

Registered number: 10251440

**SPIRIT (LEGACY) PENSION SCHEME
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2022**

SPIRIT (LEGACY) PENSION SCHEME

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SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE AND ITS ADVISERS YEAR ENDED 30 JUNE 2022

Trustee	Spirit (Legacy) Pension Trustee Limited
Company Appointed Directors	John Freeman Amy Newson (resigned 4 January 2022) Nicholas Wilks (appointed 4 January 2022)
Member-Nominated Directors	Richard Bell (resigned 28 September 2021) Maria Gavin (appointed 28 September 2021) Robert McDonald Francis Patton (appointed 28 September 2021)
Independent Director	BESTrustees Limited PLC (represented by Iain Urquhart, Chairman)
Principal Employer	Spirit Pub Company (Services) Limited, a subsidiary of Greene King Limited. Greene King is owned by CK Noble (UK) Limited, a wholly owned subsidiary of CK Asset Holdings Limited
Secretary to the Trustee	Wendy Evershed Aon Solutions UK Limited
Actuary (DB Section)	Roger Moring, FIA Aon Solutions UK Limited
Administrator	Aon Solutions UK Limited
Independent Auditor	Crowe U.K. LLP
Bankers	Bank of Scotland plc HSBC Bank plc
Covenant Adviser	Darren Masters Mercer LLC
Investment Adviser (DB and DC Section)	Aon Investments Limited (formerly Aon Solutions UK Limited)
Investment Managers (DB Section)	Adept Investment Management plc ('Adept') Aviva Investors Global Services Limited ('Aviva') (disinvested 10 January 2022) BlackRock Advisors (UK) Limited ('BlackRock') Legal & General Investment Management Limited ('LGIM') (appointed 8 February 2022) Russell Investments Limited ('Russell') (disinvested 6 July 2021)
Investment Managers (DC Section)	Standard Life Assurance Limited ('Standard Life') The Prudential Assurance Company Limited ('Prudential')
AVC Providers (DB Section)	Aviva plc ('Aviva') Standard Life Assurance Limited ('Standard Life') Utmost Life and Pensions Limited ('Utmost')
Annuity Provider (DB Section)	Scottish Widows Limited
Custodian	Bank of New York Mellon (International) Limited

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE AND ITS ADVISERS YEAR ENDED 30 JUNE 2022

Legal Advisers

Eversheds Sutherland (International) LLP
Linklaters LLP

Contact Details

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SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Introduction

The Trustee of Spirit (Legacy) Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited financial statements for the year ended 30 June 2022.

Constitution and management

The Scheme is a hybrid scheme comprising of Defined Benefit ('DB') and Defined Contribution ('DC') sections. The Scheme is governed by a Trust Deed as amended from time to time and is administered by Aon Solutions UK Limited in accordance with the establishing document and Rules solely for the benefit of its members and other beneficiaries.

The Scheme came into existence on 9 July 2014 to facilitate the merger of the Spirit Group Pension Scheme ('SGPS') and the Spirit Group Retail Pension Plan ('SGRPP'). A merger deed was signed on 2 June 2015. The assets and liabilities were transferred to the Scheme following the merger. Communications were issued to all members explaining the changes.

The Spirit Group Retail Retirement Savings Plan (the 'Plan') merged with the Scheme on 30 September 2019 as per the Transfer and Amendment Deed. The assets and liabilities were transferred to the Scheme via a Deed of Novation signed on 30 September 2019.

The DB section is no longer open to new members and was closed to future accrual under SGPS and SGRPP on 5 April 2005. The DC section was closed to new members under SGPS on 31 May 2000 and SGRPP on 31 January 2004.

The Trustee and the Trustee Directors are shown on page 1.

Under the Trust Deed and Rules of the Scheme, Trustee and Trustee Directors are appointed and removed by Principal Employer, subject to the Member-Nominated arrangements.

In accordance with the Pensions Act 2004 at least one third of the total number of Trustee Directors must be nominated by Scheme members. The Member-Nominated Trustee Directors ('MNTD's') are elected from the membership.

A Trustee Director can choose to retire from office at any time. A Member-Nominated Trustee Director can only be removed with the agreement of all other Trustee Directors.

The Trustee Directors have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on pages 1 and 2. The Trustee Directors have written agreements in place with each of them.

Trustee meetings

The Trustee Board held sixteen meetings (including six meetings of the various sub-committees) during the year to consider the business of the Scheme.

Scheme changes

During the year, the Trustee entered into a contract with Scottish Widows Limited to buy a second insurance policy which will meet approximately 20% of the Scheme's liabilities. The Trustee holds the insurance policies with Scottish Widows to provide income to the Scheme that closely matches a proportion of the benefits paid out and therefore reduces the financial and demographic risks to the Scheme.

There were no other significant changes to the Scheme in the year.

SPiRiT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Financial statements

The financial statements included in this annual report have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Membership

Details of the membership changes of the Scheme in the year are as follows:

	Actives	Deferreds	Pensioners	Total
Members at the start of the year	41	3,483	3,032	6,556
Adjustments to members	-	(21)	29	8
New spouses and dependants	-	-	46	46
Retirements	-	(98)	98	-
Members leaving with preserved benefits	(3)	3	-	-
Deaths	-	(14)	(104)	(118)
Trivial commutations	-	(10)	(31)	(41)
Transfers out	-	(14)	-	(14)
Members at the end of the year	38	3,329	3,070	6,437

Pensioners include 469 (2021: 454) individuals receiving a pension upon the death of their spouse who was a member of the Scheme. Pensioners also include 11 (2021: 11) child dependants in receipt of a pension.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

These membership figures include 14 (2021: 14) members who have a separate DC record in addition to their DB record. The 14 members consists of 2 active members, 5 deferred members and 7 pensioner members.

The adjustments shown above are the result of retrospective updating of member records.

Pension increases

Pensions with an increase anniversary date of 1 November 2021 were increased in accordance with the Rules of the Scheme. Pensions in excess of Guaranteed Minimum Pensions ('GMP') were increased at 3.8% (minimum of 3% for the Ex-Allied Domecq pensioners), with the exception of a small number of pensions which do not increase in payment. Post-88 GMPs were increased at 0.5%, Pre-88 GMPs were not increased, in accordance with the Scheme Rules and statutory requirements.

Pensions with an increase anniversary date of 1 May 2022 were increased in accordance with the Rules of the Scheme. Pensions in excess of Guaranteed Minimum Pensions ('GMP') were increased at 5% (minimum of 3% for the Ex-Allied Domecq pensioners), with the exception of a small number of pensions which do not increase in payment. Post-88 GMPs were increased at 3%, Pre-88 GMPs were not increased, in accordance with the Scheme Rules and statutory requirements.

There were no discretionary pension increases in the year.

Deferred benefits are increased in line with legislation and the Scheme Rules.

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Transfers

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary increases.

Members leaving service can normally transfer the value of their benefits under the Scheme to another scheme that they join or to an insurance contract or personal pension.

Transfers into the Scheme are allowed, however, this is restricted to active members transferring into the DC Section of the Scheme.

Contributions

Contributions were paid in accordance with the Schedules of Contributions certified by the Scheme Actuary on 9 May 2019 relating to the Spirit (Legacy) Pension Scheme members and 13 May 2019 relating to members of the Spirit Group Retail Retirement Savings Plan which merged with the Scheme on 30 September 2019.

DB Section

The Employer paid expense contributions of £80,179 per month from September 2020. It also contributed an additional expense contribution for the Pension Protection Fund ('PPF') levy recalculated each year to reflect the expected levy.

DC Section

Employer normal contributions:

Clerical and retail staff – 4% of basic pay/salary for employees under the age of 40 and 6% of basic pay/salary for employees aged 40 and over.

Middle managers and retail management team – 6% of basic pay/salary for employees under the age of 40 and 9% of basic pay/salary for employees aged 40 and over.

Executives – 13% of basic salary.

All active members pay Employee contributions under a salary sacrifice arrangement and are reflected as Employer contributions in the financial statements.

Employees who are active members of the Scheme and who are not 25-year members, pay 3% of basic pay/salary. Additional voluntary contributions are paid at rates selected by the employee, in accordance with the Trust Deed and Rules

GMP equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is working with its advisers to prepare to equalise pension benefits as required. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the potential backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

GMP equalisation (continued)

There was a further High Court judgement in 2020 relating to the equalisation of GMP benefits. This judgement focused on the GMP treatment of historic transfers out of members, an issue which had not been addressed in the 2018 GMP ruling. Under the 2020 ruling, trustees are required to review historic transfers values paid from May 1990 to assess if any top up payment is required to the receiving scheme, to reflect the member's right to equalised GMP benefits. The Trustee of the Scheme is working with its advisers to prepare to review historic transfer values. Based on an initial assessment of the potential impact the Trustee does not expect this to be material to the financial statements.

The Trustee has included an approximate allowance in the Scheme's technical provisions to reflect the estimated overall impact of GMP equalisation on liabilities. This encompasses both the estimated cost of backdated adjustments and equalisation of past transfers out as described above, and also the impact on future benefit payments out of the Scheme. This allowance is less than 1% of the liabilities.

Going Concern

Recent events, including Russia's invasion of Ukraine in February 2022, have had a significant impact on financial and economic markets around the world. The Trustee continues to monitor the situation and liaises regularly with the investment adviser, Scheme actuary, Employer and covenant advisor to consider any necessary actions to respond.

The Trustee has undertaken an assessment in relation to going concern and has considered such matters as the potential impact on the Scheme's investment strategy, the Employer's business and its ability to pay contributions to the Scheme. Despite the various recent global events, at the date of authorising of the financial statements, the Trustee does not consider that there is any significant threat to the assets or the liquidity of the Scheme's investments that would cause doubt as to our ability to continue as a going concern.

In coming to this conclusion, the Trustee has also taken into account the consolidated accounts as at 2 January 2022 for Greene King Limited.

Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Report on Actuarial Liabilities (continued)

The most recent full actuarial valuation of the Scheme was carried out as at 30 June 2021. This showed that on this date:

	30 June 2021
The value of the technical provisions was:	£537.5 million
The Scheme's assets were valued at:	£560.0 million
Surplus	£22.5 million
Value of assets as a percentage of the technical provisions	104.2%

The values of the assets and liabilities above include the value of insurance policies (annuities) held by the Scheme in the Trustee's name.

Actuarial valuations will normally be carried out every three years, with the next valuation of the Scheme due to take place no later than as at 30 June 2024.

The method and significant assumptions used were as follows:

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

Significant actuarial assumptions

The key assumptions are:

Basis item	Description
Investment return	Based on the Bank of England ('BoE') gilt yield curve plus an outperformance premium.
Outperformance premium	0.50% p.a.
Retail Price Inflation ('RPI')	Based on the BoE inflation curve.
Consumer Price Inflation ('CPI')	The difference between the long-term assumption for RPI and CPI inflation will vary over time to reflect the Scheme Actuary's views of long-term structural differences between the calculation of RPI and CPI inflation at the date subsequent calculations are carried out. As at 30 June 2021, this was RPI less 1.0% p.a. at each term prior to 2030, and RPI less 0.1% p.a. at each term thereafter.
Pension increases in payment: - GMP - Pension in excess of GMP	Statutory - RPI capped at 5% p.a. - RPI capped at 5% p.a., subject to a 3% p.a. minimum - Nil increases
Mortality post-retirement	In line with SAPS S3 heavy tables scaled to reflect the demographic profile and experience of the Scheme, with an allowance for improvements in line with CMI_2020 Core Projections with smoothing parameter of 7.0, initial adjustment factor of 0.50 and long-term annual rate of improvement in mortality rates of 1.5% p.a. for men and women.

