Scottish & Newcastle Pension Plan
Plan Registration Number: 10105163

Trustee's Annual Report and Financial Statements
For the Year Ended 31 October 2022

Contents

Trustee, Principal Employer and Advisers

Trustee:	Scottish & Newcastle Pension Plan Trustee Limited (company registration number SC183267)
Employer-nominated Trustee Directors:	K Taylor-Welsh N Harding (resigned 23 March 2022) S Winstanley J Hutchison (appointed 24 March 2022)
Member-nominated Trustee Directors:	J Sharpe M Coles – Pensioner J Adamson
Independent Trustee Directors:	J Scriven – Chair M Condron D Mair (resigned 31 March 2022) M Graesser (appointed 1 April 2022)
Principal Employer:	Scottish & Newcastle Limited
Actuary:	A Lyon, FFA, Mercer Limited
Investment Adviser:	Isio Group Ltd
Independent Auditor:	RSM UK Audit LLP
Administrator:	Capita Pension Solutions Limited
Covenant Adviser:	Mercer
Longevity Swap Provider:	AVIVA
Investment Managers:	Aberdeen Standard Investments (Aberdeen Standard) Allianz Global Investors (Allianz) Apollo Global Management, Inc. (Apollo) BlackRock Advisors (UK) Limited (BlackRock) CQS Investment Management Limited (CQS) Aviva (formerly Friends Life) (Aviva) Highbridge Principal Strategies (Highbridge) Insight Investment Services Limited (Insight) M&G Limited (M&G) Lighthouse Investment Partners (Lighthouse) – formerly Mesirow Financial International UK Ltd

Trustee, Principal Employer and Advisers

AVC Providers:	Clerical Medical Investment Group Utmost Life (formerly known as Equitable Life Assurance Society) Phoenix Life Assurance Limited (previously London Life) Prudential Assurance Company Standard Life Assurance Company
Bank:	National Westminster Bank plc
Legal Adviser:	CMS Cameron McKenna Nabarro Olswang LLP
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Global Custodian, accounting and performance measurement:	Bank of New York Mellon (BNYM)

Trustee's Report

The Trustee of the Scottish & Newcastle Pension Plan (the Plan) is pleased to present its report together with the financial statements for the year ended 31 October 2022. The Plan is a defined benefit scheme with a final salary section and a career average salary section called "PensionBuilder", both of which were closed to further accrual on 8 July 2011.

Current employees now have access to a separate defined contribution arrangement for their future service.

Plan Management

Trustee

The Trustee of the Plan is Scottish & Newcastle Pension Plan Trustee Limited.

The Principal Employer has the power to appoint and remove Employer nominated Trustee Directors and Independent Trustee Directors on the same basis. Member nominated Trustee Directors are nominated by the Plan membership and may only be removed by a unanimous decision of the other Trustee Directors or less if they cease to be a member of the Plan.

The Trustee Board currently consists of three Member-Nominated Directors, three Employer-Nominated Directors and the remaining Directors are independent, appointed by the Principal Employer. The members of the Trustee Board during the year and since 31 October 2022 are noted on page 2.

The Trustee is responsible for the administration of the Plan and for setting the long-term investment strategy. The implementation of the Trustee's agreed investment strategy, and the selection of investment managers, is delegated to the Investment Committee. The day-to-day management of the investments has been delegated by the Investment Committee to the investment managers and AVC providers listed on pages 2 and 3 of the Annual Report.

The Investment Committee meets quarterly to discuss reports received from the investment managers and the Plan's investment adviser, and to assess the overall performance of the investments held by the Plan against the long-term strategy. During the year ended 31 October 2022, the Chair of the Investment Committee is Mark Condron, an Independent appointed Director. The Trustee Board met formally 4 times during the year ended 31 October 2022.

During the year ended 31 October 2022 the Plan had in place a Notable Cases Committee, an Investment Committee, a Funding Committee and a Risk Committee, each with its own terms of reference. These sub-committees met regularly during the year and reported to the Trustee Board at each meeting.

The terms of the Articles of Association of Scottish & Newcastle Pension Plan Trustee Limited set out how the company is run and governed and that resolutions of the Trustee are passed on a simple majority of those voting. Further information about the Plan is given in the explanatory booklets which have been issued to all the relevant members.

Governance and risk management

The Trustee continues to review its objectives in areas such as administration, investment, funding and communication. A risk register has been implemented which sets out the key risks to which the Plan is subject, the controls in place to mitigate these, combined with the Trustee's objectives for the Plan, to help the Trustee run the Plan efficiently.

Trustee's Report

Internal dispute resolution (IDR) procedure

It is a requirement of the Pensions Act 1995 that all Occupational Pension Schemes must have an IDR procedure in place for dealing with any disputes between the Trustee and the Plan beneficiaries. A dispute resolution procedure has been agreed by the Trustee, details of which can be obtained online at www.snpensions.com or by writing to the Secretary to the Trustee at the address shown on page 3.

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Plan documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006, and which was revised and reissued in November 2009. The Trustee complies with these requirements.

Principal Employer

The Plan was provided for all eligible employees of the Principal Employer. The Principal Employer's registered address is Scottish & Newcastle Limited, 3-4 Broadway Park, South Gyle, Edinburgh, EH12 9JZ.

Scottish & Newcastle Limited is the former Scottish & Newcastle plc which was acquired by HEINEKEN NV in 2008; it therefore retains many of the company decision making powers set out in the Plan's rules. HEINEKEN UK is wholly owned by Scottish & Newcastle Limited and was a participating employer in the Plan until March 2018. HEINEKEN NV is the ultimate parent and group holding company and, since the acquisition of Scottish & Newcastle plc by HEINEKEN in 2008, has provided a valuable funding guarantee for the Plan.

The Trustee entered into a Funding Agreement with Scottish & Newcastle Limited in January 2020. This Funding Agreement sets out how the funding target for the Plan will be steadily increased at each actuarial valuation (by reducing the discount rate) until 31 October 2030 and how contributions to the Plan to meet this target will be calculated in this period. The Funding Agreement also sets out how the investment strategy of the Plan will be modified in the period to 31 October 2030; setting out agreed steps to reduce the investment risk taken over time with the pace of this de-risking dependent on the likelihood of the Plan meeting the agreed funding target by 31 October 2030.

Financial development

The financial statements on pages 28 to 54 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. Deficit funding contributions of £45.7 million were receivable in the year (2021: £44.0 million) in accordance with the recovery plan agreed with the Principal Employer as part of the 2021 triennial actuarial valuation. At the time the valuation was agreed, this recovery plan was expected to eliminate the shortfall resulting from the triennial valuation as at 31 October 2021 by 31 May 2023. Details of the shortfall contributions that have been agreed are set out on page 33.

During the year, net withdrawals from dealing with members were £106.4 million compared to £112.6 million for the prior year. Net returns on investments were losses of £961.5 million (2021: gains of £346.1million) and comprised largely of a change in market value loss of £1,019,021 million (2021: gain of £299.7 million). Net Investment Losses are further explained on page 32. As a result of the above, the value of the fund decreased from **£3,446.2 million** at 31 October 2021 to **£2,378.2 million** at 31 October 2022.

Trustee's Report

Calculation of transfer values

Cash equivalents paid during the Plan year with respect to transfers have been calculated and verified in the manner prescribed by the regulations made under Section 97 of the Pension Schemes Act 1993 and include an allowance for discretionary pension increases in accordance with the established practice of the Plan. No amounts less than that required by Section 94(1) of the Pension Schemes Act 1993 were paid during the year.

Contributions

As required by the Pensions Act 1995, the Trustee has agreed a Schedule of Contributions with the Employer, which was certified by the Actuary on 1 May 2022. The requirements of this Schedule of Contributions are disclosed in note 4 to the financial statements.

Changes to the Plan Rules

The definitive trust deed dated 11 June 1976 and subsequent amendments were included in a consolidated Trust Deed and Rules dated 29 July 2016. There were no changes to Plan Rules during the year.

Membership

The membership movements of the Plan for the year are given below:

	Deferred	Pensioners	Suspended Pensioners[1]	Total
At 1 November 2021	**14,561**	**18,658**	**273**	**33,492**
Adjustment to membership records	**2**	**(1)**	**-**	**1**
Divorce[3]	**1**	**-**	**-**	**1**
Retirements	**(585)**	**585**	**-**	**-**
Suspended pensioners[1]	**-**	**(169)**	**170**	**1**
Reinstated pensioners[2]	**-**	**7**	**(7)**	**-**
Deaths	**(115)**	**(699)**	**(130)**	**(944)**
Transfers out	**(53)**	**-**	**-**	**(53)**
Spouses and dependants	**-**	**316**	**-**	**316**
Pensions commuted for cash	**(91)**	**(99)**	**-**	**(190)**
Dependents' pensions ceasing	**-**	**(1)**	**-**	**(1)**
No entitlement	**(20)**	**(1)**	**-**	**(21)**
At 31 October 2022	**13,700**	**18,596**	**306**	**32,602**

Pensioners include individuals receiving a pension upon the death of their spouse. At the year end, there were 943 deferred members (2021: 1,730) who had passed their normal retirement date and had not notified the Trustee of their benefit choice.

[1] Pensioners are suspended where the Plan has been unable to trace the member or where a payment has been returned.

[2] Reinstated pensioners relate to suspended pensioners who are subsequently reinstated upon verification

[3] Divorced pensioners relate to Ex-Spouses which should transfer out once their Pension Share has been agreed.

Trustee's Report

Pension increases

For the year ended 31 October 2021, discretionary awards of 1.6% were applied on 1 November 2021 for benefits accrued pre 6 April 1997. The rate of annual increase on the pension for benefits accrued after 5 April 1997 and all Courage pensions in excess of GMP was equal to the increase in the Retail Prices Index for the year ended July 2021, which was 3.8%.

For the year ended 31 October 2022, discretionary awards of 5.0% were applied on 1 November 2022 for benefits accrued pre 6 April 1997. The rate of annual increase on the pension for benefits accrued after 5 April 1997 and all Courage pension in excess of GMP was capped at 5% although the actual increase in the Retail Prices Index to July 2022 was 12.3%.

GMP equalisation

The High Court has ruled that schemes which contracted-out of the State scheme on a Guaranteed Minimum Pension (GMP) basis prior to 5 April 1997 must take action to treat men and women equally in relation to the GMP built up for service between 17 May 1990 and 5 April 1997. Following the ruling, it is expected that the Trustee will be required to modify benefits under the Plan for this period of service.

Following on from the original judgment, a further High Court ruling on 20 November 2020 has provided clarification on certain obligations for trustees. This judgment focused on the GMP treatment of historic transfers out of members' benefits; an issue which had not been addressed in the 2018 ruling. Under this ruling, trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to be paid, to reflect members' rights to equalised GMP benefits.

This is a complex issue on which the Trustee is seeking advice. An initial broad estimate of the financial impact has indicated that the additional liability of £16m is not material and, consequently, the Trustee has concluded that no additional reserve needs to be made at this time.

Going concern

In assessing whether the going concern assumption is appropriate, the Trustee assesses a period of at least 12 months from the date of approval of the accounts, based on information available at the time of approval of the accounts.

The Plan benefits from a Framework Agreement by which Heineken N.V. (HNV) fully underwrites the solvency of the Plan in the event of default by HEINEKEN UK (HUK). Consequently, the Trustee considers both entities in its assessment of going concern.

Process

The process that the Trustee adopts in considering and identifying any material uncertainties in relation to going concern include:

- ensuring that the deficit repair contributions agreed in the recovery plan as at the 31st October 2021 triennial valuation are paid in full and on time;
- assessing the employer covenant, and that of the ultimate parent Company (HNV), on an ongoing basis;
- considering whether there any other factors (i.e. a global pandemic) that could impact this assessment.

Trustee's Report

Assessment of going concern and any material uncertainties

In order to be able to make this assertion, the following key factors have been considered relevant:

- Employer Covenant
- Plan cashflow forecasts
- Liquidity of assets
- Plan funding levels
- Review of contributions in line with recovery plan
- Catastrophic events (including the impact of the pandemic)
- Any plans to buy-out the Plan's liabilities in the next 12 months
- Any trigger events under the Trust Deed and Rules that would cause the Plan to wind-up
- The level of risk under the Plan's investment strategy
- Any scheduled Notifiable Events to be made to the Pensions Regulator
- Any other possible intervention by the Pensions Regulator

Evidence

The following evidence supports this assessment and has been provided to the auditors.

- Actuarial valuation and recovery plan (NB: all contributions paid to date);
- Employer covenant assessment
  - informal – every 6 months (based on HNV half-year/full-year results and HUK figures supplied by the Company on an agreed basis)
  - formal - every 3 years ahead of triennial valuation (external provider);
- Minutes of discussions of the employer assessment;
- Copies of financial updates from both HUK and HNV; and
- Any e-mail notes of conversations between HUK, the Chair of Trustee and the Head of Pensions

Impact of going concern assessment and any uncertainties identified in respect of going concern on Basis of Preparation Disclosures

It is the Trustee's responsibility to prepare the financial statements on an appropriate basis and include sufficient and appropriate disclosure for a user to understand the basis on which the financial statements have been prepared.

Conclusion

It is, therefore, concluded that it is reasonable to produce financial statements for the Scottish & Newcastle Pension Plan for the period to 31st October 2022, which are to be approved in March 2023, on a going concern basis. The Trustee has not identified a material uncertainty that requires disclosure in the financial statements. Appropriate disclosure wording has been prepared for inclusion in the financial statements.

Trustee's Report

Investment Matters

Overview

The Trustee, with the assistance of its appointed investment adviser, determines the overall investment strategy for the Plan and sets out the broad policy to be adopted by each of the appointed investment managers. The Trustee obtains approval from HEINEKEN NV for any strategy changes as part of the terms of the company guarantee.

Investment managers

The investment managers who have managed the Plan's investments during the year are listed on page 2. The Trustee has delegated the day-to-day management of investment to its appointed investment managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The managers' duties include the consideration of environmental, social and governance factors in the selection, retention and realisation of investments as well as voting and corporate governance in relation to the Plan's assets. The Trustee has reviewed each of the investment managers' policies on these issues.

