



DAIRY CREST GROUP PENSION FUND

ANNUAL REPORT

YEAR ENDED 31 MARCH 2023

SCHEME REGISTRATION NUMBER: 10193707

isio.

DAIRY CREST GROUP PENSION FUND

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DAIRY CREST GROUP PENSION FUND
TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 MARCH 2023

Corporate Trustee

Dairy Crest Pension Trustees Limited

Trustee Directors

The Law Debenture Pension Trust Corporation plc, company appointed, representatives D Barlow, Chair of Trustee Board, and A Eagles

K Ambanpola - company appointed

J Aspinall – member nominated

R J Robotham - company appointed

A Tredrea - member nominated

Secretary to the Trustee

ZEDRA Inside Pensions Ltd (formerly Inside Pensions Ltd)

Solicitor

Clifford Chance

Hogan Lovells (appointed 22 February 2023)

Fund Actuary

P McGlone of Aon Solutions UK Limited (previously Aon Hewitt Limited)

Auditor

RSM UK Audit LLP

Fund Administrator

Isio Group Ltd (previously Premier Pensions Management Ltd)

Banker

Clydesdale Bank plc (trading as Virgin Money)

Covenant Adviser

Ernst & Young LLP

Investment Adviser

Aon Investments Limited ("Aon")

Investment Managers

Aviva Investors Jersey Unit Trusts Management Limited

DRC Capital, LLP

Insight Investment Management Limited

Legal and General Assurance Society Limited

Legal & General Investment Management Limited

Pacific Investment Management Company

Wellington Management Company, LLP

Nephila Capital Limited

CVC Credit Partners Investment Management Limited

Chorus Capital Management Limited

AVC Providers

Prudential Assurance Company Limited

Reassure Limited

Aegon Scottish Equitable plc

Clerical Medical Investment Group Limited

Principal Employer

Dairy Crest Limited (the "Company")

Contact for Further Information about the Fund

Isio Group Ltd (previously Premier Pensions Management Limited)

AMP House

Dingwall Road

Croydon

CR0 2LX

Email: DairyCrest@Isio.com

DAIRY CREST GROUP PENSION FUND

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 MARCH 2023

INTRODUCTION

Dairy Crest Pension Trustees Limited (The "Trustee") is pleased to present its report, together with the audited financial statements of the Dairy Crest Group Pension Fund (the "Fund") for the year ended 31 March 2023.

The Fund is a defined benefits scheme and provides retirement benefits for members and their dependants.

The Fund closed to future accrual on 31 March 2010 when all active members became deferred members of the Fund.

Information about the benefits from the Fund can be found in the Trust Deed and Rules and in the explanatory booklet provided to members.

Management of the Fund

The Corporate Trustee's name is included in the legal and administrative information on page 1 along with the list of Trustee Directors who served during the year.

Whilst the Trust Deed and Rules of the Fund provide for the appointment and removal of a Trustee by the Company as Principal Employer, as there is a Corporate Trustee, its Articles of Association provide for the appointment and removal of its Trustee Directors.

In order to comply with current legislation, at least one third of the Trustee Directors are nominated by Fund members. These member nominated directors are selected as Trustee Directors from the membership of the Fund to serve for appointment periods of four years. Company appointed Trustee Directors can serve until removed by the Company.

Trustee Meetings

The Trustee Board met formally five times during the year. Oversight of administration and operational matters is delegated to the Administration & Operations Committee which reports back to the Board. The Committee met five times during the year. Oversight of investment matters is delegated to the Investment Committee which reports back to the Board. The Investment Committee met six times during the year.

Principal Employer

The Principal Employer of the Fund is the Company.

Investment Adviser and Investment Managers

The current investment adviser and investment managers are shown on page 1.

The investment managers are given full discretion in making investment decisions, subject to broad guidelines laid down by the Trustee or as set out in the pooled fund governing documentation.

As required by Section 35 of the Pensions Act 1995, the Trustee has produced a Statement of Investment Principles setting out its policy on investment, which includes the Trustee's policy on Socially Responsible Investment. A copy of the Statement is available online at <https://dairycrestpensiontrustees.co.uk/documents/>.

Employer Contributions

Following the completion of the March 2022 triennial actuarial valuation in December 2022, that indicated that the Fund was in a small deficit of £1.5m on a technical provisions basis, the Actuary advised that there was no requirement for employer contributions to be paid to the Fund.

GOING CONCERN

The Trustee is responsible for making an assessment as to whether the 'going concern' basis is appropriate for preparing these financial statements. The Trustee has carefully assessed the long-term prospects of the Fund taking into account its current position, the main risks faced and the measures in place to monitor and manage these risks. To date, neither the Ukraine/Russia conflict nor COVID-19 have had any material impact on the operation of the Fund, the valuation of the Fund's assets or the Fund's investment returns and the Fund remains close to being fully funded on a technical provisions basis. Therefore, the Trustee considers that the going concern basis is appropriate for preparing these financial statements.

A review of the Principal Employer and Saputo Inc. has been completed for the Trustee. This review did not identify any material deterioration in the covenant of either party.

GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustee of the Fund is aware that the issue will affect the Fund and will continue to consider this at future meetings and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Subsequently, on 20 November 2020, the High Court issued a follow up judgment in respect of the Lloyds Banking Group ruling that any transfers out paid since 17 May 1990 must be potentially increased to reflect additional liabilities arising from the equalisation of GMPs accrued between 17 May 1990 and 5 April 1997. This could potentially result in top-up payments to members but presents significant challenges for the Trustee and Fund Administrator in terms of:

- Identifying transfers paid since 1990.
- Equalising the transfer payment.
- Tracking the relevant members and the arrangements they transferred to.

The Trustee is currently reviewing all options with its Fund Advisers.

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to. 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 Fund members on request.

A summary of the funding position as at 31 March 2022, the date of the latest Triennial Actuarial Valuation of the Fund, shows the following:

	£m
The Statutory Funding Objective (SFO) in relation to the liabilities:	(1,211.8)
Valuation of assets:	1,210.3
Deficit relative to the SFO:	(1.5)
Funding level:	99.9%

If the Employer goes out of business or decides to stop contributing to the Fund, the Fund may be "wound up" and the Employer would be required to pay additional money to buy all members' benefits from an insurance company. The comparison of the Fund's assets to the cost of buying the benefits from an insurance company is known as the "buy-out position". A pension scheme's buy-out position will often show a larger shortfall than the standard actuarial valuation, as insurers are obliged to take a very cautious view of the future, and they also seek to make a profit.

The Triennial Actuarial Valuation at 31 March 2022 showed that the Fund's assets would not have been sufficient to buy all members' benefits from an insurance company, as the "buy-out position" at that date was as shown below:

	£m
Estimated cost of buying benefits with an insurance company:	(1,374.0)
Value of assets:	1,210.3
Buy-out position deficit:	(163.7)
Funding level:	88.1%

A valuation is a snapshot of a scheme's funding position on any one particular day and it will change when, for example, there are changes in investment values or gilt yields, or if members live longer than expected.

As a result of the latest valuation, the latest Schedule of Contributions was certified on 9 December 2022, which specifies that, except for contributions in respect of the PPF levy, the Employer will continue paying no contributions to the Fund on the basis that the valuation as at 31 March 2022 showed only a small shortfall in the Fund. It is anticipated that the investment return over the period of the Recovery Plan will be sufficient to remove this shortfall.

The Actuarial Statement and Certificate are included on pages 43 and 44 of this annual report.

