

Registered number: 12007217

**THE BRUSH GROUP (2013) PENSION SCHEME
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

THE BRUSH GROUP (2013) PENSION SCHEME

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THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE AND ITS ADVISERS YEAR ENDED 31 DECEMBER 2022

Trustee	Brush Scheme Trustees Limited
Company Appointed Directors	B Hewitson (resigned on 7 October 2022) C Lordereau (resigned on 7 October 2022) T Burgess (appointed on 25 January 2023) Z Zeinalova (appointed on 25 January 2023)
Member-Nominated Directors	G Dallard G Peters
Independent Director	A McKinnon, Independent Chairman
Principal Employer	Brush Electrical Machines Limited
Secretary to the Trustee	I Emery Aon Solutions UK Limited
Actuary	A Shah, FIA Aon Solutions UK Limited
Administrator	Aon Solutions UK Limited
Independent Auditor	Ernst & Young LLP
Bankers	Bank of Scotland plc (closed on 21 April 2022) HSBC plc
Investment Adviser	Aon Solutions UK Limited
AVC Providers	Aviva plc ('Aviva') Royal London Group ('Royal London') Utmost Life and Pensions Limited ('Utmost')
Fiduciary Manager	Reviewer: PricewaterhouseCoopers LLP ('PricewaterhouseCoopers') Manager: Cardano Risk Management Limited ('Cardano')
Legal Adviser	Squire Patton Boggs (UK) Limited
Contact Details	The Brush Group (2013) Pension Scheme Aon Solutions UK Limited Colmore Gate 2 Colmore Row Birmingham B3 2QD brushpensions@aon.com 0345 268 8475

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

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 2022.

Constitution and management

The Scheme is an occupational Defined Benefit ('DB') pension 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 Trustee Directors are shown on page 1.

Under the Trust Deed and Rules of the Scheme, the Trustee is appointed and removed by 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.

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 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 seven times during the year to consider the business of the Scheme.

Scheme changes

During the year the Brush Power Generation business was sold by One Equity Partners to Baker Hughes Company, a US listed energy company. Although there was a change in ownership and responsibility for the Scheme at a higher level, Brush Electrical Machines Limited (BEML) continues to remain as the principal employer for the Scheme.

The Trustee was made aware of the proposed sale in advance and instigated a review of the potential impact on the Scheme. When considering the impact of the sale on BEML, the Trustee took independent legal, actuarial and covenant advice. That advice did not raise any concerns, partly because the Scheme is in a strong financial position but also because there is an improvement in the overall covenant that supports the Scheme.

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.

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

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	844	587	1,431
Adjustments to members	(7)	3	(4)
New spouse	-	1	1
Retirements	(35)	35	-
Deaths	(2)	(2)	(4)
Transfers out	(7)	-	(7)
Members at the end of the year	<u>793</u>	<u>624</u>	<u>1,417</u>

Pensioners include 24 (2021: 20) individuals receiving a pension upon the death of their spouse who was a member of the Scheme. Pensioners also include 2 (2021: 2) 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 2022 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.

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

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

Going concern

The Trustee has assessed the Scheme as a 'going concern'. The Trustee's reasons for this assessment are detailed below:

Funding Position of the Scheme at 31 December 2022

The funding level of the Scheme as at 31 December 2022 was estimated to be 101% on the Technical Provisions basis and 90% on the Gilts flat basis. The equivalent figures at 31 December 2021 were 112% and 97% respectively. The deterioration over the year has largely been due to poor investment performance during 2022, with very few markets showing a positive return and unprecedented volatility in the UK bond market. The Scheme's experience is not exceptional when compared to other UK pension schemes except those that had little or no interest rate hedging in place. Recent updates indicate that the funding position of the Scheme has remained relatively stable over 2023.

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

These results raise no issues which lead the Trustee to alter its view that the Scheme is a going concern.

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 Baker Hughes and this concluded that the post acquisition direct covenant would be no worse following the acquisition. Therefore, the covenant assessor has maintained the rating as 'tending to strong' for this year's scheme return. Further details are set out in Mercer's report dated 27 July 2022.

The Scheme will also benefit indirectly from the being owned by a major US listed business. Based on this assessment the Trustee is comfortable that the Scheme remains a going concern.

Company update on the business

The Company provides an update on the business at each Trustee meeting. A summary of the update provided at the most recent Trustee meeting is set out below.

Brush now sits under the Industrial and Energy Technology business unit within Baker Hughes.