Longevity swap

In August 2015, the Trustee took the decision to introduce a longevity hedge to reduce the Plan's exposure to longevity risk and entered into an insurance contract with Aviva (formerly Friends Life). This contract provides long term protection for the Plan against the costs associated with increases in the life expectancy of certain existing pensioner members (and is called a Longevity Swap).

Increased life expectancy in recent years has resulted in schemes (such as the Plan) becoming increasingly conscious of the potential financial consequences. The insurance contract protects the Plan against these potential increased costs for pensioners and dependants with pensions in payment and contingent spouses as at 30 November 2014. This contract represents an investment of the Plan and does not change the relationship with Scottish & Newcastle Limited or HEINEKEN NV, which will continue to support the Plan. It has no impact on members' benefits and all current and future pensioners (and their dependants) will receive their pension from the Plan as normal.

The longevity swap contract shows a negative value of £82,347,550 at 31 October 2022, compared to a negative value of £120,003,086 at 31 October 2021 (note 13), reflecting a higher mortality rate than expected in the period since the inception of the contract. A review of the mortality assumptions underpinning the longevity swap was undertaken with an effective date of 30 September 2020 and this has resulted in £102.2m of additional collateral being posted to Aviva in December 2020. This review showed that the rate of life expectancy improvement has reduced (compared to the original assumptions assumed in the swap) and that members are now assumed to live for a shorter amount of time than originally assumed. This increased liability required the Plan to post a further amount of collateral to Aviva. The total collateral posted to Aviva is included in the Insight valuation shown in these accounts. The longevity swap contract insures the Plan against the additional costs of providing pensions for longer than expected if pensioner members live longer than is currently anticipated. If this does prove to be the case the longevity swap will, over time, have a positive value to the Plan. If this does not prove to be the case the longevity swap will, over time, have a negative value. The value of the swap can go up or down year on year as actual Plan longevity experience unfolds.

Employer related investments

As at 31 October 2022 and 31 October 2021, the Plan did not hold over 5% invested in employer related investments. The Plan's investments comply with the restrictions prescribed by regulations made under section 40(1) of the Pensions Act 1995.

Trustee's Report

General

The Investment Governance Group Principles (formerly known as the Myners Principles) codify best practice in investment decision-making. Whilst they are voluntary, pension fund trustees are expected to consider whether they apply to their own fund and report on a 'comply or explain' basis how they have used them.

The Principles emphasise the essentials of investment governance, notably the importance of effective decision-making, clear investment objectives and a focus on the nature of each scheme's liabilities.

The Principles also require that trustees include a statement of the scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities. The Trustee considers that its investment policies and their implementation are in keeping with the revised Principles for defined benefit schemes.

The Trustee understands that the primary purpose of the Myners review was to ensure that the Trustee has the right skill set and decision-making structures and also that it has clear objectives for the Plan and an appropriate and well-documented strategy in place for achieving these objectives. In a similar vein, the Trustee knows that it should set explicit goals for the fund managers used by the Plan.

The Trustee has complied with the requirements for setting clear objectives and making strategic asset allocation decisions for the Plan. The Trustee has agreed explicit mandates, appropriate benchmarks and performance targets with each of the investment managers. The Statement of Investment Principles is reviewed regularly and is available to all members on request.

In addition, as part of the Three Year Business Plan, the Trustee regularly reviews its training needs and the skills of its members to ensure effective decision-making. Where appropriate, it takes independent expert advice.

Statement of investment principles

The Trustee has produced a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. A copy of the SIP is available on request and can be found at https://www.snpensions.co.uk/Uploads/Documents/00/00/00/19/DocumentFile_FILE/Statement-of-Investment-Principles.pdf. The main priority of the Trustee, when considering the investment policy, is to provide adequate security for members' benefits both now and in the longer term.

The SIP contains details of the Plan's benchmark investment strategy, including the target allocation to each sub-asset class and the associated control range. The benchmark and control ranges in the SIP were updated during the year to reflect the reduction in equity and the purchase of corporate bonds over Q4 2021 and Q2 2022.

Departures from the statement of investment principles

Over the year to 31 October 2022, the decrease in the value of Plan assets is mainly due to the lower value of debt investments: increased interest rates and credit spreads have caused the present value of debt investments to fall, whilst increasing their current yield. Specifically for the liability-driven investment portfolio, these moves have tracked the change in the Plan liabilities it is designed to hedge.

After the year end, the Trustee (in consulation with the Company) has been discussing appropriate actions to take with regards to adjusting the strategic allocation, control ranges and SIP. There have been no other departures from the SIP during the year and this is considered at each Trustee meeting.

Trustee's Report

Task Force on Climate-Related Financial Disclosures ("TCFD")

The Financial Stability Board ("FSB") created the TCFD to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change.

In March 2023 the Trustee approved its first TCFD report which covers the period from 01 November 2021 to 31 October 2022. A copy of the report can be viewed and downloaded on the Scottish & Newcastle Pension Plan website (https://www.snpensions.co.uk/Uploads/Documents/00/00/00/38/DocumentFile_FILE/TCFD-Report-2022.pdf).

Environmental, social and governance matters

The Department for Work and Pensions is increasing regulation to improve disclosure of financially material risks for pension schemes. This regulatory change recognises environmental, social and governance ("ESG") factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their SIP and demonstrate adherence to these policies in the implementation statement. The Trustee of the Scottish & Newcastle Pension Plan produces implementation statements annually in line with the regulations to demonstrate that it has adhered to its investment principles and its policies for managing financially material considerations, including ESG factors and climate change.

Investment strategy and allocation

The Trustee, on the recommendation of the Investment Committee, has appointed a number of investment managers to manage the assets of the Plan.

During 2021, the Trustee conducted a review of the Plan's investment strategy and agreed a new strategic asset allocation. The implementation of the new investment strategy was largely completed in 2020, with a commitment being made in Q1 2021 to a new Diversified Private Debt fund managed by BlackRock. The Trustee also decided to bring forward the scheduled 31 October 2024 de-risking step to Q4 2021 / Q1 2022 as a result of the funding level being ahead of target. This involved selling equity and buying corporate bonds (both mandates held with Insight). The Trustee also decided to make a small initial allocation (£10m) to Asset Backed Securities pooled funds with Insight during the year. The expectation is that the ABS allocation could be increased in the future and used in a 'collateral waterfall' within the LDI mandate. At 31 October 2022 the benchmark asset allocation agreed by the Trustee (excluding the longevity swap) was as set out in the table below and is designed to reduce the risk in the Plan's investment strategy. The SIP has been updated as appropriate.

Investment strategy and allocation (continued)

Trustee's Strategic Benchmark Asset Allocation	Current Target Allocation (%)
Liability Driven Investments (LDI)*	30.0
Corporate Bonds	26.5
Equities (including currency hedging)**	6.0
Higher Yielding Credit	15.0
Private Markets***	15.0
Long Lease Property	7.5
Total	**100.0**

* The LDI benchmark allocation is shown as a proportion of the Plan's physical assets and is calculated by taking the total assets across the LDI, Synthetic Equity and Asset-Backed Securities portfolios and deducting the notional exposure to Synthetic Equity. The Trustee has a hedging target of 100% of assets.

** The strategic allocation to equity above (6%) is achieved synthetically and is equivalent to a physical allocation to equity of the same amount, expressed as a percentage of the total market value of Plan assets. The Trustee's objective is to achieve exposure to a Global Equity Index and this is obtained synthetically using a range of permissible derivatives as set out in the Investment Manager Agreement.

*** The Private Markets allocation includes an allowance for an investment in a basket of credit-based Exchange Traded Funds (ETFs) managed by BlackRock. The ETFs are being utilised as a short-term home before capital is then deployed into a BlackRock Diversified Private Debt mandate as required. This process is managed by BlackRock.

The Trustee believes this benchmark allocation together with the expected outperformance of the investment managers will achieve the long-term objective of a return of 2.10% p.a. in excess of the return on long dated gilts (of an appropriate duration).

The Investment Committee has some discretion to vary the actual allocation of assets as it feels appropriate having taken advice, given prevailing market conditions. The Investment Committee will review, at least annually, whether it wishes to rebalance the overall asset allocation of the Plan back to these target allocations to reflect market movements.

The Investment Committee made changes to the Plan's overall benchmark during the year to reflect the strategy changes implemented. Multiple investment strategy changes were agreed by the Investment Committee which were implemented during 2020. These are summarised under the various headings below:

Bonds (including liability driven investments)

As part of the bringing forward of the 31 October 2024 de-risking step to Q4 2021 / Q1 2022 the allocation to Buy & Maintain Corporate Bonds was increased from 19.5% to 26.5%. The LDI continues to target interest rate and inflation hedges equal to the current funding level. The strategic allocation to LDI has remained at 30%, which includes the allocation to ABS funds.

Absolute Return

The Plan is currently transitioning out of Lighthouse, the only remaining absolute return fund, with holdings being distributed periodically.

Equities

As part of the bringing forward of the 31 October 2024 de-risking step, the equity allocation was reduced from 13% to 6%. The exposure is accessed synthetically via derivatives (e.g. total return swaps).

Trustee’s Report

Investment strategy and allocation (continued)

Higher Yielding Credit

The strategic allocation to Higher Yielding Credit has remained at 15% of total Plan assets during the year under review.

Private Markets

During the year under review, the Plan’s strategic benchmark allocation to private markets remained at 15%. Investment managers employed to manage mandates falling under these categories include:

- Legacy BlackRock funds, one of which has wound up and one in the process of winding up.
- BlackRock Diversified Private Debt fund; BlackRock was appointed on 22 April 2021 and the Trustee has commited £250m to the fund. In order to ensure a low-goverance approach, the entire £250m commitment was transferred to BlackRock (from the Insight collateral pool) and invested in a low-risk Exchange Traded Fund credit basket. BlackRock have been given the authority by the Trustee to transfer money from the ETF basket to the Diversified Private Debt Fund as and when drawdown events occur. Note that the ETF and the DPD together contribute to the Private Market allocation shown in the strategic allocation in the SIP. It is expected that the allocation to the new DPD mandate will grow as the existing Private Market mandates run off.

Private Markets (continued)

- Highbridge Principal Strategies, which manages a mezzanine debt mandate comprised of the Highbridge Offshore Mezzanine Partners II Fund, Highbridge Offshore Mezzanine Partners III Fund and the Highbridge HPS Offshore Mezzanine Partners 2019 Fund.
- M&G, which manages the Plan’s allocation to property debt, and which is split between five different funds over a range of vintages.
- Allianz Global Investors, which manages an Infrastructure Debt fund.

Long Lease Property

The Plan has a strategic allocation of 7.5% of total Plan assets to long lease property. This is managed by Aberdeen Standard.

Other Assets - Insight manages the index-linked gilts held as collateral backing for the longevity swap.

Investments - Recent events

Due to the volatile market conditions and increased government bond yields that arose as a result of the Government’s mini-budget in September 2022, a number of asset transitions took place to support the LDI collateral position, including corporate bond sales. Heineken NV provided a 2 month loan to the Plan for £100m on 13 October, to avoid further corporate bond sales, and this was paid back to Heineken in full (plus interest of c£0.5m, at a 3% p.a. interest rate) on 12 December. The liability to repay this loan is accounted for within these financial statements and reported within current liabilities (Note 18).

Trustee's Report

Investment management arrangements

The Trustee has the following policies in relation to the investment management arrangements of the Plan.

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.	• Other than the mandate with Insight, the Plan's investments are in pooled funds. The Trustee has selected pooled funds which help it to align with the strategic return objective. The Trustee does not take any further action to incentivise investment managers to align with the Trustee's policies as this would not be practical for a pooled fund with other investors. • The Trustee has a segregated arrangement with Insight which allows them to align their strategy with the Trustee's policies. This is reviewed on an ongoing basis. • The Plan's investments in the Lighthouse, BlackRock Alternative Advisors, Highbridge and M&G mandates are subject to a performance related fee.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their Environmental, Social and Governance monitoring process. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	• The Trustee reviews the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. Additionally, the Trustee monitors the investment managers' performance over each quarter and since the Plan's initial investment in each mandate.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Plan's arrangements with the investment managers.	• The duration of the arrangements is considered in the context of the type of fund the Plan invests in. o For closed-ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with the Trustee objectives and Plan's liquidity requirements. o For open-ended funds, the duration is flexible, and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

Trustee's Report

The valuation below is based on the Plan's assets as at 31 October 2022. As the Investment Committee reviews the performance of the Plan's assets on a quarterly basis during each calendar year, the review of performance (page 16) is based on the position at 30 September 2022 (whilst the year end of the Plan is 31 October 2022):

		2022		2021	
		£ million	**%**	**£ million**	**%**
Pooled Investment Vehicles					
BlackRock	Private Equity	-	-	0.1	0.0
Aberdeen Standard	Long Lease Property	241.4	9.6	250.1	7.1
BlackRock	Corporate Bonds (ETF basket)	60.5	2.4	187.7	5.3
Lighthouse	Absolute Return (Hedge Fund of Funds)	1.5	0.1	1.6	0.0
Highbridge	Mezzanine Debt	215.0	8.5	205.9	5.8
BlackRock	Private Debt	131.5	5.2	62.6	1.8
M&G	Property Debt	65.4	2.6	76.3	2.2
CQS	Multi-Asset Credit	231.3	9.2	256.6	7.3
Apollo	Semi-Liquid Credit	249.0	9.9	276.7	7.9
Allianz	Infrastructure Debt	42.4	1.7	55.5	1.6
Insight	Asset Backed Securities	1.1	0.0	-	-
		1,239.2	**49.1**	**1,373.1**	**39.0**
Segregated Mandates					
Insight	LDI	957.0	37.9	1,362.0	38.7
Insight	Corporate Bonds	246.2	9.8	635.7	18.1
Insight	Synthetic Equity	(16.0)	(0.6)	41.2	1.2
Insight	Fee Collateral pool for longevity swap	29.0	1.1	61.5	1.7
		1,216.2	**48.2**	**2,100.4**	**59.7**
Cash & Cash Equivalents					
BNY Mellon	Cash and Managers Cash	68.6	2.7	47.3	1.3
		68.6	**2.7**	**47.3**	**1.3**
Total		**2,524**	**100.0**	**3,520.8**	**100.0**

Note: mark to market valuation. All valuations supplied by investment managers. The above table does not include the Trustee Bank Account, AVC investments, Longevity Swap or other investment balances. Totals may not sum exactly due to rounding.