Note: Liabilities in respect of the insurance policies with Scottish Widows are valued making approximate allowance for insurer pricing at the calculation date.

SPiRiT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Investment matters

Management and custody of investments

As required by Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles ('SIP'). A copy of the SIP can be found on the Scheme's website at <https://pensioninformation.aon.com/spiritgroup> and is shown on pages 53 to 68.

The SIP notes that for the DB assets, the Scheme's actual asset allocation versus the target weight may deviate significantly from target due to factors such as market movements, investment views, governance constraints and implementation issues. The SIP does not have rebalancing ranges in place, and we are comfortable with the current asset allocation's deviation from the target given the nature of the Scheme's holdings.

Some of the Scheme's assets are invested in an insurance (annuity) policy with Scottish Widows Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Trustee has delegated management of investments to the investment managers shown on page 1. These managers, who are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments in line with the investment managers agreements which are designed to ensure that the objectives and policies captured in the SIP are followed.

The Trustee has limited influence over the underlying investments within pooled investment vehicles held by the Scheme; but review the managers' policies and statements of compliance in respect of rights attached to those investments, including active voting participation and consideration of social, ethical and environmental factors when making investment decisions.

The investment managers are paid fees for their services. The fees are calculated as a percentage of the market value of the part of the Scheme that they manage.

The Trustee has appointed The Bank of New York Mellon (International) Limited to provide custody services for its investments managed by BlackRock Investment Management (UK) Limited. The remaining assets are not held via a custodian.

For the DC Section, the fund managers appoint their own custodians to provide custody services for the investments they manage.

The Custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodian's nominee company, in line with common practice for pension scheme investments.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and believe them to be appropriate relative to the reasons for holding each class of investments.

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TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Investment report

Investment strategy and principles

The Trustee is responsible for determining the Scheme's investment strategy.

The Trustee's objectives for the Scheme's DB investment strategy have been set with regard to the Scheme's Statutory Funding Objectives as set out in the Statement of Funding Principles. The Trustee's primary investment objectives are:

1. Funding objective - to ensure that the Scheme's investments deliver sufficient return such that the Scheme attains and remains fully funded using assumptions that contain a margin for prudence;
2. Stability objective - to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and
3. Security objective - to ensure that the solvency position of the Scheme is expected to improve. The Trustee takes into account the strength of the employer's covenant when determining the expected improvement in the solvency position of the Scheme.

Shortly before the Scheme year began, the Scheme reached the next funding level trigger of 95% self-sufficiency basis. The Trustee agreed to de-risk the Scheme to the 95% funding level trigger, however the legacy funding level trigger asset allocation was no longer appropriate given the Trustee's desire to disinvest from Invesco Diversified Growth Fund and Aviva Property. This derisking was implemented at the start of the scheme year. In addition the Trustee entered into a second buy-in with Scottish Widows, further reducing liability risks to the Scheme.

The Trustee is in the process of undertaking a wider investment strategy review to consider its long-term objectives, the appropriateness of the current strategy and derisking triggers (if deemed appropriate).

As at Scheme year end, the Trustee's investment strategy was to hold approximately:

1. 75% matching assets, consisting of fixed interest gilts, index-linked gilts, interest rate swaps, inflation swaps, corporate bonds and liquid credit; and
2. 25% growth assets, consisting of equities and property.

In addition, the Trustee may choose to invest in bulk annuity policies in order to reduce risk. Given the illiquid nature of these investments the Trustee considers these separately to the investment strategy. The actual allocation to these will change over time due to market movements and cashflow. The Trustee regularly reviews the allocation.

The Trustee's key aim in respect of the Defined Contribution ("DC") Section is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives.

The Trustee's overall investment objective is implemented using a range of investment options accessible to members through a Trustee appointed platform provider – Standard Life Assurance Limited ('Standard Life'). The platform provider has been appointed on an 'investment-only' mandate. Members have access to three Lifestyle Strategies and a range of freestyle funds. The range of funds was chosen by the Trustee after taking advice from its advisers.

The Lifestyle Strategies are:

- **Drawdown Targeting Lifestyle Strategy (Default for active members)** - designed to be suitable for members who are considering income drawdown at retirement, while also recognising it will need to provide appropriately for those who do not know in what form they will be drawing their benefits.
- **Cash Targeting Lifestyle Strategy (Default for deferred members)** - designed to be suitable for members who are considering taking their DC benefits as a cash lump sum at retirement.
- **Annuity Targeting Lifestyle Strategy** - designed to be suitable for members who are considering taking their using their DC funds to purchase an annuity at retirement.

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Investment report (continued)

The Trustee's objectives for the default strategies are as follows:

- Aim for significant long term real growth while members are further away from retirement.
- Manage down volatility in fund values as members near retirement.
- Target an end point portfolio that is appropriate and consistent with how members may take their benefits when they retire.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions.

Investment performance

The Trustee assesses the performance of the Scheme's investments individually, and overall.

The Trustee receives reports from their investment advisers on a quarterly basis, showing performance of individual funds and the overall Scheme against both benchmark and target. Investment managers present to the Trustee upon request, to report on compliance with their agreements and to be questioned on fund performance and outlook.

Performance of the Scheme's DB investments over the 12 month, 3 year and 5 year periods are summarised as follows:

	12 months ending 30 June 2022	3 years p.a. ending 30 June 2022	5 years p.a. ending 30 June 2022
Total Scheme (estimated)	-22.0%	-6.3%	-1.1%
Benchmark	-21.4%	-5.8%	0.5%

Notes: Performance, net of fees, estimated by Aon.

Performance of the Scheme's DC funds over a 12 month, 3 year and 5 year periods are summarised as follows:

	12 months ending 30 June 2022	3 years p.a. ending 30 June 2022	5 years p.a. ending 30 June 2022
Standard Life Deposit and Treasury Pension Fund	0.2%	0.2%	0.3%
Benchmark	0.3%	0.3%	0.4%
SL Vanguard FTSE Developed World ex UK Equity Index Pension Fund	-3.0%	9.1%	9.4%
Benchmark	-3.1%	9.4%	9.8%
SL Vanguard FTSE UK All Share Index Pension Fund	1.1%	2.1%	3.1%
Benchmark	1.6%	2.4%	3.3%
SL Vanguard Emerging Markets Stock Index Pension Fund	-15.3%	1.9%	3.3%
Benchmark	-15.0%	2.1%	3.3%
SL Aberdeen Standard Absolute Return Global Bond Strategies Pension Fund	-7.6%	-1.5%	-0.7%
Benchmark	0.3%	0.4%	0.5%
SL Vanguard UK Investment Grade Bond Index Pension Fund	-12.6%	-2.0%	0.0%
Benchmark	-13.0%	-1.9%	0.1%
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	-17.5%	-4.3%	-0.6%
Benchmark	-17.3%	-4.2%	-0.5%

Notes: Performance, net of fees, provided by Standard Life. Performance has only been shown for funds invested for the period.

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Investment report (continued)

Investment performance (continued)

The principal economic factors which have affected the benchmarks against which performance is compared, and implicitly the assets held, were as follows:

3. Global equities generated negative returns over the last twelve months. Equities delivered solid returns in 2021, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, markets erased all their gains by Q2 2022 as geopolitical risk took centre stage with Russia invading Ukraine. Furthermore, inflation fears appeared and began to unsettle central banks over late Q4 and much of 2022, leading to significant rate rises across the globe.
4. The Russian invasion of Ukraine created significant market volatility and economic uncertainty over the first half of 2022. At the latest G7 summit, members agreed to explore the possibilities of putting a price cap on Russian oil to impair Moscow's ability to finance its conflict and curb soaring inflation. The European Union (EU) agreed to implement the sixth package of sanctions on Russia. The package includes removing Sberbank, Russia's largest bank, from the SWIFT-cross border payment system and a ban on sea-borne oil purchases from Russia, which is almost two-thirds of Europe's imports from Russia.
5. Over 2022, the US Federal Reserve (Fed) began to tighten monetary policy by increasing its benchmark interest rate by 75bps to a range of 1.50-1.75%, the most significant series of rate increases since 1994. Fed chair Jay Powell indicated that a rate hike of 50bps or 75bps is also imminent at the July meeting. The Fed also announced and began its plans to shrink its \$9 trillion balance sheet. Elsewhere, the European Central Bank (ECB) signalled that it may increase rates by 75 bps by the end of September, ending its negative interest rate policy. The ECB indicated that it would flexibly invest the proceeds from its €1.7tn asset purchase program to support peripheral countries with wider spreads.
6. Sterling ended the twelve months 3.7% lower on a trade-weighted basis. In Q4 2021, the Bank of England (BoE) raised its benchmark interest rate by 15bps to 0.25% to combat inflation. In Q1 2022, the BoE increased its benchmark interest by another 50 bps to 0.75%. In Q2 2022, the BoE increased the base rate to 1.25%, its highest level in 13 years. The BoE now expects inflation to rise above 11.0% by the end of 2022.
7. In Q3 2021, interest rates rose on the back of brought-forward interest rate hike expectations against the background of rising inflation and central bank indications of policy rate increases. However, longer-dated interest rates briefly fell back in Q4 2021 due to heightened uncertainty surrounding the discovery of the Omicron variant of Covid-19. In the first two quarters of 2022, interest rates rose strongly as inflationary concerns around food and energy prices remained and the BoE reiterated its commitment to maintaining a tighter monetary policy. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 13.6% and index-linked gilts fell by 16.3% over the last twelve months.
8. UK commercial property returned 23.7% over the period, supported by an income return of 4.9% and an 18.0% increase in capital values. The easing of lockdown restrictions helped the retail sector as it returned 22.3% over the year. Meanwhile, the office sector returned 7.6% over the year, whilst industrials continued to outperform with a return of 38.8%.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Implementation Statement

The Implementation Statement, which forms part of the Trustees' Report is attached at Appendix 3

Chair's Statement

The Chair's Statement, which forms part of the Trustees' Report is attached at Appendix 1

Employer related investments

The investments of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Employer related investments are disclosed in note 22 to the financial statements.

Further information

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries together with all recognised trade unions. In particular, the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Investment Principles can be inspected.

Individual benefit statements are provided to active and deferred DC members annually and for deferred DB members on request. In addition to the information shown on these statements members can request details of the amount of their current transfer value and, if applicable, the current amount of any refund of contributions to which they would be entitled on leaving service. Such requests are available free of charge once a year.

If members have any queries concerning the Scheme or their own pension position, or wish to obtain further information, they should contact Aon Solutions UK Limited at the contact details on page 2 who will also be able to provide them with a further copy of the Scheme's booklet should they require one and answer any queries that they may have about entitlement to benefits.

Aon Solutions UK Limited processes the personal data as contained in this report and financial statements for the purpose of providing the Trustee with a report and financial statements on the operation of the Scheme. Aon Solutions UK Limited processes personal data in the context of providing pension scheme administration services on behalf of the Trustee, the data controller. Aon Solutions UK Limited, when operating in its capacity as a data processor who provides the members of the Scheme with pension scheme administration services on behalf of the Trustee, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustee.

The Trustee or the Employer will ensure the data subjects of whom personal data is processed for the purposes of this report and financial statements are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

If any further information is required, this can be found at <https://pensioninformation.aon.com/spiritgroup>.

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Compliance matters

HM Revenue & Customs Registration

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Principal Employer and the members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

Pension Tracing

The Scheme is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members in tracing their rights if they have lost contact with the previous Employers' scheme. The address for the Pension Tracing Service is:

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

0800 731 0193
www.gov.uk/find-pension-contact-details

The Pensions Regulator

The Pensions Regulator ('TPR') is the United Kingdom ('UK') regulator of work-based pension schemes.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applies to occupational pension schemes.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify Trustees for acting unlawfully, and can impose fines on wrong doers.

TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

0345 600 1011
customersupport@tpr.gov.uk
www.thepensionsregulator.gov.uk

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TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Compliance matters (continued)

The Pension Protection Fund

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

The Pension Protection Fund can be contacted at:

PPF Member Services
Pension Protection Fund
PO Box 254
Wyndham
NR18 8DN

0330 123 2222
ppfmembers@ppf.co.uk
www.ppf.co.uk

Questions about pensions

If you have any questions about your pension, MoneyHelper, which is part of the Money and Pensions Service, provides professional, independent and impartial help with pensions for free. Services include independent information and general guidance on pension matters.

MoneyHelper can be contacted at:

Money and Pensions Service
120 Holborn
London
EC1N 2TD

0800 011 3797
www.moneyhelper.org.uk

Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's Administrator. In the event that a member's complaint cannot be resolved by the Administrator they may make a formal complaint using the Scheme's Internal Dispute Resolution ('IDR') procedure, details of which can be obtained from the Administrator or use the Pensions Ombudsman's informal Early Resolution Service.

The Government appointed Pensions Ombudsman can investigate complaints of injustice due to bad administration either by the Trustee or the Scheme's Administrator, or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

0800 917 4487
enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

SPIRIT (LEGACY) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 30 JUNE 2022

Statement of Trustee's Responsibilities

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in 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 Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

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

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedules of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedules of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Approval

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

Trustee Director:

Trustee Director:

Date:

SPIRIT (LEGACY) PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SPIRIT (LEGACY) PENSION SCHEME FOR THE YEAR ENDED 30 JUNE 2022

Opinion

We have audited the financial statements of Spirit (Legacy) Pension Scheme for the year ended 30 June 2022 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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:

1. show a true and fair view of the financial transactions of the Scheme during the year ended 30 June 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
2. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
3. contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

SPIRIT (LEGACY) PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SPIRIT (LEGACY) PENSION SCHEME FOR THE YEAR ENDED 30 JUNE 2022

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 15, the Trustee is responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme or 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- i) Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.
- ii) Misappropriation of investment assets owned by the scheme. This is addressed by obtaining direct confirmation from the investment managers of investments held at the Statement of Net Assets date.
- iii) Non-receipt of contributions due to the scheme from the employer. This is addressed by testing contributions due are paid to the scheme in accordance with the schedules of contributions agreed between the employer and the Trustee.

SPIRIT (LEGACY) PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF SPIRIT (LEGACY) PENSION SCHEME FOR THE YEAR ENDED 30 JUNE 2022

- iv) Payment of large transfers out to invalid schemes or members. This is addressed through testing that there is evidence the receiving scheme is valid, the member identity is verified and of the authorisation of the amount and approval of the payment of the transactions.
- v) Payment of large retirement lump sum benefits to invalid members. This is addressed through sample testing that there is evidence that the member's identity is verified and of the authorisation of the amount and approval of the payment of the transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

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

Crowe U.K. LLP
Statutory Auditor
Oldbury

Date:

SPIRIT (LEGACY) PENSION SCHEME

FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2022

	Note	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Employer contributions	4	1,042	177	1,219	1,165	180	1,345
Other income	5	9	-	9	61	-	61
		1,051	177	1,228	1,226	180	1,406
Benefits paid or payable	6	(14,329)	(640)	(14,969)	(14,076)	(436)	(14,512)
Payments to and on account of leavers	7	(2,461)	(569)	(3,030)	(5,193)	(177)	(5,370)
Administrative expenses	8	(2,565)	(2)	(2,567)	(2,841)	-	(2,841)
		(19,355)	(1,211)	(20,566)	(22,110)	(613)	(22,723)
Net (withdrawals)/additions from dealing with members		(18,304)	(1,034)	(19,338)	(20,884)	(433)	(21,317)
Investment income	9	1,672	-	1,672	103	-	103
Change in market value of investments	10	(100,406)	(919)	(101,325)	4,082	2,554	6,636
Investment management expenses	11	(24)	-	(24)	(242)	-	(242)
Net returns on investments		(98,758)	(919)	(99,677)	3,943	2,554	6,497
Net (decrease)/increase in the fund during the year		(117,062)	(1,953)	(119,015)	(16,941)	2,121	(14,820)
Transfers between sections		365	(365)	-	(384)	384	-
Net assets of the fund at 1 July		558,858	20,445	579,303	576,183	17,940	594,123
at 30 June		442,161	18,127	460,288	558,858	20,445	579,303

The notes on pages 21 to 39 form part of these financial statements.

SPIRIT (LEGACY) PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 30 JUNE 2022

	Note	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Investment assets							
Pooled investment vehicles	13	310,745	18,230	328,975	518,838	20,338	539,176
Insurance policies	14	129,300	-	129,300	39,800	-	39,800
AVC investments	15	251	-	251	270	-	270
Cash account	16	1	-	1	-	-	-
Other investment balances	16	428	-	428			
		440,725	18,230	458,955	558,908	20,338	579,246
Current assets	20	2,355	54	2,409	1,042	118	1,160
Current liabilities	21	(919)	(157)	(1,076)	(1,092)	(11)	(1,103)
Net assets available for benefits at 30 June		442,161	18,127	460,288	558,858	20,445	579,303

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included in the Trustee's Report on pages 6 to 7. These financial statements and Actuarial Certificate should be read in conjunction with this report.

The notes on pages 21 to 39 form part of these financial statements.

These financial statements on pages 19 to 39 were approved by the Trustee and were signed on its behalf by:

Trustee Director:

Trustee Director:

Date:

SPiRiT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Basis of preparation

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 ('FRS 102') – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice ('SORP') (2018) - Financial Reports of Pension Schemes, published by the Pensions Research Accountants Group ('PRAG').

As stated in the Statement of Trustee's Responsibilities on page 15, the Trustee is responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis. As disclosed in the Trustee's Report on page 6 under the heading "Going Concern", the Trustee has undertaken an assessment in relation to going concern and has considered such matters as the potential impact on the Scheme's investment strategy, the Employer's business and its ability to pay contributions to the Scheme. The Trustee has determined that there is not a material uncertainty as to the Scheme's ability to continue as a going concern for the foreseeable future and the Trustee therefore believes it remains appropriate to prepare the financial statements on a going concern basis.

2. Identification of financial statements

Spirit (Legacy) Pension Scheme is a hybrid occupational pension scheme established under trust under English Law.

The address of the Scheme's principal office is Spirit Pub Company (Services) Limited, Westgate Brewery, Bury St Edmunds, Suffolk, United Kingdom, IP33 1QT.

3. Accounting policies

The principal accounting policies applied to the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Functional and presentational currency

The Scheme's functional and presentational currency is Pounds Sterling (GBP).

Contributions

Normal contributions, both from employees and Employer, are accounted for on an accruals basis in the period to which they relate.

Expense contributions made by the Employer to reimburse costs and levies are accounted for in accordance with the Schedules of Contributions.

Employee's contributions made under a salary sacrifice arrangement are accounted for on an accruals basis and are categorised as Employer's contributions.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Accounting policies (continued)

Benefits paid or payable

Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate.

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

Payments to and on account of leavers

Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Administrative expenses

Administrative expenses are accounted for on an accruals basis, net of recoverable VAT.

Other income

Other income is accounted for on an accruals basis.

Investment income

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Income arising from the underlying investments of the pooled investment vehicles, which is reinvested within the pooled investment vehicles, is reflected in the unit price. Such income is reported within the change in market value.

Income from cash and short-term deposits is accounted for in these financial statements on an accruals basis.

Income arising from annuity policies held by the Trustee to fund benefits payable to the Scheme members is included as sales proceeds within the investment reconciliation table.

Change in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Investment management expenses

Investment management fees and rebates are accounted for on an accruals basis, net of recoverable VAT.

Investment management fees for pooled investment vehicles are incorporated in the unit price and reflected in change in the market value of investments in the Fund Account.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Accounting policies (continued)

Valuation of investment assets

Investments

Investment assets are included in the financial statements at fair value. The methods of determining fair value for the principal classes of investment are:

Pooled investment vehicles which are unquoted or not actively traded are stated at bid price or single price where there is no bid/offer spread as provided by the investment managers at the year end.

Insurance policies are valued by the Actuary at the amount of the present value related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date. Insurance policies bought to provide a member's benefits are included in the Statement of Net Assets (Available for Benefits) at their actuarial value as determined by the Actuary as at 30 June 2022.

AVC funds are included within the Statement of Net Assets (Available for Benefits) on the basis of fair values provided by the AVC provider at the year end.

With profits insurance policies held as AVC investments are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, 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 Scheme investments and, in particular, those classified in Level 3 of the fair value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included above and within the notes to the financial statements for Insurance policies.

4. Contributions

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Employer						
Normal	-	177	177	-	180	180
PPF Levy	80	-	80	198	-	198
Expense	962	-	962	967	-	967
	<u>1,042</u>	<u>177</u>	<u>1,219</u>	<u>1,165</u>	<u>180</u>	<u>1,345</u>

Employer normal contributions include £58k (2021: £55k) contributions in respect of salary sacrifice arrangements made available to certain members by the Employer.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

5. Other income

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Other income	9	-	9	61	-	61

In the prior year, other income includes a property fund rebate and a refund due to an error made in the payment on bridging pensions.

6. Benefits paid or payable

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Pensions	12,296	-	12,296	11,687	-	11,687
Commutations of pensions and lump sum retirement benefits	1,896	541	2,437	2,263	417	2,680
Purchase of annuities	-	-	-	52	-	52
Lump sum death benefits	137	99	236	74	19	93
	14,329	640	14,969	14,076	436	14,512

7. Payments to and on account of leavers

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Individual transfers to other schemes	2,461	569	3,030	5,193	177	5,370
	2,461	569	3,030	5,193	177	5,370

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

8. Administrative expenses

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Administration and processing	645	-	645	757	-	757
Actuarial fees	1,019	-	1,019	913	-	913
Audit fees	26	-	26	15	-	15
Legal fees	65	-	65	107	-	107
Other professional fees	656	-	656	769	-	769
Scheme levies	109	-	109	236	-	236
Trustee fees and expenses	41	-	41	39	-	39
Sundry expenses	-	2	2	1	-	1
Bank charges	4	-	4	4	-	4
	<u>2,565</u>	<u>2</u>	<u>2,567</u>	<u>2,841</u>	<u>-</u>	<u>2,841</u>

Administration costs for the DC Section are included in the DB Section administrative expenses, other than bank charges and sundry expenses. Administration and processing expenses relate to day to day administration of the Scheme and ad hoc projects (for example projects relating to GMP equalisation and pensioner annuity policy).

9. Investment income

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Income from pooled investment vehicles	1,668	-	1,668	104	-	104
Interest on cash deposits	4	-	4	-	-	-
	<u>1,672</u>	<u>-</u>	<u>1,672</u>	<u>104</u>	<u>-</u>	<u>104</u>

The increase in the income from pooled investment vehicles during the year relates to Adept funds with Aon Investments Limited, which commenced in February 2021.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

10. Investments

	Opening value at 1 Jul 2021 £000	Purchases at cost £000	Sales Proceeds £000	Change in market value £000	Closing value at 30 Jun 2022 £000
DB Section					
Pooled investment vehicles	518,838	396,588	(520,138)	(84,543)	310,745
Insurance policies	39,800	109,991	(4,632)	(15,859)	129,300
AVC investments	270	-	(15)	(4)	251
	<u>558,908</u>	<u>506,579</u>	<u>(524,785)</u>	<u>(100,406)</u>	<u>440,296</u>
Cash	-				1
Other investment balances	-				428
Total DB net investments	<u><u>558,908</u></u>				<u><u>440,725</u></u>
DC Section					
Pooled investment vehicles	20,338	1,995	(3,184)	(919)	18,230
	<u>20,338</u>	<u>1,995</u>	<u>(3,184)</u>	<u>(919)</u>	<u>18,230</u>
Total net investments	<u><u>579,246</u></u>				<u><u>458,955</u></u>

Included in the pooled investment vehicles purchases and sales figures above are £1,815k in relations to members' switching between investment funds.