DAIRY CREST GROUP PENSION FUND

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 MARCH 2023

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Significant Actuarial Assumptions

The key assumptions used for calculating the technical provisions and future contribution requirement for the Fund were:

Method

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

Financial Assumptions	
Discount Rate	average = 2.4% p.a.
RPI Price Inflation	average = 3.9% p.a.
CPI price inflation	average = 3.6% p.a.
Pension increases in payment:	
Pre 6 April 1988 GMP	Nil
Post 6 April 1988 GMP (CPI min 0%, max 3%)	average = 2.6% p.a.
Pre 6 April 2006 excess, excluding MMB pension (CPI min 0%, max 5%) GMP	average = 3.4% p.a.
MMB pension (CPI min 0%, max 7%)	average = 3.6% p.a.
Post 5 April 2006 (CPI min 0%, max 4%)	average = 3.1% p.a.
Demographic Assumptions	
Pre and Post-Retirement Mortality	S3PMA/S3PFA_M tables, with CMI_2021 Core Projections with Sk=7.0, A=0.5% and a long term rate of improvement of 1.75% p.a. with the following scaling factors: Non-pensioners: 118% for males, 107% for females. Non-insured pensioners: 115% for males, 108% for females. Insured pensioners: 107% for males, 110% for females.
Eligible Dependant Proportion	Non-pensioners: 82.3% of males, 73.6% of females at age 65 or on death before retirement Non-insured pensioners: 83.1% of males, 69.8% of females at age 65 Insured pensioners: 82.8% of males, 65.2% of females at age 65
Age difference	Non-pensioners: Males are 2 years older and females are 1 year younger than their dependants. Non-insured pensioners: Males are 3 years older and females are 1 year younger than their dependants. Insured pensioners: Males are 4 years older and females are the same age as their dependants.
Withdrawals from Company Service	No allowance
Early retirements	No allowance
Expenses	2.0% of liabilities
Proportion of pension exchanged for cash	25% on terms that reflect the above assumptions minus an 8% margin
Discretionary Benefits	None
GMP Equalisation Reserve	Reserve of £25.2m

**These economic assumptions vary by term and the average figures quoted above are the single assumptions that would produce approximately the same result as the term-dependent assumptions as at 31 March 2022.*

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
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MEMBERSHIP

Details of the membership of the Fund are given below:

	Total 2023	<i>Total 2022</i>
PENSIONERS		
Pensioners at the start of the year	8,042	8,016
Adjustments	2	23
Deferred members retiring during the year	257	174
Spouses and dependants	133	80
Trivial commutations	(20)	(5)
Deaths	(312)	(246)
Pensioners at the end of the year	8,102	8,042
MEMBERS WITH DEFERRED BENEFITS		
Members with deferred benefits at the start of the year	4,696	4,932
Adjustments	(9)	(29)
Deferred members becoming pensioners	(257)	(174)
Transfers out	(21)	(19)
Trivial commutations	(2)	(6)
Deaths	(6)	(8)
Members with deferred benefits at the end of the year	4,401	4,696
TOTAL MEMBERSHIP AT THE END OF THE YEAR	12,503	12,738

Pensioners include individuals receiving a pension upon the death of their spouse and children in receipt of pensions.

Adjustments relate to movements notified to the Administrator after the completion of the annual renewal. These include some members that have passed their normal retirement date, and have been traced and their benefits settled in the current year.

The benefits of pensioner members whose benefits were in payment as at 25 January 2009, are insured under a Bulk Annuity Policy with 3,707 members at 31 March 2023 (2022: 3,854 members) with Legal and General Assurance Society Limited ("LGAS").

Financial Development of the Fund

The financial statements on pages 26 to 42 have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the Fund has decreased from £1,216,948,000 at 31 March 2022 to £838,723,000 at 31 March 2023 due to the impact of higher interest rates on the valuation of the Fund's LDI investments. The Trustee notes that the Fund's liabilities on a technical provisions basis have decreased by a similar amount as the Fund has been around 98% hedged against interest rate movements. Thus, the Fund's deficit on a technical provisions basis has remained at a low level.

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

COMPLIANCE STATEMENT

Introduction

The Fund is a defined benefit scheme and is administered by Premier Pensions Management Ltd in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries. It was established in October 1993 and is currently governed by the Third Definitive Trust Deed and Rules dated 28 June 2006.

The registration number in the Register of Occupational and Personal Pension is 10193707.

Taxation

The Fund is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The Fund is a registered pension scheme in accordance with The Finance Act 2004. This means that the contributions paid by the Company qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

Fund Advisers

There are written agreements in place between the Trustee and each of the Fund's external advisers listed on page 1 of this report.

Changes to the Fund

There were no changes during the year under review.

Fund Investments

The Fund's investments are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 1996.

The Trustee has produced a Statement of Investment Principles as required by section 35 of the Pensions Act 1995 and a copy is available on request.

Pension Increases

Pensions in payment in excess of the Guaranteed Minimum Pension are increased in line with Rule 12 of the Trust Deed. The annual increase under this rule was 5.4% subject to a cap of 3%, 4% or 5% depending on section for the year ended 31 March 2023 (2022: 0.6%). No discretionary increases were made.

Deferred pensions were increased in accordance with statutory requirements.

Contributions

Following the completion of the triennial valuation as at 31 March 2022 which disclosed that the Fund was in a small deficit of £1.5m on a technical provisions basis, Dairy Crest Limited continued to pay no contributions to the Fund in accordance with the advice from the Actuary.

COMPLIANCE STATEMENT (CONTINUED)

Calculation of Transfer Values

Transfer values paid during the year were calculated in accordance with bases agreed between the Trustee and the Fund's actuary and were consistent with regulations made under Section 97 of the Pension Schemes Act 1993. There were no transfers at less than the cash equivalent during the year under review. In calculating transfer values, no account is taken of any possible discretionary increases to benefits that might be granted in the future.

Discretionary benefits are accounted for in the calculation of transfer values.

Data Protection

The Trustee is registered as a Data Controller within the meaning of GDPR guidelines (formerly under the Data Protection Act 1998) to hold such information as is necessary for the management of the Fund. Aon Hewitt Limited is registered as a joint Data Controller. Isio Group Ltd (Fund Administrator) and Legal and General Assurance Society Limited (Annuity Provider) are registered as Data Processors under GDPR guidelines (formerly under the Act).

Pension Protection Fund

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

The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a statutory corporation established under the provisions of the Pensions Act 2004. The Pension Protection Fund became operational on 6 April 2005.

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator ("TPR") who can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
Telephone: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

Pension Tracing

A pension tracing service is provided by the Department for Work & Pensions. This service can be contacted as follows:

Pension Tracing Services
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
Telephone: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

DAIRY CREST GROUP PENSION FUND
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COMPLIANCE STATEMENT (CONTINUED)

MoneyHelper

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

MoneyHelper
120 Holborn
London
EC1N 2TD
Telephone: Pension Guidance 0800 011 3797
Telephone: Money Guidance 0800 138 7777
Website: www.moneyhelper.org.uk

Pensions Ombudsman

The Pensions Ombudsman should be consulted in cases where a complaint or dispute cannot be resolved, usually after speaking to MoneyHelper (details above), and where the complaint is caused by bad administration or disputes of fact or law involving occupational pension schemes. The address is:

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

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT

Introduction

The responsibility for the investment of the Dairy Crest Group Pension Fund's assets lies with the Trustee. To help fulfil this role the Trustee has appointed Aon Solutions UK Limited ("Aon") as its investment adviser. Over the last 12 months, the advice received included recommendations on investment strategy and monitoring of the investment manager performance.

The day-to-day management of the Dairy Crest Group Pension Fund's investments has been delegated by the Trustee to investment managers. There were seven managers held over the Financial Year. These managers, alongside the legal structure and region of domicile were:

Legal & General Investment Management ("LGIM")

- Unit Linked Life Insurance Policy (UK domicile).

Pacific Investment Management Company ("PIMCO")

- Open Ended Investment Company (Irish domicile).

Aviva Investors Jersey Unit Trusts Management ("Aviva")

- Unit Trust (Jersey domicile)

Insight Investment Management ("Insight")

- Qualified Investor Alternative Investment Fund, a sub-fund of LDI Solutions Plus Irish Collective Asset-management Vehicle, Umbrella Open Ended Investment Company (Irish domicile).
- High Grade Global ABS Fund, Umbrella Open Ended Investment Company (Irish domicile)
- Insight Liquidity Fund, Authorised Unit Trust (Irish domicile)

Wellington Management Company ("Wellington")

- Corporate SICAV (Luxembourg domicile)

Nephila Capital Ltd. ("Nephila")

- Open Ended Investment Company (Bermuda domicile)

DRC Capital LLP ("DRC")

- Limited Partnership (Cayman Islands domicile)

Chorus Capital Management Limited ("Chorus")

- Limited Partnership (Luxembourg domicile)

CVC Credit Partners Investment Management Limited ("CVC")

- Limited Partnership (Luxembourg domicile)

In addition, the Fund held an annuity policy for pensioner liabilities with Legal and General Assurance Society Limited ("LGAS") valued at £203.5m (2022: £260.3m) as at 31 March 2023.

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT (CONTINUED)

Asset Allocation

The table below shows the Fund's asset allocation as at 31 March 2023 and 31 March 2022.

