

**Pension Scheme Registry Number: 10012079**

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME**

**TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS**

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**For the year ended 30 September 2022**

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**ENSORS ACCOUNTANTS LLP**

Chartered Accountants

Connexions

159 Princes Street

IPSWICH

IP1 1QJ

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

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# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## TRUSTEE AND ADVISERS

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### Trustee

Capital Cranfield Pension Trustees Limited – represented by S Girvin and S Wilton

### Directors of Capital Cranfield Pension Trustees Limited

Mr S D Godson  
Mrs J E Maguire (resigned 31 January 2022)  
Mr N J McPherson (resigned 31 May 2022)  
Mrs J C Miller (resigned 3 January 2023)  
Mr P N Whittome  
Ms S C Ellis  
Mr M J Condron (appointed 1 February 2022)  
Mr H F H Rai (appointed 1 June 2022)  
Ms V Gibbard (appointed 3 January 2023)

E mail: [S.Girvin@cctl.co.uk](mailto:S.Girvin@cctl.co.uk) and [S.Wilton@cctl.co.uk](mailto:S.Wilton@cctl.co.uk)  
42 New Broad Street  
London EC2M 1JD

### Principal Employer

Carl Zeiss Limited  
ZEISS House  
1030 Cambourne Business Park  
Cambourne CB23 6DW

E mail: [daniel.spencer@zeiss.com](mailto:daniel.spencer@zeiss.com) and [helen.garrett@zeiss.com](mailto:helen.garrett@zeiss.com)

### Scheme Actuary

Mr Steven Roper F.I.A.  
Buck  
First Floor, Connexions  
159 Princes Street  
Ipswich IP1 1QJ

### Auditors

Ensors Accountants LLP  
Third Floor, Connexions  
159 Princes Street  
Ipswich IP1 1QJ

### Bankers

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## TRUSTEE AND ADVISERS (continued)

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### Investment Managers

Legal & General Assurance (Pension Management) Limited  
Partners Group

### AVC Provider

ReAssure (formerly Legal & General Assurance Society)  
Windsor House  
Telford TF3 4NB

### Pension Administration

Deloitte Total Rewards and Benefits Limited  
Hill House  
1 Little New Street  
London EC4A 3TR

E mail: [pensionsadministration@deloitte.co.uk](mailto:pensionsadministration@deloitte.co.uk)

### Investment Consultants

Buck  
20 Wood Street  
London, EC2V 7AF

### Legal Advisers

Pinsent Masons LLP  
30 Crown Place  
London EC2A 4ES

### Employer Covenant Advisers

Purbeck Covenant Services (PCS)  
The Haven  
Worth Matravers  
Dorset, BH19 3LF

### Enquiries

Enquiries about the Scheme generally, or about individual's entitlement to benefit, should be addressed to [pensionsadministration@deloitte.co.uk](mailto:pensionsadministration@deloitte.co.uk)

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## TRUSTEE'S REPORT

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In accordance with the rules of the Carl Zeiss Limited Pension & Assurance Scheme ('the Scheme'), the Trustee presents its report and accounts for the year ended 30 September 2022.

The accounts have been prepared and audited in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

### Constitution

The Scheme closed to new entrants in July 2002. New employees since that date have been offered membership of a new money purchase scheme which complies with the new auto enrolment regulations.

The Scheme was contracted-out of the State Second Pension (S2P) up to 30 September 2012. With effect from 30 September 2012 the Scheme closed to future accrual. Benefits earned up until 30 September 2012 will continue to be linked with Final Pensionable Earnings (as defined in the rules of the Scheme) whilst members remain in continuous employment with Carl Zeiss Limited, the links with earnings will end on the earlier of death, retiring, leaving service, or opting out of the Scheme.

The amendments to the rules of the Scheme to effect these changes were executed by a deed of amendment dated 18 October 2012.

### Management of the Scheme

Under the power granted in the Rules dated 20 June 2012 the Principal Employer may appoint or remove the Trustee by deed at any time. The Principal Employer has elected to appoint a sole professional Independent Trustee and the Scheme is therefore exempt from the requirement to seek Member Nominated Trustees.

The Trustee who served during the period is listed on page 1.

The Trustee has delegated the day-to-day management and operation of the Scheme's affairs to professional organisations.

During the year the Trustee held two formal Trustee meetings.

### Taxation status

The Scheme was an exempt approved scheme under the provisions of Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988 and as such is a Registered Pension Scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly, under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from a trading activity is not investment income and so will be assessed for tax in the normal way.

### Scheme changes

There were no changes to the Rules during the year.

### Membership analysis

<b>Members with preserved benefits</b> <sup>1</sup>	<b>No.</b>
Members with preserved benefits at the start of the year	129
Deferred members becoming pensioners	(7)
Members with preserved benefits at end of the year	<u>122</u>
<b>Pensioner members</b> (excluding annuitants) <sup>2</sup>	<b>No.</b>
Pensioners at start of year	80
Members retiring	7
Deaths with no dependants	(1)
Pensioners at end of the year	<u>86</u>

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## TRUSTEE'S REPORT (continued)

### Membership analysis (continued)

	<b>No.</b>
<b>Annuitant members</b> <sup>3</sup>	
Annuitant members at the start of the year	43
Adjustment	(2)
Death of members	(3)
Annuitant members at the end of the year	<u>38</u>
<b>TOTAL MEMBERSHIP AT END OF YEAR</b>	<u><u>246</u></u>

<sup>1</sup> includes 15 members continuously employed by Carl Zeiss Limited who retain a salary link in deferment

<sup>2</sup> includes 7 dependant pensioners

<sup>3</sup> includes 14 dependant pensioners

### Financial development

The audited accounts on pages 20 to 30 summarise the transactions and net assets of the Scheme. These have been drawn up and audited in accordance with regulations made under section 41 (1) and (6) of the Pensions Act 1995 and should be read in conjunction with the actuarial statements attached.

The value of the fund as at 30 September 2022 stood at £39,906,273 (2021: £54,539,648), a decrease of £14,633,375 (2021: increase of £2,637,891) over the position at 30 September 2021.

The financial statements do not take into account the liabilities to provide pension benefits which fall due after the year end. These liabilities are considered by the Trustee as part of the actuarial valuation every three years.

The auditor's statement about contributions and the Trustee's summary of contributions are set out on pages 19 and 7 respectively.

In the opinion of the Trustee the investments are sound, and the financial development of the Scheme was suited to its liabilities.

### Actuarial valuation

The Trustee completes an actuarial valuation of the Scheme, ordinarily every three years, which measures the financial health of the Scheme.

The most recent triennial valuation was carried out at the effective date of 30 September 2020. The results of the actuarial valuation showed a Scheme funding deficit of £9.583 million (84% funding level); the 2017 valuation had shown a surplus of £1.199 million (102% funding level). Despite better than expected investment returns on the assets of the Scheme, the changes in investment market conditions had increased the expected cost of providing benefits. The 30 September 2020 actuarial valuation included an allowance in respect of GMP equalisation, which is noted later in this report.

As the actuarial valuation showed that there was a shortfall of assets when compared with the Technical Provisions the Trustee and Principal Employer were required to prepare a Recovery Plan which sets out the amount and duration of payments to target the removal of the Scheme funding deficit. The payments agreed are detailed in the Schedule of Contributions which was certified on 15 September 2021. The employer contributions agreed are –

<b>Period</b>	<b>Amount</b>
1 October 2020 to 30 September 2021	nil
1 October 2021 to 30 September 2022	£1,458,000
1 October 2022 to 30 September 2023	£1,516,800
1 October 2023 to 30 September 2024	£1,576,800
1 October 2024 to 30 September 2025	£1,640,400
1 October 2025 to 30 September 2026	£1,705,200
1 October 2026 to 30 September 2027	£1,771,200

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## TRUSTEE'S REPORT (continued)

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The contributions are paid in monthly instalments on or before the 19th of the month following the month in which the contribution is due.