During the year there were various changes within the investment portfolio, as follows:

£53,500k was disinvested from the BlackRock cash and liquidity funds and invested in the Adept Strategy Fund GB.

£32,000k disinvested from BlackRock equity funds and £32,000k from BlackRock hedge funds were invested in the LGIM HBAB Devd Bal Factor and the LGIM HBAA Devd Balanced Factor.

£48,171k was transferred from the Aviva Property Fund - Class C to the Trustee bank account and then £47,600 was invested in the BlackRock cash and liquidity funds.

£111,102k was disinvested from BlackRock and invested in the Scottish Widows Insurance Policy. This disinvestment consisted of £60,000k from LDI funds, £26,454k from bond funds and £24,648k from cash and liquidity funds. A balancing premium of £1,111k was returned to the Scheme.

An analysis of the DC Section investment assets is as follows:

	2022 £000	2021 £000
Allocated to members	18,230	20,344
Not allocated to members	-	-
	<u>18,230</u>	<u>20,344</u>

DC section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions were paid.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

10. Investments (continued)

Transaction costs

There are no direct transaction costs in the year nor in the previous year. Indirect costs are incurred through the bid-offer spread on pooled investment vehicles. It is not possible for the Trustee to quantify these indirect costs.

11. Investment management expenses

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Administration and management fees	4	-	4	324	-	324
Management fee rebates	20	-	20	(82)	-	(82)
	<u>24</u>	<u>-</u>	<u>24</u>	<u>242</u>	<u>-</u>	<u>242</u>

The amount of fee rebates is positive this year due to reversal of an accrual in the prior year.

The amount of administration and management fees decreased due to the release of an over provision in the prior year.

12. Taxation

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Employer and the members qualify for full tax relief, and is exempt from income tax and capital gains tax except for withholding tax on overseas investment income.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. Pooled investment vehicles

	DB 2022 £000	DC 2022 £000	Total 2022 £000	DB 2021 £000	DC 2021 £000	Total 2021 £000
Bond funds	98,068	4,255	102,323	171,099	4,480	175,579
Cash and liquidity funds	49,358	3,301	52,659	44,537	2,933	47,470
Equity funds	58,841	10,674	69,515	95,918	12,925	108,843
LDI funds	104,478	-	104,478	167,497	-	167,497
Property funds	-	-	-	39,787	-	39,787
	<u>310,745</u>	<u>18,230</u>	<u>328,975</u>	<u>518,838</u>	<u>20,338</u>	<u>539,176</u>

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

	DB 2022 £000	DC 2022 £000	Total 2022 £000	DB 2021 £000	DC 2021 £000	Total 2021 £000
Open ended investment company	98,068	-	98,068	50,134	-	50,134
UCITS	49,358	-	49,358	44,560	-	44,560
Unit linked insurance policies	58,841	18,230	77,071	256,647	20,338	276,985
Unit trusts	104,478	-	104,478	167,497	-	167,497
	<u>310,745</u>	<u>18,230</u>	<u>328,975</u>	<u>518,838</u>	<u>20,338</u>	<u>539,176</u>

The legal nature of the Scheme's pooled arrangements has been reallocated during the year.

The Scheme is the sole investor in an LDI fund which is managed by BlackRock. The LDI fund is part of the matching portfolio and invests in various investment instruments to move in a similar way to the Scheme's liabilities for changes in interest rate and inflation expectations. A breakdown of the underlying assets £104,478 (2021: £167,497) at the year end is set out below:

	Expires within	Notional amounts £000	2022 £000 Assets	2022 £000 Liabilities	2021 £000 Assets	2021 £000 Liabilities
Bonds			240,794	-	260,401	-
Cash		7,161	25,752	-	11,364	-
Derivatives – interest rate swaps	1-38 years	135,915	-	(22,184)	612	(2,129)
Derivatives – inflation swaps	2-19 years	(32,589)	4,402	-	1,319	(728)
Repurchase agreements	0-1 years	(143,910)	-	(144,285)	-	(103,342)
			<u>270,947</u>	<u>(166,469)</u>	<u>273,696</u>	<u>(106,199)</u>

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. Pooled investment vehicles (continued)

The notional amount represents the value of the interest rate and inflation exposure agreed within the swap contracts. The assets and liabilities figures represents the market value of the investment instruments at year end, with the sum of assets and liabilities included as the market value in the pooled investment vehicle table.

At the year end the Scheme held collateral of £Nil (2021: £1,175k) and had pledged collateral of £26,387k (2021: £6,382k) in respect of over-the-counter (OTC) swaps.

At the year end, the Scheme held repurchase agreements within its pooled investment vehicles using its government bonds as the underlying security. The Scheme retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date.

14. Insurance policies

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Insurance policies	129,300	-	129,300	39,800	-	39,800

The Trustee holds Insurance policies with Scottish Widows Limited which provides income to closely match a proportion of the Scheme's benefit payments.

During the year, the Trustee entered into a contract with Scottish Widows Limited to buy a second insurance policy which will meet c20% of the Scheme's liabilities.

Key Assumptions made during actuarial valuations

The valuations in respect of the annuity insurance policies have been estimated by rolling forward the following:

- (i) the full valuation carried out as at 30 June 2021 for the March 2018 buy-in policy held with Scottish Widows; and
- (ii) the 19 January 2022 valuation for the second bulk buy-in policy held with Scottish Widows, which was calculated using assumptions consistent with the 30 June 2021 scheme funding assumptions, updated for market conditions at the effective date; and
- (iii) These valuations were rolled forward in line with interest rates, and adjusting to allow for net cash movements, expected deaths and changes in market conditions (including updated expectations of insurer pricing).

15. Additional Voluntary Contributions (AVCs)

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Aviva	241	-	241	260	-	260
Standard Life	9	-	9	9	-	9
Utmost	1	-	1	1	-	1
	251	-	251	270	-	270

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

15. Additional Voluntary Contributions (AVCs) (continued)

The Trustee holds assets which are separately invested from the main Scheme to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 30 June each year confirming the amounts held to their account and movements during the year.

The total amount of AVC investments at the year end is shown above.

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

AVC investments can be further analysed as:	2022	2021
	£000	£000
With profits	241	260
Unit linked	10	10
	251	270

16. Cash and other investment balances

	DB	DC	2022	DB	DC	2021
	£000	£000	Total	£000	£000	Total
			£000			£000
Cash	1	-	1	-	-	-
Other investment balances	428	-	428	-	-	-
	429	-	429	-	-	-

17. Fair value of investments

FRS102 requires for each class of financial instrument an analysis of the level in the following fair value hierarchy into which the fair value measurements are categorised as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than the quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

17. Fair value of investments (continued)

The Scheme's investment assets fall within the above hierarchy as follows:

DB Section	Level 1 £000	Level 2 £000	Level 3 £000	2022 Total £000
Investment assets				
Pooled investment vehicles	-	310,745	-	310,745
Insurance policies	-	-	129,300	129,300
AVC investments	-	251	-	251
Other investment balances	428	-	-	428
Cash	1	-	-	1
	<u>429</u>	<u>310,996</u>	<u>129,300</u>	<u>440,725</u>
DC Section				
Investment assets				
Pooled investment vehicles	-	18,230	-	18,230
	<u>-</u>	<u>18,230</u>	<u>-</u>	<u>18,230</u>
	<u>429</u>	<u>329,226</u>	<u>129,300</u>	<u>458,955</u>
DB Section				
Investment assets				
Pooled investment vehicles	-	479,051	39,787	518,838
Insurance policies	-	-	39,800	39,800
AVC investments	-	270	-	270
	<u>-</u>	<u>479,321</u>	<u>79,587</u>	<u>558,908</u>
DC Section				
Investment assets				
Pooled investment vehicles	-	20,338	-	20,338
	<u>-</u>	<u>20,338</u>	<u>-</u>	<u>20,338</u>
	<u>-</u>	<u>499,659</u>	<u>79,587</u>	<u>579,246</u>

Valuation techniques and assumptions in determining fair value are described in notes 3 and 14 insurance policies.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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 instrument 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 instrument 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 instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

The following table summarises the extent to which the various classes of investments are affected by financial risks:

Category	Credit Risk	Market risk			2022 £	2021 £
		Currency	Interest rate	Other price		
DB Section						
Pooled investment vehicles						
Direct	◐	○	○	◐	310,745	518,838
Indirect	◐	◐	◐	●		
Annuity	●	○	●	○	129,300	39,800
Total DB Investments					440,045	558,638

Category	Credit Risk	Market risk			2022 £	2021 £
		Currency	Interest rate	Other price		
DC Section						
Pooled investment vehicles						
Direct	◐	○	○	◐	18,230	20,338
Indirect	●	◐	◐	●		
Total DC Investments					18,230	20,338

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/ not at all.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. Investment risks (continued)

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

Investment strategy

The investment objective is set out in the Investment strategy and principles section on page 9.

Credit risk

The Scheme is subject to credit risk through its investments in pooled investment vehicles. It is directly exposed to credit risk in relation to the security of the pooled investment vehicles themselves, and the fund manager. The Scheme is also indirectly exposed to credit risks arising on underlying holdings within the funds, most notably through underlying corporate bond holdings, money market holdings and derivative contracts.

A summary of exposures to credit risk is given in the following table, the notes below which explain how this risk is managed and mitigated for the different classes:

DB Section

Category	2022 £000	2021 £000
Pooled investment vehicles	310,745	518,838
Bond funds (direct and indirect risk)	98,068	171,099
Liability Driven Investment funds (direct and indirect risk)	104,478	167,497
Other funds (direct and indirect risk)	108,199	180,242
Annuity	129,300	39,800
Total	440,015	558,638

DC Section

Category	2022 £000	2021 £000
Pooled investment vehicles	18,230	20,338
Bond funds (direct and indirect risk)	4,256	4,480
Other funds (direct and indirect risk)	13,974	15,858
Total	18,230	20,338

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers, receive ongoing monitoring of those pooled managers from the Scheme's investment consultant, and on an ongoing basis monitor changes to the operating environment of the pooled managers.

Indirect credit risk arises in relation to underlying investments held primarily in the bond pooled investment vehicle. This risk is mitigated by only investing in funds which hold at least investment grade credit rated investments.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. Investment risks (continued)

For the DC Section, access to the Standard Life investment only platform is achieved via the Trustee holding a unit-linked insurance policy with Standard Life, which invests in insured funds. The policy is classed as a long-term insurance contract. Investments are managed in line with the Financial Conduct Authority (FCA) rules that apply to unit-linked insurance policies.

The DC Section of the Scheme therefore has direct credit risk in relation to its policy with Standard Life.

The Financial Services Compensation Scheme (FSCS) covers business conducted by firms authorised by the FCA and applies when a firm is unable or likely to be unable to pay claims arising against it. It is the Trustee's understanding that if Standard Life became insolvent, it would be eligible to make a claim on the FSCS in respect of all assets invested through the insurance policy issued by Standard Life.

Standard Life will, in turn, invest in the funds of external fund managers. The underlying funds in which Standard Life invests are through a reinsurance arrangement with Vanguard and Abrdn.

The DC Section of the Scheme is therefore also subject to indirect credit risk arising from the underlying funds managed by Vanguard and Abrdn, and from the individual securities held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

Vanguard and Abrdn are regulated by the FCA and maintain separate funds for their policy holders. The Trustee's investment advisors have regular contact with Vanguard and Abrdn and notify the Trustee when an event arises which may impact members' investments.