The integration of Brush following the acquisition is progressing in line with expectations. The Company has a healthy outlook and a good first quarter of 2023, with high demand from customers and so the second quarter looks to be going in the same direction. The market is strong and the Company's order book has work booked out until 2025.

The Company has been successful in adjusting prices to reflect higher costs and it had not seen any major impact on margins. However, there has been some issue with the cost of commodities such as copper, although so far the Company had been able to manage these successfully.

Labour shortages are currently the limiting factor in the ability of the Company to expand capacity, particularly in the Czech Republic, and that the macro environment was likely to cause more labour issues. Some lower margin work has been outsourced to free up capacity were possible.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

Going concern (continued)

Plan Assets

The Trustee takes professional advice when investing the Scheme's assets which are now invested on a lower risk delegated basis. The Trustee is comfortable that the assets have appropriate levels of diversification, liquidity and allocations between growth and matching assets. In fact, the move to fiduciary management helped the Scheme to maintain hedging throughout the turmoil experienced in the government bond market following the mini budget in September 2022. The Scheme is now targeting a return of just gilts + 1.2% pa.

As a result, the Trustee believes the investment strategy supports its view of the Scheme as a going concern.

Taking all these factors into consideration, in particular the funding position of the Scheme and the strength of covenant, it seems entirely reasonable for the Trustee to treat the Scheme as a going concern and to have confidence in the covenant support provided for at least the next twelve months. There is no reason to suppose that the Scheme would not be able to continue to meet all benefits in full as they fall due over the next twelve months.

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.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

Report on Actuarial Liabilities (continued)

Significant actuarial assumptions (continued)

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 actuarial valuation as at 31 December 2022 is currently ongoing and the results will be made available to members in the next member newsletter. They will also be included in the Annual Report & Accounts for the period ending 31 December 2023.

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:

Manager	Custodian
Cardano Risk Management Limited ('Cardano')	State Street Custodial Services (Ireland) Limited

The Custodian is 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 Custodian's 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 investment and believe them to be appropriate relative to the reasons for holding each class of investments.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

Investment report

Performance

Total Scheme Performance to 31 December 2022 (p.a.)		
1 Year	3 Years	5 Years
-41.3%	-12.0%	-4.8%

Source: Aon/Fund Managers.

The negative absolute performance of -41.3% over the year to 31 December 2022, needs to be put in the context of liability values which fell almost as much. Most UK pension schemes with Liability Driven Investment (LDI) strategies saw the value of both their assets and liabilities fall significantly over 2022 as gilt yields rose. Importantly the Scheme's interest rate and inflation hedging was maintained throughout the gilt crisis and provided a good match for movements in the liability value over the year – this part of the portfolio did the job that was expected. In addition, most growth-related assets suffered losses in 2022, and in this context the Scheme's growth portfolio also detracted from total asset performance over the period.

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.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

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 SIP can be inspected.

If members have any queries concerning the Scheme 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.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

Other matters

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

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 Trustees 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
www.thepensionsregulator.gov.uk

Registrar of Pension Schemes

The Trustee is required to provide certain information about the Scheme to the Registrar of Pension Schemes.

This has been forwarded to:

The Registrar of Pension Schemes
PO Box 1NN
Newcastle Upon Tyne
NE99 1NN

0191 225 6316
communications@thepensionsregulator.gov.uk

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

Other 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
Wymondham
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 brought by members and beneficiaries against the Trustees or the Scheme's Administrator in relation to maladministration 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
helpline@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

THE BRUSH GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2022

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

The Trustee's Report was approved by the Trustee and signed on its behalf by:

Trustee Director:

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

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 2022 which comprise the Fund Account, the Statement of Net Assets (Available for Benefits) and the related notes 1 to 23, 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 2022, 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 with the report and financial statements.

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

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 11, 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.

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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
Glasgow

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

**FUND ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Employer contributions	4	-	25,000
Other income	5	-	7
		<u>-</u>	<u>25,007</u>
Benefits paid or payable	6	(5,596)	(5,051)
Payments to and on account of leavers	7	(2,130)	(1,782)
Administrative expenses	8	(532)	(603)
		<u>(8,258)</u>	<u>(7,436)</u>
Net (withdrawals)/additions from dealing with members		<u>(8,258)</u>	<u>17,571</u>
Returns on investments			
Investment income	9	26	-
Change in market value of investments	10	(131,818)	(1,481)
Investment management expenses	11	(57)	(327)
Net returns on investments		<u>(131,849)</u>	<u>(1,808)</u>
Net (decrease)/increase in the scheme during the year		(140,107)	15,763
Opening net assets		<u>327,306</u>	<u>311,543</u>
Closing net assets		<u><u>187,199</u></u>	<u><u>327,306</u></u>

The notes on pages 17 to 29 form part of these financial statements.