Manager/Class	Holding £m as at 31 March 2023	Holding % 31 March 2023	Holding £m as at 31 March 2022
LGAS – Annuity Policy	203.5	24.3	260.3
LGIM – Property	23.8	2.8	53.9
Aviva – Property	43.8	5.2	52.1
Chorus – Bank Capital Relief	32.7	3.9	-
CVC – Direct Lending	16.2	1.9	-
Insight	447.8	53.4	603.3
Liability Hedging	409.0	48.8	537.4
High Grade Global ABS Fund	25.9	3.1	36.0
Cash	12.9	1.5	29.9
PIMCO	4.9	0.6	137.6
Corporate Bonds	4.9	0.6	137.6
Wellington	35.9	4.3	65.7
Multi-Asset Credit	35.9	4.3	65.7
Nephila – Insurance Linked Securities	8.4	1.0	7.8
DRC capital – Property Debt	16.9	2.0	29.6
Trustee Bank Account	4.8	0.6	4.2
TOTAL	838.7	100.0	1,214.4

These values differ from the Note 12, due to the fact that the table above does not take into account AVC values, and also includes the Trustee bank account balance.

Figures may not sum due to rounding.

Source: Investment Managers.

DAIRY CREST GROUP PENSION FUND

TRUSTEE'S REPORT

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INVESTMENT REPORT (CONTINUED)

Investment Principles

The Trustee of the Dairy Crest Group Pension Fund ("the Fund") has produced a Statement of Investment Principles ("SIP") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. The SIP is intended to affirm the investment principles that govern decisions about the Fund's investments. A separate document, the Investment Policy Implementation Document ("IPID"), detailing the specifics of the Fund's investment arrangements is available upon request.

The SIP was updated in September 2020 to reflect new regulatory requirements taking effect from October 2020. The SIP explains the extent to which the Trustee has followed its engagement policy and describes the voting behaviour by, or on behalf of, the Trustee during the Fund year and the use of the services of a proxy voter during that year.

As the SIP covers broad principles, the Trustee does not expect to revise it frequently. The SIP will be reviewed following any significant change in the Fund's investment arrangements and, in any event, at least once every three years. The IPID sets out the details of the current investment arrangements and is updated as and when required.

Full information on these policies including how the Trustee implements the policies below is outlined throughout the SIP, a copy of which is available from the Dairy Crest Pension Trustee's website:

www.dairycrestpensiontrustees.co.uk/documents

During the year ended 31 March 2023, the asset allocations diverged from those set out in the IPID, principally due to the reduction in value of the LDI portfolio. As a result the Trustee approved a long-term asset mix policy as stated in the updated IPID (dated June 2023) published on the Trustee's website. Agreement on this strategy was reached following advice received from the Investment Consultant and in consultation with the Scheme Actuary and the Company. The SIP has also been updated since the year end and is published on the Trustee's website.

Environmental, Social, and Governance Considerations

As part of their delegated responsibilities, the Trustee expects the Fund's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments.

Stewardship - Voting and Engagement

The Trustee recognises the importance of their 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 Fund invests, as this ultimately creates long-term financial value for the Fund and its beneficiaries.

The Trustee expects the Fund's appointed investment managers to comply with the 2020 UK Stewardship Code. It is the expectation of the Trustee that the Fund's investment managers will prioritise and actively monitor for these risks within the investment, providing transparency on engagement with respect to mitigating these risks as appropriate. The transparency offered for engagements should include objectives and relevance to the Fund.

INVESTMENT REPORT (CONTINUED)

Arrangements with Investment Managers

The Trustee regularly reviews the suitability of the Fund's appointed investment managers and takes advice from the Investment Consultant regarding any changes. Where applicable, 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 expects, the Trustee undertakes to engage with the manager and seeks a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions, and will include this information within the Engagement Policy Implementation Statement (EPIS). The Trustee will review the alignment of the Trustee's policies to those of the Fund's investment managers and ensure the 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. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustee will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This information will be available to members on request.

Members' Views and Non-Financial Factors

In setting and implementing the Fund's investment strategy the Trustee acts for the members as a whole and, whilst they may be considered, do not explicitly take into account the views of individual members in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

Cost Monitoring

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Fund's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the investment managers that can increase the overall cost incurred by their investments.

INVESTMENT REPORT (CONTINUED)

Market Report

The UK gilt curve rose across all maturities over the year as inflationary concerns drove yields higher. In September 2022, the BoE temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt market after an unexpected expansionary fiscal package was announced. The package increased investor concern over the sustainability of public finances, resulting in a considerable spike in yields. The sharpness of the sell-off was exacerbated by the forced unwinding of LDI positions, as UK pension schemes worked to provide collateral to LDI managers following sharp yield increases. However, in the fourth quarter, yields fell back across the curve following a government U-turn on fiscal policy and Liz Truss' resignation as prime minister. Later, in Q1 2023, the UK nominal gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future but a lower terminal rate thereafter. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 16.3% and index-linked gilts fell by 26.7% over the last twelve months.

Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, widened by 37bps to 167bps. The index declined 10.2% as rising gilt yields and widening spreads outweighed the income yield.

Sterling ended the twelve months 2.6% lower on a trade-weighted basis.

Brent crude oil prices fell by 26.1% to \$80/BBL over the last twelve months. In Q2 2022, OPEC+ agreed to a larger-than-expected oil production increase as oil prices surged. The group decided to increase production by 648,000 barrels per day for July and August. However, a sharp fall in oil prices in the third quarter amid growing fears of recession and weak oil demand from China due to its "zero-covid" policy prompted OPEC+ to agree to 100,000 barrels a day oil production cut from October. In Q4 2022, OPEC+ agreed to cut 2m barrels a day in oil production to keep oil prices from falling as a result of weaker global demand. In Q1 2023, OPEC+ announced surprise oil production cuts of more than 1 million barrels a day (b/d), including a 500,000 b/d cut by Saudi Arabia. The timing of the announcement was unusual as it wasn't made during a formal OPEC+ meeting.

The MSCI UK property index returned -14.7% over the year as capital values depreciated, following sharply higher capitalisation rates over the last year. The income return was 5.0% but the 18.8% decrease in capital values weighed over. The retail, office, and industrials sectors fell 7.8%, 13.2%, and 21.2% respectively.

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT (CONTINUED)

Fund Investment Performance

The table below details the Fund's overall performance relative to its benchmark over various periods to 31 March 2023.

	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Total Fund	-34.0	4.4	-11.7	2.5	-5.0	1.9

LGIM

The LGIM Property Fund is actively managed and as such, the Trustee is looking for a degree of performance above the benchmark consistent with the risk parameters of the pooled fund.

The following table details LGIM's performance and that of the relevant benchmark.

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Property	-14.1	0.4	2.3	-0.3	2.0	-0.5

Source: Fund Manager/Aon.

PIMCO

PIMCO manages the UK Corporate Bond mandate. The investment is actively managed and as such, the Trustee is looking for a degree of performance above the benchmark consistent with the risk parameters of the pooled funds.

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Global Corporate Bonds	-4.9	0.2	-0.8	0.1	0.5	-0.7

Source: Fund Manager/Aon.

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT (CONTINUED)

Wellington

The fund is actively managed over the period, and as such, the Trustee would expect a degree of performance above the benchmark consistent with the risk parameters of the pooled fund. The approach is total-return rather than benchmark oriented, but seeks to provide long-term total returns in excess of the custom blended benchmark consisting of Global High Yield, Bank Loans, and Emerging Markets Debt.

The performance of the mandate is summarised in the table below:

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Multi-Asset Credit	-4.4	-0.6	4.2	0.4	1.2	0.6

Source: Fund Manager/Aon.

Aviva

Aviva manages a high lease to value (HLV) property portfolio for the Trustee. The investment is via a pooled fund rather than holding a number of direct property investments. The nature of the property investment is different to the property mandate managed by LGIM. The Aviva property fund invests in properties with long leases and as such is expected to have return characteristics similar to long dated bonds over the long term. The benchmark shown is 50% the FTSE Actuaries 5 – 15 Year Gilt Index and 50% the FTSE Actuaries Over 15 Year Gilt Index.

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Property	-12.9	7.9	1.9	13.3	3.8	7.8

Source: Fund manager/Aon.

Nephila

Nephila has been appointed to manage an Insurance Linked Securities mandate on behalf of the Trustee through a pooled investment vehicle. The investment is benchmark agnostic however is shown against a benchmark return of US T-Bills for illustrative purposes.