The next triennial valuation is due with an effective date of 30 September 2023.

The Actuarial Statements are set out on pages 31 to 35.

In the opinion of the Trustee, no event has taken place which might cause the Scheme to become insolvent.

### Contributions

During the year the Principal Employer paid deficit funding contributions as agreed under the Schedule of Contributions.

### Other information

The investment managers' fees are calculated as a flat annual charge plus a percentage of the value of the fund.

Administrative fees are paid direct by the Principal Employer.

### Pension increases

Pensions in the course of payment escalate at the rate of 3% pa in respect of benefits accrued prior to 6 April 1997 and in line with increases in the Retail Prices Index (RPI) subject to a minimum of 3% and a maximum of 5% each year in respect of benefits accrued on or after 6 April 1997. Pensions in the course of payment in respect of benefits accrued on or after 1 April 2012 escalate in line with increases in the Consumer Prices Index (CPI) subject to a maximum of 2.5% each year.

For those members that do not retain a salary link, accrued pensions for leavers, in excess of GMP, increase in line with statutory revaluation. Benefits accrued prior to 6 April 2009 are subject to a 5% cap and those accrued on or after 6 April 2009 are subject to a 2.5% cap. The cap is applied cumulatively over the period from the member's date of leaving to their date of retirement.

All pension increases granted were in accordance with the Trustee's understanding of the Trust Deed and Rules of the Scheme and overriding legislative requirements.

There were no discretionary increases to Scheme benefits awarded in the year.

### Transfer values

Any transfer values paid in the year did not include any allowance for discretionary amounts, on the basis that the Scheme has not historically provided discretionary increases to benefits.

All cash equivalents quoted during the year were calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and in accordance with The Occupational Pension Schemes (Transfer Values) Regulations 1996 (as amended).

### Investment policy

Legal & General Assurance (Pensions Management) Limited and Partners Group are responsible for the investment of the assets of the Scheme.

The Trustee, based on the advice of their investment consultant, is satisfied that the investment strategy adopted by Legal & General Assurance (Pensions Management) Limited and Partners Group will provide both security and value for money for all members of the Scheme. The Trustee has produced and is compliant with a Statement of Investment Principles in accordance with Section 35 of the Pensions Act and a copy is available on request.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## TRUSTEE'S REPORT (continued)

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### **Additional voluntary contributions (AVCs)**

The Scheme provided for members to pay AVCs to ReAssure (formerly Legal & General Assurance Society) to increase their benefit entitlement at retirement. This arrangement is closed to future contributions, but historic funds remain in respect of one member of the Scheme.

### **Going concern**

As part of the usual process in preparing the financial statements, the Trustee must assess the Scheme's ability to continue to operate as a going concern and disclose any financial uncertainties facing the Scheme. A going concern is an operation that functions without the threat of wind-up for the foreseeable future, which is regarded as at least the next 12 months from the date of approval of the financial statements.

The Trustee has engaged PCS to provide ongoing employer covenant monitoring advice and, having received this advice and regular updates from the company, is comfortable that a going concern basis remains appropriate.

### **GMP equalisation**

In October 2018, the High Court determined that certain benefits (known as "Guaranteed Minimum Pensions" or "GMPs") built up by members between May 1990 and April 1997 must be recalculated in order to ensure equal treatment between men and women.

A supplemental ruling in November 2020 clarified the position in relation to historic transfers out. This ruling requires the rectification of any shortfall in these transfer values, calculated on the basis of unequalised GMPs.

The Trustee has considered the potential implications for the Scheme benefits in respect of the need to allow for GMP equalisation. A full benefit review of the Scheme has been completed by the Scheme's legal advisers and the Pension Administrators have been asked to provide a project plan in respect of the GMP equalisation exercise. The 30 September 2020 actuarial valuation included an approximate uplift of 2.8% to the Scheme liabilities in respect of GMP equalisation.

### **Employer related investment**

The Scheme has no investments in Carl Zeiss Limited and does not anticipate holding any employer related investments in the future.

### **Further information**

Copies of the Trust Deed and Rules, the latest Actuarial Valuation, the Statement of Investment Principles, the Scheme's booklet, the Annual Report and Financial Statements and individual benefit statements are available to members and dependant beneficiaries on request. A charge may be made for the provision of some of these items.

Deferred members still in service and subject to the salary link receive benefit statements on an annual basis.

Further information regarding the contents of this report, the Scheme in general or a member's individual entitlement can be obtained by writing to:

### **Pension Administration**

Deloitte Total Rewards and Benefits Limited  
Hill House  
1 Little New Street  
London EC4A 3TR

E mail: [pensionsadministration@deloitte.co.uk](mailto:pensionsadministration@deloitte.co.uk)



**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**TRUSTEE'S SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR**

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During the year ended 30 September 2022, the contributions payable to the Scheme by the Principal Employer and employees under the Schedule of Contributions were as follows:

	<b>£</b>
Employer normal contributions	-
Employer deficit funding contributions	1,458,000
Employer death in service premiums	-
Employee normal contributions	-
	<hr/>
<b><i>Total contributions under Schedule of Contributions (as reported on by the Scheme auditor)</i></b>	<b>1,458,000</b>
Employee additional voluntary contributions	-
	<hr/>
<b><i>Total contributions receivable</i></b>	<b><u>1,458,000</u></b>

**Compliance with the Schedule of Contributions**

As required by legislation the Trustee has agreed the Schedule of Contributions with the Principal Employer, which was certified by the Actuary on 15 September 2021. The Schedule of Contributions sets out the rates of the employer contributions and also the dates by which the contributions will be paid to the Scheme.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## COMPLIANCE STATEMENT

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### Scheme advisers

There are written agreements in place between the Trustee and each of the Scheme advisers listed on pages 1 and 2 of this report.

### Internal dispute resolution procedure

It is a requirement of the Pensions Act 1995 that all occupational pension schemes have an internal dispute resolution procedure in place for dealing with any disputes between the trustees and the pension scheme's beneficiaries. A dispute resolution procedure has been agreed by the Trustee and details can be obtained by writing to [pensionsadministration@deloitte.co.uk](mailto:pensionsadministration@deloitte.co.uk).

### MoneyHelper (a Money and Pensions Service)

MoneyHelper is a free service provided by the Money and Pensions Service and is available to assist members and beneficiaries by providing pension information and guidance.

Website: [www.moneyhelper.org.uk/en/pensions-and-retirement](http://www.moneyhelper.org.uk/en/pensions-and-retirement)  
Webchat: [www.moneyhelper.org.uk/PensionsChat/](http://www.moneyhelper.org.uk/PensionsChat/)  
E-mail: [pensions.enquiries@moneyhelper.org.uk](mailto:pensions.enquiries@moneyhelper.org.uk)  
Telephone: 0800 011 3797  
Address: MoneyHelper Pensions Guidance  
Money and Pensions Service  
120 Holborn  
London EC1N 2TD

### The Pensions Ombudsman

The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)  
E-mail: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
Telephone: 0800 917 4487  
Online complaint form: [www.pensions-ombudsman.org.uk/making-complaint](http://www.pensions-ombudsman.org.uk/making-complaint)  
Address: The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf E14 4PU

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## COMPLIANCE STATEMENT (continued)

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### The Pensions Regulator

The Pensions Regulator may intervene in the running of pension schemes where trustees, managers, employers or professional advisers have failed in their duties.