Trustee's Report

Investment performance

Each of the investment managers appointed by the Trustee with an active mandate has been set a specific performance target against an appropriate benchmark.

Over the year to 30 September 2022, (whilst the Plan year end is 31 October 2022), the total Plan assets returned -25.8% on a net-of-fees basis (this figure has been estimated by Isio based on the underlying data provided by the investment managers). For the year ended 30 September 2022 the long-term performance target was to outperform the Plan's liabilities by a combination of 2.45% p.a. and 2.10%p.a. (allowing for the de-risking step), where the return on the Plan's liabilities is estimated from the benchmark returns from the Liability Driven Investment manager. Over the year to 30 September 2022, the Plan's long-term performance objective returned -20.9%, so the Plan underperformedits target return by 4.9%.

Over the three year period to 30 September 2022, the total Plan assets returned -6.2% p.a. on a net-of-fees basis, with the Plan's long term performance objective returning -6.3% p.a., resulting in an outperformance of 0.1% p.a.

Over the month of October 2022 total Plan assets delivered an estimated return of -0.5% (net of fees, estimated return calculated by Isio) (2021: total Plan assets returned 4.2% over the month of October, net of fees, estimated return calculated by Isio).

Over the year to 31 October 2022, the decrease in the value of Plan assets is mainly due to the lower value of debt investments: increased interest rates and credit spreads have caused the present value of debt investments to fall, whilst increasing their current yield. Specifically for the liability-driven investment portfolio, these moves have tracked the change in the Plan liabilities it is designed to hedge.

Custodial arrangements

Except in relation to the segregated mandates managed by Insight , the custodians of the Plan's investments are appointed by the individual investment managers. For the segregated mandates managed by Insight, the Trustee has appointed BNY Mellon as custodian.

All the custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. The investments are held in the name of the Plan.

Capita Pension Solutions Limited operates a client bank account on behalf of the Plan with National Westminster Bank plc.

Basis of investment managers' fees

Investment managers' fees are primarily based upon the market value of the assets under their management and, in some cases, their performance relative to their benchmark. Commissions and fees are also levied on investment transactions.

Further investment disclosures

Further details on the investment strategy, objectives and investment risks are disclosed in note 16 on pages 43 to 51.

Trustee's Report

Compliance Matters

The purpose of this section is to provide information, which is required to be disclosed in accordance with Schedule 3 of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 or voluntarily by the Trustee. The information deals with matters of administrative routine.

Transfer values

Transfer values are calculated and verified as required under the provisions of the Pension Schemes Act 1993.

Taxation

The Plan is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004.

Related party transactions

The Principal Employer pays the majority of the costs of administering the Plan and recharges the Plan during the year.

Further details of related party transactions are given in note 19 to the financial statements.

MoneyHelper

The Money and Pensions Service ('MaPS') was created in 2019 as a single body to bring together the services previously delivered by The Pensions Advisory Service ('TPAS'), the Money Advice Service and Pension Wise, providing information to the public on matters relating to workplace and personal pensions. With effect from 30 June 2021 MaPS has been re-branded as MoneyHelper but still offers all the same services.

MoneyHelper may be contacted at 120 Holborn, London, EC1N 2TD

Telephone: 0800 011 3797 Email: pensions.enquiries@moneyhelper.org.uk

Website: https://www.moneyhelper.org.uk

Pensions Ombudsman

The Pensions Ombudsman will assist members and beneficiaries of the Plan in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Plan and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

The Pensions Ombudsman may be contacted at 1st Floor, 10 South Colonnade, Canary Wharf, London E14 4PU

Telephone: 0800 917 4487 Early resolution email: helpline@pensions-ombudsman.org.uk

Email: enquiries@pensions-ombudsman.org.uk

Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties.

The Pensions Regulator may be contacted at Napier House, Trafalgar Place, Brighton, BN1 4DW.

Telephone: 0345 600 7060

Pension Tracing

A pension tracing service is carried out by the Department for Work and Pensions.

The Pension Tracing Service may be contacted at The Pension Service 9, Mail Handling Unit A, Wolverhampton, WV98 1LU. Telephone: 0800 731 0193

Summary of Contributions Payable

During the year ended 31 October 2022, the contributions payable to the Plan by the Employer were as follows:

	2022 **£000**
Contributions payable under the Schedule of Contributions	
Contributions from the employer:	
Deficit funding	**45,714**
Administrative expenses	**2,717**
Contributions payable under the Schedule of Contributions (as reported on by the Plan's Independent Auditor) and per Note 4 in the financial statements	**48,431**

The value of contributions received in the year ended 31 October 2022 was in accordance with the Schedules of Contributions in place during the year.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every appointed scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the pensions in payment and deferred pensions at the valuation date, assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent actuarial valuation of the Plan was completed with an effective date of 31 October 2021.

A summary of the funding position as at 31 October 2021 showed the following:

	£ million
The value of the technical provisions at that date was:	3,596
The value of the assets at that date was:	3,560*
The shortfall at that date was:	36
Funding level:	99%

*This valuation does not agree to the Net Assets of the Plan as at 31 October 2021 as it includes the valuation of the Annuity Policies held in the name of the Plan (valued at £1.7m) which are not valued in the Plan's accounts on grounds of materiality, but excludes AVC investments of £7.4m and the value of the longevity swap (valued at £(120)m).

The actuarial method used in the calculation of the technical provisions is the Defined Accrued Benefit Method.

Principal actuarial assumptions for valuation as at 31 October 2021*	
Discount interest rate	2.38% p.a.
Future Retail Prices inflation	3.74% p.a.
Future Consumer Prices inflation	3.22% p.a.
Pension increases in payment (LPI 5%)	3.37% p.a.
Mortality	S2PA YoB tables with weightings as follows: - 115%/109% for non-retired males/females - 119%/112% for retired males/females CMI 2020 core projections (sk = 7.5, A = 0) converging to a 1.75% p.a. future improvement for retired and non-retired males and females

* The financial assumptions shown above are the single equivalent weighted average rates. The actual calculations used full yield curves.

The derivation of these key assumptions is set out below.

Derivation of actuarial assumptions for valuation as at 31 October 2021	
Discount interest rate	Term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 1.34% per annum.
Future Retail Prices inflation	Term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date with no reduction for inflation risk premium.
Future Consumer Prices inflation	Term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1% per annum up to 2030 and an adjustment equal to 0% per annum from 2030 onwards
Pension increases in payment	Derived from the term dependent rates for future price inflation allowing for the caps and floors on pension increases according to the provisions in the Plan's rules.
Mortality	S3PMA YoB tables ("middle" tables for females) with a scaling factor of 115% for male deferred members and 119% for male pensioner members; and S3PFA_M YoB tables with a scaling factor of 109% for female deferred members and 112% for female pensioner members with improvements based on the CMI 2020 model with core parameters (Sk = 7.5, A = 0) and a long-term improvement rate of 1.75% per annum.

The fact that there was a shortfall at the most recent valuation has not affected the pensions paid from the Plan and all members who have retired have received the full amount of their pension. It is worth remembering that a valuation is just a "snap-shot" of the Plan's funding position, and it can change considerably if there are sudden changes in share prices, gilt yields or if Plan members live longer than expected.

The Trustee agreed a recovery plan with the Principal Employer as part of the triennial valuation as at 31 October 2021 to improve the Plan's finances over a period of time, with the aim of being fully funded by 30 April 2022. The Principal Employer also agreed to continue paying previously agreed contributions up to 31 May 2023 and so are committed to pay the following amounts:

DATE	**PAYMENTS**
1 November 2021 to 31 December 2021	£7.4m
1 January 2022 to 31 December 2022	£46.0m
1 January 2023 to 31 May 2023	£19.9m

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

Trustee’s Report

The actuarial valuation at 31 October 2021 showed that the Plan’s assets would not have been enough to buy all members' benefits from an insurance company, as the estimated buy-out position at that date was:

	£ million
Estimated cost of buying benefits with an insurance company:	4,585
Value of assets:	3,560
Buy-out position shortfall:	1,025
Funding level:	78%

This is provided for information only as the Principal Employer is not planning to wind up the Plan.

Statement of Trustee's Responsibilities

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

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

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary, revising a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the Employer and the active members of the Plan 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 Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Contact for Further Information

Any enquiries or complaints about the Plan, including requests from individuals for information about their benefits or Plan documentation, should be sent to:

J Ireland (Secretary to the Trustee) at the address shown on page 3.

Approval of the Trustee's Report

This Trustee's Report was approved by the Trustee of the Scottish & Newcastle Pension Plan on 29/03/23 …………………………………… and signed on its behalf by:

MDColes

……………………………………………………………………… **Date:** 29/03/23 ……………………………………………

Trustee Director

……………………………………………………………………… **Date:** 29/03/23 ……………………………………………

Trustee Director

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Scottish & Newcastle Pension Plan

Statement about contributions payable under Schedule of Contributions

We have examined the summary of contributions payable to the Scottish & Newcastle Pension Plan on page 18, in respect of the Plan year ended 31 October 2022.

In our opinion the contributions for the Plan year ended 31 October 2022 as reported in the summary of contributions on page 18 and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 3 June 2019 and 1 May 2022.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 18 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of the Trustee and Auditor

As explained more fully on page 22, in the Statement of Trustee's Responsibilities, the Plan'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 Plan by or on behalf of the Employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the Employer in accordance with the Schedule of Contributions.

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

Use of our statement

This statement is made solely to the Plan's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham B3 3AG

Date: 29/03/23

Independent Auditor's Report to the Trustee of the Scottish & Newcastle Pension Plan

Opinion

We have audited the financial statements of the Scottish & Newcastle Pension Plan for the year ended 31 October 2022 which comprise the Fund Account, the Statement of Net assets available for Benefits and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 31 October 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Plan 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 Plan's Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Plan'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 Plan's Trustee with respect to going concern are described in the relevant sections of this report.

Other information

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

Independent Auditor's Report to the Trustee of the Scottish & Newcastle Pension Plan

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

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 22, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

Independent Auditor's Report to the Trustee of the Scottish & Newcastle Pension Plan

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

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

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

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

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

Use of our report

This report is made solely to the Plan's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan'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 Plan and the Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham B3 3AG

Date: 29/03/23

Fund Account

For the year ended 31 October 2022

	Note	2022 £000	2021 £000
Contributions and benefits			
Employer contributions		**48,431**	46,620
Total contributions	4	**48,431**	46,620
Benefits paid or payable	5	**(141,956)**	(138,513)
Payments to and on account of leavers	6	**(9,381)**	(18,293)
Administrative expenses	7	**(3,489)**	(2,420)
		(154,826)	(159,226)
Net withdrawals from dealings with members		**(106,395)**	(112,606)
Returns on investments			
Investment income	8	**71,831**	56,777
Change in market value of investments	9	**(1,019,021)**	299,718
Investment management expenses	12	**(7,386)**	(9,976)
Interest payable on repurchase agreements		**(6,917)**	(443)
Net returns on investments		**(961,493)**	346,076
Net (decrease) / increase in the fund during the year		**(1,067,888)**	233,470
Net assets of the Plan at start of year		**3,446,148**	3,212,678
Net assets of the Plan at end of year		**2,378,260**	3,446,148

The accompanying notes on pages 30 to 54 form an integral part of these financial statements.

Statement of Net Assets available for Benefits

As at 31 October 2022

	Note	2022 £000	2021 £000
Investment assets:			
Bonds	9	**2,260,644**	3,298,776
Pooled investment vehicles	9 / 11	**1,239,212**	1,373,117
Derivatives	9 / 10	**132.924**	163,448
AVC investments	9 / 14	**7,070**	7,414
Cash and cash equivalents	9	**313,099**	74,817
Other investment balances	9	**14,815**	12,781
		3,967,764	4,930,353
Investment liabilities:			
Derivatives	9 / 10	**(196,442)**	(100,012)
Longevity swap	9 / 13	**(82,348)**	(120,003)
Amounts due under repurchase agreements	9	**(1,226,624)**	(1,289,362)
Other investment balances		**(8,414)**	-
		(1,513,828)	(1,509,377)
Total net investments	9	**2,453,936**	3,420,976
Current assets	17	**28,843**	29,103
Current liabilities	18	**(104,519)**	(3,931)
Net assets of the Plan at end of year		**2,378,260**	3,446,148

The financial statements summarise the transactions of the Plan 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 Plan year. The actuarial position of the Plan, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on pages 19 to 21 of the Trustee's Report and these financial statements should be read in conjunction with this report.

The accompanying notes on pages 30 to 54 form an integral part of these financial statements.

These financial statements on pages 28 to 54 were approved on behalf of Scottish & Newcastle Pension Plan Trustee Limited on…29/03/23…………………………**2023**

Signed on behalf of the Trustee Company:

MDColes

Trustee Director

Trustee Director

Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 ("FRS 102") – The Financial Reporting Standard applicable in the UK and Republic of Ireland and with guidance set out in "Financial Reports of Pension Schemes" - A Statement of Recommended Practice (Revised 2018) ("SORP").

It is the Trustee's responsibility to prepare the financial statements on an appropriate basis and include sufficient and appropriate disclosure for a user to understand the basis on which the financial statements have been prepared.

On pages 7 and 8 of the Trustee Report provide an assessment by the Trustees of whether the going concern assumption is appropriate, with the Trustee assessing a period of at least 12 months from the date of approval of the accounts, based on information available at the time of approval of the accounts. It is, therefore, concluded that it is reasonable to produce financial statements for the Scottish & Newcastle Pension Plan for the period to 31st October 2022, which are to be approved in March 2023, on a going concern basis. The Trustee has not identified a material uncertainty relating to going concern that requires disclosure in the financial statements.