THE BRUSH GROUP (2013) PENSION SCHEME

**STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Investment assets			
Pooled investment vehicles	13	183,757	322,243
AVC investments	14	1,112	1,270
Cash	15	900	900
		185,769	324,413
Total net investments		185,769	324,413
Current assets	19	1,636	3,080
Current liabilities	20	(206)	(187)
Net assets available for benefits at 31 December		187,199	327,306

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 pages 5 to 6. These financial statements and Actuarial Certificate should be read in conjunction with this report.

The notes on pages 17 to 29 form part of these financial statements.

These financial statements on pages 15 to 29 were approved by the Trustee and were signed on its behalf by:

Trustee Director:

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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).

Assets and liabilities in other currencies are converted to Pounds Sterling at the rates of exchange ruling at the year end. Transactions in other currencies are translated into Pounds Sterling at the spot exchange rate at the date of the transaction.

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

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.

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 2022

3. Accounting policies (continued)

Change in market value of investments

The change in market value of investments during the year comprise 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.

Investment 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

	2022 £000	2021 £000
Employer:		
Other	-	25,000

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

On 18 June 2021 Brush Electrical Machines was sold by Melrose to One Equity Partners (OEP). Although there was a change in ownership, BEML remained 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 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.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. Contributions (continued)

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.

5. Other income

	2022	2021
	£000	£000
Other income	-	7
	-	7

6. Benefits paid or payable

	2022	2021
	£000	£000
Pensions	4,350	3,945
Commutations of pensions and lump sum retirement benefits	1,131	996
Lump sum death benefits	115	110
	5,596	5,051

7. Payments to and on account of leavers

	2022	2021
	£000	£000
Individual transfers to other schemes	2,130	1,782
	2,130	1,782

8. Administrative expenses

	2022	2021
	£000	£000
Administration and processing	116	106
Actuarial fees	147	132
Audit fees	12	10
Legal fees	43	89
Other professional fees	168	111
Scheme levies	40	140
Trustee fees and expenses	6	14
Bank charges	-	1
	532	603

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. Investment income

	2022 £000	2021 £000
Interest on cash deposits	26	-

10. Investments

	Opening value at 1 Jan 2022 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Closing value at 31 Dec 2022 £000
Pooled investment vehicles	322,243	4,026	(10,800)	(131,712)	183,757
AVC investments	1,270	-	(52)	(106)	1,112
	323,513	4,026	(10,852)	(131,818)	184,869
Cash	900				900
Total net investments	324,413				185,769

Transaction costs

There are no direct transaction costs in the year nor in the previous year/period. 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

	2022 £000	2021 £000
Administration and management fees	-	268
Management fee rebates	-	(17)
Consultancy fees	57	76
	57	327

Due to disinvestment of Invesco Asset Management Limited and Legal & General Assurance in 2021, the Administration and management fees and Management fee rebates are nil during current year.

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 2022

13. Pooled investment vehicles

	2022	2021
	£000	£000
Common Contractual funds	183,757	322,243
	183,757	322,243
	183,757	322,243

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

	2022	2021
	£000	£000
Common contractual funds	183,757	322,243
	183,757	322,243
	183,757	322,243

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:

	2022	2021
	£000	£000
Pooled investment vehicles	74,724	122,835
Bonds	107,245	100,905
Derivatives	(20,901)	(7,474)
Cash	22,689	105,977
	183,757	322,243
	183,757	322,243

14. AVC investments

	2022	2021
	£000	£000
Aviva	995	1,154
Utmost	47	47
Royal London	70	69
	1,112	1,270
	1,112	1,270

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.

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

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

14. AVC investments (continued)

AVC providers can be further analysed as:

	2022	2021
	£000	£000
Unit trusts	995	1,154
With profits	47	47
Crest Secure Fund	70	69
	<u>1,112</u>	<u>1,270</u>

15. Cash and other investment balances

	2022	2021
	£000	£000
Cash in transit	<u>900</u>	<u>900</u>

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16. Fair value hierarchy

FRS 102 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 which are observable (i.e. developed using market data) for the asset or liability either directly or indirectly; and

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:

Investment assets	Level 1 £000	Level 2 £000	Level 3 £000	2022 Total £000
Pooled investment vehicles	-	183,757	-	183,757
AVC investments	-	-	1,112	1,112
Cash	900	-	-	900
	<u>900</u>	<u>183,757</u>	<u>1,112</u>	<u>185,769</u>

Investment assets	Level 1 £000	Level 2 £000	Level 3 £000	2021 Total £000
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>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. Investment risks

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

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

Market risk: This is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables.