Website: [www.thepensionsregulator.gov.uk/en/contact-us/scheme-members-who-to-contact/report-concerns-about-your-workplace-pension](http://www.thepensionsregulator.gov.uk/en/contact-us/scheme-members-who-to-contact/report-concerns-about-your-workplace-pension)

E-mail: [wb@tpr.gov.uk](mailto:wb@tpr.gov.uk)

Telephone: 0345 600 7060

Address: The Information Team  
The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton BN1 4DW

### Pension Tracing Service

The Pension Tracing Service provides a tracing service for ex-members who have lost touch with their previous pension arrangements. If members have lost contact with any previous pension arrangement, they can use the Pension Tracing Service:

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

Telephone: 0800 731 0193

From outside the UK: +44 (0)191 215 4491

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

### Data Protection

The Trustee and the Scheme Actuary hold personal information about members and other beneficiaries under the Scheme and are regarded as Data Controllers for data protection purposes. The Trustee will use the personal data for the purposes of administering the Scheme efficiently and for the purposes of calculation and settlement of benefits. The Scheme Actuary may use personal data when advising the Trustee in respect of Scheme funding. They are required to look after personal data in accordance with legal requirements. This means that they are responsible for deciding what personal information needs to be processed and the way in which that information is processed.

In processing personal data, personal data may need to be passed to the Scheme's administrators, auditors, legal advisers, insurers and other third parties as may be necessary for the purposes of the Scheme. Full details in respect of the type of personal data held, how the personal data is used and who it is shared with are set out in the privacy notice. The privacy notice also sets out the rights of those whose personal data is held, and who to contact to exercise those rights, make a complaint, or more generally raise any questions. A copy of the current privacy notice is available from [pensionsadministration@deloitte.co.uk](mailto:pensionsadministration@deloitte.co.uk).

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**STATEMENT OF TRUSTEE'S RESPONSIBILITIES**

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The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes; and
- the other information specified in Schedule 3 to the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

They are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

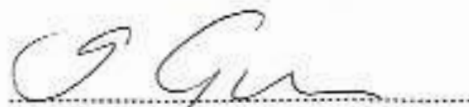
The publication of the Annual Report on a web site, together with the maintenance and integrity of the relevant website with respect to the Annual Report, is the responsibility of the Trustee.

The 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 Scheme by or on behalf of the Principal Employer and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Principal 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 also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Signed on behalf of the Trustee:



**S Girvin**  
Capital Cranfield Pension Trustees Limited

Date:

8/3/23

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## INVESTMENT REPORT

### Investment managers

The day-to-day management of the investments of the Scheme has been delegated by the Trustee to Legal & General Investment Management (“LGIM”) and Partners Group.

The investment managers are appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or are specifically exempted from the requirements of the Act. The managers have the appropriate knowledge and experience necessary to manage the particular investments delegated to them. The Trustee holds meetings with the investment managers as required to discuss investment policy and performance.

Each of these managers is remunerated with a fee, based on the Scheme’s assets under management. The Partners Group Partners Fund also has a performance related fee payable.

The Trustee determines the broad investment policy to be adopted by each of the Scheme’s investment managers, choosing specific pooled funds or setting benchmarks and outperformance targets where appropriate. The Scheme’s equity, property, corporate bond, high yield bond and LDI investments are managed by LGIM and the diversified alternative investments are managed by Partners Group.

There were no changes to the Scheme’s investment managers during the Scheme year, however there were changes made to the investment strategy (please see updated target % allocations below).

The proportion of the Scheme managed by each of the investment managers as at 30 September 2022 (excluding cash held in the Trustee’s bank account) is shown below. Valuations are shown at the bid price where available.

Fund manager	Fund	£	Actual %	Target %
LGIM	Future World Fund	3,498,719	9.7	8.8
	Future World Fund - GBP Hedged	3,351,627	9.2	8.8
	Investment Grade Corporate Bond Over 15Yr Index	8,790,247	24.2	23.0
	Managed Property	3,504,342	9.7	8.5
	High Yield Bond	0	0.0	5.0
	Matching Core Real Long	8,837,805	24.4	19.5
	Matching Core Fixed Short	677,551	1.9	6.0
	Sterling Liquidity Fund	0	0.0	7.5
Partners Group	Partners Fund	7,589,155	20.9	13.0
<b>Total</b>		<b>36,249,446</b>	<b>100.0</b>	<b>100.0</b>

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## INVESTMENT REPORT (continued)

### Statement of investment principles and engagement policy implementation statement

The Trustee has produced a Statement of Investment Principles, which incorporates the investment strategy, in accordance with section 35 of the Pensions Act 1995. A copy of the latest version, dated September 2022, can be obtained on request from the Secretary to the Trustee.

In addition to the Statement of Investment Principles, the Trustee has also prepared an annual engagement policy implementation statement that describes how the Trustee has followed certain policies (including those relating to stewardship and the Trustee's voting behaviour) during the Scheme year.

The table below shows the asset allocation of the Scheme as at 30 September 2022.

Asset class	Asset valuation as at 30 September 2022 (£)	Proportion as at 30 September 2022 (%)
Global equities	6,850,346	18.9
Corporate Bonds	8,790,247	24.2
Property	3,504,342	9.7
High Yield Bonds	0	0
LDI	9,515,356	26.2
Diversified Alternatives	7,589,155	20.9
Cash	0	0
<b>TOTAL</b>	<b>36,249,446</b>	<b>100.0</b>

### Review of performance

#### Market background section

*Equities* - Over the one-year period, the performance of equity markets was negative, with world equities returning -3.0% in sterling terms (as measured by the FTSE World Index). The strongest performing regional market in sterling terms for the one-year period was North American equities, which returned 0.4% (as measured by the FTSE W North America).

*Bonds* - Over the period, corporate bonds returned -21.9% (as measured by the iBoxx Non-Gilt All Stocks), while government bonds (as measured by the FTSE All Stocks Gilts) returned -23.3% over the one-year period ending 30 September 2022.

*Property* - Over the one-year period to 30 September 2022, property (as measured by the IPD All Balanced Open Ended Property) returned 13.3%.

During the year the Scheme achieved an overall return on assets of -28.6% versus a composite benchmark return of -30.1%. This return figure and all others within this report are net of basic annual management fees unless stated otherwise.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## INVESTMENT REPORT (continued)

The table below shows a summary of the Scheme's investment managers' performance as well as the Scheme's composite performance for the one-year, three-year and five-year periods to 30 September 2022.

Manager	1 year	3 years	5 years
	%	% p.a.	% p.a.
LGIM Future World	-3.3	5.9	7.7
<b>FTSE All-World ex CW Climate Balanced Factor</b>	<b>-3.0</b>	6.2	8.0
LGIM Future World – GBP Hedged	-14.3	3.4	4.6
<b>FTSE All-World ex CW Climate Balanced Factor – GBP Hedged</b>	<b>-14.0</b>	3.8	5.0
LGIM Investment Grade Corporate Bond Over 15Yr Index	-36.9	-13.4	-5.1
<b>Markit iBoxx GBP Non-Gilts 15 Year +</b>	<b>-37.1</b>	-13.4	-5.1
LGIM Managed Property	13.8	7.3	6.0
<b>IPD All Balanced Funds Index</b>	<b>13.3</b>	7.6	6.8
LGIM High Yield Bond	-19.2	-3.3	-1.2
<b>BofAML Global High Yield BB-B Rated (excluding financials) 2% Constrained</b>	<b>-17.0</b>	-3.0	-0.6
LGIM Matching Core Real Long	-85.9	-49.2	-26.2
<b>Composite</b>	<b>-85.4</b>	-48.6	-25.7
LGIM Matching Core Fixed Short	-84.2	-51.2	-27.8
<b>Composite</b>	<b>-84.4</b>	-51.3	-28.0
Partners Group Multi-Asset	3.9	9.5	9.2
<b>LIBOR £ 6 Month</b>	<b>0.7</b>	0.3	0.4
Total Scheme	-28.6	-7.7	-2.5
<b>Benchmark</b>	<b>-30.1</b>	-9.2	-3.3

*Note: Figures shown are net of fees*

At the year end, all of the Scheme's investments, except for the property and diversified alternatives holdings, were considered to be marketable on a short-term basis.