2. Identification of the financial statements

The Plan is established as a trust under English Law. The registered address of the Plan is at 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ

3. Accounting policies

The principal accounting policies are set out below:

Accruals concept

The financial statements have been prepared on an accruals basis.

Presentational currency

The Plan's functional currency and presentational currency is pounds Sterling (GBP).

Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into sterling at the spot exchange rate prevailing at the year end. Gains and losses arising are dealt with as part of the change in market value of investments.

Contributions

Contributions are accounted for in the period in which they fall due.Employer deficit funding contributions and contributions for administrative expenses are accounted for on the due dates in accordance with the Schedule of Contributions.

Benefits

Pensions in payment are recognised in the month to which they relate.Other benefits (except for transfers which are accounted for as set out below) are accounted for at the later of the date of the entitlement and the date the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving.

3. Accounting policies (continued)

Transfers

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

Fees and expenses

Fees and expenses are accounted for in the period in which they fall due. Investment manager fee rebates are accounted for in the period in which they fall due.

Income

Interest on cash deposits is accounted for on an accruals basis.

For certain pooled investment vehicles, income is retained and automatically reinvested by the fund and is therefore included within the change in market value. Where income is not retained and automatically reinvested the income is accounted for on an accruals basis when the Plan's right to receive the payment is established.

Income from bonds is taken into account on an accruals basis, calculated on a daily basis.

Net receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in investment income on a cash basis.

Income arising from annuity policies is accounted for on an accruals basis and is included in investment income. The pensions paid in respect of which annuities income is received are included in benefits payable.

Interest payable or receivable on repurchase agreements or reverse repurchase agreements is accounted for on an accruals basis and included in investment returns.

Investments

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.

Investments are included at fair value as follows:

Pooled investment vehicles

Where the pooled investment vehicles which are not quoted on active markets operate under a single swing pricing structure, the fair value is based on the closing price, as advised by the Investment Managers. Where a dual pricing structure is operated, the value is based on the bid prices at the accounting date.

Shares in certain other pooled arrangements have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment managers.

Private equity investments are valued at fair value, using the most recent valuations received from the General Partners. For these investments, valuations as at 30 September 2022 have been used, with adjustments for cashflows in the intervening period to 31 October 2022.

3. Accounting policies (continued)

Pooled investment vehicles (continued)

General Partners are required by their industry guidelines to perform their valuation in accordance with the International Private Equity and Venture Capital Valuation guidelines.

Longevity swap

The fair value of the longevity swap is based on the expected future cash flows arising under the swap, discounted using market interest rates as at 30 September, taking into account credit risk and liquidity premium appropriate for the circumstances.

Payments and receipts relating to experience adjustments are accounted for as investment purchases or sales and payments and receipts relating to swap insurance fees are accounted for within investment management expenses.

Bonds

Bonds, which are traded on an active market, are included at their clean prices, which exclude the value of interest accruing from the previous interest payment date to the valuation date. Accrued interest is included in investment income.

Other

The Trustee holds insurance policies that secure pensions payable in respect of certain members. These policies remain assets of the Trustee but after due consideration of current regulations and accounting practice the Trustee has decided that these policies are immaterial and therefore need not be valued in the statement of net assets.

The AVC investments comprise policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, as advised by the AVC providers.

Derivatives are valued using the following valuation techniques:

- Futures - are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.
- Swaps – current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
- Forward foreign exchange – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Repurchase agreements are accounted for as follows:

- Repurchase agreements – the Plan continues to recognise and value the securities that are delivered out as collateral and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.
- Reverse repurchase agreement – the Plan does not recognise the securities received as collateral in its financial statements. The Plan does not recognise the cash delivered to the counterparty as a receivable in the financial statements.

Taxation

The Plan is registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

3. Accounting policies (continued)

Estimates

The Trustee makes estimates and assumptions concerning the future. The accounting estimates will, by definition, seldom equal the related actual results. For the Plan, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Plan's investments and, in particular, those classified in Level 3 of the fair value hierarchy.

Specifically, the longevity swap contract, which insures the Plan against the additional costs of providing pensions for longer than expected if pensioner members live longer than is currently anticipated. If this does prove to be the case the longevity swap will, over time, have a positive value to the Plan. If this does not prove to be the case the longevity swap will, over time, have a negative value. The value of the swap can go up or down year on year as actual Plan longevity experience unfolds. actual Plan longevity experience unfolds.

Other liabilities

Short term borrowings are accounted for in accordance with the loan agreement under which they are arranged and reported within current liabilities. Interest on loan agreements is accounted for on an accruals basis.

4. Contributions

	2022 £000	**2021 £000**
Employer contributions		
Deficit funding	**45,714**	44,020
Administrative expenses	**2,717**	2,600
	48,431	46,620

With effect from 8 July 2011 the Plan was closed to further accrual for existing members. Therefore, only employer contributions are due to be received into the Plan.

A Schedule of Contributions and Recovery Plan was certified on 1 May 2022 which requires the following deficit funding contributions for the period to 31 May 2023:

Period	Payable
From 1 November 2021 to 31 December 2021	£3,692,000 per month
From 1 January 2022 to 30 April 2022	£3,833,000 per month

In addition, the Principal Employer shall pay at least the following additional contributions, no less frequently then monthly:

Period	Payable
From 1 May 2022 to 31 December 2022	£3,833,000 per month
From 1 January 2023 to 31 May 2023	£3,975,000 per month

Notes to the Financial Statements

4. Contributions (continued)

Contributions in respect of administrative expenses relate to fixed amounts of £233,333 per month from April 2022 to cover expenses of the Plan (previously £216,667 per month until March 2022).

The Schedule of Contributions also requires the Principal Employer to reimburse the Trustee for the cost of the PPF and Regulator levies. The levies for the periods from 1 April 2022 to 31 March 2023 of £804,213 and 1 April 2021 to 31 March 2022 of £1,467,366 were paid directly by the Principal Employer to the Pension Protection Fund and are not reflected in the financial statements.

5. Benefits paid or payable

	2022 £000	**2021 £000**
Pensions	**124,742**	121,626
Commutations and lump sums on retirement	**15,515**	14,589
Lump sum death benefits	**1,670**	2,198
Lifetime allowances	**29**	100
	141,956	138,513

6. Payments to and on account of leavers

	2022 £000	**2021 £000**
Individual transfers to other schemes	**9,381**	18,293

7. Administrative expenses

	2022 £000	**2021 £000**
Administration fees	**1,107**	706
Trustee fees	**174**	176
Investment consultancy	**1,534**	1,057
Actuarial fees	**364**	288
Legal and professional fees	**236**	157
Audit fees	**73**	60
Pension levies	**1**	(24)
	3,489	2,420

Pension Protection Fund Levies for the periods from 1 April 2022 to 31 March 2023 of £804,213 and 1 April 2021 to 31 March 2022 of £1,467,366 were paid directly by the Principal Employer and are not reflected in the financial statements.

Notes to the Financial Statements

8. Investment income

	2022 £000	2021 £000
Annuity income	**202**	220
Income from pooled investment vehicles	**21,180**	12,535
Income from bonds	**45,779**	45,532
Income from swaps	**3,828**	(1,488)
Pooled investments – investment fee rebates	**-**	-
Interest on cash deposits	**633**	(22)
Other investment income	**209**	-
	71,831	56,777

Interest payable on repurchase agreements for the year end 31 October 2021 of £443,000, previously reported within investment income, has been reclassified from investment income and is presented separately on the Fund Account within net returns on investments.

Investment fee rebates of £458,000, previously reported within investment income, has been reclassified from investment income and is reported within investment management expenses (note 12).

Notes to the Financial Statements

9. Investments

Reconciliation of net investments

	Value at 1 November 2021 £000	Purchases at cost & derivative payments £000	Sales proceeds & derivative receipts £000	Change in market value £000	Value at 31 October 2022 £000
Bonds	3,298,776	**980,898**	**(1,077,010)**	**(942,020)**	**2,260,644**
Pooled investment vehicles	1,373,117	**203,962**	**(327,769)**	**(10,098)**	**1,239,212**
Derivatives	63,436	**197,174**	**(226,055)**	**(98,073)**	**(63,518)**
Longevity swap	(120,003)	**2,829**	**-**	**34,826**	**(82,348)**
AVC investments	7,414	**-**	**(444)**	**100**	**7,070**
	4,622,740	**1,384,863**	**(1,631,278)**	**(1,015,265)**	**3,361,060**
Cash deposits	74,817			**2,541**	**313,099**
Other investment balances	12,781			**-**	**6,401**
Repurchase agreements	(1,289,362)			**(6,297)**	**(1,226,624)**
	3,420,976			**(1,019,021)**	**2,453,936**

The change in market value for the pooled investment vehicles includes £7,754,000 (2021: £1,949,444) relating to management fees and net expenses in relation to private equity and other limited liability partnership investments.

Direct transaction costs are included in the cost of purchases and sales proceeds and include costs charged directly to the Plan such as fees, commissions, stamp duty and other fees. There were no direct transaction costs in 2022 (2021: £nil). Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The indirect costs are not separately provided to the Plan.

At the year end, other investment balances include accrued income receivable (net of accrued interest payable on repurchase agreements) of £14,815,000 (2021: £12,781,000), amounts payable to brokers of £8,414,000 (2021: £nil) in respect of unsettled trades.

For Repurchase agreements, the Plan continues to recognise and value the securities that are delivered out as collateral of £1,099,562,000 (2021: £45,171,000) and includes them in the financial statements.

Notes to the Financial Statements

9. Investments (continued)

Concentration of investments

The following investments, excluding UK government securities, each account for more than 5% of the Plan's net assets at the year end.

	2022 £000	2022 %	2021 £000	2021 %
Apollo Total Return Fund	**249,024**	**10.5**	276,682	8.0
Aberdeen Standard - Long Lease Property Fund	**241,418**	**10.2**	250,144	7.2
CQS Multi Asset Credit Fund	**231,266**	**9.7**	256,564	7.4
Insight Liquidity Fund 2	**147,538**	**6.2**	-	-
HPS Offshore Mezzanine Partners 2019	**132,749**	**5.6**	-	-
Blackrock Diversified Private Debt ETF	**131,528**	**5.5**	187,700	5.4
Amounts repayable on repurchase agreements:				
National Australian Bank	**(138,800)**	**(5.8)**	-	-
NatWest Bank	**(125,186)**	**(5.3)**	-	-

10. Derivatives

Objectives and policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Plan as follows:

Futures – the Trustee did not want cash held to be "out of the market" and therefore bought exchange traded index-based futures contracts which had any underlying economic value broadly equivalent to cash held.

Swaps – the Trustee's aim is to match as far as possible the Liability Driven Investment (LDI) portfolio of the Scheme's long-term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long-term liabilities of the Scheme.

Forward foreign exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using over the counter forward foreign exchange contracts, has been put in place to reduce the currency exposure if these overseas investments to the targeted level.

10. Derivatives (continued)

At the year end, the Plan held the following derivatives:

	2022 Asset £000	2022 Liability £000	2021 Asset £000	2021 Liability £000
Futures	**8,150**	**(225)**	341	(1,604)
Swaps	**121,406**	**(179,562)**	161,110	(95,262)
Forward foreign exchange contracts	**3,368**	**(16,655)**	1,997	(3,146)
	132,924	**(196,442)**	163,448	(100,012)

At the year end, the Plan pledged net collateral of £90,419,000 (2021: received collateral of £70,776,332) in respect of Over The Counter (OTC) swaps, of which £29,384,000 was pledged in Cash (2021: received in cash £82,486,000) and £61,035,000 was pledged in Gilts (2021: received in gilts £11,710,000).

A summary of the Plan's outstanding derivative contracts is set out as follows:

(i) Futures

Type of contract	Expiration	Asset £'000	Liability £'000
Long Gilt (ICF)	Within one year	**7,974**	**(225)**
US Treasury Ultra (CBT)	Within one year	**176**	**-**
Total Futures		**8,150**	**(225)**

(ii) Swaps

Type of contract	Expiration	Notional principal £'000	Asset £'000	Liability £'000
Equity Index swap	1-5 years	**121**	**-**	**(12,287)**
			-	**(12,287)**
Inflation swap	1-5 years	**662,661**	**25,427**	**(59,866)**
Inflation swap	6-10 years	**116,458**	**5,719**	**(7,819)**
Inflation swap	11-15 years	**238,152**	**13,404**	**(7,553)**
Inflation swap	16-20 years	**133,838**	**14,721**	**(178)**
Inflation swap	21-25 years	**8,708**	**2,068**	**-**
Inflation swap	26-30 years	**57,025**	**7,801**	**(534)**
Inflation swap	31-35 years	**58,672**	**4,747**	**(1,516)**
Inflation swap	36-40 years	**45,453**	**1,377**	**(6,489)**
Inflation swap	40-45 years	**60,538**	**4,632**	**(10,181)**
			79,896	**(94,136)**

10. Derivatives (continued)

(ii) Swaps

Type of contract	Expiration	Notional principal £'000	Asset £'000	Liability £'000
Interest Rate swap	1-5 years	**229,782**	**-**	**(10,535)**
Interest Rate swap	6-10 years	**324,853**	**13,857**	**(28,093)**
Interest Rate swap	11-15 years	**61,320**	**11,144**	**(1,789)**
Interest Rate swap	16-20 years	**66,312**	**5,470**	**(13,306)**
Interest Rate swap	20-25 years	**13,100**	**-**	**(6,289)**
Interest Rate swap	26-30 years	**19,662**	**7,939**	**(7,484)**
Interest Rate swap	35-40 years	**3,740**	**629**	**-**
Interest Rate swap	40-45 years	**16,727**	**2,471**	**(5,643)**
			41,510	**(73,139)**
Total Swaps			**121,406**	**(179,562)**

