INTERNAL ONLY

Your Autumn Pensions Update

Howden Joinery Pension Plan

November 2024

Welcome

This is our second newsletter in 2024 and as well as the usual updates on the funding level of the Plan and the annual report and accounts summary, you can find out more about the recent tax changes and what the Plan is doing to invest responsibly and protect member benefits.

We hope you find these newsletters helpful. If you have any comments or suggestions for future issues, please let the Pensions team know (contact details at the end)**.**

Chris Martin
Independent Trustee Services (ITS)
Chair, Howden Joinery Pension Plan

People news

Shromi Jeyakumar
Assistant Pensions Manager

In the last newsletter we announced Clair Hood's retirement at the end of June, with Nilam Gardiner taking over her role as Group Pensions Manager. We are now pleased to announce that Shromi Jeyakumar joined Howdens on 1 July and will be supporting Nilam.

The Pensions Team
The pensions team can still be contacted at **pensions@howdens.com**

Autumn budget

The new Chancellor published her first budget, which included important changes to the UK's tax system including inheritance tax.

The most significant pensions change is the proposal to bring certain types of pension payments into the scope of inheritance tax from April 2027.

This proposal is currently under consultation. Once we have more clarity around the changes, we will communicate what this means for payments on death from the Plan.

Also, despite the rumours, there have been no changes to the rules around Tax Free Lump Sums.

Moving to digital correspondence

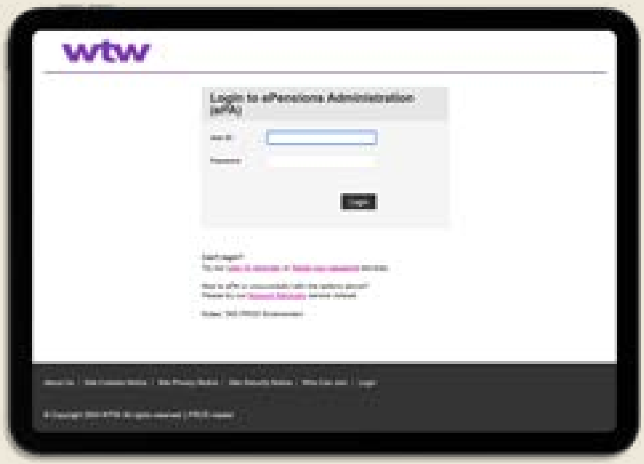
Going forwards, we're reducing the carbon footprint of the Plan by going paperless with our member communications. Instead of printing and posting important communications to you, we will be using eDocument sharing through the member portal, called ePA, to upload and provide access to communications securely online.

How does it work?

Capture contact information

Please log into ePA (**epa.towerswatson.com/accounts/login/**) and select '**My Details**' and '**Contact Preferences**'.

eDocument Sharing requires you to provide one email address and one mobile phone number. The contact channels supplied are then validated through a One Time Passcode process (OTP). This step is skipped if contact channels have previously been validated.



Contact preference

You will then be asked to confirm whether you are happy to receive communications online and choose how you want to receive automatic notifications in future - these can be by email, text message or both.

Done! It's a simple as that

You will receive a nudge notification when there is a new document to read, and a reminder if you don't access the new document after a period of time.

Please note

If you can't login to ePA, contact the Administration Team in writing and we will continue to send your communications in the post. Similarly if you have opted out of receiving communications online, we will continue to send communications to you by post.

Financial health check

The Plan Actuary (an independent expert) checks the financial position of the Plan for us (called a 'valuation') every three years. This is important because the Plan's financial health could affect the benefits you receive. The last full valuation was in 2023 and we reported the outcome in the Spring 2024 newsletter.

In the interim years, the Plan Actuary provides updates known as annual funding updates. The results of the 2024 annual funding update compared to last year is shown below:

Assets	Liabilities	(Shortfall)/Surplus	Funding level
Money available in the Plan	Money needed for the Plan to provide benefits - now and in the future	When the value of the assets is (less)/more than the liabilities	The assets as a % of the liabilities
Valuation 31 March 2023			
£909.1M	**£954.3M**	**(£45.2M)**	**95%**
Valuation 31 March 2024			
£889.2M	**£880.3M**	**£8.9M**	**101%**

What's changed since the last valuation in 2023?