The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

Interest rate risk

The Scheme is subject to interest rate risk because of the Scheme's investments in bonds, liability driven investment, diversified growth funds and cash through pooled investment vehicles. As at Scheme year end, the Trustee set a benchmark for total investment in bonds and liability driven investment of 75% of Scheme assets. Typically, should interest rates rise, while the value of the bond portfolio will fall, so will the value of the liabilities, and vice versa. This helps the Scheme to be better matched to the interest rate exposures of the payments that the Scheme needs to make to beneficiaries.

DB Section

Category	2022 £000	2021 £000
Pooled investment vehicles	251,904	383,133
Bond funds (indirect risk)	98,068	171,099
Liability Driven Investment funds (indirect risk)	104,478	167,497
Diversified growth funds (indirect risk)	-	-
Cash funds (direct and indirect risk)	49,358	44,537
Annuity	129,300	39,800
Total	251,904	422,933

The DC section of the Scheme is subject to interest rate risk because some of the investments are held in Bonds (Absolute Return, Corporate and Government) and Cash through pooled vehicles.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. Investment risks (continued)

DC Section

Category	2022 £000	2021 £000
Pooled investment vehicles	7,556	7,413
Bond funds (indirect risk)	4,256	4,480
Cash funds (indirect risk)	3,301	2,933
Total	7,556	7,413

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets through pooled investment vehicles (indirect exposure). The Trustee has no set benchmark exposure.

DB Section	Indirect Exposure	
	2022 £000	2021 £000
US dollars (USD)	20,520	32,291
Euros (EUR)	2,761	4,700
Japanese Yen	2,208	3,246
Other currencies	3,742	5,612
Total	29,231	45,849

DC Section	Indirect Exposure	
	2022 £000	2021 £000
US dollars (USD)	6,123	7,232
Euros (EUR)	764	911
Japanese Yen	572	729
Other currencies	3,365	2,231
Total	10,824	11,103

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. Investment risks (continued)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes pooled holdings in property, equities and diversified growth funds. As at Scheme year end, the Scheme had set a target asset allocation of 20.3% of investments being held in return seeking investments. The Scheme manages this exposure to overall price movements by appointing suitable funds as to create a diverse portfolio of investments across markets.

Additionally, before each appointment, the Scheme receives advice from the Scheme's investment consultant on the suitability and risks to the Scheme of both the asset class and fund manager being appointed. Ongoing, the Trustee takes advice from the investment consultant as to the continuing suitability of the asset classes and managers in which the Scheme invests.

The DC section of the Scheme is subject to other price risk through all investments held by this Section. It is expected that the value of these investments will fluctuate because of changes in market prices and these changes could be caused by factors specific to the investments.

Inflation risk

The Scheme's assets are subject to inflation risk because some of the Scheme's assets are held in inflation-linked bonds, via pooled funds. However, for the DB assets, the inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the Scheme's funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

19. Concentration of investments

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

	2022		2021	
	Value £000	%	Value £000	%
DB Section				
BlackRock Sole Investor LDI Fund	104,478	22	167,497	29
Scottish Widows insurance policy 2022	95,300	21	-	-
Adept Strategy 29 Fund GBP Dist 9 Class	98,068	20	50,134	8
BlackRock GBP Liquidity Fund	49,358	10	44,535	8
Scottish Widows insurance policy 2018	34,000	7	39,800	7
L&G HBAA - Devd Balanced Factor Eq Idx Fd	30,673	6	-	-
L&G HBAB - Devd Bal Factor EqIdxFdGBPHgd	28,168	6	-	-
BlackRock Aquila Life Corp BD IDX Over 15Y S1	-	-	121,633	21
BlackRock Aquila Life World Equity Fund GBP Hedged	-	-	48,096	8
BlackRock Aquila Life MSCI World Fund S1	-	-	47,836	8
Aviva IGSL Property Fund – Class C	-	-	39,787	7

Aviva IGSL Property Fund, Blackrock Aquila Life Corp, World and MSCI have been disinvested in full. Both L&G funds and Scottish Widows insurance policy 2022 are new funds this year.

DC Section

There are no DC section investments in excess of 5% of the net assets of the Scheme.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

20. Current assets

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Employer contributions due	-	14	14	-	14	14
Cash balances	2,355	38	2,393	1,022	104	1,126
Sundry debtors	-	-	-	20	-	20
Inter section debtor	-	2	2	-	-	-
	2,355	54	2,409	1,042	118	1,160

All contributions due to the Scheme were received in accordance with the Schedule of Contributions and Payment Schedule.

Included in the DC section bank balance is £2,225 (2021: £2,485) which is not allocated to members. All other DC Section assets are allocated to members.

21. Current liabilities

	DB £000	DC £000	2022 Total £000	DB £000	DC £000	2021 Total £000
Accrued expenses	649	-	649	995	-	995
Accrued benefits	207	157	364	30	11	41
HM Revenue & Customs	61	-	61	67	-	67
Inter section creditor	2	-	2	-	-	-
	919	157	1,076	1,092	11	1,103

22. Employer related investments

There were no direct Employer related investments during the year or at the year end.

The Trustee recognises that indirect investment in the employer's parent company is possible through holdings in pooled investment vehicles. Based on information provided by the investment managers, there was no indirect exposure to the parent company.

The Trustee believes that any indirect exposure to shares in the Employer sponsor group were less than 5% of the Scheme assets at any time during the year and at year end.

- Standard Life Vanguard FTSE Developed World ex UK Equity Fund had an exposure of 0.03% to CK Asset Holdings as at 30 June 2022.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

23. Related Party Transactions

Related party transactions and balances comprise:

Key management personnel

Contributions received into the Scheme and any benefits paid in respect of the Trustee Directors who are members of the Scheme have been made in accordance with the Trust Deed and Rules.

Expenses incurred by Trustee Directors are reimbursed by the Scheme. The total Trustee expenses for the year to 30 June 2022 were £Nil (2021: £Nil). Fees were paid during the year to the Independent Trustee, BESTrustees Limited in the amount of £41k (2021: £39k) by the Scheme. At the year end a creditor balance of £10k (2021: £10k) is due to be paid.

The membership status of the Trustee Directors at the year end is as below:

John Freeman – non member (2021: non member)

Maria Gavin - deferred member (2021: deferred member)

Robert McDonald – pensioner member (2021: pensioner member)

Francis Patton – deferred member (2021: deferred member)

Nick Wilks - deferred member (2021: deferred member)

Richard Bell* – 2021: pensioner member

Amy Newson** – 2021: not a member of the Scheme

* Resigned 28 September 2021

** Resigned 4 January 2022

BESTrustees Limited is an independent Trustee, whose representative is not a member of the Scheme.

Employer and other related parties

The Principal Employer is considered a related party. All transactions involved with this entity relate to remittance of monthly contributions required under the Rules of the Scheme and reimbursed fees and expenses.

SPIRIT (LEGACY) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

24. Contingent assets and liabilities

In the opinion of the Trustee, the Scheme had no contingent assets and liabilities as at 30 June 2022 (2021: £Nil).

25. GMP equalisation

As explained on pages 5 and 6 of the Trustee's report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is working with its advisers to prepare to equalise pension benefits as required. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the potential backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

There was a further High Court judgement in 2020 relating to the equalisation of GMP benefits. This judgement focused on the GMP treatment of historic transfers out of members, an issue which had not been addressed in the 2018 GMP ruling. Under the 2020 ruling, trustees are required to review historic transfers values paid from May 1990 to assess if any top up payment is required to the receiving scheme, to reflect the member's right to equalised GMP benefits. The Trustee of the Scheme is working with its advisers to prepare to review historic transfer values. Based on an initial assessment of the potential impact the Trustee does not expect this to be material to the financial statements.

The Trustee has included an approximate allowance in the Scheme's technical provisions to reflect the estimated overall impact of GMP equalisation on liabilities. This encompasses both the estimated cost of backdated adjustments and equalisation of past transfers out as described above, and also the impact on future benefit payments out of the Scheme. This allowance is less than 1% of the liabilities.

SPIRIT (LEGACY) PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF SPIRIT (LEGACY) PENSION SCHEME FOR THE YEAR ENDED 30 JUNE 2022

Statement about contributions payable under the Schedules of Contributions

We have examined the Summary of Contributions payable to the Spirit (Legacy) Pension Scheme, for the Scheme year ended 30 June 2022 which is set out in the Trustee's report on page 41.

In our opinion contributions for the Scheme year ended 30 June 2022 as reported in the Summary of Contributions 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 scheme actuary on 9 May 2019.

Scope of work on Statement about Contributions

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

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

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

Use of our statement

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

Crowe U.K. LLP
Statutory Auditor
Oldbury

Date:

SPIRIT (LEGACY) PENSION SCHEME

SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 30 JUNE 2022

During the year ended 30 June 2022 the contributions payable to the Scheme were as follows:

	DB Employer £000	DB Employees £000	DB Total £000	DC Employer £000	DC Employees £000	DC Total £000
Contributions payable under the Schedules of Contributions and as reported by the Scheme auditor						
Normal	-	-	-	177	-	177
PPF levy	80	-	80	-	-	-
Expense	962	-	962	-	-	-
Total contributions reported in the financial statements	1,042	-	1,042	177	-	177

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

Trustee Director:

Trustee Director:

Date:

SPIRIT (LEGACY) PENSION SCHEME

ACTUARIAL CERTIFICATE

Certification of schedule of contributions

Spirit (Legacy) Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 25 July 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 scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature

DocuSigned by:

D0E9F070CA7484B4

Date Jul 25, 2022

Name Roger Moring FIA

Qualification

Fellow of the Institute and Faculty of Actuaries

Address Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE

Name of employer Aon Solutions UK Limited

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 1 - CHAIR'S STATEMENT

Annual statement regarding governance of the AVCs and DC Section of the Spirit Legacy Pension Scheme ('the Scheme')

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Administration Regulations') require the Trustee to prepare an annual statement regarding governance which must be included in the annual Trustee's report and accounts. The governance requirements apply to all Defined Contribution (DC) pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustee covers the period from 1 July 2021 to 30 June 2022 and is signed on behalf of the Trustee by the Chair. It covers the Scheme's DC section and member's Additional Voluntary Contribution (AVC) funds.

This statement covers governance and charge disclosures in relation to the following:

1. The default arrangements
2. Net investment returns
3. Member borne charges and transaction costs
 - i. Default arrangements
 - ii. Self-select funds
 - iii. Additional Voluntary Contributions
 - iv. Illustrations of the cumulative effect of these costs and charges
4. Processing of core financial transactions
5. Assessment of value for members
6. Trustee's knowledge and understanding

During the period covered by this statement, the Trustee has continued to consider the possible impact on the Scheme of the Covid-19 pandemic and, since early 2022, the ongoing Russia / Ukraine conflict.

1. The Default Arrangements

The Scheme is used as a Qualifying Scheme for auto-enrolment purposes. The Trustee is responsible for the Scheme's investment governance which includes setting and monitoring the investment strategy for the Scheme's default arrangements. The default arrangements for members are the Drawdown Targeting Lifestyle Strategy and the Cash Targeting Lifestyle Strategy.

Details of the objectives and the Trustee's policies regarding the default arrangements can be found in a document called the Statement of Investment Principles (SIP). The latest SIP for the Scheme is attached to this statement and included in the Trustee Report and Accounts. The objective of the default arrangements (and the alternative Annuity Targeting Lifestyle Strategy) is to automatically move members from higher return, higher risk investments to lower risk, lower return investments as they near their retirement age. This is done with the aim of providing growth to members while they are further from retirement while helping to protect fund values as members get closer to retirement and investing in a mix of assets broadly appropriate to how members in each strategy may take their benefits when they retire.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 1 - CHAIR'S STATEMENT

Investment strategy review

With the assistance of its investment advisers, Aon, the Trustee completed the Scheme's DC investment strategy review over the course of the year including formally reviewing the default arrangements and performance.