The Trustee has appointed Buck Consultants (Administration & Investment) Limited (trading as Buck) to monitor and advise on the Scheme's investment managers.

### Stewardship of investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attached to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustee detailing their voting activity.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## INVESTMENT REPORT (continued)

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The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

### Investment management monitoring

#### **The Trustee's policy in relation to its investment managers**

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee considers how well each investment manager meets the Trustee's policies and provides value for money over a suitable timeframe.

#### **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies**

The Trustee has delegated the day to day management of the majority of the Scheme's assets to the investment managers. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

#### **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

The Trustee, in conjunction with its investment consultant, appoints its investment managers and chooses the specific pooled fund to use in order to meet specific Scheme policies. The Trustee expects that the investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee also expects its investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

#### **How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustee's investment policies**

The Trustee expects its investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in its appointment documentation. The Trustee reviews the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee policies, it will make its concerns known to the investment manager and may ultimately disinvest.

The Trustee pays its investment managers a management fee which is a fixed percentage of assets under management. Some investment managers also receive a performance incentive fee.

Prior to agreeing a fee structure, the Trustee, in conjunction with its investment consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

#### **How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustee, in conjunction with its investment consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustee receives a report which includes the turnover costs incurred by the investment managers used by the Scheme.



# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## INVESTMENT REPORT (continued)

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The Trustee expects turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment managers should follow its stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

### The duration of arrangements with investment managers

The Trustee does not in general enter into fixed long-term agreements with its investment managers and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee's policies. However, the Trustee expects its manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

### Financially material considerations

The Trustee expects its investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustee has reviewed the investment managers' policies in respect of financially material considerations and is satisfied that they are consistent with the above approach.

The Trustee regularly monitors their investment managers through performance monitoring reports produced by their investment consultant. This includes considering the performance achieved, any changes to the strategy the manager is following, the risk levels that they are taking, or any key changes within the organisation that may affect any of these factors in the future. Any concerns are addressed through meetings with the investment manager, or other follow-up discussions, in conjunction with the Scheme's investment consultant.

The Trustee's objective is that the financial interests of the Scheme members is its first priority when choosing investments. The Trustee will take members' preferences into account if it considers it appropriate to do so.

### Custodial arrangements

The portfolios of securities and cash underlying the units issued by the investment managers are held by independent corporate custodians and are regularly audited by external auditors. Custodial arrangements are provided by each of the investment managers under their standard pooled fund arrangements. These are detailed below:

Manager	Custodian
LGIM Sterling Liquidity Fund	Northern Trust
LGIM (all other funds)	Citibank
Partners Group	European Depository Bank SA

The Trustee is responsible for ensuring that the Scheme's assets continue to be held securely. The custodian arrangements are reviewed from time to time and the auditor is authorised to make whatever investigations they deem are necessary as part of the annual audit procedures.

### Employer related investment

There are no direct Employer related investments and the level of indirect investments held through pooled funds is understood to be significantly below the 5% limit.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

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### Opinion

We have audited the financial statements of the Carl Zeiss Limited Pension & Assurance Scheme for the year ended 30 September 2022 which comprise the fund account, the net assets statement and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland".

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 September 2022, 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; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 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 of opinion

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

### Conclusions relating to going concern

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

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

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

### 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 Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE (continued)

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### Responsibilities of the Trustee

As explained more fully in the Trustee's Responsibilities statement set out on page 10, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our audit was designed to include tests of detail together with an assessment of the control environment to enable us to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud.

The engagement partner ensured that the team collectively had the appropriate competence and capabilities to identify such matters.

We reviewed the audited control reports of the service organisations that the Scheme uses for administration and investment management to establish if the risk of material misstatement is affected by controls at the service organisations.

We also obtained an understanding of the legal and regulatory framework that the Scheme operates in from discussions with the Trustee and from our knowledge and experience of the pensions sector. We focussed on the areas that may give rise to intervention from The Pensions Regulator or may be of concern to HMRC as a UK registered scheme.

We then performed audit procedures after consideration of the above risks including:

- Enquiring of the Trustee concerning actual and potential litigation and claims
- Reviewing reports to the Regulator
- Reviewing Trustee minutes
- Reviewing correspondence with the Scheme's legal advisers
- Reviewing financial statement disclosures and testing to documentation
- Evaluating rationale of journal entries

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE (continued)**

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**Use of our report**

This report is made solely to the Scheme's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to 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 Scheme and the Scheme's Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

*Ensors Accountants LLP*

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Ensors Accountants LLP

Date: 8 March 2023

Chartered Accountants & Statutory Auditors  
Ipswich

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## 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 Carl Zeiss Limited Pension & Assurance Scheme

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We have examined the summary of contributions to the Carl Zeiss Limited Pension & Assurance Scheme for the Scheme year ended 30 September 2022 which is set out in the Trustee's Report on page 7.

### Statement about contributions payable under the Schedule of Contributions

In our opinion contributions for the Scheme year ended 30 September 2022 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 15 September 2021.

### Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 7 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

### Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for 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 Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

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

### Use of our report

This report is made solely to the Trustee, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our audit work has been undertaken so that we might state to the 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 Scheme and the Scheme's Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.



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Ensors Accountants LLP

Chartered Accountants & Statutory Auditors  
Ipswich

8 March 2023

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**FUND ACCOUNT**

**For the year ended 30 September 2022**

	Note	2022 £	2021 £
<b>Contributions and benefits</b>			
Employer deficit funding contributions receivable	4	1,458,000	-
Other income		300	-
		<u>1,458,300</u>	<u>-</u>
Benefits payable	5	1,275,069	1,238,073
Administrative expenses	6	299	207
		<u>1,275,368</u>	<u>1,238,280</u>
<b>Net additions/(withdrawals) from dealings with members</b>		182,932	(1,238,280)
<b>Returns on investments</b>			
Investment income	7	332,935	342,849
Change in market value of investments	9	(15,045,276)	3,637,449
Investment management expenses	10	(103,966)	(104,127)
		<u>(14,816,307)</u>	<u>3,876,171</u>
<b>Net returns on investments</b>		<u>(14,816,307)</u>	<u>3,876,171</u>
<b>Net (decrease)/increase in the fund during the year</b>		(14,633,375)	2,637,891
<b>Net assets of the Scheme</b>			
At 1 October 2021		<u>54,539,648</u>	<u>51,901,757</u>
At 30 September 2022		<u>39,906,273</u>	<u>54,539,648</u>

The notes on pages 22 to 30 form part of these financial statements.

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**NET ASSETS STATEMENT  
As at 30 September 2022**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
<b>Investment assets</b>			
Pooled investment vehicles	11	36,249,446	50,326,376
Insurance policies	12	3,036,628	3,886,511
AVC investments	13	132,801	132,801
	9	<u>39,418,875</u>	<u>54,345,688</u>
<b>Current assets</b>	17	522,536	230,415
<b>Current liabilities</b>	18	(35,138)	(36,455)
<b>Net assets of the Scheme</b>		<u>39,906,273</u>	<u>54,539,648</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on page 36 of these financial statements and should be read in conjunction therewith.