Since the valuation at 31 March 2023, the funding position has been volatile but with an upwards trajectory. The Plan's financial position has improved significantly, resulting in a surplus of assets over liabilities of £8.9m at 31 March 2024.

The value placed on the Plan's liabilities has decreased due to the increase in gilt yields over the period. This increase in gilt yields has also resulted in a reduction in the Plan's assets, although by a lower amount than the decrease in liabilities.

There have been no payments to the Company out of Plan assets since the last valuation.

Please note: The Pensions Regulator has powers to direct matters affecting the funding of the Plan in certain circumstances. We are pleased to say that it has not needed to use its powers in this way for the Plan.

Recovery Plan

In November 2023, the Company and Trustee agreed a new Recovery Plan with contributions of £12m p.a. (paid in monthly instalments) until 31 May 2026, reflecting the outcome of the 31 March 2023 triennial valuation. It was agreed that these deficit contributions can be suspended if the Plan reaches a fully funded position for two consecutive months. As a result of the Plan being fully funded, there have been no deficit contributions paid since November 2023. The Recovery Plan aims to make sure that the assets are enough to cover the liabilities by the end of the Recovery Plan.

Jargon buster

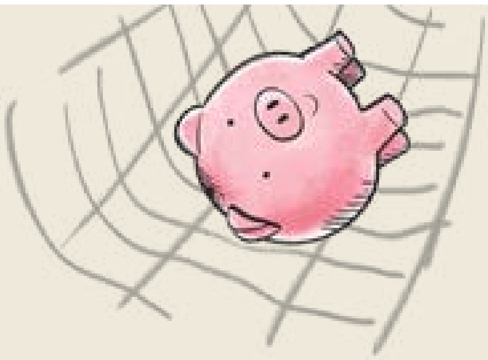
Gift yields are the interest rates paid on a UK Government Bond.

What would happen if the Plan was discontinued ('wound up')?

The Company is fully committed to supporting the Plan. As part of the valuation, the Actuary must also look at the Plan's solvency position. This does not mean that the Company is thinking of winding up the Plan.

The Actuary has also worked out the funding level if the Plan doesn't continue (i.e. is wound up) and all the promised benefits have to be provided by an insurance company. This is known as 'buying out' the benefits. This kind of funding test (called the 'solvency position') sets a higher funding test for the Plan and therefore usually results in a significantly lower funding level than the funding levels worked out if the Plan continues. This is because insurance companies have to invest in lower returning assets than the Plan would, and they have to show they hold enough money to pay out the benefits.

If the Plan wound up as at 31 March 2024, the Actuary estimates that the amount the Plan needed to ensure benefits were paid in full was £1,085.6m and the assets were £889.2m. On this basis, the Plan's solvency shortfall was £196.4m and the solvency funding level is 81.9%



The Pension Protection Fund (PPF)

The PPF acts as a safety net and provides compensation to pension scheme members where a scheme is wound up because the sponsoring employer becomes insolvent and there's not enough money to cover the cost of securing members' benefits with an insurance company. The PPF does not provide full protection, so in most cases members would see a reduction in their benefits. However, this is more than they would receive if the PPF did not exist. For more information about the PPF visit **www.ppf.co.uk**

The Trustee is confident in the Company's current position and that it is not likely to become insolvent.

The full valuation report is available on request from **pensions@howdens.com**

The year to 31 March 2024

Our members

Since the Plan closed to new members in 2013 the membership will gradually decrease over time. This is how our membership is made up now:

Deferred	**5,542**
Pensioner and dependant	**4,680**
Total membership	**10,222***

* This has reduced from 10,333 members last year.

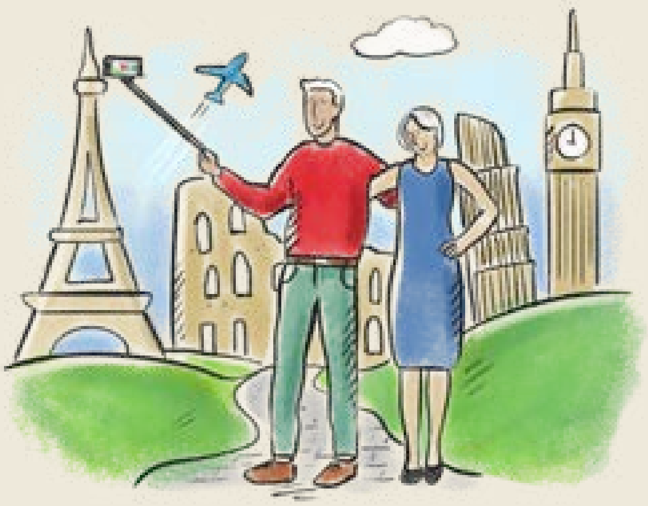
Income and Expenditure 1 April 2023 to 31 March 2024

The audit of the Plan was successfully carried out by RSM this year and no concerns were raised.