The return on the Nephila Insurance Linked Securities is shown in USD terms, reflecting the currency hedge in place for this mandate.

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Insurance Linked Securities	0.5	-2.1	-4.3	-5.1	-3.2	-4.7

Source: Fund manager/Aon.

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT (CONTINUED)

DRC Capital

DRC Capital has been appointed to manage UK Whole Loan Property Debt mandate on behalf of the Trustee through a pooled investment vehicle. The Trustee committed £40m of funds which has been mostly drawn. The Manager has started distributing capital to the Fund and expects to complete the distribution of capital by December 2025.

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Property Debt	2.3	-3.7	3.8	-2.2	4.1	N/A

Source: Fund manager/Aon.

Note: Performance for the 5 year periods is not available as the inception date is 8 June 2018.

CVC

CVC has been appointed to manage the European Direct Lending Fund III mandate on behalf of the Trustee through a pooled investment vehicle. The Trustee committed £40m of funds, of which around 60% had been drawn at year end. Note that performance for reported periods below are not available as drawdowns (and investments) only commenced after 31 March 2022.

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Direct Lending	N/A	N/A	N/A	N/A	N/A	N/A

Chorus

CVC has been appointed to manage the Chorus Capital Credit Fund V mandate on behalf of the Trustee through a pooled investment vehicle. The Trustee committed £40m of funds, of which around 80% had been drawn at year end. Note that performance for reported periods below are not available as drawdowns (and investments) only commenced after 31 March 2022.

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Direct Lending	N/A	N/A	N/A	N/A	N/A	N/A

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT (CONTINUED)

Insight

Insight manages a liability hedging mandate for the Fund. The objective of this mandate is for Insight to hedge a proportion of the Fund's liabilities against changes in interest rates and inflation expectations. Over the year to 31 March 2023 the Fund maintained its interest rate and inflation rate hedges of 98% and 95% respectively, both measured on a Technical Provisions ("TP") basis. Insight also have an element of discretion in the mandate, allowing them to add value above the benchmark through time.

Insight also manages the High Grade Global ABS mandate in which the Fund invested in August 2020. The High Grade Global ABS Fund intends to invest in global asset backed securities, which will be secured by a pool of ring-fenced assets, such as residential mortgages, and typically be floating rate debt instruments with low interest rate sensitivity. The ABS Fund targets performance in excess of cash.

Fund	1 Year to 31 March 2023		3 Years to 31 March 2023		5 Years to 31 March 2023	
	Fund %	Rel %	Fund % p.a.	Rel % p.a.	Fund % p.a.	Rel % p.a.
Insight LDI	-56.3	0.6	-24.0	0.6	-11.9	0.7
Insight High Grade Global ABS	-5.0	-7.3	N/A	N/A	N/A	N/A

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT (CONTINUED)

Custody Arrangements

All the Fund's assets are invested via pooled funds or a bespoke pooled fund. The Trustee has appointed Northern Trust to act as custodian of the bespoke pooled fund set up with Insight. The Trustee is not responsible for appointing the custodian of the investments underlying the various pooled fund holdings. The Trustee has been advised that the following custodian appointments are in place:

Manager	Custodian
LGIM	Citibank, N.A. (London Branch) ('Citi')
PIMCO	State Street Custodial Services Ireland Limited
Wellington	State Street Bank International GmbH, Luxembourg Branch
Insight	Northern Trust Fiduciary Services (Ireland) Limited
Insight High Grade Global ABS Fund	Northern Trust Fiduciary Services (Ireland) Limited
Aviva	RBC (Jersey) is the Fund's administrator/depositary. Purchase and sale documentation is retained by the lawyer acting on that trade.
Nephila	MUFG Investor Services is the Fund's administrator.
DRC Capital	Sanne Group PLC
CVC	BNP Paribas Securities Services
Chorus	The Bank of New York Mellon SA/NV Brussels

Nature, Disposition, Valuation and Marketability

The nature, disposition, valuation and marketability of the main asset types held by the Fund as at 31 March 2023 are as follows:

As at the year end all the Fund's investments were held in pooled funds and bespoke pooled funds in the case of the Insight mandate (with the exception of the annuity policies held with LGAS). The values of the pooled fund holdings are subject to fluctuation reflecting the income and capital appreciation/depreciation of the underlying securities. Currency movements will affect the value of overseas investments. There is currency hedging in place for the Nephila Insurance Linked Securities fund, this will mitigate some of the currency movements. With the exception of the property funds and insurance linked securities, majority of the pooled fund holdings can normally be sold for cash with a few days' notice, subject to the dealing frequencies of the individual funds.

Bonds other than UK Government Bonds are similar to Government Debt in that the income and maturity proceeds are defined at the time the investment is made. There is, however, a risk of default and whilst most of the securities held within this asset class will generally be marketable, some may on occasions be more difficult to trade.

Unlike bond investments, property and property debt are illiquid investments in that they can take some time to both invest and disinvest (this applies to both direct investment as well as property pooled funds). In addition, the costs of trading exceed those bonds and there are difficulties in determining an accurate valuation at a particular point in time. For these reasons, the Trustee has limited the extent to which it will consider investing in such asset classes.

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT (CONTINUED)

Benchmarks

The tables below set out the indices used to calculate the benchmark return for each of the Investment Managers' mandates.

Bond Mandate

PIMCO

Asset Class/Fund	Actual Allocation %*	Benchmark
Corporate Bonds	100.0	Barclays Global Aggregate Credit Index (GBP Hedged)

**Based on actual allocations as at 31 March 2023.*

Absolute Return

Insight

Asset Class/Fund	Actual Allocation %*	Benchmark
High Grade Global ABS Fund	100.0	1 Month SONIA

**Based on actual allocations as at 31 March 2023.*

Wellington

Asset Class/Fund	Actual Allocation %*	Benchmark
Multi-Asset Credit	100.0	1/3 Bank of America Merrill Lynch Global High Yield Constrained Index 1/3 JP Morgan Emerging Markets Bond Index Plus 1/3 CSFB Bank Loan Index

**Based on actual allocations as at 31 March 2023.*

Property Mandates

Manager	Actual Allocation %*	Benchmark
LGIM	35.2	IPD UK All Balanced Property Fund Index
Aviva	64.8	50% FTSE Actuaries 5-15 Years Gilt Index 50% FTSE Actuaries 15 Years+ Gilt Index

**Based on actual allocations as at 31 March 2023.*

Insurance Linked Securities

Manager	Actual Allocation %*	Benchmark
Nephila	100.0	3 Month US Treasury Bill

**Based on actual allocations as at 31 March 2023.*

Property Debt

Manager	Actual Allocation %*	Benchmark
DRC Capital	100.0	Net IRR of 6-7%

**Based on actual allocations as at 31 March 2023.*

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

INVESTMENT REPORT (CONTINUED)

Benchmarks (continued)

LDI Mandate

Manager	Actual Allocation %*	Benchmark
Insight	100.0	1/2 iTraxx Europe Main 10 Year Index 1/2 CDX North America Investment Grade 10 Year Index

**Based on actual allocations as at 31 March 2023.*

Liquidity Mandate

Manager	Actual Allocation %*	Benchmark
Insight – Liquidity	23.6	SONIA
Insight – Liquidity Plus	76.4	SONIA

**Based on actual allocations as at 31 March 2023. Insight Liquidity Plus is a negative valuation*

Direct Lending

Manager	Actual Allocation %*	Benchmark
CVC	100.0	Net unlevered (euro) IRR of 7%

**Based on actual allocations as at 31 March 2023.*

Bank Capital Relief

Manager	Actual Allocation %*	Benchmark
Chorus	100.0	Net IRR of 8-10%

**Based on actual allocations as at 31 March 2023.*

DAIRY CREST GROUP PENSION FUND
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

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

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and 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 Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund 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 Fund 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 Fund by or on behalf of the employer and the active members of the Fund 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 Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the Dairy Crest Pension Trustees website (www.dairycrestpensiontrustees.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Trustee:

Signatures redacted.

Signed by the Trustee 20/10/23

Trustee Director

Date:

Trustee Director

Date:

DAIRY CREST GROUP PENSION FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of the Dairy Crest Group Pension Fund for the year ended 31 March 2023 which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund 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 Fund's 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 Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other Information

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

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

We have nothing to report in this regard.

DAIRY CREST GROUP PENSION FUND

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 MARCH 2023

Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 22, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund 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.