(iii) Forward foreign exchange

Type of contract	Settlement date	Currency bought	Currency sold	Asset £'000	Liability £'000
Australian Dollars to GBP	1-3 months	**4,896,351**	**(8,287,000)**	294	-
Canadian Dollars to GBP	1-3 months	**8,006,275**	**(12,228,000)**	226	-
Swiss Franc to GBP	1-3 months	**6,316,178**	**(7,135,000)**	106	-
Danish Krone to GBP	1-3 months	**1,639,411**	**(14,115,000)**	9	-
Euro to GBP	1-3 months	**24,225,764**	**(27,927,000)**	204	-
GBP to Australian Dollars	1-3 months	**2,960,000**	**(1,676,840)**	-	(33)
GBP to Canadian Dollars	1-3 months	**4,700,000**	**(3,076,617)**	-	(86)
GBP to Swiss Franc	1-3 months	**2,750,000**	**(2,497,997)**	-	(104)
GBP to Danish Krone	1-3 months	**5,510,000**	**(650,864)**	-	(14)
GBP to Euro	1-3 months	**14,817,000**	**(12,950,618)**	-	(201)
GBP to Hong Kong Dollar	1-3 months	**6,880,000**	**(791,695)**	-	(31)
GBP to Israeli Sheqel	1-3 months	**728,000**	**(184,596)**	-	(5)
GBP to Japanese Yen	1-3 months	**816,000,000**	**(5,041,956)**	-	(259)
GBP to Norwegian Krone	1-3 months	**2,488,000**	**(209,407)**	-	(2)
GBP to New Zealand D	1-3 months	**84,000**	**(42,518)**	-	(1)
GBP to Swedish Krona	1-3 months	**10,020,000**	**(800,800)**	-	(12)
GBP to Singapore Dollar	1-3 months	**560,000**	**(351,881)**	-	(8)
GBP to US Dollar	1-3 months	**336,274,000**	**(301,720,400)**	-	(9,963)
Carried forward to page 40				**839**	**(10,719)**

10. Derivatives (continued)

(iii) Forward foreign exchange (continued)

Type of contract	Settlement date	Currency bought	Currency sold	Asset £'000	Liability £'000
Brought forward from page 39				839	(10,719)
Hong Kong Dollar to GBP	1-3 months	**1,848,416**	**(16,889,000)**	**-**	**(19)**
Israeli Sheqel to GBP	1-3 months	**512,390**	**(1,980,000)**	**23**	**-**
Japanese Yen to GBP	1-3months	**13,771,285**	**(2,206,000,000)**	**841**	**-**
Norwegian Krone to GBP	1-3 months	**534,568**	**(6,138,000)**	**22**	**-**
New Zealand D to GBP	1-3 months	**114,722**	**(218,000)**	**5**	**-**
Swedish Krona to GBP	1-3 months	**2,081,384**	**(25,791,000)**	**51**	**-**
Singapore Dollar to GBP	1-3 months	**925,459**	**(1,507,000)**	**1**	**-**
US Dollar to GBP	1-3 months	**429,317,663**	**(2,828,030,000)**	**1,587**	**(5,917)**
Total Forward foreign exchange				**3,369**	**(16,655)**

11. Pooled investment vehicles

The Plan's investments in pooled investment vehicles at the year end comprised:

	2022 £000	2021 £000
Absolute Return	**1,467**	1,553
Higher Yielding Credit	**480,290**	533,247
Private Markets	**695,888**	650,617
Bonds	**60,501**	187,700
Asset Backed Securities	**1,066**	-
	1,239,212	1,373,117

Notes to the Financial Statements

12. Investment management expenses

	2022 £000	2021 £000
Administration, management and custody	**2,222**	4,871
Longevity swap insurance fees	**4,968**	4,991
Accounting and performance measurement services	**690**	572
Investment manager fee rebates	**(494)**	(458)
	7,386	9,976

The reduction in administration, management and custody expenses is due to the increased level of Highbridge expenses capitalised through investment purchases in the year compared to the prior year.

The longevity swap insurance fees are ongoing fees due to Aviva, based on a percentage of the monthly fixed premium amounts over the term of the agreement. In relation to the longevity swap, fees collateral of £36,026,187 (2021: £52,609,647) has been pledged in the form of index-linked gilts.

The longevity swap insures the Plan against longer than anticipated life expectancy of pensioners in receipt of payments at 30 November 2014. The term of the contract therefore depends on the actual life expectancy of the Plan's pensioners at that date.

13. Longevity swap

	2022 £000	2021 £000
Longevity swap	**82,348**	120,003

A bespoke longevity swap was entered into with Aviva (formerly Friends Life) in 2015 to insure the Plan against future longevity risk. The fair value of the longevity swap is based on the expected future cash flows arising under the swap discounted using market interest rates. The cashflows are discounted using market-based interest rates, taking into account credit risk and liquidity premium appropriate for the circumstances.

Experience collateral of £87,605,657 (2021: £123,903,357) has been pledged in the form of index-linked gilts. These gilts are included in the Plan's assets.

13. Longevity swap (continued)

The experience collateral valuation provided by the insurer forms the basis of the valuation as at 31 October 2022 and 31 October 2021. The key features of the basis for the experience collateral valuation calculation (as set out in the longevity swap contract) and used for the 30 September 2022 calculation (the value used in these accounts) are set out below:

Element	Collateral method per swap contract
Frequency of calculation	Quarterly, most recent assessment 30 September 2022
Discount rate	Overnight Indexed Swap Rate
Inflation	RPI or CPI swap rates
Demographic assumptions for floating leg (and for assessing the market view of longevity)	Reviewed for the first time in 2020. Revised assumptions adopted: Base mortality: • 90.5% S3PMA_H (males) • 101.3% S3PFA_H (females) Future improvements: • CMI_2018_M; Sk=7.25; “SEG”=0.25%, LTR=1.75% (males) • CMI_2018_F; Sk=7.25; “SEG”=0.35%, LTR=1.50% (females) *Note: SEG parameter is an in-house Aviva adjustment to the CMI model performing a similar function to the ‘A’ parameter*
Fee collateral	Excluded from the experience collateral calculation (and determined separately for collateral management purposes).

14. AVC investments

The Trustee holds assets which are separately invested from the main fund, in the form of individual insurance policies. These secure additional benefits, on a money purchase basis, for those members who have elected in the past to pay AVCs. Members participating in these arrangements receive an annual statement made up to the relevant renewal date, confirming the amounts held in their account and the movements during the year.

The total amount of additional voluntary contribution investments at the year-end is shown below.

	2022 £000	**2021 £000**
Prudential Assurance Company	**6,588**	6,976
Other AVC providers	**482**	438
	7,070	7,414

Notes to the Financial Statements

15. Fair value determination

The fair value of financial instruments has been disclosed 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 assessment date.

Level 2 Inputs other than quoted prices included within Level 1 which are observable (i.e. developed) 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.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety. The Plan's investment assets and liabilities fall within the above hierarchy levels as follows:

As at 31 October 2022	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Bonds	-	2,260,644	-	2,260,644
Pooled investment vehicles	-	-	1,239,212	1,239,212
Derivatives	-	-	(63,518)	(63,518)
Longevity Swap	-	-	(82,348)	(82,348)
AVC investments	-	6,588	482	7,070
Cash and cash equivalents	16,733	296,366	-	313,099
Other investment balances	6,401	-	-	6,401
Repurchase agreement	-	(1,226,624)	-	(1,226,624)
	23,134	**1,336,974**	**1,093,828**	**2,453,936**

As at 31 October 2021	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Bonds	-	3,298,776	-	3,298,776
Pooled investment vehicles	-	-	1,373,117	1,373,117
Derivatives	-	-	63,436	63,436
Longevity Swap	-	-	(120,003)	(120,003)
AVC investments	-	6,976	438	7,414
Cash and cash equivalents	10,923	63,894	-	74,817
Other investment balances	12,781	-	-	12,781
Repurchase agreement	-	(1,289,362)	-	(1,289,362)
	23,704	2,080,284	1,316,988	3,420,976

Notes to the Financial Statements

16. Investment risk disclosures

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 (rather 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 Plan has exposure to these risks because of the investments it makes to implement the investment strategy described on pages 9 to 13. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Plan's strategic investment objectives. The Trustee's risk management policy for the Plan is set out in the Statement of Investment Principles. These investment objectives are implemented through the appointment documentation in place with the Plan's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Plan's exposures to credit and market risks are set out in this note. This does not include AVC investments or other Investment balances as these are not considered significant in relation to the size of the Plan's main assets.

The Trustee's approach to risk management, as advised by the Plan's investment adviser, Isio includes meeting with the Plan's investment managers as necessary. When meeting with the Plan's managers, the Trustee investigates the exposures within each manager's fund, the risk management the manager employs in their fund and ongoing performance. The Trustee also monitors the Plan's allocation to each manager (and hence their subset of risks) on a quarterly basis via the cashflow policy. This is used to monitor the actual allocations versus the SIP and to take action (if required). The Plan's investment adviser also monitors the investment managers on an ongoing basis and reports to the Trustee where required.

Notes to the Financial Statements

16. Investment risk disclosures (continued)

At 31 October 2022 the benchmark asset allocation agreed by the Trustee was as set out in the table below.

Mandate	***Manager***	***%***
Liability Driven Investments*	Insight	**30.0**
Corporate Bonds	Insight	**26.5**
Equities**	Insight	**6.0**
Higher Yielding Credit	CQS/Apollo	**15.0**
Private Markets***	M&G/Allianz/Highbridge/BlackRock	**15.0**
Long Lease Property	Aberdeen Standard	**7.5**
Total		**100.0**

* The LDI benchmark allocation is shown as a proportion of the Plan's physical assets and is calculated by taking the total assets across the LDI, Synthetic Equity and Asset-Backed Securities portfolios and deducting the notional exposure to Synthetic Equity. The Trustee has a hedging target of 100% of assets.

** The strategic allocation to equity above (6%) is achieved synthetically and is equivalent to a physical allocation to equity of the same amount, expressed as a percentage of the total market value of Plan assets. The Trustee's objective is to achieve exposure to a Global Equity Index and this is obtained synthetically using a range of permissible derivatives as set out in the Investment Manager Agreement.

*** The Private Markets allocation includes an allowance for an investment in a basket of credit-based Exchange Traded Funds (ETFs) managed by BlackRock. The ETFs are being utilised as a short-term home before capital is then deployed into a BlackRock Diversified Private Debt mandate as required. This process is managed by BlackRock.

The actual allocations will vary from the above benchmark weights due to market price movements. The Investment Committee may, from time to time, diverge from this split if, having taken advice, it feels appropriate to do so and invest in other asset classes, provided this divergence remains within the agreed control ranges set out in the Statement of Investment Principles.

Notes to the Financial Statements

16. Investment risk disclosures (continued)

The following tables summarise the extent to which the Plan's various investments (excluding the Trustee bank account, longevity swap, AVC investments and other investment balances), which are not considered significant in relation to the Plan's main assets) held at 31 October 2022 and 31 October 2021 are affected by financial risks:

Segregated Mandates	Direct Credit risk	Direct Currency risk	Direct Interest rate risk	Direct Other Price risk	Value as at 31 October 2022 (£000)*	Value as at 31 October 2021 (£000)
Liability Driven Investments						
Insight LDI						
Conventional Gilt	✓		✓		308,432	395,882
Index-Linked Gilt	✓		✓	✓	1,653,800	2,211,877
Derivatives - Futures	✓		✓		-	(1,525)
Corporate Bond	✓		✓		10,109	14,431
Repurchase Agreements	✓		✓		(1,231,550)	(1,289,362)
Derivatives - RPI Swap	✓		✓	✓	(14,241)	13,553
Derivatives - Vanilla IR Swap	✓		✓		(24,679)	18,843
Insight Liquidity Fund	✓		✓		147,538	5,737
Cash	✓				95,932	-
Insight Buy & Maintain						
Corporate Bond	✓	✓	✓		265,699	640,844
Derivatives - Futures	✓		✓		-	139
Derivatives - Vanilla IR Swap	✓		✓		(6,950)	(7,763)
Foreign Forward Contracts	✓	✓	✓		(9,575)	(1,154)
Insight Liquidity Fund	✓		✓		425	13,781
Cash	✓	✓			642	-
Insight Synthetic Equity						
Derivatives - Swaps	✓	✓	✓	✓	(12,286)	41,215
Foreign Forward Contracts	✓	✓	✓		(3,711)	5
Collateral for Longevity Swap						
Index-Linked Gilt	✓		✓	✓	35,850	55,376
Insight Liquidity Fund	✓		✓		35	886
Cash	✓				35	-
Total segregated mandates					**1,215,505**	2,112,765

* Due to Insight's reporting method, the underlying asset values might not sum to the total valuation.

Risks impacting the longevity swap are provided on page 50.

Notes to the Financial Statements

16. Investment risk disclosures (continued)

Pooled investment vehicles	Indirect Credit risk	Indirect Currency risk	Indirect Interest rate risk	Indirect Other Price risk	Value as at 31 October 2022 (£000)	Value as at 31 October 2021 (£000)
Corporate Bonds						
BlackRock Corporate Bonds (ETFs)	✓		✓	✓	60,501	187,700
Absolute Return						
Lighthouse	✓	✓	✓	✓	1,467	1,553
Higher Yielding Credit						
CQS Multi Asset Credit	✓	✓	✓	✓	231,266	256,564
Apollo Semi-Liquid Credit	✓		✓	✓	249,024	276,683
Private Markets						
BlackRock Diversified Private Debt	✓	✓	✓	✓	131,528	62,593
M&G Property Debt	✓	✓	✓	✓	65,452	76,342
Allianz Infrastructure Debt	✓		✓	✓	42,352	55,506
Highbridge Mezzanine debt	✓	✓	✓	✓	215,043	205,937
BlackRock Private Equity		✓		✓	95	95
Long Lease Property						
Aberdeen Standard Long Lease Property	✓		✓	✓	241,418	250,144
Asset Backed Securities						
Insight	✓	✓	✓	✓	1,062	-
Total pooled investment vehicles					**1,239,208**	1,373,117

Cash and cash equivalents	Credit risk	Currency risk	Interest rate risk	Other price risk	Value as at 31 Oct 2022 (£000)	Value as at 31 Oct 2021 (£000)
Cash	✓	✓	✓		**313,099**	74,817
Total Cash					**313,099**	74,817

16. Investment risk disclosures (continued)

Credit risk

Direct credit risk:

The Plan invests in pooled investment vehicles (note 11) and is therefore directly exposed to credit risk.