These financial statements were approved by the Trustee on 8 March 2023  
and signed on its behalf by:

  
S Girvin  
Capital Cranfield Pension Trustees Limited

The notes on pages 22 to 30 form part of these financial statements.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## NOTES TO THE FINANCIAL STATEMENTS

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### 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 (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

### 2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is provided on page 2 of the Trustee's Report.

### 3. Accounting policies

The financial statements have been prepared on the going concern basis. The Trustee expects the Scheme to have adequate funds available from the Scheme assets and the Employer to enable it to continue as a going concern for the foreseeable future.

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### Currency

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

#### Accruals concept

The accounts have been prepared on an accruals basis.

#### Valuation of investments

All investments are valued at market value as at the accounting date.

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager. The Additional Voluntary Contribution investments represent policies of assurance underwritten by ReAssure (formerly Legal & General Assurance Society). The market value of the policies of assurance has been taken as the surrender values of the policies at the year end, as advised by the underwriter. The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Annuities have been valued by the Scheme's Actuary at the amount of the related obligation, determined based on the Statement of funding Principles from the most recent formal valuation of the Scheme. Annuity income is accounted for as investment income.

#### Contributions

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid.

#### Benefits

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



# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. Accounting policies (continued)

#### Transfers to and from the Scheme

Individual transfers in or out of the Scheme are accounted for on a cash basis. All values were based on methods and assumptions in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

#### Investment income

Investment income arising from the underlying investments of the pooled investment vehicle is reinvested within the pooled investment vehicle and reflected in the unit price. It is therefore reported within 'Change in Market Value'.

### 4. Contributions

	2022	2021
	£	£
Employer:		
Deficit funding	1,458,000	-

Deficit funding contributions have been received in accordance with the Schedule of Contributions certified by the Scheme Actuary on 15 September 2021 and are due to be paid from 1 October 2021 to 30 September 2027.

### 5. Benefits payable

	2022	2021
	£	£
Pensions in payment	1,163,953	1,125,850
Commutations and lump sum retirement benefits	111,116	112,223
	<u>1,275,069</u>	<u>1,238,073</u>

### 6. Administrative expenses

All other expenses and administration charges are borne by Carl Zeiss Limited. Only bank charges and investment manager fees (with effect from 1 October 2018) are shown in these accounts.

### 7. Investment income

	2022	2021
	£	£
Annuity income	332,935	342,849

### 8. Tax

The Carl Zeiss Limited Pension & Life Assurance Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income.

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

Year ended 30 September 2022

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. Investment assets**

	Market value at 1 October 2021 £	Purchases at cost £	Sale proceeds £	Change in market value £	Market value at 30 September 2022 £
Pooled investment vehicles	50,326,376	23,736,299	(23,617,836)	(14,195,393)	36,249,446
Insurance policies	3,886,511	-	-	(849,883)	3,036,628
AVC investments	132,801	-	-	-	132,801
	<u>54,345,688</u>	<u>23,736,299</u>	<u>(23,617,836)</u>	<u>(15,045,276)</u>	<u>39,418,875</u>

The Scheme's investments are held in pooled investment vehicles with Legal & General Assurance Society and Partners Group, registered in the UK.

The Trustee holds insurance policies with companies which provide annuity income to other pensions for certain members.

The change in market value of investments during the period comprises all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period.

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

**10. Investment management expenses**

	2022 £	2021 £
Administration, management and custody	<u>103,966</u>	<u>104,127</u>

**11. Pooled investment vehicles (PIVs)**

The holdings of PIVs are analysed below:

	2022 £	2021 £
Equities	6,850,346	9,506,881
Bonds	8,790,247	19,346,907
Property Fund	3,504,342	4,830,776
LDI	9,515,356	5,393,992
Diversified Alternatives	7,589,155	8,964,371
Cash	-	2,283,449
	<u>36,249,446</u>	<u>50,326,376</u>

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12. Insurance policies**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Annuity policies	3,036,628	3,886,511

Annuity policies relate to benefits due for 38 individuals. Annuities have been valued by the Scheme's Actuary at the amount of the related obligation, determined based on the Statement of funding Principles from the most recent valuation of the Scheme.

**13. Additional voluntary contribution (AVC) investments**

The Trustee holds assets invested separately from the main fund to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. AVC assets are held on a money purchase basis and are also held with ReAssure (formerly Legal & General Assurance Society). ReAssure is registered in the UK.

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
ReAssure – unitised funds	132,801	132,801

**14. 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)

For the purposes of this analysis daily priced funds have been included in (1), weekly priced funds in (2), monthly net asset values for Absolute Return funds in (3).

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

<b>At 30 September 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Pooled investment vehicles	-	28,660,291	7,589,155	36,249,446
Insurance policies – annuities	-	-	3,036,628	3,036,628
AVC investments	-	132,801	-	132,801
	-	28,793,092	10,625,783	39,418,875

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. Investment fair value hierarchy (continued)**

<b>At 30 September 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Pooled investment vehicles	-	41,362,005	8,964,371	50,326,376
Insurance policies – annuities	-	-	3,886,511	3,886,511
AVC investments	-	132,801	-	132,801
	-	41,494,806	12,850,882	54,345,688

**15. Investment risks**

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

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

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

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

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

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include any AVC investments as these would not be considered significant in relation to the overall investments of the Scheme.

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and rules as they fall due.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the Employer covenant, the long-term liabilities and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Investment risks (continued)

#### Credit risk

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.

The Scheme invests solely in pooled investment vehicles. Through these it is directly exposed to credit risk in respect of the pooled fund units held and indirectly exposed to credit risks arising from the underlying assets held within the pooled funds.

**Direct credit risk** is mitigated either by the underlying assets of the pooled arrangements being ring-fenced from the assets of the investment manager or, in the case of insurance policies, by capital requirements and the Prudential Regulatory Authority's regulatory oversight. The table below sets out the types of pooled fund used within the Scheme.

Investment Manager	Fund name	Fund type
LGIM	Global Equity Fixed Weight (50:50) Index	Unit-linked insurance policy
	Future World Fund	Unit-linked insurance policy
	Future World Fund - GBP Hedged	Unit-linked insurance policy
	Investment Grade Corporate Bond Over 15Yr Index	Unit-linked insurance policy
	Managed Property	Unit-linked insurance policy
	High Yield Bond	Unit-linked insurance policy
	Matching Core Real Long	Unit-linked insurance policy
	Matching Core Fixed Short	Unit-linked insurance policy
Partners Group	Partners Fund	SICAV

In addition, investments are made only with suitably regulated investment managers. The Trustee carries out due diligence checks when appointing new investment managers to ensure the credit risk to which the Scheme will be exposed through the appointment is appropriate. The auditor is also authorised to carry out any checks required on this as part of the audit process.

**Indirect credit risk** arises primarily through the bond and LDI assets held and is mitigated by the use of suitably diversified pooled funds and by the majority of these investments being held in investment-grade bonds or, in the case of LDI, by collateralisation procedures. There will also be some credit risk through any stock lending carried out by the passive investment managers. The Trustee has considered the risk mitigation processes in place in respect of these, including the collateralisation arrangements and will monitor these periodically.

The key sources of credit risk are set out below – all of these funds are treated as being 100% exposed to indirect credit risk.