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

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

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

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

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

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

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

DAIRY CREST GROUP PENSION FUND
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE
FOR THE YEAR ENDED 31 MARCH 2023

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

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

Use of our report

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

Signatures redacted.

Signed by the Auditor 20/10/23

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
RH10 1BG

Date:

DAIRY CREST GROUP PENSION FUND
FUND ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Contributions and benefits			
Employer contributions	4	25	25
Total contributions		<u>25</u>	<u>25</u>
Other income	5	4	5
		<u>29</u>	<u>30</u>
Benefits			
Benefits paid and payable	6	(39,959)	(36,522)
Payments to and on account of leavers	7	(3,347)	(4,791)
Administrative expenses	8	(1,312)	(1,187)
Other payments	9	(3)	(4)
		<u>(44,621)</u>	<u>(42,504)</u>
Net withdrawals from dealings with members		(44,592)	(42,474)
Returns on investments			
Investment management expenses	10	(1,535)	(505)
Investment income	11	13,159	10,563
Change in market value of investments	12	(345,257)	6,082
Net returns on investments		(333,633)	16,140
Net decrease in the fund during the year		(378,225)	(26,334)
Net assets at 1 April		1,216,948	1,243,282
Net assets at 31 March		838,723	1,216,948

The notes on pages 28 to 42 form part of these financial statements.

DAIRY CREST GROUP PENSION FUND
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Investment assets			
Pooled investment vehicles	14	630,364	949,993
Insurance policies	15	203,500	260,300
AVC investments	17	994	1,303
Cash deposits	16	30	26
Dividends and withholding tax	12	604	1,695
Cash in transit	12	89	156
		<u>835,581</u>	<u>1,213,473</u>
Total net investments			
Current assets	21	4,853	4,137
Current liabilities	22	<u>(1,711)</u>	<u>(662)</u>
Net assets at 31 March		<u>838,723</u>	<u>1,216,948</u>

The financial statements summarise the transactions of the Fund 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 Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on pages 4 and 5 in the annual report and these financial statements should be read in conjunction with it.

The notes on pages 28 to 42 form part of these financial statements.

The financial statements were approved by the Trustee on

Signed on behalf of the Trustee:

Signatures redacted.

Signed by the Trustee 20/10/23

Trustee Director

Date:

Trustee Director

Date:

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – the Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council, and with the guidelines set out in the Statement of Recommended Practice Financial Reports of Pension Schemes (revised 2018) (the “SORP”).

The financial statements have been prepared on a going concern basis and the Trustee’s assessment is set out on page 3 of the Trustee’s Report.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Fund is registered as a trust under English law. The address for enquiries is shown on page 1 of the Trustee’s Report.

3. ACCOUNTING POLICIES

The principal accounting policies are set out below and have been applied on a consistent basis.

3.1 Accruals Concept

The financial statements have been prepared on an accruals basis.

3.2 Contributions and Benefits

- a) Contributions are accounted for in the period in which they fall due in line with the Schedule of Contributions.
- b) Benefits to members are accounted for in the period in which they fall due, whenever the members’ wishes are known.
- c) Pensions in payment are accounted for the period to which they relate.

3.3 Investment and Other Income

- a) Investment income on cash deposits and interest on bank deposits are accounted for on an accruals basis.
- b) Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value.
- c) Income earned on a distributing unit trust is accounted for in the period in which it falls due and is stated net of management expenses.
- d) Income arising from annuity policies held by the Trustee and received by the Fund is included on an accruals basis and shown as sales of insurance policies.

3.4 Transfers

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer, which is normally when the related funds are transferred.

3. ACCOUNTING POLICIES (CONTINUED)

3.5 Administrative Expenses and Investment Management Expenses

- a) Expenses are accounted for on an accruals basis, in the period to which they relate.
- b) Any PPF levy incurred by the Fund is reimbursed by the Employer in accordance with the Schedule of Contributions.

3.6 Valuation of Investments

- a) Pooled investment vehicles are valued at the closing bid price or, if single prices or NAV, the closing single price provided by the investment managers.
- b) Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end.
- c) Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.
- d) The insurance policy purchased by the Trustee (and in the name of the Trustee) which provides the benefits of certain members, are reported within the Net Asset Statement under investment assets. The policy has been valued at the year-end by Aon Hewitt Limited on a roll-forward basis using the Bulk Annuity Market Monitor (BAMM) method.
- e) AVCs are accounted for on an accruals basis, and the resulting investments are included within the net assets statement on the basis of values provided by the AVC investment managers.

3.7 Currency

- a) The presentational and functional currency is Pounds Sterling.
- b) Assets and liabilities in foreign currencies are expressed in Pounds Sterling at the rates of exchange ruling at the year-end. Foreign currency transactions are translated into Pounds Sterling at the exchange rate at the date of the transaction.
- c) The figures in the financial statements are rounded to the nearest Pound Sterling thousand.

3.8 Significant Judgements and Estimates

In applying the Fund's accounting policies, the Trustee is required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Trustee's judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the calculations were made and are based on member data, historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following is the key area of estimation uncertainty:

Valuation of the buy-in policies

The valuation, as explained more fully in note 15 to the financial statements on page 33, has been estimated at £203.5m. This amount has been estimated by the Fund Actuary based upon a model used by them which has been tailored for the Pension Fund's circumstances. Due to the complexity of the valuation and the underlying circumstances, such estimates are subject to significant uncertainty.

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

4. EMPLOYER CONTRIBUTIONS

	2023 £'000	2022 £'000
PPF levy	<u>25</u>	<u>25</u>

The latest Schedule of Contributions was certified on 9 December 2022, which specified that, except for contributions in respect of the PPF levy, the Employer will pay no contributions to the Fund on the basis that the valuation as at 31 March 2022 showed a surplus in the Fund.

As per the Schedule of Contributions, the Employer funded the PPF Levy expense incurred during the year.

5. OTHER INCOME

	2023 £'000	2022 £'000
Other income	<u>4</u>	<u>5</u>

6. BENEFITS PAID AND PAYABLE

	2023 £'000	2022 £'000
Pension payments	34,014	32,670
Commutations and lump sum retirement benefits	5,598	3,704
Death benefits	<u>347</u>	<u>148</u>
	<u>39,959</u>	<u>36,522</u>

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023 £'000	2022 £'000
Individual transfers to other schemes	<u>3,347</u>	<u>4,791</u>

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

8. ADMINISTRATIVE EXPENSES

	2023	2022
	£'000	£'000
Administration and processing	408	334
Actuarial fees	282	218
Trustee fees and expenses	237	186
Legal fees	29	177
Other professional fees	187	138
Covenant review	44	25
Audit fees	30	34
PPF levy	25	25
Administration levy	64	43
Bank charges	6	7
	<u>1,312</u>	<u>1,187</u>

In accordance with the Schedules of Contributions, the PPF levy is reimbursed by the Principal Employer. The Fund is responsible for the payment of the Administration levy.

9. OTHER PAYMENTS

	2023	2022
	£'000	£'000
Life assurance premiums	<u>3</u>	<u>4</u>

10. INVESTMENT MANAGEMENT EXPENSES

	2023	2022
	£'000	£'000
Administration, management and custody	1,221	326
Other advisory fees	328	210
Investment management rebates	(14)	(31)
	<u>1,535</u>	<u>505</u>

11. INVESTMENT INCOME

	2023	2022
	£'000	£'000
Income from pooled investment vehicles	12,848	10,553
Interest receivable	311	10
	<u>13,159</u>	<u>10,563</u>

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

12. INVESTMENT RECONCILIATION

	Value at 1 April 2022 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2023 £'000
Pooled investment vehicles	949,993	388,808	(403,416)	(305,021)	630,364
Insurance policies	260,300	-	(16,755)	(40,045)	203,500
AVC investments	1,303	-	(118)	(191)	994
	<u>1,211,596</u>	<u>388,808</u>	<u>(420,289)</u>	<u>(345,257)</u>	<u>834,858</u>
Cash deposits	26				30
Dividends and withholding tax	1,695				604
Cash in transit	156				89
	<u>1,213,473</u>				<u>835,581</u>

The high value of purchases and sales is as a result of investment assets having to be sold to provide additional collateral for the LDI portfolio.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. During the year, income of £16,755k (2022: £16,767k) was received from the Bulk Annuity Policy held with LGAS in respect of the above pensions.