	£m
Value of the Plan as of 31 March 2023	£909.1
Total money in	+£12.1
Total money out ‡	-£41.5
Net return on investments	+£9.5
Value of the Plan as of 31 March 2024	£889.2

‡ Money is paid out for pensions and lump sums to members, transfers to other individual pension arrangements and administration expenses.

Investment update



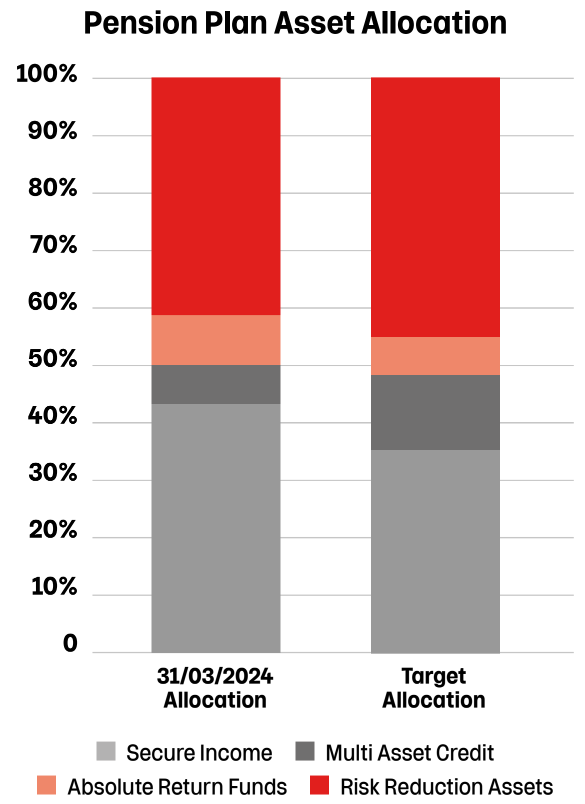
The Trustee is responsible for ensuring that it can pay our current pensioners each month and pay benefits to all its members, which are due in the future. Some of the assets held are in investments that aim to match the Plan's liabilities and other assets are there to provide growth.

The Trustee regularly reviews the investment strategy for the Plan and as reported in Autumn 2023, a reset of strategy was carried out and implemented in the first half of 2023. This assessed the target timescales to achieve the Plan's long-term objectives, target investment returns and updated levels of liability hedging. The level of liability hedging will increase over time as the secure Income assets return capital and the overall liquidity of the portfolio is able to support higher hedging levels.

In 2024, the Trustee agreed to invest in the HSBC Asset Backed Securities fund, to help support the growth and income requirements of the Plan in accordance with the long-term objectives. This was implemented in July 2024.

The long-term investment strategy was adjusted and currently has a 55% target allocation to 'return-seeking' assets and a 45% target allocation to 'risk-reducing' assets.

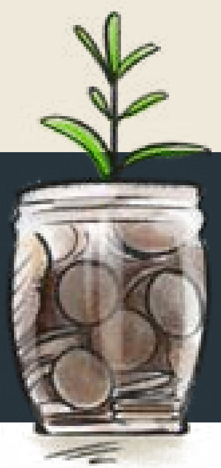
The chart below shows the current asset allocation versus the target allocation as at 31 March 2024:



Secure Income: cash flow generating assets which provide stable, predictable, long-term returns, including property, Real Estate debt and direct lending (underwritten by the investment manager).

Multi Asset Credit (and Absolute Return): active investment strategies targeting positive returns which are uncorrelated to equity or credit markets.

Risk-reduction: assets that are generally considered as lower risk and would typically be expected to move in a broadly similar fashion to the Plan's liabilities, due to changes in both interest rates and inflation.



Jargon buster

Hedging against investment risk means strategically using financial instruments or market strategies to offset the risk of any adverse price movements caused by interest rates and inflation.