Source of credit risk	Exposure at start of year	Exposure at end of year
LGIM Investment Grade Corporate Bond Over 15Yr Index	Entire Fund Holding	Entire Fund Holding
LGIM High Yield Bond	Entire Fund Holding	Not Held
LGIM Matching Core Real Long	Entire Fund Holding	Entire Fund Holding
LGIM Matching Core Fixed Short	Not Held	Entire Fund Holding

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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### 15. Investment risks (continued)

All of the funds listed above invest predominantly in investment grade assets, with the exception LGIM High Yield Bond fund, which invests predominantly in non-investment grade bonds.

The return expected from all of the above assets is believed to be sufficient to compensate for the level of credit risk involved.

#### Market risks

Market risk is the risk that the fair value, or future cash flows, of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

#### Currency risk

Currency risk is the risk that the fair value, or future cashflows, of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Scheme has no direct currency risk exposure as all of the pooled funds held are denominated in sterling. This is unchanged since the start of the Scheme year.

However, it continues to be subject to indirect currency risk as a number of the underlying investments held through its pooled fund arrangements are held in non-sterling denominated securities.

#### Interest rate risk

Interest rate risk is the risk that the fair value, or future cashflows, of a financial instrument will fluctuate due to changes in market interest rates.

The Scheme is subject to interest rate risk from the bond and LDI assets which it holds through pooled investment vehicles. These vehicles primarily use gilts, corporate bonds, swaps and repos to obtain interest rate exposure.

The assets which are exposed to (indirect) interest rate risk are primarily being held in order to offset the interest rate risks to which the Scheme would otherwise be exposed through its liabilities. As such, these assets are viewed as risk-reducing for the Scheme overall.

The key sources of interest rate risk are set out below:

Source of interest rate risk	Exposure at start of year	Exposure at end of year
LGIM Investment Grade Corporate Bond Over 15Yr Index	Entire Fund Holding	Entire Fund Holding
LGIM High Yield Bond	Entire Fund Holding	Not Held
LGIM Matching Core Real Long	Entire Fund Holding	Entire Fund Holding
LGIM Matching Core Fixed Short	Not Held	Entire Fund Holding

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15. Investment risks (continued)**

There is also some indirect interest rate risk exposure within the Scheme's multi-asset fund, when viewed on a look-through basis.

Other price risk

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

The Scheme is subject to other price risks (indirectly) in relation to the equities and other assets held through its pooled funds. This risk is managed through the Scheme's chosen investment strategy, by giving appropriate consideration to the size of the allocations to these types of investments.

It is also managed through using pooled funds which invest in a suitably diversified manner, or which, when combined into the overall portfolio, provide this suitable level of diversification.

The key sources of other price risk are listed below.

Source of other price risk	Exposure at start of year	Exposure at end of year
LGIM Global Equity Fixed Weight (50:50) Index	Entire Fund Holding	Not Held
Future World Fund	Not Held	Entire Fund Holding
Future World Fund - GBP Hedged	Not Held	Entire Fund Holding
LGIM Managed Property	Entire Fund Holding	Entire Fund Holding
Partners Group Partners Fund	Entire Fund Holding	Entire Fund Holding

**16. Concentration of investments**

The Scheme held investments comprising 5% or more, in value, of the net assets of the Scheme as detailed below:

	<b>2022</b>		<b>2021</b>	
	<b>Value</b>	<b>%</b>	<b>Value</b>	<b>%</b>
LGIM Investment Bond	8,790,247	22.0	14,014,733	25.7
LGIM Matching Core Real Long	8,837,805	22.1	5,393,992	9.9
Partners Group Partners Fund	7,589,155	19.0	8,964,371	16.4
LGIM Managed Property Fund	3,504,342	8.8	4,830,776	8.9
LGIM Future World Fund	3,498,719	8.8	N/A	N/A
LGIM Future World Fund – GBP Hedged	3,351,627	8.4	N/A	N/A
LGIM Global Equity 50:50 Index	N/A	N/A	9,506,881	17.4
LGIM High Yield Bond	N/A	N/A	5,332,174	9.8
	<b>35,571,895</b>	<b>89.1</b>	<b>48,042,927</b>	<b>88.1</b>

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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<b>17. Current assets</b>		
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Cash at bank	522,536	230,415

<b>18. Current liabilities</b>		
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Benefits payable	10,320	9,064
Investment management expenses	24,818	27,391
	<u>35,138</u>	<u>36,455</u>

**19. Employer related investments**

There were no Employer related investments during the year (2021: £Nil).

**20. Related party transactions**

The Trustee is not aware of any transactions with related parties that require additional disclosure in these accounts.

The sponsoring Employer was charged £13,066 (2021: £12,516) by Capital Cranfield Pension Trustees Limited in relation to services provided during the period in their capacity as Independent Trustee.

**21. Subsequent events**

There were no subsequent events requiring disclosure in the financial statements.

**22. Contingent liabilities**

In October 2018, the High Court determined that benefits provided to members who had contracted out of the State Earnings Related Pension Scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee has reviewed, with their advisers, the implication of the ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Scheme and the value of any liability. The estimate of the increased pension amounts payable to members is c. £2.0m.

A supplemental ruling in November 2020 clarified the position in relation to historic transfers out. This ruling requires the rectification of any shortfall in these transfer values, calculated on the basis of unequalised GMPs.

Under the Schedule of Contributions certified by the Actuary on 15 September 2021, the Employer has agreed to reimburse any back payments of Scheme benefits that become due by a special contribution, in addition to regular contributions, during the life of the Schedule.



# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## ACTUARIAL STATEMENTS

---

### Schedule of Contributions and Actuary's Certification of Schedule of Contributions

## Schedule of Contributions

### Carl Zeiss Limited Pension & Assurance Scheme (the "Scheme")

#### Status

This Schedule of Contributions has been revised by the Trustee of the Scheme on 15 September 2021 after obtaining the advice of Steven Roper, the Scheme Actuary.

In this Schedule of Contributions, the Sponsor is Carl Zeiss Limited (the "Sponsor").

#### Regular Sponsor Contributions

The Trustee and the Sponsor have agreed that with effect from 1 October 2020 contributions will be paid to the Scheme as follows:

Payment date	Amount
1 October 2020 to 30 September 2021	nil.
1 October 2021 to 30 September 2022	£1,458,000
1 October 2022 to 30 September 2023	£1,516,800
1 October 2023 to 30 September 2024	£1,576,800
1 October 2024 to 30 September 2025	£1,640,400
1 October 2025 to 30 September 2026	£1,705,200
1 October 2026 to 30 September 2027	£1,771,200

Sponsor contributions will be payable in monthly instalments on or before the 19th of the month following the month in which the contribution is due. For the avoidance of doubt, the first monthly instalment of £121,500 is due on or before 19 November 2021 in respect of contributions due for the month of October 2021.

#### Expenses and Levies

Scheme expenses, with the exception of any investment manager expenses and bank charges, will be met by the Sponsor in addition to any other Sponsor payments to the Scheme detailed in this Schedule of Contributions. Investment manager expenses and bank charges will be met from the Scheme's assets.

Pension Protection and Pensions Regulator Levies incurred by the Scheme will be met by the Sponsor in addition to any other Sponsor payments detailed in this Schedule of Contributions.

#### Scheme benefit back payments

The 30 September 2020 actuarial valuation includes approximate allowance in respect of Guaranteed Minimum Pension (GMP) equalisation. Once the level of Scheme benefits has been confirmed, any corrections to Scheme benefits will need to be calculated and communicated to all affected members.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## ACTUARIAL STATEMENTS (continued)

---

### Schedule of Contributions and Actuary's Certification of Schedule of Contributions

During the period of time covered by this Schedule of Contributions, the Trustee and Sponsor have agreed that any back payments of Scheme benefits, that become due as a result of any Scheme benefit correction calculations, will met by contributions to the Scheme by the Sponsor in addition to any other Sponsor payments detailed in this Schedule of Contributions. The Trustee and Sponsor will agree the timing of any Scheme benefit back payment contributions following the amount of any back payments being confirmed.