In conducting the review, the Trustee considered their objectives and the membership profile and, in light of these, analysed the degree to which the DC investment strategy is suitable. The Trustee also considered changes in the investment conditions, products and techniques available in the marketplace which may be appropriate for the Scheme.

This review was completed at the 10 March 2022 Trustee's meeting. As a result of the review, the Trustee agreed to change the lifestyle strategies (including the default arrangements) by removing the allocation to emerging market equities given heightened levels of geopolitical risks. This change is expected to improve the risk adjusted returns of the lifestyle strategies and will be implemented in the 2022/23 scheme year. The next investment strategy review is due to be completed before 10 March 2025.

Performance Monitoring

The Trustee also reviews the performance of the funds underlying the default arrangements against their aims and objectives on a quarterly basis.

The Trustee reviews that took place in the year concluded that the funds were performing broadly as expected.

2. Net investment returns

The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which Scheme members were invested in during the scheme year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges. The net investment returns to 30 June 2022 are shown in the tables below and have been prepared having regard to statutory guidance. It is important to note that past performance is not a guarantee of future performance.

The net returns for the Lifestyle Strategy Funds shown in tables (i), (ii) and (iii) below are based on a member having a Target Retirement Age of 65. The statutory guidance states net investment returns for lifestyle strategies must be shown for members aged 25, 45 and 55 at the start of the Scheme year. The Scheme's lifestyle strategies start de-risking from 10 years before retirement (from age 55 where the Target Retirement Age is 65), therefore the net returns for the lifestyle strategies and all self-select funds are the same at age 25, 45 and 55. We have shown net investment returns at age 60 and 65 to show returns achieved for members closer to retirement.

(i) Default arrangement – Drawdown Targeting Lifestyle Strategy

Age	Net return (% p.a.)	
	1 year	5 years
55 and under	-3.8	8.3
60	-8.1	3.5
65	-9.3	2.6

Source: Standard Life and Aon calculations

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 1 - CHAIR'S STATEMENT

(ii) **Additional default arrangement – Cash Targeting Lifestyle Strategy**

Age	Net return (% p.a.)	
	1 year	5 years
55 and under	-3.8	8.3
60	-8.1	3.5
65	0.2	0.3

Source: Standard Life and Aon calculations

(iii) **Self-select– Annuity Targeting Lifestyle Strategy**

Age	Net return (% p.a.)	
	1 year	5 years
55 and under	-3.8	8.3
60	-8.1	3.5
65	-13.1	-0.4

Source: Standard Life and Aon calculations

(iv) **Self-select investment funds**

Fund name	Net returns (% p.a.)	
	1 year	5 years
SL Vanguard FTSE Developed World ex UK Pension Fund ^{1,2,3}	-3.0	9.5
SL Vanguard FTSE UK All Share Index Pension Fund ¹²³	1.1	3.1
SL Vanguard Emerging Markets Stock Index Pension Fund ¹²³	-15.3	3.3
SL Vanguard UK Investment Grade Bond Index Pension Fund ¹²³	-12.6	0.0
SL Vanguard UK Inflation Linked Gilt Index Pension Fund ¹²³	-17.5	-0.6
SL SLI Absolute Return Global Bond Strategies Pension Fund ¹²³	-7.6	-0.7
Standard Life Deposit and Treasury Fund ²³	0.2	0.3

Source: Standard Life

1 Funds also used in the Drawdown Targeting Lifestyle Strategy

2 Funds also used in the Cash Targeting Lifestyle Strategy

3 Funds also used in the Annuity Targeting Lifestyle Strategy

(v) **Additional Voluntary Contributions**

The Scheme also holds legacy AVC funds in which some members of the defined benefit section of the Scheme are invested (although they are no longer available for members to select).

Fund name	Net returns (% p.a.)	
	1 year	5 years
Aviva		
Long Gilt Fund	-23.7	-1.9
Global Equity Fund	-1.4	7.0
UK Equity Fund	2.2	3.9
My Future Focus Consolidation Fund ¹	-5.6	-
Mixed Invest (40-85% Shares) Fund	-3.2	3.7
With-Profit Fund	3.3	3.2
Standard Life		
Standard Life Stock Exchange Pension Fund	-4.6	4.9
Standard Life Money Market Pension Fund	-0.4	-0.1

Source: Aviva & Standard Life

¹ Performance data is not yet available over a five-year period as the fund was launched on 19 May 2019.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 1 - CHAIR'S STATEMENT

3. Member Borne Charges and Transaction costs

The Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the Scheme year in respect of each investment fund available to members. These comprise the Total Expense Ratio and transaction costs.

The Total Expense Ratio is an explicit charge and represents the costs associated with operating and managing an investment fund. Transaction costs are not explicit and are incurred when the fund managers buy and sell assets within the investment funds.

The fund managers calculate transaction costs on a quarterly basis at fund-level not scheme-level and the Trustee requested details of transaction costs for the period 1 July 2021 to 30 June 2022 from the Scheme's providers.

The charges and transaction costs have been supplied by Standard Life and Aviva. Where transaction costs have been provided as a negative cost, a floor of zero has been set by the Trustee so as not to potentially understate investment management costs.

(i) Default arrangements

Drawdown Targeting Lifestyle Strategy

The actual costs that a member paid over the year depends on their term to retirement. The TER ranged from 0.1199% p.a. to 0.2176% p.a. Transaction costs ranged between 0.0271% p.a. and 0.1356% p.a.

The actual costs based on term to retirement during the year are shown in the table below:

Years to retirement	10+	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.1199	0.1376	0.1553	0.1730	0.1907	0.2084	0.2102	0.2121	0.2139	0.2158	0.2176
Transaction costs % p.a.	0.0271	0.0472	0.0673	0.0874	0.1075	0.1276	0.1296	0.1316	0.1336	0.1356	0.1376
Total costs % p.a.	0.1470	0.1848	0.2226	0.2604	0.2982	0.3360	0.3399	0.3437	0.3476	0.3514	0.3553

Cash Targeting Lifestyle Strategy

The actual costs that a member paid over the year depends on their term to retirement. The TER ranged from 0.1199% p.a. to 0.2084% p.a. Transaction costs ranged between 0.0089% p.a. and 0.1276% p.a.

The actual costs based on term to retirement during the year are shown in the table below:

Years to retirement	10+	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.1199	0.1376	0.1553	0.1730	0.1907	0.2084	0.1984	0.1884	0.1785	0.1685	0.1585
Transaction costs % p.a.	0.0271	0.0472	0.0673	0.0874	0.1075	0.1276	0.1039	0.0801	0.0564	0.0326	0.0089
Total costs % p.a.	0.1470	0.1848	0.2226	0.2604	0.2982	0.3360	0.3023	0.2686	0.2349	0.2011	0.1674

The charges paid by members invested in either of the above arrangements are within the 0.75% p.a. charge cap for schemes that are used for auto enrolling their employees.

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(ii) Self-select investment funds

In addition to the Drawdown Targeting Lifestyle Strategy and the Cash Targeting Lifestyle Strategy shown above, members also have the option to invest in the Annuity Targeting Lifestyle Strategy or in one or more of 7 individual funds.

Annuity Targeting Lifestyle Strategy

The actual costs that a member paid over the year depends on their term to retirement. The TER ranged from 0.1183% p.a. to 0.2084% p.a. Transaction costs ranged between 0.0122% p.a. and 0.1276% p.a.

The actual costs based on term to retirement during the year are shown in the table below:

Years to retirement	10+	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.1199	0.1376	0.1553	0.1730	0.1907	0.2084	0.1904	0.1724	0.1543	0.1363	0.1183
Transaction costs % p.a.	0.0271	0.0472	0.0673	0.0874	0.1075	0.1276	0.1045	0.0814	0.0584	0.0353	0.0122
Total costs % p.a.	0.1470	0.1848	0.2226	0.2604	0.2982	0.3360	0.2949	0.2538	0.2127	0.1716	0.1305

The TERs and transaction costs for each of the individual funds available to members are shown in the following table:

Self-select Fund name	TER % p.a.	Transaction Costs % p.a.	Total Costs % p.a.
SL Vanguard FTSE Developed World ex UK Pension Fund ^{1,2,3}	0.1049	0.0244	0.1293
SL Vanguard FTSE UK All Share Index Pension Fund ¹²³	0.1049	0.0088	0.1137
SL Vanguard Emerging Markets Stock Index Pension Fund ¹²³	0.2549	0.0654	0.3203
SL Vanguard UK Investment Grade Bond Index Pension Fund ¹²³	0.1049	0.0406	0.1455
SL Vanguard UK Inflation Linked Gilt Index Pension Fund ¹²³	0.1049	0.0133	0.1182
SL SLI Absolute Return Global Bond Strategies Pension Fund ¹²³	0.5349	0.4695	1.0044
Standard Life Deposit and Treasury Fund ²³	0.1585	0.0089	0.1674

1 Funds also used in the Drawdown Targeting Lifestyle Strategy

2 Funds also used in the Cash Targeting Lifestyle Strategy

3 Funds also used in the Annuity Targeting Lifestyle Strategy

(iii) Additional Voluntary Contributions (AVCs)

The costs and charges for the AVC funds are shown in the table below.

	TER % p.a.	Transaction Costs % p.a.	Total Costs % p.a.
Aviva			
Long Gilt Fund	0.6000	0.0486	0.6486
Global Equity Fund	0.6000	0.0236	0.6236
UK Equity Fund	0.6000	0.0515	0.6515
My Future Focus Consolidation Fund ¹	0.6000	0.0331	0.6331
Mixed Invest (40-85% Shares) Fund	0.6000	0.0439	0.6439
With-Profit Fund	0.6000	0.0620	0.6620
Standard Life			
Standard Life Stock Exchange Pension Fund	1.0250	0.1195	1.1445
Standard Life Money Market Pension Fund	1.0090	0.0004	1.0094

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(iv) Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided three illustrations of their cumulative effect on the value of typical scheme members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members and are based on a number of assumptions about the future which are set out below.

Members should be aware that such assumptions may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements.

Each illustration is shown as a table. As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, comparison figures with other investments have been included in the tables. For comparison purposes, the projected retirement savings if the typical member were invested in the FTSE UK All Share Index Pension Fund (which has the lowest charge level) and the Absolute Return Global Bond Strategies Pension Fund (which has the highest charge level) are shown in the tables.

All projected fund values are shown in today's terms so do not need to be reduced further for the effect of future expected inflation.

Illustration A: is based on an existing active Scheme member who has 24 years to go until their retirement at age 65. The member has a current salary of £34,600 p.a. and a starting fund value of £50,900.

Age	Drawdown Targeting Lifestyle Strategy (default)			FTSE UK All Share Index Pension Fund			Absolute Return Global Bond Strategies Fund		
	Before charges £	After charges £	Effect of charges £	Before charges £	After charges £	Effect of charges £	Before charges £	After charges £	Effect of charges £
41	50,900	50,900	0	50,900	50,900	0	50,900	50,900	0
45	75,120	74,790	330	77,050	76,740	310	65,710	64,220	1,490
50	109,950	108,960	990	115,900	114,950	950	83,650	79,890	3,760
55	150,640	148,640	2,000	162,950	160,950	2,000	100,990	94,540	6,450
60	189,640	185,880	3,760	219,920	216,350	3,570	117,750	108,250	9,500
65	216,450	210,060	6,390	288,910	283,070	5,840	133,940	121,060	12,880

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Illustration B: is based on an existing deferred Scheme member who has 12 years to go until their retirement at age 65. The member is not contributing and has a starting fund value of £19,700.