The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their value.

Market risk 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 – primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds – 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022

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	2022			
		Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Cardano Growth Fund	Cardano Solution Fund 4	●	●	●	●
Cardano – Matching Fund	Cardano LDI	●	○	●	●
		2021			
Cardano Growth Fund	Cardano Solution Fund 4	●	●	●	●
Cardano – Matching Fund	Cardano LDI	●	○	●	●

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 2022

18. Concentration of investments

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

	2022 Value £000	%	2021 Value £000	%
Cardano Solutions Fund 4	183,757	98	322,243	98

19. Current assets

	2022 £000	2021 £000
Prepayments	332	324
Cash balances	1,304	2,756
	<u>1,636</u>	<u>3,080</u>

20. Current liabilities

	2022 £000	2021 £000
Accrued expenses	206	111
Accrued benefits	-	76
	<u>206</u>	<u>187</u>

21. Employer related investments

There were no direct or indirect Employer related investments during the year or at the year end (2021: 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% (2021: 0.0%) at year end.

THE BRUSH GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 £6K (2021: £18k) 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 (2021: non-member)
C Lordereau – non-member (2021: non-member)
G Dallard – non-member (2021: non-member)
G Peters – pensioner (2021: pensioner)
T Burgess - non-member (2021: non-member)
Z Zeinalova - non-member (2021: non-member)

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

23. GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee Directors of the Scheme is aware that the issue will affect the Scheme and a project is currently underway. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee Directors do not deem 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 period they are determined.

There has been a further High Court judgement in relation to the equalisation GMP benefits. This judgement focused on the GMP treatment of historic transfers out of members, an issue which had not been addressed in the 2018 GMP ruling. Under the recent ruling, trustees are required to review historic transfers values paid from May 1990 to assess if any top up payment is required to the receiving scheme, to reflect the member's right to equalised GMP benefits. The impact of this court case will be considered by the Trustee Directors at a future meeting and decisions will be made as to the next steps. It is not possible to estimate the cost of any rectification adjustments at this time. Following advice from the Actuary the Trustee Directors do not believe at this stage that the additional liability will be material.

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 2022 to which this statement is attached.

In our opinion contributions for the Scheme year ended 31 December 2022 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the 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 31 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

Glasgow

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 December 2022

During the year ended **31 December 2022** the contributions payable to the Scheme were £Nil.

	Employer £000	Total £000
Contributions payable under the Schedule of and as reported by the Scheme auditor Contributions		
Contributions payable under the Schedule	Nil	Nil

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

Trustee Director:

Date:

THE BRUSH GROUP (2013) PENSION SCHEME

ACTUARIAL CERTIFICATE

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Brush Group (2013) Pension Scheme

Adequacy of rates of contributions

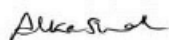
1. I certify that, in my opinion, the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2019 to continue to be met by the end of the period for which the schedule is in force.

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

THE BRUSH GROUP (2013) PENSION SCHEME

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

Engagement Policy Implementation Statement ('EPIS')

Introduction

This implementation statement ("Statement") is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. Brush Group Pension Scheme (the "Trustee", "we" or "our") has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the "SIP") for the Brush Group (2013) Pension Scheme (the "Scheme") during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies ("Stewardship Policy") during the year; and
- Specifically, how the Scheme's investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 1 January 2022 to 31 December 2022. The Statement is publicly available at www.brushpensions.co.uk

Executive summary

The day to day management of the Scheme's assets is delegated to Cardano Risk Management Limited (the "Fiduciary Manager"). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme's assets and the Fiduciary Manager's policies were aligned with the Trustee's own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

We monitor the voting and engagement activity of the Scheme's investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager's overall assessments once a quarter.

1. Scheme stewardship policy

The Stewardship Policy in force during the financial year was:

'The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.'

'The Trustee reviews annually the stewardship activity of the fiduciary manager ... The Trustees receive annual reports on stewardship activity carried out by their fiduciary manager, these reports include detailed voting and engagement information from underlying asset managers.'

'The Trustee will engage with their fiduciary manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.'

THE BRUSH GROUP (2013) PENSION SCHEME

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

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

Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records and the level of engagement with underlying investments.