#### Dividend Sharing Policy

During the period of time covered by this Schedule of Contributions, the Trustee and Sponsor have agreed that in addition to any other Sponsor payments detailed in this Schedule of Contributions, Special Sponsor Contributions will be payable in the circumstances detailed below. Any Special Sponsor Contribution that becomes payable will not exceed the Scheme's deficit on an estimated solvency basis. This will be confirmed by the Scheme Actuary at the time any Special Sponsor Contribution becomes payable.

#### Special Sponsor Contributions

If the payment of a dividend by the Sponsor, as detailed in the Sponsor's management accounts, has been higher than 66.67% of Sponsor's net income, this will trigger a Special Sponsor Contribution to the Scheme.

The Special Sponsor Contribution will not be negative and will be determined as follows:

- i. Calculation of actual percentage of dividend payment from net income minus 66.67% (the "**Excess Dividend %**") [calculation example: actual dividend percentage from net income is 70.00%; Excess Dividend % is:  $70.00\% - 66.67\% = 3.33\%$ ];
- ii. Calculation of the annual Regular Sponsor Contribution for the financial year with Excess Dividend % [calculation example: FY 2021/22 = £1,458,000];
- iii. Special Sponsor Contribution is calculated as the annual Regular Sponsor Contribution multiplied by the Excess Dividend % [calculation example: annual Regular Sponsor Contribution of £1,458,000 multiplied by the Excess Dividend of 3.33% = Special Sponsor contribution amount of £48,551.40].

**This Schedule of Contributions has been agreed by the Sponsor:**

Signed on behalf of Carl Zeiss Limited.

Signature:



Name:

Paul Abberley

Position:

Managing Director

Date:

11/08/21

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**ACTUARIAL STATEMENTS (continued)**

---

**Schedule of Contributions and Actuary's Certification of Schedule of Contributions**

This Schedule of Contributions has been agreed by the Trustee;

Signed on behalf of the Trustee of the Scheme

Signature



Name:

STELLA GIRVIN  
for Capital Cranfield Pension Trustees Ltd

Position:

Trustee

Date:

2/8/21

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## ACTUARIAL STATEMENTS (continued)

---

### Schedule of Contributions and Actuary's Certification of Schedule of Contributions



## Certificate

### Actuary's certification of schedule of contributions

#### Carl Zeiss Limited Pension & Assurance Scheme

##### 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 30 September 2020 to be met by the end of the period specified in the recovery plan.

##### 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 15 September 2021.

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

Signature:		Date:	16 September 2021
Name:	Steven Roper	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	First Floor, Connexions 159 Princes Street Ipswich Suffolk IP1 1QJ	Name of employer:	Buck Consultants Limited

Buck is a trading name in the UK for Buck Consultants Limited (registered number 1615055), Buck Consultants (Administration & Investment) Limited (registered number 1034719), and Buck Consultants (Healthcare) Limited (registered number 172919), which are private limited liability companies registered in England and Wales. All have their registered office at 20 Wood Street, London EC2V 7AF. Buck Consultants (Administration & Investment) Limited and Buck Consultants (Healthcare) Limited are authorised and regulated by the Financial Conduct Authority.

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# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## ACTUARIAL STATEMENTS (continued)

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### Actuary's Certification of the Calculation of Technical Provisions



## Certificate

### Actuary's certification of the calculation of technical provisions

#### Carl Zeiss Limited Pension & Assurance Scheme

#### Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 30 September 2020 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the Statement of Funding Principles dated 15 September 2021.

Signature:		Date:	16 September 2021
Name:	Steven Roper	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	First Floor, Connexions 159 Princes Street Ipswich IP1 1QJ	Name of Employer:	Buck Consultants Limited

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# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE'S REPORT)

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### Report on Actuarial Liabilities

For the Carl Zeiss Limited Pension and Assurance Scheme, accounting period ending 30 September 2022

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 the Technical Provisions. The Technical Provisions represent the present value of the members' benefits. Technical Provisions are determined using actuarial assumptions agreed between the Trustee and the Employer and set out in the Statement Funding Principles, which is available to Scheme members on request.

The most recent actuarial valuation of the Scheme was carried out as at 30 September 2020. The result of this assessment is shown in the table below.

	30 September 2020
	£ 000's
Technical Provisions	61,106
Assets*	51,523
Surplus/(Deficit)	(9,583)
Funding Level	84%

\*Excludes the value of AVCs

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows.

#### Method

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

#### Significant actuarial assumptions

The most significant actuarial assumptions are set out in the table below.



**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE'S REPORT)  
(continued)**

30 September 2020	
Pre-retirement discount rate	3.14% pa
Post-retirement discount rate	1.07% pa
Salary growth	3.17% pa
Retail Price Inflation	3.12% pa
Consumer Price Inflation	2.67% pa
Increases to pensions in deferment	
- Accrued pre 5 April 2009	2.67% pa <sup>1</sup>
- Accrued post 6 April 2009	2.67% pa <sup>2</sup>
Increases to pensions in payment	
- RPI capped between 3% and 5% p.a.	3.60% pa
- CPI capped at 2.5% p.a.	2.05% pa
Mortality after retirement	Standard actuarial tables were used, specifically:  93% S3PMA for males and 104% S3PFA for females with year of birth improvements from 2016 using CMI_2019 parameter A=1.25%, 1.5% and 1.25% annual long term improvement rates for males and females respectively

<sup>1</sup> Subject to a maximum of 5% pa over the period from the date of leaving up to retirement

<sup>2</sup> Subject to a maximum of 2.5% pa over the period from the date of leaving up to retirement

**Pre-retirement discount rate:** Expected investment returns were determined for Equities, Diversified Alternatives and Property. These returns were used to derive the discount rate by taking into account the Trustee's target asset allocations for the Scheme assets. Appropriate allowance was made for prudence when determining the expected investment returns.

**Post-retirement discount rate:** Expected investment returns were derived for index linked gilts, corporate bonds and high yield bonds. These returns were used to derive the discount rate by taking into account the Trustee's target asset allocations for the Scheme assets. Appropriate allowance was made for prudence when determining the expected investment returns.

**Increases in the Retail Prices Index (RPI):** The spot rate from the Bank of England "Implied Inflation (government liability)" spot curve at an appropriate term.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE'S REPORT) (continued)

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**Increases in the Consumer Prices Index (CPI):** Derived from the assumption for future increases in the RPI and assumed future differences between the two inflation measures (allowing for the intended alignment of RPI with CPIH with effect from February 2030).

**Salary Increases:** Active members salaries were assumed to increase at a fixed amount over the future increase in the CPI assumption.

**Increases to pensions in deferment after leaving service:** Relevant pension was assumed to increase in line with the CPI increase assumption, allowing for any overall caps and collars that apply.

**Increases to pensions in payment:** Relevant pension was assumed to increase in line with the appropriate inflation index increases (RPI or CPI), allowing for any annual caps and collars that apply.

### Sample future life expectancies from age 65, calculated as at 30 September 2020

	Males	Females
Currently aged 65	23.1	24.5
Currently aged 45	24.8	26.0

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# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30 SEPTEMBER 2022

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### Introduction

The Trustee of the Carl Zeiss Limited Pension & Assurance Scheme (the 'Scheme') has a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

This statement sets out how, and the extent to which, in the opinion of the Trustee, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 30 September 2022. This statement also describes the voting behaviour by, or on behalf of, the Trustee.