13. TRANSACTION COSTS

	2023 £'000					2022 £'000
	Fees	Commissions	Taxes and Duties	Levies	Total	Total
Pooled investment vehicles	133	-	-	-	133	53

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

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. POOLED INVESTMENT VEHICLES (PIVS)

The holdings of the Fund's PIVs are analysed below:

	2023	2022
	£'000	£'000
Liability-driven investment funds	404,646	537,403
Bonds	4,872	137,604
Property	67,662	105,969
Multi Asset Credit	35,913	65,642
Insurance	8,376	7,836
Property Debt	16,871	29,603
Asset-Backed Securities	25,901	36,043
Bank Capital Relief	32,670	-
Direct Lending	16,196	-
Cash	17,257	29,893
	<u>630,364</u>	<u>949,993</u>

The Fund retains £405m (2022: £537m) investments in the Insight LDI Active 5 Class B fund. The Dairy Crest Group Pension Fund is the sole investor within the fund. This fund invests in a variety of liability driven investments. At the year-end date, the assets and liabilities held by the pooled investment arrangement were £802m and £397m (2022: £1,073m and £536m). The analysis of the underlying holdings at the year-end is shown below.

	2023	2022
	£'000	£'000
Cash and short-term deposits	-	5,565
Government bonds	801,772	1,068,919
Interest rate swaps and other	(15,962)	(1,307)
Repurchase agreements	(381,164)	(535,774)
	<u>404,646</u>	<u>537,403</u>

15. INSURANCE POLICIES

The Fund holds an annuity contract in estimated amount of £203.5m (2022: £260.3m). The assumptions used to value the current year annuity contract were:

- Aon Bulk Annuity Market Monitor (BAMM) yield curve for pensioners, which is constructed from swap and UK corporate bond market curves average investment return of 1.5% p.a.
- approximate average price inflation (RPI) term-dependent rates derived from the RPI swap markets
- mortality rates base table - the S2P tables with a 101% loading (males and females)
- future mortality improvements - in line with the CMI_2020 projections and assuming a long-term annual rate of improvement of 1.75% p.a.

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

16. CASH DEPOSITS

	2023	2022
	£'000	£'000
Sterling cash deposits	<u>30</u>	<u>26</u>

17. AVC INVESTMENTS BY PROVIDER

The Trustee holds assets that are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 31 March each year, confirming the amounts held in their accounts and movements during the year.

The value of the AVC funds as at the year-end are as follows:

	2023	2022
	£'000	£'000
Prudential	347	545
Clerical Medical	643	754
AEGON	<u>4</u>	<u>4</u>
	<u>994</u>	<u>1,303</u>

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

18. INVESTMENT FAIR VALUE HIERARCHY

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

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

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

AT 31 MARCH 2023				
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	17,257	471,332	141,775	630,364
Insurance policies	-	-	203,500	203,500
AVC investments	-	990	4	994
Cash deposits	30	-	-	30
Dividends and withholding tax	604	-	-	604
Cash in transit	89	-	-	89
TOTAL	17,980	472,322	345,279	835,581

AT 31 MARCH 2022				
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	29,893	776,692	143,408	949,993
Insurance policies	-	-	260,300	260,300
AVC investments	-	1,299	4	1,303
Cash deposits	26	-	-	26
Dividends and withholding tax	1,695	-	-	1,695
Cash in transit	156	-	-	156
TOTAL	31,770	777,991	403,712	1,213,473

19. INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Fund is exposed to at the end of the reporting period. These risks are set out by FRS 102 as follows:

Credit risk 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 comprises currency risk, interest rate risk and other price risk, defined as follows:

- **Currency risk** 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** 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** 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 Fund has exposure to these risks because of the investments it makes in following the agreed investment strategy. The Trustee manages investment risks, including credit risk and market risk, in accordance with the Fund's strategic investment objectives. These investment objectives are implemented through the investment agreements in place with the Fund's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

19. INVESTMENT RISKS (CONTINUED)

Risk Disclosures Table

The Trustee's policy regarding risk management is highlighted in the Statement of Investment Principles. The Fund is subject to various types of risks, including, but not limited to, credit risk and market risk, arising from the underlying investments in the underlying funds. Market risk is composed of foreign exchange ("FX"), interest rate and other price risk. Risks are classified as "Direct" if they relate to an investment held directly by the Fund, or "Indirect" if they relate to an investment held by one of the underlying pooled funds. This does not include AVC investments, as these are not considered significant in relation to the overall investments of the Fund.

The Fund's exposure to risk is summarised in the following table (excludes AVCs, cash deposits, accrued income and cash in transit but includes current asset Trustee bank account cash):

	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk	31 March 2023 £'000	31 March 2022 £'000
Multi Asset Credit (indirect)	S	P	S	S	35,913	65,642
Property (indirect)	P	N	P	S	67,662	105,969
Insurance Linked Securities (indirect)	P	N	N	S	8,376	7,836
Property Debt (indirect)	S	N	S	S	16,871	29,603
High Grade ABS	S	P	S	S	25,901	36,043
Investment Grade Corporate Bonds (indirect)	S	P	S	P	4,872	137,604
LDI* (indirect)	P	N	S	N	421,903	567,296
Cash Deposits** (direct)	S	N	S	N	4,833	4,236
Annuity Policies (direct)	P	N	S	P	203,500	260,300
Bank Capital Relief (indirect)	S	P	S	S	32,670	-
Direct Lending (indirect)	S	P	S	S	16,196	-
Total					838,697	1,214,529

* Includes cash held as collateral by Insight in respect of the LDI Investment.

**Trustee bank account balance.

In the table above, the risk noted affects the asset class:

S – Significantly

P – Partially

N – Hardly/not at all

19. INVESTMENT RISKS (CONTINUED)

Investment Strategy

The Trustee is required to invest the Fund's assets in the best interest of the members, beneficiaries and the sponsoring employer and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

The investment strategic allocations in place as at 31 March 2023 are as follows (% amounts exclude the annuity policies and trustee bank account balance):

- 33% in return-seeking assets comprising, investment grade credit (1%), asset-backed securities (4%), multi asset credit (6%), long lease property (7%), core UK property (4%), bank capital relief (5%), property debt/direct lending (5%) and insurance-linked securities (1%). Investment grade corporate bonds are expected to generate returns at a higher level of return than otherwise would be obtained from government bonds.
- The remaining 67% of the assets are invested in a Liability Driven Investment (LDI) mandate which has the objective of hedging a proportion of the Fund's liabilities against changes in interest rates and inflation expectations. At 31 March 2023, the LDI portfolio hedges approximately 98% and 95% of the interest and inflation linked liabilities of the Fund (expressed as a percentage of the Technical Provisions liabilities).

The Fund underwent a strategy review post year-end, leading to a new strategic allocation.

Credit Risk

The Fund is subject to direct credit risk because of the exposure to pooled funds (see below). The fund is also exposed to direct credit risk through the annuity policies with Legal and General Assurance Society ("LGAS") and cash within the Trustee bank account.

Indirect credit risk arises through the underlying assets within the pooled investment arrangements. In particular:

- The Fund is exposed to significant credit risk within the multi asset credit, asset backed securities portfolio, investment grade corporate bonds and property debt. The credit risk of these funds is mitigated by holding a diversified of portfolio of underlying assets that minimises the impact of a particular issuer defaulting on its obligations.
- Credit risk arising on cash held within the Trustee bank account is mitigated by minimising cash balances to meet only the ongoing costs of the Fund (for example, member benefit payments and investment manager fees).
- OTC derivative contracts within the LDI portfolio. These contracts are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps and repurchase agreements is mitigated by collateral arrangements in place with the investment managers, but also through diversification of counterparties. The Fund's exposure to repurchase agreements (gilt repo) as at 31 March 2023 was c. £381m.

19. INVESTMENT RISKS (CONTINUED)

Pooled investment arrangements:

The pooled investment arrangements used by the Fund comprise unit-linked insurance contracts, authorised unit trusts and a bespoke Qualifying Investor Alternative Investment Fund ("QIAIF"). The Fund's holdings in pooled investment vehicles are not rated by credit rating agencies.

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 manager operates and diversification of investments amongst a number of pooled arrangements. Cash held by the pooled manager's custodian is not ring-fenced but the credit risk arising on this is mitigated by the use of regular cash sweeps (typically daily) and investing cash liquidity funds.