Age	Drawdown Targeting Lifestyle Strategy (default)			FTSE UK All Share Index Pension Fund			Absolute Return Global Bond Strategies Fund		
	Before charges £	After charges £	Effect of charges £	Before charges £	After charges £	Effect of charges £	Before charges £	After charges £	Effect of charges £
53	19,700	19,700	0	19,700	19,700	0	19,700	19,700	0
55	20,970	20,910	60	21,270	21,220	50	19,430	19,180	250
60	23,400	23,150	250	25,750	25,550	200	18,780	17,940	840
65	24,150	23,580	570	31,190	30,770	420	18,140	16,770	1,370

Illustration C: is based on an existing deferred Scheme member who has 12 years to go until their retirement at age 65 and is invested in the Cash Targeting Lifestyle Strategy. The member is not contributing and has a starting fund value of £19,700.

Age	Cash Targeting Lifestyle Strategy (default)		
	Before charges £	After charges £	Effect of charges £
53	19,700	19,700	0
55	20,970	20,910	60
60	23,400	23,150	250
65	23,520	23,020	500

Members are encouraged to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) when making investment decisions.

Assumptions and data for illustrations:

The following assumptions have been made for the purposes of the above illustrations:

- Annual salary growth and inflation are assumed to be 2.5% per annum
- The starting fund values and future contributions used in the projections are representative of the average for the Scheme.
- For the active member illustrations, allowance has been made for a total future contribution rate of 12% p.a. payable until retirement at age 65
- The projected annual returns on assets (gross of costs and charges) are:

Fund	Return (% p.a.)
SL Vanguard FTSE Developed World ex UK Pension Fund	5.5
SL Vanguard FTSE UK All Share Index Pension Fund	6.5
SL Vanguard Emerging Markets Stock Index Pension Fund	7.0
SL Vanguard UK Investment Grade Bond Index Pension Fund	1.6
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	0.3
SL SLI Absolute Return Global Bond Strategies Pension Fund	1.8
Standard Life Deposit and Treasury Fund	1.5

SPIRIT (LEGACY) PENSION SCHEME

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- *The projections assume the lifestyle strategies are rebalanced annually across the different underlying funds associated with a members' term to retirement*
- *Statutory guidance states that the transaction costs should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available. We have 4 years' worth of transaction costs data available so an average has been taken over this period.*

4. Processing of Core Financial Transactions

Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries. The bulk of the core financial transactions are undertaken on behalf of the Trustee by the Scheme administrator, Aon, while the Company is responsible for ensuring that contributions are paid to the Scheme promptly. The timing of such payments is monitored by the Trustee from quarterly administration reports submitted by Aon.

In order to determine how well the administration is performing, the Trustee has service level agreements (SLAs) in place with Aon. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. There are SLAs in place for all core financial transactions. Under the current SLA, Aon aims to accurately complete all financial transactions within 5 working days except for the investment of contributions which is within 3 working days of reconciliation of the amounts with the Company, and it aims to achieve these at least 95% of the time. These SLAs were achieved over the period covered by this Statement.

The Trustee periodically reviews the key processes adopted by the administrator and their output in order to minimise the risks of inaccurate or late payment of core financial transactions. Key processes include:

- A full member and Scheme reconciliation being undertaken annually as part of the annual preparation of the Trustee Report & Accounts.
- Provision of quarterly administration reports – enabling the Trustee to check core financial transactions and review processes relative to any member complaints made.
- Monthly contribution checks and daily reconciliation of the Trustee's bank account.
- Checks for all investment and banking transactions prior to processing.
- Straight-through processing where possible, therefore avoiding the need for manual intervention and, in turn, significantly reducing the risk of error.
- Annual data reviews.
- Documentation and operation in line with quality assurance policies and procedures.
- Operation in line with the business continuity plan and confirmation that the administrator has prioritised core financial transactions during this period.

Controls around administration and the processing of transactions are being documented in the Scheme risk register so that they will be subject to regular review. The Scheme audit also reviews a sample of calculations carried out during the Scheme year.

The Trustee is satisfied that, over the period:

- The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA.
- There have been no material administration errors in relation to processing core financial transactions.
- All core financial transactions have been processed promptly and accurately during the Scheme year.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 1 - CHAIR'S STATEMENT

5. Assessment of Value for Members

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with its advisers, Aon, the Trustee has developed a cost-benefit analysis framework in order to make an assessment as to whether members receive good value from the Scheme relative to the costs and charges they pay.

Costs

The costs have been identified as TERs and transaction costs and are set out in section 3 of this statement. Benchmarking relative to other pension arrangements or industry best practice guidelines has been undertaken.

Based on the profile of the Scheme's DC/AVC arrangements, we believe that the explicit charges are generally competitive when compared to current market rates on a like-for-like basis.

Benefits

The Trustee has considered the benefits of membership under the following four categories:

Scheme governance

The Scheme is governed by an experienced group of Trustee Directors including a professional, independent Chair. The Board regularly reviews information about the performance of Scheme investments and the DC members and decisions being made, amongst other information. This helps the Trustee to determine an appropriate strategy to support members and make improvements.

Investments

The Scheme provides members with an appropriate range of lifestyle and self-select fund options. The investment strategy and performance are regularly monitored and reviewed by the Trustee. With the assistance of its investment advisers, Aon, the Trustee completed the triennial investment strategy review of the DC section over the course of the year.

As a result of the review, the Trustee agreed to change the Cash and Income Drawdown Targeting Lifestyle Strategies by removing the investments in emerging markets.

The Trustee reviewed the investment strategy for the remaining legacy AVC arrangements during the year and expects to transition these funds to the default arrangements following the year end.

Administration

The Trustee regularly monitors the Scheme administration and, over the period, found that the necessary administration standards were being achieved.

Member support

The Scheme provides members with regular, clear communications regarding the choices open to them, as well as annual benefit statements and 'at retirement' communications. The Trustee will continue to review and improve as necessary.

Assessment

The Trustee's assessment concluded that the charges and transaction costs borne by Scheme members represents good value for members relative to the benefits of Scheme membership.

6. Trustee's Knowledge and Understanding

The comments in this section relate to the Scheme as a whole and not solely the DC section.

The Trustee has processes and procedures in place to meet the Pension Regulator's Trustee Knowledge and Understanding requirements (as set out in their Code of Practice No 7); some of which are identified below:

- A structured training programme for newly appointed Trustee Directors including completion of the Pension Regulator's Trustees toolkit, which is an online learning programme.
- Assessing training needs and identifying gaps in knowledge through regular self-assessments.
- Undergoing regular training for the year, this included training on DC investments and investment strategy training, DC governance training in respect upcoming regulatory changes, training on pensioner buy-ins, actuarial valuation training and GMP Equalisation training.

SPIRIT (LEGACY) PENSION SCHEME

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- Maintaining training logs for each individual Trustee Director which supports the above.

The Trustee has engaged with its professional advisers regularly throughout the year to ensure that it exercises its functions properly and take professional advice where needed. In exercising its functions this has required knowledge of key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts and Statement of Investment Principles. A few of the areas that support this statement are set out below:

- Updates to the Statement of Investment Principles for investment strategy changes and preparation for the production of an Implementation statement.
- Arrange preparation and audit of the annual Trustee's Report and Accounts.
- The law relating to pensions and trusts through updating the risk register.
- Review of quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience.
- Reviewing investment reports to assess fund performance against benchmarks, and funds against overall Scheme aim and objectives, as set out in the statement of Investment Principles.
- Maintaining a regime for proper governance – reviewing and updating the Trustee's governance framework for the DC Section of the Scheme.
- Implementing the investment strategy changes following completion of the investment strategy review.

The Trustee held 16 meetings across the Scheme year.

The Trustee board is currently made up of six Trustee Directors with diverse skill sets. The Chair of the Trustee is an independent professional trustee and there are two other Company appointed Trustee Directors and three member nominated Trustee Directors. The composition of the Trustee board aims to demonstrate diversification of skills and breadth and depth of pension knowledge. New Trustee Directors receive comprehensive introductory training which they are required to supplement with the Pensions Regulator's Trustee Toolkit (within 6 months of appointment).

The Trustee Directors consider that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly exercise their functions as the Trustee of the Scheme.

The Trustee publishes this statement on a publicly accessible website (<https://pensioninformation.aon.com/spiritgroup>) and confirms the location to members in their annual benefits statements.

Signed on behalf of the Trustee of the Spirit (Legacy) Pension Scheme.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

February 2022

Scheme Investment Objective

For the Defined Benefit Section, the Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy, while maintaining a prudent approach to meeting the Scheme's liabilities.

For the Defined Contribution Section, the Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives, in order for the investing of the assets to be done in a prudent manner. It has taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

STRATEGY

The Scheme has both a Defined Benefit Section and a Defined Contribution section.

Defined Benefit Section

In the Defined Benefit Section, the current planned asset allocation strategy is set out in the table below.

The Trustee has also adopted a flightplan, which is designed to reduce investment risk and protect the funding level as it improves. Following the breach of a trigger the Scheme's asset allocation will change in order to achieve these objectives. Further details of this strategy can be found within the 'Flightplan Parameters' section of this report.

In order to secure the benefits that are promised to members, the Trustee will consider whether opportunities to enter into buy-in arrangements with an insurance company are appropriate.

Following consultation with the Company, the Trustee agreed to reduce investment risk and the Trustee entered into a buy-in policy with Scottish Widows during March 2018. This policy remains an asset of the Scheme and, at inception, was valued at c. £50m.

In January 2022, following similar consultation with the Company, the Trustee agreed to further reduce investment risk and entered into a second buy-in policy with Scottish Widows. This policy remains an asset of the Scheme and, at inception, was valued at c. £110m.

As the buy-in policies held by the Trustee are illiquid assets which will be held until the windup of the Scheme, these have been excluded from the target asset allocation strategy outlined below.

The current target asset allocation strategy chosen to meet the objective above is set out in the table below. The Trustee will monitor the actual asset allocation versus the target weight set out in the table below. The Trustee acknowledges that due to factors such as market movements, investment views, governance constraints and implementation issues the Scheme's strategic asset allocation may deviate significantly from the target. The Trustee does however monitor this regularly.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Asset Class	SLPS (%)
Growth Assets	25.0
Global Equities	15.0
Property	10.0
Credit Assets	25.0
Credit	25.0
Matching Assets	50.0
Liability Driven Investment and Cash	50.0

This strategy was set on advice from the Trustee's investment adviser and following consultation with the sponsoring employer. The strategy has been set on the assumption that growth assets such as equities would outperform gilts over the longer term and assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in equity returns, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set.

In combination with the Trustee's corporate bond holdings, the Liability Driven Investment portfolio is also designed to protect the Scheme's self-sufficiency funding level against adverse movements in interest rates and inflation expectations of the Scheme's uninsured liabilities.

In choosing the Defined Benefit Section's planned asset allocation strategy, it is the Trustee's policy to consider:

- A full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

Defined Contribution Section

The overall investment objective in respect of the Defined Contribution Section is implemented using the range of investment options set out in **Table 1**. Details of the Trustee's aims and objectives for the default investment strategies and other investment options are provided below.

Default Strategies – For members invested through Standard Life and who were contributing to the Scheme in November 2019, the default strategy is the Drawdown Targeting Lifestyle Strategy. For members invested through Standard Life and who had ceased contributing to the Scheme by November 2019, the default strategy is the Cash Targeting Lifestyle Strategy.

The Trustee has also determined that the Drawdown Targeting Lifestyle Strategy should be used as the default strategy for members currently invested through Prudential and Utmost Life & Pensions.