Climate change and net zero – our investment commitment

ROAD TO ZERO
OUR JOURNEY TO
ZERO WASTE
ZERO EMISSIONS

Climate change is affecting the planet, causing extreme weather events, impacting crop production and threatening Earth's ecosystems. We continue to work with our advisers to understand the impact of climate change and the Plan's vulnerability to climate-related risks which will help us to mitigate the risks and take advantage of any opportunities.

We believe that climate-related risks could have a materially detrimental impact on the Plan's investment returns in the future. So, it is critical that we try to mitigate them. But we also recognise that we have a role to play in helping to tackle climate change. The Plan's impact on climate change comes from the greenhouse gas emissions associated with its investment portfolio. In our previous newsletters we have highlighted new regulations for large UK pension schemes and the requirement to produce an annual Taskforce for Climate-related Financial Disclosures ('TCFD') report. Our second report for the Plan is now available on our website at: **www.howdenjoinerypensions.co.uk/howden/**

As part of our TCFD reporting, we set targets to improve the quality of data on greenhouse gas emissions that our investment managers can provide. Without meaningful data from the investment managers, it is very hard to accurately assess our climate-risk exposure. So, it is important to set a target to improve the data from the managers. Since our previous report, the quality of data reported by our investment managers has improved substantially and as a result, we have nearly met those targets. So we have set new stretching targets to make them more challenging.

Since last year's report, the scopes 1 and 2 greenhouse gas emissions associated with the Plan's assets have decreased overall. The story for scopes 1 and 2 carbon footprint is mixed. The carbon footprint for equities has seen a modest decrease, the carbon footprint for secure income has seen a slight increase and the carbon footprint for LDI has increased materially.

Some of this is attributed to changes in the amount of investment in these assets, changes in the asset values and changes in the methodology used to calculate emissions for some asset classes. This year is the first year we have reported scope 3 emissions.

Our main focus at this stage is on regular engagement with our investment managers to understand how climate risks are considered in their investment approaches and ensure the managers' carbon emissions objectives align with the Plan's Net Zero target. We are focussing on managers in our growth portfolio as this is where we have the most ability to influence managers. Over the year, we met with 3 managers (Robeco, ICG Longbow and Leadenhall).

Jargon buster

Scope 1
Emissions are all direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities, and vehicles.

Scope 2
Emissions are the indirect emissions from the generation of electricity purchased and used by an organisation.

Scope 3
Emissions are all other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells.

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Lifetime Allowance (LTA) and Lump Sum Allowance (LSA)

The LTA has been abolished from 6 April 2024 but a new LSA has been introduced. There is no longer a limit on the pension benefits which can be built up and members who had applied for protection under the various LTA limits can now make pension savings without losing their protection (if protection was in place prior to 15 March 2023).

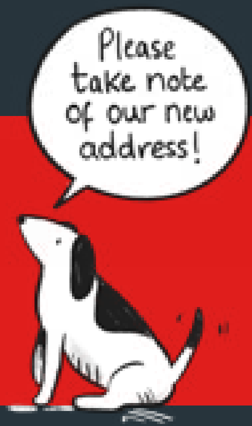
However, there is a limit on the maximum tax-free cash sum which can be paid. The LSA is fixed at £268,275 (which is 25% of the final LTA of £1,073,100). Therefore, pension savings which are in excess of £268,275 can only be taken as taxable income. Members with individual protection may be able to receive 25% of their personal LTA tax-free.

If you think you will be affected, we suggest that you seek independent financial advice.

New Labour Government

The Labour Party won the recent General Election and the King's Speech that followed did not include any imminent pension changes. The Chancellor, Rachel Reeves, has since launched a review of the pensions landscape. We will let you know if any of these changes affect the Plan or our members.

If you have any questions about the Plan



Get in touch with the Plan Administrators

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Or the pensions team at Howdens
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Shromi Jeyakumar **020 7535 1114**

Helpful information

Finding lost pensions

It's easy to lose touch with previous pension plans when you change jobs, or if former employers change their name. If you need to contact the trustee of another employer's pension scheme, this service can help:

www.gov.uk/find-pension-contact-details

Money Helper

Money Helper offers free, clear, unbiased guidance to help you manage your money and pension. There are a number of useful financial planning tools available, including a pension calculator and budget planner. You can also find guidance and support available if your finances have been affected by the rising cost of living.

www.moneyhelper.org.uk