Investments backing unit-linked insurance contracts are comingled with the insurer's own assets and direct credit risk is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight. In the event of default by the insurer, the Fund may be protected by the Financial Services Compensation Scheme ("FSCS") and may be able to make a claim for at least 100% of its policy value, although noting that compensation is not guaranteed. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles including global investment grade corporate bonds, multi-asset credit and absolute return funds in which the Fund invests. Indirect credit risk is mitigated by the Trustee investing in a diversified portfolio.

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

19. INVESTMENT RISKS (CONTINUED)

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

a) Currency Risk

The Fund is subject to indirect currency risk because some of the Fund's investments are denominated or priced in a foreign currency (i.e. a currency other than Sterling), namely in investments in insurance linked securities, asset backed securities, MAC and global investment grade corporate bonds.

The currency exposure of the multi asset credit, global investment grade corporate bonds, asset backed securities and insurance linked securities, is 100% hedged back to sterling and the net currency risk is therefore minimal. Some of the managers may decide to take "active currency risk", but this is intended as a way to increase returns, rather than a strategic exposure.

b) Interest Rate Risk

The Fund is subject to indirect interest rate risk through the Fund's investments in government and corporate bonds, cash, and derivatives within the LDI portfolio. Other mandates, such as multi asset credit and asset backed securities have limited flexibility to take interest rate risk, however this is generally minimal and intended as a way to generate returns rather than a strategic exposure.

The Fund is also exposed to direct interest rate risk through the annuity policies with Legal and General Assurance Services and cash within the trustee bank account. The Trustee has an LDI mandate in place with the objective of hedging a portion of the Fund's liabilities against changes in interest rates and inflation expectations. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a corresponding fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

c) Other Price Risk

Other price risk arises principally in relation to the Fund's return-seeking portfolio which includes equities, property, multi asset credit, asset backed securities and insurance linked securities which are all held as underlying investments in pooled investment vehicles. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

20. CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Fund's net assets as at 31 March 2023 (31 March 2022):

	2023		2022	
	£'000	%	£'000	%
Insight LDI Active 5 Class B Fund	404,646	48.2	537,403	44.2
LGAS insurance policies	203,500	24.3	260,300	21.4
Aviva Lime Property Fund	43,823	5.2	52,114	4.3

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

21. CURRENT ASSETS

	2023	2022
	£'000	£'000
Cash balances	4,833	4,080
VAT recoverable	17	54
Life assurance due	3	3
	<u>4,853</u>	<u>4,137</u>

22. CURRENT LIABILITIES

	2023	2022
	£'000	£'000
Accrued expenses	245	255
Unpaid benefits	89	101
PAYE	214	168
Accrued investment expenses	1,163	138
	<u>1,711</u>	<u>662</u>

23. EMPLOYER-RELATED INVESTMENTS

As at the year-end there were no employer related investments (2022: none).

Under the Pensions Act 1995 particular types of investment are classed as "employer related investments" Under laws governing employer related investments (ERI) not more than 5% of the current value of Fund assets may be invested in ERI (subject to certain specific exceptions). In addition, some ERI is absolutely prohibited, including an employer related loan or guarantee. In September 2010, the prohibition of Employer Related Investments was extended to cover pooled funds, excluding funds held in life wrappers.

The Trustee reviews its allocation to employer related investments on an ongoing basis and is satisfied that the proportion of the Fund's assets in employer related investments does not exceed 5% of the market value of the assets during the year to 31 March 2023, nor does the Fund hold any prohibited employer related investments; the Fund therefore complies with legislative requirements. This will continue to be monitored going forward.

The Fund's investments are invested in accordance with the Occupational Pension Schemes (Investment) Regulations 1996.

DAIRY CREST GROUP PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

24. RELATED PARTY TRANSACTIONS

Two Trustee Directors, who have preserved benefits under the Fund, have their benefits calculated on the same basis as other members with preserved benefits, and in accordance with the Trust Deed and Rules.

Pension payments to two Trustee Directors are included in pensions payable. The amounts of these pensions are calculated on the same basis as pensions payable to other members of the Fund in accordance with the Trust Deed and Rules.

In addition, the Fund has also paid Trustee fees of £237,000 (2022: £186,000). Trustee fees include payments to The Law Debenture Pension Trust Corporation plc.

On 15 April 2019, Saputo Inc., the ultimate parent undertaking of Dairy Crest Group Limited and Dairy Crest Limited, provided a guarantee to the Trustee for all present and future obligations and liabilities of Dairy Crest Group Limited and Dairy Crest Limited to make payments to the Fund.

25. GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustee of the Fund is aware that the issue will affect the Fund and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Subsequently, on 20 November 2020, the High Court issued a follow up judgment in respect of the Lloyds Banking Group ruling that any transfers out paid since 17 May 1990 must be potentially be increased to reflect additional liabilities arising from the equalisation of GMPs accrued between 17 May 1990 and 5 April 1997. This could potentially result in top-up payments to members but presents significant challenges for the Trustee and Fund Administrator in terms of:

- Identifying transfers paid since 1990.
- Equalising the transfer payment.
- Tracking the relevant members and the arrangements they transferred to.

The Trustee is currently reviewing all options with its Fund Advisers.

26. COMMITMENTS

The Fund signed up to a commitment of £40.0m in Chorus Capital Credit Fund V GBP SCSp ("Chorus") on 30 March 2022, with around 80% of the commitment drawn at year-end. On 1 April 2022 the Fund made a commitment to invest £40m into the CVC Credit Partners European Direct Lending Feeder Fund III (GBP) ("CVC"), of which around 60% was drawn as at year-end.

DAIRY CREST GROUP PENSION FUND

SCHEDULE OF CONTRIBUTIONS AGREED BETWEEN THE TRUSTEE AND THE COMPANY

Schedule of Contributions

Introduction

This schedule of contributions is required by Section 227 of the Pensions Act 2004. It comes into effect on the date of certification of this schedule by the Fund Actuary and covers the five year period from the date of certification. The Fund's Trustee is responsible for preparing a revised schedule no later than 30 June 2026.

Employer Contributions

This schedule covers contributions to the Fund from all employers who participate in the Fund from time to time.

The Trustee and Dairy Crest Limited have agreed that, except for contributions in respect of the PPF levy, the participating employers will continue to pay no contributions to the Fund. This is on the basis that the valuation as at 31 March 2022, which included an allowance for the future expenses of running the Fund, showed only a small shortfall. It is anticipated that the investment return over the period of the recovery plan will be sufficient to remove this shortfall.

PPF Levy

An annual contribution equal to the PPF levy will be paid to the Fund within 30 days of the Trustee requesting payment from Dairy Crest Limited.

Signed on behalf of Dairy Crest Pension Trustees Limited

Name: David Barlow

Position: Director, for the Law Debenture Pension Trust Corporation p.l.c.

Date: 9 December 2022

Signed on behalf of Dairy Crest Limited

Name: Chris Thornton

Position: Director

Date: 9 December 2022

DAIRY CREST GROUP PENSION FUND

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Certification of Schedule of Contributions

Adequacy of Rates of Contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2022 to be met by the end of the period specified in the recovery plan dated 9 December 2022.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 9 December 2022.

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 Fund's liabilities by the purchase of annuities if the Fund were to be wound up.

Signature

Paul McGlone

Name

Paul McGlone

Date of signing

9 December 2022

Address

Aon Hewitt Ltd
Verulam Point
Station Way
St Albans
AL1 5HE

Qualification

Fellow of the Institute and Faculty of Actuaries

DAIRY CREST GROUP PENSION FUND
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS
FOR THE YEAR ENDED 31 MARCH 2023

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Dairy Crest Group Pension Fund

Statement about Contributions payable under the Schedule of Contributions

We have examined the Summary of Contributions Payable to the Dairy Crest Group Pension Fund on page 46 in respect of the Fund year ended 31 March 2023.

In our opinion the contributions for the Fund year ended 31 March 2023 as reported in the attached Summary of Contributions on page 46 and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 23 September 2019 and 9 December 2022.

Scope of Work on the Statement about Contributions Payable

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 46 in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedules of Contributions.

Respective Responsibilities of the Trustee and Auditor

As explained more fully on page 22 in the Statement of Trustee's Responsibilities, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the Employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund 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 Fund's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
RH10 1BG

Date:

DAIRY CREST GROUP PENSION FUND
SUMMARY OF CONTRIBUTIONS PAYABLE
FOR THE YEAR ENDED 31 MARCH 2023

Statement of Trustee's Responsibilities in respect of Contributions for the year ended 31 March 2023

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and, from time to time revised, a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the Employer and the active members of the Fund, and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Fund and for ensuring that contributions are made to the Fund in accordance with the Schedule.