The Trustee has recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind, and aim to improve sustainability within the portfolio and have a direct real world impact to our members' current and future landscape. The Trustees' three stewardship priorities are:

- Climate Crisis (with a focus on climate change and net zero greenhouse gas emissions)
- Environmental Impact (with a focus on biodiversity, deforestation and water)
- Human Rights (with a focus on living wages gender equality and health & nutrition)

On behalf of the Trustee, the Fiduciary Manager has recently written to the Scheme's investment managers reaffirming and expanding on the Trustee's policy and expectations which align with our stewardship priorities. The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager will monitor future manager disclosures to ensure alignment against our priorities.

Fund structuring

The Trustee holds investments only on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers our Fiduciary Manager appoints act consistently with the Scheme's Stewardship Policy.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

THE BRUSH GROUP (2013) PENSION SCHEME

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

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

External engagements (continued)

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations noted below:



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

- **Quality over quantity**
The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios.
- **Long-term relationships**
The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years.
- **Real world impact**
The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)
- **Honesty**
Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers
- **Collaboration**
Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+
- **Innovation**
The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

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ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

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

Engagement beliefs (continued)

- **Integration**

The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach. The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate, focusing efforts on managers where voting and engagement is material.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Scheme and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

2.1 How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year. Given that the Scheme gains the majority of its exposure through derivatives, there is only one manager to report on.

Note: All investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly. The managers included in this section denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure prohibit the investment strategy of the Scheme.

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ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

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

iShares Core FTSE 100 UCITS ETF

	Manager response
Number of meetings the manager was eligible to vote at over the year	117
Number of resolutions the manager was eligible to vote on over the year	2,213
% of eligible resolutions the manager voted on	100%
% of votes with management	97%
% of votes against management	3%
% of resolutions the manager abstained from	0%

2.2 Use of proxy voting services?

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
iShares Core FTSE 100 UCITS ETF	They use Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, they work with proxy research firms who apply proxy voting guidelines to filter outroutine or non-contentious proposals and refer any meetings where additional research and possibly engagement might be required to inform the voting decision.

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ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

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

2.3 Examples of significant votes

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

iShares Core FTSE 100 UCITS ETF

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Barclays	04 May 2022	To approve Barclays' Climate Strategy, Targets and Progress 2022	For	Approved

3. Engagement activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

Golden tree

Key points	Engagement activity
<p>Engagement Theme: Governance</p> <p>Industry: Retail</p> <p>Outcome:</p> <ul style="list-style-type: none"> Strong covenant structure has meant the company's finances have stabilised after a particularly challenging period, improving the overall governance framework of the company 	<p>The Manager's engagement began initially in 2019. Given the Manager's familiarity with the business, they had the opportunity to participate in a loan that was refinancing prior debt. The 2019 loan had tight covenants, including current and restricted payments baskets and maintenance covenants. That loan was refinanced in 2021 with a new term loan in which the Manager participated. The 2021 term loan was also heavily negotiated to ensure that it had strong covenants. The Manager engaged with other lenders and the sponsor to secure these protections.</p> <p>Overall, the Manager's engagement in securing tight covenants since 2019 have had positive outcomes. Although EBITDA in 2020 was negatively impacted by COVID-19 related weakness, the company maintained strong free cashflow due to the tight covenants on the 2019 loan. The Company earnings stabilized in 2021 and the company was able to refinance the loan into the new 2021 term loan.</p> <p>The company continues to deliver strong operating performance and in 2022 is estimated to roughly double the level of free cash flow it saw in 2019.</p>

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ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

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

3 Engagement activity (continued)

Wellington

Key points	Engagement activity
Engagement Theme: Public Health	The Company came to the market with senior USD green notes in August 2021 and the Manager engaged with the issuer to get a better understanding of its ESG profile.
Industry: Energy	Given the elevated COVID infection rates in India, they discussed with management their "Health and Safety" policy and the Company's long-term corporate strategy on COVID management. They reviewed in detail the pre-emptive steps taken before the government mandated lockdown to safeguard their employees, such as implemented work from home policies and formed a high-level COVID response team. This included all the top management and conducted daily meetings to evaluate the Company's exposure to health risks and took actions to safeguard employees.
Outcome: <ul style="list-style-type: none">• Company maintains its commitment to provide clean, affordable solar energy• Company continues to safeguard the health and safety of staff and give back to the environment and communities in a socially responsible way	The manager also maintains constant dialogue with the Company regarding its commitment to provide clean, affordable solar energy while safeguarding the health and safety of their people and giving back to the environment and communities in a socially responsible way. In particular, they are closely monitoring the distribution of power relief packages and how it would impact the Company from a social support perspective.