The Trustee, in conjunction with the investment consultant, appoints the investment managers and chooses the specific pooled funds to use in order to meet specific Scheme policies. The Trustee expects that the investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments including environmental, social and governance (ESG) factors, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee also expects its investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

### Stewardship - monitoring and engagement

The Trustee recognises that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustee detailing their voting activity.

The Trustee also delegates responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

### Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how the investment managers engage in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30 SEPTEMBER 2022 (continued)

Links to each investment manager's engagement policy or suitable alternative is provided in the Appendix.

These policies are publicly available on each investment manager's website.

The latest available information provided by the investment managers (for mandates that contain public equities or bonds) is as follows:

Engagement	LGIM Investment Grade Corporate Bond Over 15 Years Index	LGIM Future World Fund	LGIM Future World Fund – GBP Hedged	Partners Group Partners Fund
Period	01/10/2021 – 30/09/2022			01/07/2021 – 30/06/2022
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.			
Number of companies engaged with over the year	33	255	255	N/A
Number of engagements over the year	65	412	412	39

### Exercising rights and responsibilities

The Trustee recognises that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment managers publish online the overall voting records of the firm on a regular basis.

All investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustee does not carry out a detailed review of the votes cast by or on behalf of its investment managers but relies on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustee considers the proportion of votes cast, and the proportion of votes against management to be an important (but not the only) consideration of investor behaviour.

# CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME FINANCIAL STATEMENTS

Year ended 30 September 2022

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30 SEPTEMBER 2022 (continued)

The latest available information provided by the investment managers (for mandates that contain public equities) is as follows:

<b>Voting behaviour</b>			
	<b>LGIM Future World Fund</b>	<b>LGIM Future World – GBP Hedged Fund</b>	<b>Partners Group Partners Fund</b>
Period	01/10/2021-30/09/2022		01/07/2021-30/06/2022
Number of meetings eligible to vote at	2,016	2,016	56
Number of resolutions eligible to vote on	25,457	25,457	810
Proportion of votes cast	99.8%	99.8%	100.0%
Proportion of votes for management	80.5%	80.5%	94.4%
Proportion of votes against management	18.9%	18.9%	4.6%
Proportion of resolutions abstained from voting on	0.6%	0.6%	1.0%

*Figures may not sum exactly due to rounding.*

None of the Scheme's other investment managers are shown in the table above since they do not have equity voting rights.

### Trustee's assessment

The Trustee has undertaken a review of each manager's environmental, social and governance policies and their voting and engagement activities based on information provided by the investment consultants. The Trustee accepts that the way in which investment managers exercise their rights and engagement activities may differ from the Trustee's policies as set out in the Statement of Investment Principles.

The Trustee recognises that engagement and voting policies, practices and reporting, will continue to evolve over time and intend to review the way in which they monitor and engage with their investment managers over the next year.

The Trustee is supportive of the investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
FINANCIAL STATEMENTS**

**Year ended 30 September 2022**

**ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30  
SEPTEMBER 2022 (continued)**

**Appendix**

Links to the engagement policies for each of the investment managers can be found here:

<b>Investment manager</b>	<b>Engagement policy</b>	<b>Annual disclosure statement</b>
Legal & General Investment Management	<a href="https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf">https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf</a>	<a href="https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-approach-to-corporate-governance-and-responsible-investment.pdf">https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-approach-to-corporate-governance-and-responsible-investment.pdf</a>
Partners Group	<a href="https://report.partnersgroup.com/2021/app/uploads/20220428_PG-Corporate-Sustainability-Report-2021.pdf">https://report.partnersgroup.com/2021/app/uploads/20220428_PG-Corporate-Sustainability-Report-2021.pdf</a>	<a href="https://www.pggenerationsfund.com/fileadmin/PG_Generations_Fund/documents/Shareholders-Right-Directive/Shareholders_Right_Directive_II.pdf">https://www.pggenerationsfund.com/fileadmin/PG_Generations_Fund/documents/Shareholders-Right-Directive/Shareholders_Right_Directive_II.pdf</a>

Information on the most significant votes for each of the funds containing public equities is shown below.

<b>LGIM Future World Fund / LGIM Future World Fund - GBP Hedged</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Microsoft Corporation	Apple Inc.	Alphabet Inc.
Date of Vote	30/11/2021	04/03/2022	01/06/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	5.5%	3.6%	2.2%
Summary of the resolution	Elect Director Satya Nadella	Resolution 9 - Report on Civil Rights Audit	Resolution 7 - Report on Physical Risks of Climate Change
How the fund manager voted	Against	For	For
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.		

**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
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**Year ended 30 September 2022**

**ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30  
SEPTEMBER 2022 (continued)**

Rationale for the voting decision	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	94.7%	53.6%	17.7%
Implications of the outcome	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be “most significant”	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team’s five-year ESG priority engagement themes.	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

<b>Partners Group Partners Fund</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	VSB Renewables Platform	Techem Metering GmbH	Civica
Date of Vote	N/A	N/A	N/A
Approximate size of fund’s holding as at the date of the vote (as % of portfolio)	N/A	N/A	N/A
Summary of the resolution	As we control the Board, please see below the ESG efforts of the portfolio company.		

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**Year ended 30 September 2022**

**ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30  
SEPTEMBER 2022 (continued)**

<p>Rationale for the voting decision</p>	<p>VSB initiated the "VSB Goes Green Initiative", which includes several ESG projects aimed at deepening the alignment of business units and employees with the climate friendly nature of the company. One of the initiatives include assessing Scope 1 and Scope 2 emissions with the support of an external adviser. VSB aims to reduce its carbon footprint. The company has also initiated a comprehensive health and safety review to promote the well-being of its employees.</p>	<p>Techem completed a climate change engagement with an external adviser where a detailed greenhouse gas inventory was established including Scope 1, Scope 2 as well as material Scope 3 emissions. Initial carbon reduction opportunities were identified, and this analysis forms the basis for the development of Techem's carbon neutrality target. In addition, the organization added health and safety terms in all contracts with suppliers in Germany, Poland and France to improve its oversight across its supply chain.</p>	<p>Civica formalized its sustainability working group, which focuses on three areas: employees, customers and suppliers. The company aims to build on its previous achievements on employee net promoter score (eNPS) and diversity and inclusion. Following the rise in COVID-19 cases in India, Civica increased its assistance in the region, including support for BAPS Shri Swaminarayan Mandir, which has established a dedicated, 500-bed hospital to provide medical assistance to the people of Vadodara. Civica also raised funds to support the setup of an intensive care unit to ensure patient access to ventilators, oxygen, food and medicine, while directly funding the purchase of patient monitors.</p>
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**CARL ZEISS LIMITED PENSION & ASSURANCE SCHEME  
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**Year ended 30 September 2022**

**ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDING 30  
SEPTEMBER 2022 (continued)**

<p>Implications of the outcome</p>	<p>VSB completed a detailed assessment of its IT and cyber security setup across offices with an external consultant. VSB will make the necessary improvements based on the outcome of this engagement.</p>	<p>After successfully completing a detailed materiality assessment, Techem published its first Corporate Sustainability Report in June 2021, which highlights key ESG achievements and lays out a detailed sustainability roadmap for the company. In the roadmap, the company commits to the development of a carbon neutrality target by 2022 and to increase the number of women in management from 17% in 2020 to 35% in 2025.</p>	<p>VSB completed a detailed assessment of its IT and cyber security setup across offices with an external consultant. VSB will make the necessary improvements based on the outcome of this engagement.</p>
<p>Criteria on which the vote is assessed to be “most significant”</p>	<p>Size of holding in fund</p>	<p>Size of holding in fund</p>	<p>Size of holding in fund</p>