The Plan's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangement being ring-fenced from the investment manager of the pooled fund, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Direct credit risk arising on bonds held directly (note 9) is mitigated by investing predominantly in UK government bonds where the credit risk is minimal.

The Plan invests in the Aberdeen Standard Long Lease Property Fund via a unit-linked long term insurance policy with Standard Life Assurance Limited and is therefore directly exposed to credit risk in relation to the solvency of Standard Life Assurance Limited. The regulatory environment in which Standard Life Assurance Limited operates (including capital requirements) and the Prudential Regulatory Authority's regulatory oversight help mitigate this risk.

Where the Plan's assets are held in cash at custody it is exposed to direct credit risk. This risk is mitigated by holding significant cash balances only for a short period of time. When it is identified that a significant cash balance is being built up, the Plan will organise a sweep facility with its custodian to sweep the cash into a pooled cash vehicle overnight.

The expectation is that any significant cash balances built up as part of distributions from the Plan's private markets holdings (Highbridge, BlackRock Private Equity, M&G Property Debt, Allianz Infrastructure Debt) will either be used to fund future drawdown requests, be swept into GBP/USD sweep accounts or moved to the Trustee bank account.

The Plan is also subject to direct credit risk from exposure to the underlying investments within the segregated Insight accounts.

Government bonds: Credit risk arising on bonds held directly is mitigated by investing in UK government bonds where the credit risk is minimal.

Corporate bonds: Credit risk arising on corporate bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade. The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch or rated at Baa3 or higher by Moody's.

Pooled investment vehicles: This relates to holdings in Insight's Liquidity Fund. The Plan is therefore directly exposed to direct credit risk in this fund which is mitigated by the underlying assets of the fund being ring-fenced from Insight's wider business and the regulatory environment in which Insight operate. The Plan is also subject to indirect credit risk in relation to the instruments held within the Insight Liquidity Fund. This is mitigated by ensuring cash is held with a diversified range of institutions which are at least investment grade credit rated.

16. Investment risk disclosures (continued)

Direct credit risk (continued)

Derivatives: Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter.

- OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements. In addition, the risk is also mitigated by the manager ensuring that it transacts with counterparties which are at least investment grade credit rated.
- Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts, but all counterparties are required to be at least investment grade.

Repurchase agreements: Credit risk on repurchase agreements is mitigated through collateral arrangements. In addition, the risk is also mitigated by the manager ensuring that it transacts with counterparties which are at least investment grade credit rated.

Indirect credit risk:

Where shown in the tables on pages 45 and 46, the Plan is indirectly exposed to credit risk in relation to the instruments held in the pooled investment vehicles (note 11) including investments in bonds, over the counter (OTC) derivatives, cash, investments in individual companies and repurchase agreements.

Indirect credit risk arising on non-investment grade bonds held by the Plan's higher yielding credit portfolios (note 11) is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer. The Plan is exposed to indirect credit risk through the use of derivatives by the underlying investment managers in these mandates. Again, the credit risk arising depends on whether the derivative is exchange traded or is an over the counter ("OTC") derivative. The credit risk for OTC swaps is reduced by collateral arrangements. Some of these managers may also use forward foreign currency contracts. The credit risk relating to these derivatives is also mitigated by the manager ensuring that they transact with a diversified range of counterparties, each with a high credit rating.

The Trustee manages this exposure to overall credit risk by constructing a diverse portfolio of investments across various asset classes and markets.

Currency risk:

The Plan is exposed to currency risk within the Insight synthetic equity account, to help mitigate this risk, the foreign currency exposure across the MSCI AC World Index is hedged to GBP.

In addition, the Plan's investments in the Lighthouse Absolute Return fund, Highbridge Mezzanine Debt and BlackRock Private Equity also expose the Plan to indirect currency risk. This exposure is not explicitly hedged as the manager of the absolute return fund may use currency exposures as part of the fund's investment strategy. Currency risk in the BlackRock Diversified Private Debt Fund is hedged back to GBP.

The Plan's investments include £215.0 million in non-sterling denominated pooled funds (2021: £205.9 million), which subjects the Plan to direct currency risk.

16. Investment risk disclosures (continued)

Currency risk (continued)

As a result, the Plan's US dollar denominated Mezzanine debt allocations with Highbridge and US dollar denominated exposure to Lighthouse are exposed to the currency movements between GBP and USD. The Plan's private equity holdings with BlackRock are invested in a USD priced pooled fund as well. This exposure is not hedged as the fund is in its distribution phase and the underlying level of assets is reducing over time.

The Trustee is comfortable with the level of currency risk exposure, mitigated largely by the foreign currency exposure within the Insight synthetic equity account being hedged to GBP.

Interest rate risk:

The Plan is subject to direct interest rate risk within its segregated Insight LDI and Buy & Maintain ("B&M") accounts. The assets are viewed as matching the characteristics of the liabilities. The underlying assets of the segregated Insight accounts are subject to interest rate risk because a proportion of the investments are held in bonds and bond-like instruments (fixed interest gilts, index linked gilts, derivatives, repurchase agreements and cash). The Trustee has set a benchmark of 30% for total investment in liability driven investments. These assets match the characteristics of the liabilities (interest rate and inflation sensitivity). Under this strategy, if interest rates fall (rise), the value of the bonds will rise (fall) to match the increase (fall) in the actuarial value placed on the liabilities arising from a fall (rise) in the discount rate.

The Plan is also exposed to direct interest rate risk on bonds directly held for use as collateral for the Plan's longevity swap (note 9).

Assets held as cash are exposed to direct interest rate risk, as these are held in liquidity funds that hold very short-term fixed income instruments. The Trustee is comfortable with the level of direct interest rate risk in this respect as the cash balance exposed directly to interest rate risk is not expected to be significant.

The Plan has exposure to indirect interest rate risk via the higher yielding credit mandates (note 10). The indirect interest rate exposure that these funds have is expected to be low as the growth fixed income assets are positioned by the underlying managers to have a low duration and therefore are expected to have a low sensitivity to interest rates.

Additionally, the absolute return fund (note 9) may take an active interest rate position in the pooled fund either to achieve excess returns or for efficient portfolio management (for example when taking a currency position on a particular security, but not taking a view on interest rates and so uses a derivative to hedge this risk). This risk is managed within the fund by Lighthouse.

The Trustee is comfortable with this level of exposure as it partially hedges the impact of the interest rate changes on liabilities.

Other price risk:

Indirect other price risk arises principally in relation to the Plan's return seeking assets held within pooled investment vehicles, which include absolute return, private equity, private debt, infrastructure debt, multi-asset credit (which may invest in convertible bonds), semi-liquid credit and property, as well as the segregated Insight equity account. The Plan has a benchmark allocation of 70% of investments being held in return-seeking assets as at 31 October 2022.

Notes to the Financial Statements

16. Investment risk disclosures (continued)

Other price risk (continued)

Some of the underlying instruments in the segregated Insight accounts are subject to other price risk. However, these assets match the characteristics of the liabilities (in terms of inflation sensitivity). The Trustee is comfortable with the level of risk in these assets as they are used to hedge the impact of interest rate and inflation changes on liabilities. The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets within the return seeking assets.

Longevity risk:

Life expectancy has increased in recent years and the Trustee has considered how to provide protection for the Plan against what is known as longevity risk. This is the risk that members will live longer than expected and therefore the Plan will pay their pensions for longer.

The Trustee discussed this issue in detail with the Employer after receiving advice from the Plan's advisors, and with the agreement of the Employer, the Trustee entered into a longevity swap contract (in August 2015) with Aviva (previously Friends Life) to mitigate the impact of the longevity risk for the pensioner population. This longevity swap will, therefore, offset the cost of increased life expectancy for existing pensions in payment as at the inception of the contract under the Plan. Conversely, if life expectancy decreases, this will result in payments from the Plan to Aviva.

This transaction was an investment decision and does not affect the pensions that are paid from the Plan. The Plan holds the swap as a Plan asset to meet its liabilities.

The longevity swap is subject to direct credit risk with Aviva who due to strict regulation (including capital requirements) and oversight from the regulatory authority are deemed to have a very low chance of default. In order to mitigate the unlikely event of default, the longevity swap is collateralised. The assets available for use as collateral are held with Insight.

Classification of pooled funds

A summary of the Plan's pooled investment vehicles by legal type is shown below:

Mandate	PIV Type
Allianz	Limited Partnership
Apollo	Other - Limited Company
ASI LLP	Unit-linked Insurance Contract
BlackRock DPD	(Scottish) Limited Partnership
BlackRock ETF	Open-ended Investment Company
BlackRock PE	Limited Partnership
CQS	Open-ended Investment Company
Highbridge II/III/2019	Limited Partnership
Global ABS Fund	Qualifying Investor Alternative Investment Fund (QIAIF)
High Grade ABS	Open Ended Investment Company (UCITS)
M&G REDF II/III	Limited Partnership
M&G REDF IV/V/SCMLF	Other – Irish S110 Companies
Mesirow	Open-ended Investment Company

Notes to the Financial Statements

17. Current assets

	2022 £000	2021 £000
Contributions due from employer	**4,066**	3,909
Cash balances	**20,870**	20,564
Pensions paid in advance	**3,716**	4,630
Other debtors	**166**	-
Prepayment of expenses	**25**	-
	28,843	29,103

The cash held represents the balance held in the Plan's bank account with the National Westminster Bank plc.

Contributions outstanding at the year-end were paid after the year end in accordance with the requirements of the Schedule of Contributions.

18. Current liabilities

	2022 £000	2021 £000
Accrued expenses	**2,862**	2,247
Unpaid benefits	**827**	1,080
Other creditors	**830**	604
Short term loan from HEINEKEN NV	**100,000**	-
	104,519	3,931

As reported in the Trustee Report on page 13, HEINEKEN NV provided a 2 month loan to the Plan for £100m on 13 October 2022, to avoid further corporate bond sales. This was paid back to HEINEKEN NV in full (plus interest of c£0.5m, at a 3% p.a. interest rate) on 12 December 2022.

19. Related party transactions

The Plan paid pensions in respect of one (2021: one) Trustee company director who is a pensioner of the Plan. These benefits are paid in accordance with the Plan Rules.

Fees and expenses were paid to the three Independent Trustee Directors who served during the year (2021: three), and to one member-nominated pensioner Trustee Director who served during the year (2021: one).

Trustee Director fees and expenses, to the value of £174,015 (2021: £176,107) were incurred in the year. As at 31 October 2022, £72,492 was payable and included in accrued expenses (2021: £51,322).

Adviser and investment manager fees are paid by HEINEKEN UK Ltd and recharged to the Plan. The total paid in the year, relating to current financial year, was £4,224,786 (2021: £3,082,372). Including the Trustee Director fees and expenses noted above, as at 31 October 2021 £2,861,802 (2021: £2,246,893) was payable to HEINEKEN UK Ltd and included in accrued expenses.

Notes to the Financial Statements

19. Related party transactions (continued)

As reported in the Trustee Report on page 13, HEINEKEN NV, the ultimate parent and group holding company of the Plan's principal employer, Scottish & Newcastle Limited, provided a 2 month loan to the Plan for £100m on 13 October 2022, to avoid further corporate bond sales. This was paid back to HEINEKEN NV in full (plus interest of c£0.5m, at a 3% p.a. interest rate) on 12 December 2022.

20. GMP equalisation

As disclosed in the Trustee's Report on page 7 in October 2018, the High Court has ruled that schemes which contracted-out of the State scheme on a Guaranteed Minimum Pension (GMP) basis prior to 5 April 1997 must take action to treat men and women equally in relation to the GMP built up for service between 17 May 1990 and 5 April 1997. Following the ruling, it is expected that the Trustee will be required to modify benefits under the Plan for this period of service.

Following on from the original judgment, a further High Court ruling on 20 November 2020 has provided clarification on certain obligations for trustees. This judgment focused on the GMP treatment of historic transfers out of members' benefits; an issue which had not been addressed in the 2018 ruling. Under this ruling, trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to be paid, to reflect members' rights to equalised GMP benefits.

This is a complex issue on which the Trustee is seeking advice. An initial broad estimate of the financial impact has indicated that the additional liability is £16m. The historical transfer element is a non-adjusting event therefore has no impact on the 2022 financial statements. The Trustee will assess if any additional reserve needs to be made next year.

The value of the equalisation (excluding the historical transfer element) is not included as a provision within the financial statements as the Trustee does not consider it to be material.

21. Employer-related investments

As at 31 October 2022 and 31 October 2021, the Plan did not hold over 5% of the Plan's net assets invested in employer related investments.

22. Capital commitments

The Trustee appointed BlackRock Financial Management, Inc. in July 2005 as a Private Equity Manager. BlackRock Financial Management, Inc. manages a diversified portfolio investing in private capital partnerships.

Highbridge was appointed in 2013 and the Plan committed to invest in its Offshore Mezzanine Partners II Scotland LP fund and in 2017 the Plan made a commitment to the new vintage Offshore Mezzanine Partners III Scotland LP fund. In May 2019, the Plan made a commitment of $175m to the new Offshore Mezzanine Partners 2019 LP fund.

22. Capital commitments (continued)

M&G was also appointed in 2013. The Plan committed to invest in three real estate funds managed by M&G: the Senior Commercial Mortgage Loan Fund I, the Real Estate Debt Fund II Feeder LP and the Real Estate Debt Fund III LP. In November 2017 the Plan made a commitment of $100 million to two new vintages of the M&G series, Real Estate Debt Fund IV LP and Real Estate Debt Fund V LP which have now begun to be draw down.

Allianz was appointed in November 2017 and the Plan committed to invest in its Infrastructure Debt II LP Fund.

BlackRock was appointed in April 2021 and the Plan made a commitment of £250m to the Diversified Prviate Debt Fund.