Trustee's Summary of Contributions Payable under the Schedules in respect of the Fund year ended 31 March 2023

This Summary of Contributions Payable has been prepared by, or on behalf of, and is the responsibility of the Trustee.

Contributions payable under the Schedules in respect of the Fund year

	2023 £'000
Contributions payable under the Schedules of Contributions	
<i>Employer Contributions</i>	
Other contributions – PPF levy	25
Contributions payable under the Schedules (as reported on by the Fund Auditor)	25

Signed on behalf of the Trustee:

Signatures redacted.

Signed by the Trustee 20/10/23

Trustee Director

Date:

Trustee Director

Date:

Appendix Engagement Policy Implementation Statement

Engagement Policy Implementation Statement (“EPIS”)

Dairy Crest Group Pension Fund (the “Fund”)

Fund Year End – 31 March 2023

The purpose of the EPIS is for us, the Trustee of the Dairy Crest Group Pension Fund, to explain what we have done during the year ending 31 March 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Fund’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

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

In our view, most of the Fund’s investment managers were able to disclose adequate evidence of engagement activity, that the activities completed by our managers align with our stewardship priorities. We note that over the year ended 31 March 2023, the Fund did not have any holdings in segregated or pooled funds that invest in underlying securities that provide the manager or Trustee the opportunity to exercise voting rights (e.g. equities). Therefore, this document is instead focussed on engagement.

Nephila did not provide any requested engagement information, or the information provided was limited and often not in line with the best practice Investment Consulting Sustainability Working Group (“ICSWG”) industry standard engagement reporting template. LGIM provided engagement information but, like last year, it wasn’t specific to the funds in which the Fund invests. However, as the Fund has redeemed from both managers, we will take no further action in relation to these holdings.

CVC provided no engagement and themes information, either specific to the fund or the firm. Chorus provided firm-level engagement examples and themes but no fund-specific engagement examples and themes. Given both are illiquid funds in the drawdown and investment stage we are comfortable that no fund-specific examples are included, but we expect CVC in particular to improve their reporting to at least include firm-level engagement examples next year onwards.

We are satisfied that all other managers (Aviva, DRC, PIMCO, Insight, Wellington) disclosed sufficient engagement information over the year to 31 March 2023.

As set out in our engagement plan, the only key action for us is to continue to invite at least one investment manager each year to present to the Funding and Investment Committee, to allow us to get a better understanding their engagement practices and how these help us fulfil our Responsible Investment policies.

How voting and engagement policies have been followed

The Fund is invested in pooled funds, and so the responsibility for voting and engagement is delegated to the Fund's investment managers. We reviewed the stewardship activity of the investment managers carried out over the Fund year and in our view, most of the investment managers were able to disclose adequate evidence of engagement activity. More information on the stewardship activity carried out by the Fund's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Fund's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environment Social Governance ("ESG") ratings from Aon for the funds the Fund is invested in where available.

Each year, we review the voting and engagement policies of the Fund's investment managers to ensure they align with our own policies for the Fund and help us to achieve them.

We note that the Fund did not have any holdings in segregated or pooled funds that invest in underlying securities that provide the Trustee the opportunity to exercise voting rights (e.g. equities). Therefore, this document is instead focussed on engagement.

The Fund's stewardship policy can be found in the SIP: <https://dairycrestpensiontrustees.co.uk/wp-content/uploads/2020/10/SIP-September-2020.pdf>

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our Engagement Action Plan

We believe the fund managers should provide engagement examples and themes relating to the funds in which we are invested, as per Investment Consulting Sustainability Working Group ("ICSWG") industry standard engagement template.

Therefore, based on this and on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. Engage with managers that didn't meet our standards of engagement reporting to better understand their engagement practices and discuss the areas which are behind those peers. More specifically:
 - a. LGIM did provide a comprehensive list on fund level engagements but not those specifically relating to the Fund's property investment fund.
Trustee comment: We note that the Fund sold its investment in LGIM in May 2023 and so will not be undertaking any further engagement with LGIM.
 - b. Nephila provided comprehensive ESG report providing engagement details but they provided no detailed engagement examples specific to the fund in which we are invested.

Trustee comment: We note that the Fund has redeemed from this holding, with the residual allocation to be distributed over time, and so will not be undertaking any further engagement with Nephila.

- c. CVC provided no engagement and themes information, either specific to the fund or the firm. Chorus provided firm-level engagement examples and themes but no fund-specific engagement examples and themes.

Trustee comment: Given both are illiquid funds in the drawdown and investment stage we are comfortable that no fund-specific examples are included, but we expect CVC in particular to improve their reporting to at least include firm-level engagement examples next year onwards.

2. Invite at least one investment manager each year to present to the Funding and Investment Committee, to allow us to get a better understanding their engagement practices and how these help us fulfil our Responsible Investment policies.

Our managers' engagement activity

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

The table below shows some of the engagement activity carried out by the Fund's managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Fund.

Funds	Number of engagements		Themes engaged
	Fund specific	Firm level	
			<u>Firm-level themes provided only:</u>
PIMCO - Global Investment Grade Credit	415	>1,800	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste. Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights, Human capital management. Governance - Board effectiveness, Leadership, Remuneration. Strategy, Financial and reporting - Capital allocation, Financial performance.
			<u>Firm-level themes provided only:</u>
Insight - High Grade ABS Fund	40	948	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste. Social - Human and labour rights, Human capital management. Governance - Board effectiveness, Remuneration. Strategy, Financial and reporting - Capital allocation, Strategy/purpose.
			<u>Fund-specific theme provided:</u>
Aviva Investors - Lime Property Fund	21	3,328	Environment - Climate change.
			<u>Firm-level themes provided:</u>
LGIM - Property	Not provided	Not provided	

Funds	Number of engagements		Themes engaged
	Fund specific	Firm level	
			<p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste.</p> <p>Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health.</p> <p>Governance - Board effectiveness - Diversity, Independence or Oversight, Other, Leadership - Chair/CEO, Remuneration, Shareholder rights, Capital allocation.</p> <p>Strategy, Financial and reporting - Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks), Activism, ESG Scores, Environmental Opportunities.</p>
			<p><u>Firm-level themes provided only:</u></p> <p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste.</p> <p>Social - Human Capital Management, Inequality, Human and Labour Rights.</p> <p>Governance - Board effectiveness - Diversity, Independence, or Oversight, Leadership - Chair/CEO, Remuneration, Shareholder rights.</p> <p>Strategy, Financial and reporting – Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks).</p>
Wellington - Multi-Sector Total Return	1,530	>9,000	<p><u>Fund-specific themes provided:</u></p> <p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste.</p> <p>Social - Conduct, Culture and ethics, Human capital management, Inequality.</p> <p>Governance - Board effectiveness, Leadership, Remuneration.</p> <p>Strategy, Financial and reporting - Reporting, Financial performance, Strategy/purpose.</p>
DRC - UK Whole Loan Fund	15-20	150	<p><u>Firm-level themes provided only:</u></p> <p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste.</p> <p>Social - Human and labour rights, Human Capital Management.</p> <p>Governance - Board independence and oversight, Leadership.</p>
Chorus Capital Credit Fund V	Not provided	13	<p>Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste.</p> <p>Social - Human and labour rights, Human Capital Management.</p> <p>Governance - Board independence and oversight, Leadership.</p>
Nephila Capital – Palmetto Fund			Not provided

Funds	Number of engagements		Themes engaged
	Fund specific	Firm level	
CVC Capital Partners – European Direct Lending Fund III			Not provided

Source: Managers.

Note: Aviva provided the number of entities engaged with and not total number of engagements on the fund level.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- At the time of writing, LGIM did provide fund level engagement reporting but not in the ICSWG industry standard. Additionally, the manager did not provide any firm level engagement information.
- Chorus Capital, Wellington, PIMCO and Insight did not provide fund level themes.
- CVC Capital Partners and Nephila Capital did not provide any engagement information.

We will engage with the managers to encourage improvements in reporting.

This report does not include commentary on the Fund's investments in gilts or cash because of the limited materiality of stewardship associated with these asset classes. Further this report does not include the managers of additional voluntary contributions ("AVCs") due to the relatively small proportion of the Fund's assets that are held as AVCs.