GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 17. Investment risks (continued)

##### Other price risk

Other price risk arises in relation to all of the Scheme's invested assets. The Scheme manages this exposure by constructing a diverse portfolio of investments across various asset classes and markets.

Manager	Fund	2021			
		Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Cardano Growth Fund	Cardano Solution Fund 4	●	●	●	●
Cardano – Matching Fund	Cardano LDI	●	○	●	●
2020					
Majedie	UK Equity Unconstrained	○	○	○	●
Morgan Stanley	Global Brands Unconstrained	○	●	○	●
LGIM	All World Equity Index (GBP Hedged)	○	●	○	●
Insight	Broad Opportunities	●	●	●	●
Invesco	Global Targeted Returns Pension	●	●	●	●
LGIM	Matching Plus LDI	●	○	●	●
LGIM	Sterling Liquidity Fund	○	○	○	●

Source: Aon / Fund Managers

● Significant exposure [●] Limited exposure [○] No exposure



## THE BRUSH GROUP (2013) PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 18. Concentration of investments

The following investments, excluding UK Government securities, account for more than 5% of the net assets of the Scheme.

	2021		2020	
	Value £000	%	Value £000	%
Cardano Solutions Fund 4	322,243	98		
LGIM VH – 2049 Gilt Fund	-	-	37,677	12
LGIM – All World Equity Index (GBP Hedged)	-	-	32,456	10
Morgan Stanley Global Brands Fund	-	-	31,851	10
LGIM HB – 2055 Gilt	-	-	25,030	8
Insight Broad Opportunities Fund	-	-	23,380	8
Invesco Perpetual Global Targeted Returns Pension Fund	-	-	22,000	7

#### 19. Current assets

	2021 £000	2020 £000
Prepayments	324	348
Cash balances	2,756	1,149
	3,080	1,497

#### 20. Current liabilities

	2021 £000	2020 £000
Accrued expenses	111	230
Accrued benefits	76	-
	187	230

## THE BRUSH GROUP (2013) PENSION SCHEME

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 21. Employer related investments

There were no direct or indirect Employer related investments during the year or at the year end (2020: Nil).

The Trustee recognises that indirect investment in the Employer's sponsor group, is possible through holdings in pooled investment vehicles. The Trustee believes that any indirect exposure to shares in the Employer sponsor group was no more than 1.0% of the Scheme assets at any time during the year and was 0.0% (2020: 0.0%) at year end.

#### 22. Related party transactions

Related party transactions and balances comprise:

##### Key management personnel

Any benefits paid in respect of the Trustee Directors who are members of the Scheme have been made in accordance with the Trust Deed and Rules.

Fees and expenses were paid to three the Trustee Directors in the amount of £18k (2020: £21k) by the Employer. The Employer is reimbursed by the Scheme for these expenses.

The membership status of the Trustee Directors at the year end is as below:

B Hewitson – non-member (2020: non-member)  
C Lordereau – non member (2020: non-member)  
G Dallard – non-member (2020: non-member)  
G Peters – pensioner (2020: pensioner)

##### Employer and other related parties

The Principal Employer is considered a related party. All transactions involved with these entities relate to remittance of monthly contributions required under the Rules of the Scheme. The Principal Employer recharges the Scheme for costs.

The Principal Employer meets all administrative expenses of the Scheme except for those in note 6.

#### 23. Contingent assets and liabilities

In the opinion of the Trustee, the Scheme had no contingent assets and liabilities as at 31 December 2021 (2020: £nil).

# THE BRUSH GROUP (2013) PENSION SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. GMP Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. On 20 November 2020, the High Court issued a follow on judgement in the Lloyds case and ruled that pension schemes will also need to revisit individual transfer payments made since 17 May 1990 to consider if any additional value is due as a result of GMP equalisation. Based on an initial assessment of the likely backdated amounts and related interest the Trustee Directors do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined. The Trustee Directors are working with its advisers on the project.

# THE BRUSH GROUP (2013) PENSION SCHEME

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## INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE BRUSH GROUP (2013) PENSION SCHEME

### **Independent Auditor's Statement about Contributions to the Trustee of The Brush Group (2013) Pension Scheme**

We have examined the Summary of Contributions to The Brush Group (2013) Pension Scheme for the Scheme year ended 31 December 2021 to which this statement is attached.

In our opinion contributions for the Scheme year ended 31 December 2021 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 Schedule of Contributions certified by the Scheme Actuary on 15 June 2020.

### **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 43 have in all material respects been paid at least in accordance with the Schedule 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 Schedule of Contributions.

### **Respective responsibilities of Trustee and the auditor**

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

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

### **Use of our statement**

This statement is made solely to the Scheme's Trustee, as a body, in accordance with 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:

## THE BRUSH GROUP (2013) PENSION SCHEME

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### SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2021

During the year ended 31 December 2021 the contributions payable to the Scheme were as follows:

	Employer £000	Total £000
<b>Contributions payable under the Schedule of and as reported by the Scheme auditor Contributions</b>		
Contributions payable under the Schedule	Nil	Nil
Other contribution	25,000	25,000

One-off special contribution of £25M was paid into the Scheme on 16 June 2021, as a part of the sale of Brush Electrical Machines Limited from Melrose and OEP. This contribution has been paid by agreement, outside of the requirements of the Schedule of Contributions.

The Summary of Contributions was approved by the Trustee and signed on its behalf by:

Trustee Director:

Date:

# THE BRUSH GROUP (2013) PENSION SCHEME

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## ACTUARIAL CERTIFICATE

### ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Brush Group (2013) Pension Scheme

#### Adequacy of rates of contributions

1. I certify that, in my opinion, the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2019 to continue to be met by the end of the period for which the schedule is in force.

#### Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles effective from 15 June 2020.

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

Signature



Date:

15 June 2020

Name: Alka Shah

Qualification:

Fellow of the Institute  
and Faculty of Actuaries

Address: Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2QD

Name of employer:

Aon Solutions UK Limited