The initial value of the commitment to each manager, and remaining uncommitted balances at 31 October 2022 (2021 for comparison) are shown below:

Manager	**Remaining commitment at 31 October 2022**	**Remaining commitment at 31 October 2021**	**Initial Commitment**
BlackRock Financial Management, Inc.	-	-	$50,000,000
(in wind up stage)	-	-	
Highbridge (fund II)	$14,839,520	$15,228,908	$110,000,000
	(£12,888,240)	(£11,111,125)	
Highbridge (fund III)	$14,659,640	$14,813,350	$115,000,000
	(£12,732,013)	(£10,807,931)	
Highbridge (fund 2019)	$36,637,126	$40,881,244	$175,000,000
	(£31,819,633)	(£29,827,261)	
M&G (Senior, REDF II, REDF III)	-	£1,046,476	£80,000,000
M&G (REDF IV, REDF V*)	£36,776,647	£42,672,012	£100,000,000
Allianz (fund II)**	£26,547,884	£26,547,884	£80,000,000
BlackRock Diversifed Private Debt fund	£121,444,665	£187,216,043	£250,000,000

*REDF V fund life extended
** note that fund is outside investment period, no further drawdowns expected

Actuary's Certification of the Schedule of Contributions

Mercer

CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Name of the Plan	Scottish & Newcastle Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 October 2021 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 January 2022.

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

Signature	Alistair Lyon
Name	Alistair Lyon
Date of signing	1 May 2022
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
Address	Quartermile One 15 Lauriston Place Edinburgh EH3 9EN

Implementation Statement – March 2023

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a trustee's fiduciary duty.

Implementation Report

This Implementation Report is to provide evidence that the Plan continues to follow and act on the principles outlined in the Statement of Investment Principles ('SIP').

Over the Plan year to 31 October 2022, the SIP was updated in March 2022 and the changes made are detailed on the following pages. The most up-to-date version of the SIP can be accessed here.

The Implementation Report details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP;
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks;
- the extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in which they invest; and
- voting behaviour covering the reporting year up to 31 October 2022 for and on behalf of the Plan, including the most significant votes cast by the Plan or on its behalf.

Summary of key actions undertaken over the Plan's reporting year

- As part of the early de-risking exercise over Q4 2021 and Q1 2022, the Plan reduced its equity exposure and increased its allocation to Buy & Maintain corporate bonds. The Trustee updated the SIP for these changes in March 2022.
- Over 2022, the IC reviewed its long-term strategic allocation with a particular focus on ESG and climate change. As a result of the climate-related risks and opportunities identified, bespoke ESG guidelines have been implemented within the segregated corporate bond mandate and an index with enhanced ESG characteristics has been implemented for the synthetic equity mandate.
- The Trustee decided to partially redeem some mandates, along with reducing the Synthetic Equity allocation, in order to top up the liability-driven investment mandate and ensure it was supported by a sufficient collateral pool.
- The Plan received a short-term loan from the Sponsor to further strengthen the collateral position in the liability-driven investment mandate whilst additional collateral was sourced from a less liquid mandate. This was repaid after the end of the Plan's reporting year.

Implementation Statement

This report demonstrates that the Trustee of the Scottish & Newcastle Pension Plan has adhered to its investment principles and its policies for managing financially material considerations, including ESG factors and climate change.

Signed

Name Jane Scriven

Position Director Scottish & Newcastle Pension Plan Trustee Limited

Date 22 March 2023

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions
Solvency and mismatching	The change in the value of the assets over time does not keep pace with changes in the value of the liabilities.	The Trustee has developed a suitable long-term investment strategy and assesses the progress of the actual growth of the liabilities relative to the selected investment policy.	The Trustee maintains a segregated LDI portfolio to provide a bespoke interest and inflation hedge that accurately reflects the Plan's liabilities. The LDI mandate is regularly reviewed to capture changes in the Plan's liability profile, with the next review due to be carried out following the conclusion of the 2024 actuarial valuation.
Manager	The Plan's investment managers underperform their performance targets.	The Investment Committee receives quarterly investment performance reporting from their investment advisors to assess how the Plan's investment managers are performing relative to their objectives.	The Trustee made no changes to investment mandates over the twelve months to 31 October 2022 following underperformance of targets. However, partial redemptions were made from various mandates in order to replenish the LDI mandate's collateral position towards the end of the Plan year
Liquidity	The Plan is unable to raise cash when it needs to without incurring excessive costs.	The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.	The Trustee invests across a wide range of asset classes and managers. A significant proportion of the Plan's assets deal on a daily basis and can be liquidated at short notice should cash be required.
Custodian	A custodian defaults or fails in its safekeeping of the Plan's assets leading to a financial loss for the Plan.	The investment managers of the pooled funds in which the Plan invests hold most responsibility. The Investment Committee also monitor the Plan's custodian's activities.	The Trustee received regular statements from the Plan's custodian. Asset values were sense checked monthly against records issued by investment managers. The Trustee undertook a review of the services offered to the Plan by the Plan's custodian during the year.

Concentration	Over-exposure to the performance of a single asset which suffers losses relative to the Plan's liabilities.	The Trustee ensures diversification within and across portfolios. The Investment Committee undertakes regular reviews of the actual split of the pooled investments held, regular assessment of the underlying split of the various pooled funds and the resulting asset split at the total Plan level.	The Trustee reviewed the pooled investments held by the Plan on a quarterly basis.
Collateral	The Plan, or funds within which the Plan invests, fail to meet obligations to provide collateral on derivative transactions.	This is managed by the individual managers, where posting of collateral is required. The Investment Committee also monitors the collateral adequacy within the LDI portfolio on a quarterly basis via the reports provided by the Plan's investment adviser.	The collateral adequacy of the assets held in the LDI portfolio was monitored by the investment manager on a regular basis. The collateral position deteriorated in September/October 2022 as a result of volatility in Gilt yields over the period. The Plan partially disinvested from various mandates in order to replenish the collateral position. The position was also temporarily bolstered with a short-term loan from the Plan's Sponsor.
Counterparty	The Plan suffers a financial loss as a result of the failure of a counterparty to meet its obligations to the Plan (or to a fund in which the Plan invests).	The Trustee requires the provision of collateral on a daily basis where possible and uses a number of counterparties to limit the exposures to individual organisations.	The credit-worthiness of the counterparties is monitored by the Plan's managers and the decision to terminate exposure to a counterparty is the responsibility of the manager.
Currency	The Plan suffers a financial loss through exposure to currencies other than sterling.	Overseas assets are diversified across a range of currencies. The developed overseas equity market exposure and fixed income holdings have been fully currency hedged.	The hedging on the synthetic equity exposure was maintained over the twelve months to 31 October 2022. This was achieved using the currency exposure of a proxy index after the mandate switched to an equity index with enhanced ESG characteristics.
Interest rate and inflation	The Plan suffers a financial loss through exposure to interest rate and inflation risks on its liabilities or through exposure to interest rate and inflation risks on its assets which differ from those on the liabilities.	The Trustee uses LDI to hedge a portion of the interest rate and inflation exposure, reducing the risk as far as practically possible.	The Trustee maintains a segregated LDI portfolio to provide a bespoke interest rate and inflation hedge that accurately reflects the Plan's liabilities to reduce this risk.

Credit	Default on payments by issuers of corporate bonds and other debt assets which the Plan holds or through reductions in the market values of those assets.	To diversify this risk by investing in a range of credit opportunities. The Trustee appoints investment managers who actively manage this risk and avoid defaults.	The Plan committed to the BlackRock Diversified Private Debt Fund in May 2021. Commitments continue to be drawn and invested in assets diversified across asset class and sector.
Equity	The Plan suffers financial loss through exposure to equity market assets.	The Trustee diversifies the Plan's investments across a number of alternative assets to reduce the reliance on equity markets. Regional diversification is used to reduce exposure to equity market falls in any particular region.	The Plan maintains an allocation managed by Insight that accesses equity exposure synthetically; this is diversified by region.
Property	The Plan suffers financial loss through exposure to property market assets.	The Trustee invests in low-risk property investments with long-term secure tenants and rental streams.	The Plan maintains an allocation to the Abrdn Long Lease Property Fund, which invests in low-risk property investments with long-term secure tenants and rental streams..
Sponsor	The Company is unable to meet the current and potential future contribution requirements of the Plan.	The interaction between the Plan and the Company is assessed and measured by a number of factors, including the credit-worthiness of the Company and the size of the pension liability relative to a number of metrics reflecting the financial strength of the Company.	The Trustee monitored the credit-worthiness of the Company on a quarterly basis.

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implementation of ESG factors in the investment process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustees monitor the managers on an ongoing basis.	ESG actions undertaken: • The Trustee has agreed an updated ESG policy and a new climate delegation framework. • The managers' ESG policies were reviewed and presented to the Investment Committee in an Impact Assessment Report. • This also contained detailed results of Isio's engagements with investment managers. • The Trustee gathered climate metrics and conducted climate scenario analysis as part of preparing the Plan's first Task Force for Climate-related Disclosures report. More details of the ESG policy and how it was implemented are presented later in this report.
Stewardship	The Plan's investments lose value over the long term due to poor stewardship of the underlying investments.	The voting rights and engagement with underlying investments are delegated to the Plan's investment managers and monitored by the Trustee.	The Plan does not have equity voting rights as equity exposure is held synthetically. The Impact Assessment (delivered to the Investment Committee by the Plan's investment advisor) set out how the investment managers engage with underlying investments and described how the Plan's investment advisor had engaged on the Trustee's behalf to encourage best practice in this area. After 31 October 2022, the Trustee updated the SIP with further policies around stewardship; these are detailed on the next page.

Changes to the SIP

The Trustee updated the Plan's SIP in March 2022. The most significant updates included the following.

- The expected return and outperformance target for the Plan's investment strategy was updated to reflect the Plan's de-risking exercise over Q4 2021 and Q1 2022.
- The Plan's investment strategy was updated as part of the same exercise. The Equity benchmark allocation was reduced, and the Corporate Bonds benchmark allocation was increased. The corresponding control ranges for these asset classes were updated accordingly.

Changes to the SIP

After 31 October 2022, the Trustee updated its policies in the SIP on engaging with investment managers, direct assets and others about relevant matters. The Trustee's additional policy is as follows.

- The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually.

The Trustee added policies into the SIP on how this is to be achieved as follows.

- The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Plan's investment managers on its behalf.
- The Trustee, via its investment advisers, will engage with managers about 'relevant matters' at least annually
- Example stewardship activities that the Trustee has considered are listed below:
    - Selecting and appointing asset managers – the Trustee will consider potential managers' stewardship policies and activities
    - Asset manager engagement and monitoring – on an annual basis, the Trustee assesses the engagement activity of its asset managers. The results of this analysis feeds into the Trustee's investment decision making
    - Collaborative investor initiatives – the Trustee will consider joining/ supporting collaborative investor initiatives

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan's policy with regard to ESG as a financially material risk. This page details how the Plan's ESG policy is implemented, while page 11 outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Plan's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity. Further details on how the Trustee's beliefs are implemented can be found in the ESG policy; the latest version of the policy was last reviewed in March 2022 and will be reviewed over the twelve months to 31 October 2023.

The below table outlines the areas which the Plan's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Plan's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the current ESG policy and approach

Implementing the Current ESG Policy.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of voting rights	• The Plan's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Investment Committee receives information from their investment advisers on the investment managers' approaches to engagement. • The Trustee is provided with an Impact Assessment detailing the managers' ESG policies as well as a summary of actions Isio has engaged with managers on. This helps to manage the Plan exposure to risks relating to Environmental, Social or Governance factors.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustee's policies in this area.

The Trustee's ESG Beliefs

The Investment Committee, on behalf of the Trustee, has considered and discussed ESG to establish its ESG beliefs to help underpin Trustee decision making. The Trustee's ESG Beliefs are set out in a separate ESG policy document that was last reviewed in March 2022. At this review, the Trustee decided to add the belief numbered 5 in the table below.

The following areas represent a consensus of ESG beliefs held by the Trustee. These have been grouped into the main areas of ESG focus by the Trustee.

Approach / Framework	1. The Trustee wants to understand how investment managers integrate ESG considerations into their investment process and in their stewardship activities.
Risk Management	2. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee. 3. The Trustee believes that ESG integration can lead to better risk adjusted outcomes. 4. The Trustee will consider the ESG values and priority areas of the stakeholders and sponsor. 5. The Trustee recognises that climate change risk poses significant investment risk that could become incrementally more severe over time.
Voting & Engagement	6. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG issues. 7. The Trustee wants to understand the impact of voting and engagement activity within their investment mandates. 8. The Trustee believes that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance.
Reporting & Monitoring	9. ESG factors are dynamic and continually evolving, therefore the Trustee will receive training as required to develop their knowledge. 10. The Trustee will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.
Collaboration	11. Investment managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI, TCFD and Stewardship Code.

Impact Assessment and engagement with the investment managers

Over the twelve months to 31 October 2022, Isio conducted due diligence on the ESG processes of the Plan's investment managers. The results were reported back to the Investment Committee in the form of an Impact Assessment during June 2022.

The due diligence was conducted in line with the Trustee's ESG beliefs and Isio gave each manager a total ESG rating and rated them in each of the following areas:

- Investment Approach
- Risk Management
- Voting and Engagement
- Reporting
- Collaboration

Isio also advised the Trustee on the potential engagement points and engaged on the Trustee's behalf with the investment managers.

A summary of proposed actions for each mandate and the investment manager's progress against prior points of engagement are outlined in the following table.

Manager and Fund	Proposed Actions	Progress
Insight Segregated LDI & Synthetic Equity Mandates	**Risk Management** – Insight should consider developing internal diversity targets and consider diversity issues when assessing the ESG risks of companies/counterparties **Voting & Engagement** – Insight to provide the inclusion of an engagement summary in regular reporting. **Reporting** – Insight to enhance engagement reporting in regular quarterly reporting.	**Risk Management** – Goals have been developed internally to address gender imbalance and racial disparity. **Investment Approach** – Insight have implemented an updated index with an ESG tilt in the synthetic equity mandate. **Reporting** – Insight are continuing efforts to evolve engagement reporting in order to produce a disclosable narrative. Insight anticipate this will be available in regular reporting in 2023.

Insight Segregated Corporate Bond Mandate	**Investment Approach** – Insight to continue to improve the amount of data on ESG metrics collected from issuers. **Risk Management** – Insight to develop a means to model how various climate scenarios may affect the fund's value. **Voting & Engagement** – Engagement activity should be overseen and driven by the central team.	**Investment Approach –** Insight have integrated sustainability guidelines into the mandate, including measures on reducing WACI over time, sector exposure and proportion of issuers that have committed to net zero by 2050. **Reporting** – Insight have started including narratives on recent engagements in their quarterly reports.
Apollo Total Return Fund	**Investment Approach** – Apollo to identify fund and issuer ESG priority areas with objectives and quantitative KPIs. **Risk Management** – Apollo should evidence active management of ESG risks throughout the credit holding period and undertake climate scenario analysis. **Voting & Engagement** – Apollo should evidence engagement activity linked to engagement priority areas. **Reporting** – Enhance governance reporting capabilities and expand portfolio coverage for reported ESG metrics. **Collaboration** – Collaborate more actively with market participants and ESG/climate organisations.	**Investment Approach** – Apollo have committed to a number of updates to the strategy that will be implemented within the next 12 months and have made a number of new staff hires to carry out these changes. **Reporting** – Apollo published their first ESG report for the fund in Q4 2022. The report includes ESG ratings, TCFD metrics and narratives on engagement. **Collaboration** – Apollo has recently become an active member in several ESG/sustainability initiatives and groups including the Sustainability Accounting Standards Board ("SASB") Alliance.
CQS Multi Asset Fund	**Investment Approach** – CQS to develop ESG objectives or incorporate quantifiable targets. For example, percentage-based decarbonisation targets. **Risk Management** – CQS to continue to build out scenario analysis capabilities, with a particular focus on temperature modelling.	**Investment Approach** – CQS are in the final stages of formalising their interim decarbonisation target that is a requirement of being a signatory to the Net Zero Asset Manager's initiative. **Voting & Engagement** – CQS have been analysing the Climate VaR and implied temperature rise tools by MSCI to understand how best these can be used in relation to the CQS Credit Multi Asset Fund. **Reporting** – CQS are working to build analysis into their internal reporting systems and aim to be able to provide this over the coming months.

Abrdn Long Lease Property Fund	**Investment Approach** – Abrdn to provide more clarity on how they are addressing social issues alongside tenants. **Voting & Engagement** – Further develop how Abrdn work alongside tenants on ESG initiatives and asset management projects. Work alongside tenants to further improve ESG data disclosures. **Reporting** –Abrdn to consider reporting on metrics and providing updates at practical intervals on progress versus ESG objectives.	**Investment Approach** – Abrdn are currently rolling out an ESG tool to quantify outcomes which specifically covers social issues. **Voting & Engagement** – Abrdn have provided some evidence via case studies of how they engage with tenants on ESG issues, however this remains an area of potential future improvement. **Reporting** – Abrdn are in the process of developing a better reporting template.
Allianz Infrastructure Debt Fund	**Risk Management** – Allianz should consider looking to quantify the impact of climate change on the fund e.g. via climate scenario modelling aligned with TCFD (Task Force on Climate-related Financial Disclosures) recommendations. **Voting & Engagement** – Allianz should look to establish KPIs to determine engagement effectiveness. **Reporting** – Allianz should summarise engagement activity and ESG metrics (e.g. carbon emissions, diversity metrics of underlying portfolio companies) within regular reporting. They should calculate and disclose metrics required under the TCFD regulations.	Allianz have not provided evidence of improvements to their ESG processes.
Highbridge Mezzanine Debt Funds	**Risk Management** – Highbridge to consider setting up a sustainable/ESG team that can co-ordinate ESG efforts across the firm. Highbridge should also establish a strategy to identify and mitigate climate change risks, incorporating TCFD recommendations **Voting & Engagement** – Highbridge should consider setting a firm-level stewardship policy and feed this down to portfolio managements teams. **Reporting** – Highbridge should summarise engagement activity and ESG metrics (e.g. carbon emissions, diversity metrics of underlying portfolio companies) within regular reporting. They should calculate and disclose metrics required under the TCFD regulations. **Collaboration** – Highbridge should consider which ESG bodies and initiatives are most appropriate e.g. UNPRI.	**Risk Management** – Highbridge have made some progress in building an ESG team. **Reporting** – Highbridge are expected to produce TCFD metrics for the first time in 2022. **Collaboration** – Highbridge became a UNPRI signatory in January 2021 and a supporter of TCFD in February 2022.

M&G Real Estate Debt Funds	**Investment Approach** – M&G could formalise ESG targets such as additional negative screening exclusions. **Risk Management** – M&G should develop an ESG scorecard for new deals and ongoing engagement. **Voting & Engagement** – M&G to evidence more active engagement on an ongoing basis with further details on ESG issues raised and any outcomes. **Reporting** – M&G to provide greater ESG coverage, particularly reporting on ESG metrics at asset and portfolio level.	**Risk Management** – M&G highlighted that they are in the process of developing a scorecard for Real Estate Debt to be used in the initial due diligence process.
Lighthouse Absolute Return Funds	The Plan is currently disinvesting from the Lighthouse absolute return funds. Given the Plan's small residual value invested with Lighthouse, a review of the manager's ESG capabilities has not been undertaken.	
BlackRock Private Equity	The BlackRock private equity fund is currently in the process of winding up. Given the Plan's small residual value invested in this fund, a review of the manager's ESG capabilities has not been undertaken.	
BlackRock iShares GBP Ultrashort Bond	The Plan's allocation to the BlackRock iShares GBP Ultrashort Bond Fund is not considered long term as this will reduce over time as capital is called into the BlackRock Diversified Private Debt Fund. Therefore a review of ESG capabilities has not been undertaken.	
BlackRock iShares Global High Yield Corporate Bond	The Plan's allocation to the BlackRock iShares Global High Yield Corporate Bond Fund is not considered long term as this will reduce over time as capital is called into the BlackRock Diversified Private Debt Fund. Therefore a review of ESG capabilities has not been undertaken.	
BlackRock Diversified Private Debt Fund	**Investment Approach** – ESG scores should also reflect forward-looking expectations. **Risk Management** – The Fund could look to create specific ESG objectives and targets. **Voting & Engagement** – BlackRock to utilise centralised engagement system more where possible. **Reporting** – BlackRock should include engagement activity in regular reporting.	**Voting & Engagement** – To improve data collection and reporting on real estate debt and infrastructure within the portfolio, BlackRock introduced a new questionnaire to collect data from underlying firms. **Reporting** – BlackRock are looking to provide engagement details in their regular client reporting once the above is implemented.

Engagement

As the Plan invests via fund managers, the managers provided details on their engagement activity including a summary of the engagements by category for the 12 months to 31 October 2022.

Fund name	Engagement summary	Commentary
Insight Segregated LDI Mandate	Total engagements: 27	Insight proactively engage with counterparties of derivatives held within the portfolio to primarily discuss governance issues, including business policies/strategy, regulation and risk management.
Insight Segregated Synthetic Equity Mandate	Total engagements: 27	Please see above.
Insight Segregated Corporate Bond Mandate	Total engagements: 88	Insight have engaged with a variety of issuers in relation to the mandate, including discussions focused on relevant ESG issues. Whilst no KPIs have been set on engagement priority areas, Insight measure the effectiveness of engagements through monitoring the issuer response rate. Examples of significant engagements include: **Motability** – Insight engaged with the company, who operate a UK government-backed mobility leasing scheme, to discuss issues with their ESG reporting which lacks clear metrics and targets to show performance. Mobility have yet to set an ESG strategy with targets to measure performance, but have stated they will look to address Insight's concerns going forward. **Sovereign Housing Capital PLC** – Insight have been engaging with Sovereign Housing, a housing association in the UK, around decarbonisation and the disclosure of carbon emissions data. Management confirmed they are working with external specialists to craft a sustainable framework aiming to direct proceeds to the construction of 'green' buildings with higher EPC ratings. Insight will monitor the progress of these discussions and continue to engage on emissions reporting.
Apollo Total Return Fund	Total engagements: 48 Environmental: 41 Social: 30 Governance: 30	Apollo have a clear due diligence and engagement framework. The team continually engage with portfolio companies through discussion with management, and these engagements have been a key driver for the production for formal company ESG reports and Key Performance Indicators. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors. Examples of significant engagements include: **BMCA Holdings Corporation** – Apollo engaged with the company to discuss the financing of solar shingles production. The company is open to green bond issuance to finance their solar shingle plant production. **Minerva SA/Brazil** – Apollo have been engaging the company over full traceability of cattle suppliers and to achieve net zero emissions by 2035. The company have confirmed they are fully aligned with investors in the need to improve sustainability in the sector.

CQS Multi Asset Fund	Total engagements: 92 Environmental: 30 Social: 22 Governance: 19 Broad-based ESG: 92	CQS record their engagements in an internal ESG system, this gives portfolio managers access to previous engagements and provides a basis for further, more focused engagements to improve investment outcomes. CQS have implemented an updated framework that offers greater guidance on the engagement process and an improved ability to monitor engagement effectiveness. Examples of significant engagements include: **American Airlines Group Inc** – CQS engaged with American Airlines around setting up science-based targets (SBTs) as well as a transition plan to the use of sustainable biofuel. The company became the first airline in the world with SBTs in place and also introduced targets to replace 10% of its jet fuel with biodegradable alternatives by 2030. **TUI Cruises GmbH** – CQS engaged with the company to discuss the transition towards being carbon neutral by 2050. The company confirmed this remained a priority of the industry. However, more research was needed as much of the technology is not yet financially viable to be implemented at scale. The company remains on track to reduce its carbon footprint by 40% compared to 2015.
Abrdn Long Lease Property Fund	Abrdn have not provided a breakdown of their engagement activity for the Long Lease Property Fund	The Fund invests directly in real estate and most properties are occupied by tenants who have discretion over day-to-day management of the property. Abrdn do look to actively engage with tenants on ESG issues where they can, however, Abrdn feel their overall influence as a landlord is limited. Abrdn would like to see greater engagement and further disclosure of data from tenants.
Allianz Infrastructure Debt Fund II	Total engagements: 11 Consent Waiver: 3 Periodic Update: 7 Investor presentation: 1	Allianz undertake regular engagements to discuss all issues of relevance to the investment and have classified each meeting retrospectively. They do not separate engagements between “ESG” and “non-ESG” matters. There are no key engagement priority areas in place or KPIs to determine engagement effectiveness. The team are aware of the ongoing engagement activity reporting requirements and this will be considered on a forward-looking basis.

Highbridge Mezzanine Debt Fund II	Total engagements: 7 Broad-based ESG: 7	Highbridge are looking to develop their capabilities in providing engagement activity on the Mezzanine strategies and are looking to strengthen their engagement activities with portfolio companies. They are currently requesting information on existing ESG frameworks/procedures from portfolio companies to facilitate future discussions. Highbridge identify engagement priority areas for each portfolio company via an industry-specific ESG checklist.
Highbridge Mezzanine Debt Fund III	Total engagements: 33 Broad-based ESG: 32 Social: 1	Please see above.
Highbridge Mezzanine Debt Fund 2019	Total engagements: 38 Broad-based ESG: 38	Please see above.
M&G Senior Commercial Real Estate Debt Fund	Total engagements: 1 Environment: 1, at industry level. Note: Data covers the period Q4 2021 to Q3 2022.	M&G's ability to control and dictate ESG initiatives at the borrower level is somewhat limited as they do not hold a controlling share or any voting control over the investment. However, they do engage with the management of sponsors and, where possible, equity holders to raise awareness of their ESG expectations. The effectiveness of any engagement measures is difficult to assess/quantify due to the private nature of the underlying loans and the lack of public data available.
M&G Real Estate Debt Fund II	Total engagements: 0 Note: Data covers the period Q4 2021 to Q3 2022.	Please see above.

M&G Real Estate Debt Fund III	Total engagements: 0 Note: Data covers the period Q4 2021 to Q3 2022	Please see above.
M&G Real Estate Debt Fund IV	Total engagements: 5 Environment: 5, with one at industry level Note: Data covers the period Q4 2021 to Q3 2022.	Please see above.
M&G Real Estate Debt Fund V	Total engagements: 5 Environment: 5, with one at industry level Note: Data covers the period Q4 2021 to Q3 2022	Please see above.
Lighthouse Absolute Return Fund Class MOF II	Lighthouse do not provide details of their engagement activity for the absolute return funds.	The Plan is currently disinvesting from the Lighthouse absolute return funds. There is only a small residual value remained invested in the MOF III fund and hence the Trustee has not undertaken a full review of their ESG capabilities. The Lighthouse absolute return funds are not managed to any ESG or SRI guidelines.

Lighthouse Absolute Return Fund Class MOF III	Lighthouse have no engagement activity for the absolute return funds to report.	Please see above.
BlackRock Co-Investment Fund	BlackRock do not provide details of their engagement activity for the Co-Investment Funds.	The fund is currently in the process of winding up. There is only a small residual value remained invested and hence the Trustee has not undertaken a full review of BlackRock's ESG capabilities.
BlackRock iShares GBP Ultrashort Bond	Total engagements: 36 Environmental: 26 Social: 15 Governance: 33 Note: Data covers the period 1 October 2021 to 31 October 2022. Data represents total engagements carried out with companies held in the portfolio.	At firm-level, BlackRock engages with many companies and informs clients about its engagement and voting policies through various forms of communication. The Investment Stewardship team is responsible for encouraging sound corporate governance practices and encouraging companies to deliver long-term, sustainable growth and returns for clients through engagement and proxy voting.
BlackRock iShares Global High Yield Corporate Bond	Total engagements: 190 Environmental: 111 Social: 58 Governance: 168 Note: Data covers the period 1 October 2021 to 31 October 2022. Data represents total engagements carried out with companies held in the portfolio,	Please see above.
BlackRock Diversified Private Debt Fund	BlackRock do not currently track details of their engagement activity for the Diversified Private Debt Fund.	Please see above.

Voting

Given the Plan does not have any physical equity investments over the year to 31 October 2022, there is no voting data to report.