The Trustee's objectives for the default strategies are as follows:

- Aim for significant long-term real growth while members are further away from retirement.
- Manage down volatility in fund values as members near retirement.
- Target an end point portfolio that is appropriate and consistent with how members may take their benefits when they retire.

The objectives of the fund managers in respect of the underlying funds used within the default strategies are set out in **Table 1**, which also details the kinds of investments held and the balance between them.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Other investment policies relating to the default strategies are set out in the sections below.

Following analysis of the membership, the objectives and policies the Trustee has adopted for the default strategies are expected to meet the needs of members by providing the following:

- The opportunity to increase the value of their benefits with investment growth.
- An investment which manages risk in an appropriate and considered way.
- A portfolio commensurate with how members may take their benefits when they retire.

Other Investment Options – It is the Trustee's policy to provide suitable information for members so that they can make the appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from its investment adviser. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management.
- The suitability of each asset class.
- The need for appropriate diversification.

The overall balance of assets held within the Defined Contribution Section will depend on the choices made by members for the investment of their pension accounts.

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long-term returns on the bond and cash options are expected to be lower than the options which are predominantly equities. However, bond funds are expected to broadly match the price of annuities. Cash funds are expected to be stable in terms of nominal capital values.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Environmental, Social and Governance considerations

In setting the Scheme's Defined Benefit and Defined Contribution investment strategies, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee believes that incorporating appropriate consideration of environmental, social and governance factors including climate change can lead to better returns and lower risk, and therefore the Trustee believes these factors should be understood and evaluated. The Trustee considers these issues by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

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

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager, either verbally or in writing, to understand the rationale and seek a more sustainable position but may look to replace the manager. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact, corporate governance, the capital structure, and management of actual or potential conflicts of interest.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's Defined Benefit and Defined Contribution investment strategies the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"¹).

¹ The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

SPiRiT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

RISK

Defined Benefit Section

The Trustee maintains a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme's liabilities as determined by an actuarial calculation.

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Scheme's cash flows, taking into account the timing of future payments, in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer[s] ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk of a default by a bulk annuity provider (buy-in insurer) ("insurer default/credit risk"). The Trustee and its advisers considered the strength of the insurer before entering into the policy, whilst considering the wider regulatory framework within which they are required to operate.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews. In particular, the mismatching risk was modelled explicitly as part of the most recent investment strategy review.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using a range of fund managers, the Trustee's policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- Actual funding level versus the Scheme's specific funding objective.
- Performance versus the Scheme's investment objective.
- Performance of individual fund managers versus their respective targets.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Defined Contribution Section

The Trustee has taken into consideration on behalf of the members the following aspects of risk:

1. The risk that low investment returns over members' working lives secures an inadequate retirement outcome.
2. The risk that unfavourable market movements in the years just prior to retirement lead to a substantial reduction in a member's account and hence in retirement outcome.
3. The risk of the chosen investment manager underperforming.
4. The risk that investment specific risks such as credit risk and market risk have an adverse impact on returns.

The first two risks identified above are managed by providing members with a choice of funds they can use to meet their requirements.

In addition, the default strategies are designed to be appropriate for a typical member with a predictable retirement date. The default strategies manage risk automatically by moving from higher to lower risk funds as members approach their selected retirement age.

To manage the third risk identified above, the Trustee regularly reviews the performance of the funds offered, as well as offering a range of index tracking funds to minimise the risk of underperformance.

The Trustee measures and manages investment specific risks, including market and credit risk, on a regular basis. All investments are subject to specific price risks that arise from factors peculiar to that asset class or individual investment, in addition to credit risk, currency risk and interest rate risk.

Before making any change to the default strategies or other investment options, the Trustee takes advice from its investment consultant. The decision as to whether to invest in a particular security is delegated to the investment managers of the underlying funds used.

The purpose of accepting these risks is to ensure that the default investment strategies offer members access to a suitably diversified portfolio, in terms of the type of risk taken over a member's lifecycle and the sources of expected future returns. In addition, members are able to construct a portfolio to meet their specific risk and return requirements using funds from the available range.

Within the default investment strategies, these risks are managed by ensuring that there is an appropriate balance between different asset classes at each stage of a member's working lifetime and that it is suitably diversified within each asset class. In addition, the Trustee takes advice from its investment consultant as to the continuing suitability of the default investment strategy, the available fund range, and underlying managers used.

Due to the complex and interrelated nature of all these risks, the Trustee generally considers them in a qualitative rather than quantitative manner as part of an ongoing review process. However, some aspects of the risks may be modelled more explicitly. In particular, the Trustee periodically commissions analysis of various demographic variables of the Scheme's members to ensure the default strategies and other investment options are sufficient to meet members' needs.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

FLIGHTPLAN PARAMETERS

The aim of a formal flightplan for the Scheme is to create a more structured method of implementing the long-term move from "growth" to "matching" assets, as and when the Scheme's funding level improves.

The Trustee has agreed to monitor the flightplan against the Scheme's funding level, measured on a self-sufficiency basis. This is a measure of the Scheme's funding level which would permit it to be run independent of the Sponsoring Employer.

The Trustee has also adopted a flightplan which is designed to reduce investment risk and protect the funding level as it improves. The flightplan does not serve to re-risk the Scheme if the funding level deteriorates, falling below a previous trigger level.

Triggers are monitored by the Trustee at a minimum on a quarterly basis (during regular Trustee meetings) and if a funding level trigger is breached a corresponding increase in the matching component allocation would be proposed at the meeting, or as soon as is reasonably practical thereafter.

The target allocations exclude the buy-in policies due to the illiquid nature of the assets, with the target allocations for the flightplan shown below.

Self-sufficiency funding level	95% (current)	100% (under review)	105% (under review)
Growth Assets	25.0	22.2	16.7
Global equities	15.0	5.6	-
Property	10.0	-	-
Diversified Growth Fund	-	16.7	16.7
Credit Assets	25.0	33.3	33.3
Credit	25.0	33.3	33.3
Matching Assets	50.0	44.4	50.0
LDI (assets, inc cash)	50.0	44.4	50.0

The Scheme has recently breached the 95% trigger. The Trustee is in the process of agreeing future flightplan triggers to reflect market conditions and recent changes to the investment strategy.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES IMPLEMENTATION

Aon has been selected as the investment adviser to the Trustee. Aon provides the Trustee with any training that it requests in order to ensure directors have sufficient knowledge and experience to take decisions themselves and to monitor those it delegates. Aon is paid on a either a fixed fee or time cost basis, dependent upon the nature of the work undertaken by Aon. This structure has been chosen to ensure that cost-effective, independent advice is received.

Arrangements with asset managers

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers, and requests that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

There is typically no set duration for arrangements with asset managers, although the continued appointment for all asset managers will be reviewed periodically, and at least every three years.

Costs, transparency and the monitoring of performance and remuneration

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

The Trustee collects annual cost transparency reports covering all of its investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its investment managers.

The Trustee will only appoint investment managers who offer full cost transparency. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics, manager's style, and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

SPiRiT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Scheme's investment consultant monitors this on behalf of the Trustee as part of the manager monitoring it provides to the Trustee, and flags to the Trustee where there are concerns.

The Trustee undertakes analysis of the Scheme's costs and performance, on at least a triennial basis, by receiving benchmarking analysis comparing the Scheme's specific costs and performance of the underlying managers relative to those of the wider market. This is in line with the Trustee's policies on reviewing the kinds and balance of investments to be held. The benchmarking analysis can be used to assess the value for money received from the Scheme's assets on a regular basis and challenge the Scheme's investment managers where appropriate. The Trustee will review the investment managers relative to its objectives to ensure that the net of fees performance has met its requirements. The Trustee is open to managers implementing performance related fees if these are suitable for the Scheme and are aligned with the objectives of the Scheme.

For the Defined Benefits Section the following pooled funds are used:

Growth Assets

Multi Factor Equity – LGIM Developed Balanced Factor Equity Index

This is passively-managed with the objective to achieve index returns in line with the SciBeta Developed Low-Carbon & ESG High-Factor-Intensity Multi-Beta (vol, val, mom, pro/inv) Maximum Deconcentration Index. The Trustee targets an equal split between the currency unhedged and sterling hedged funds.

Credit Assets

Diversified Liquid Credit – Adept

This credit fund invests in diverse, high-quality and low risk credit assets and targets a net return of SONIA + 1.5% p.a. over a market cycle.

Matching Assets

Liability Driven Investment – BlackRock

The Trustee is the sole investor in a bespoke pooled fund that has an objective to match the movement of a portion of the Scheme's liabilities for changes in interest rates and inflation, therefore providing interest rate and inflation protection.

BlackRock – ICS Institutional Sterling Liquidity Fund

This is a cash fund that provides a low-risk investment and the objective is to perform in line with 7 Day Sterling LIBID.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Bulk annuity policies

Scottish Widows

The Trustee holds two bulk annuity policies which insurers the Scheme's pensioner liabilities. This Trustee entered into the first policy in March 2018 and, at inception, was valued at c. £50m. This Trustee entered into the second policy in January 2022 and, at inception, was valued at c. £110m.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Defined Contribution Section

The Trustee has made available various investment options for members. These fall into two categories:

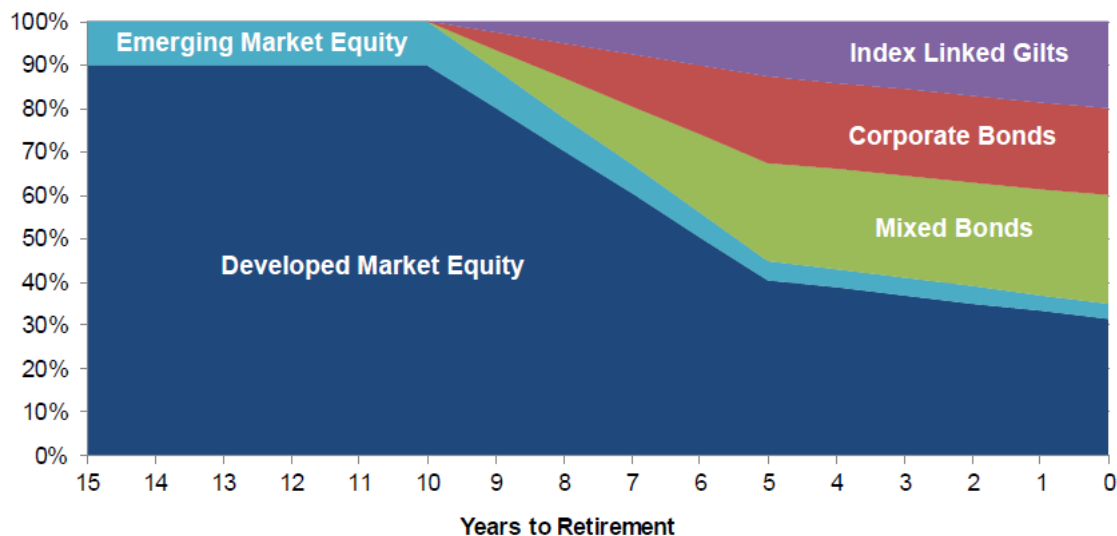
- Lifestyle – with this option, the member's account is invested according to a fixed investment pattern, based on the number of years to the member's retirement date.
- Freestyle – with this option, the member has the freedom to choose how their account is invested from the funds provided; what funds to invest in; and how much to invest in each fund.

Lifestyle Strategies

The Trustee offers three lifestyle strategies for members to choose from. These strategies are:

- Drawdown Targeting Lifestyle Strategy (Default for active members)
- Cash Targeting Lifestyle Strategy (Default for deferred members)
- Annuity Targeting Lifestyle Strategy

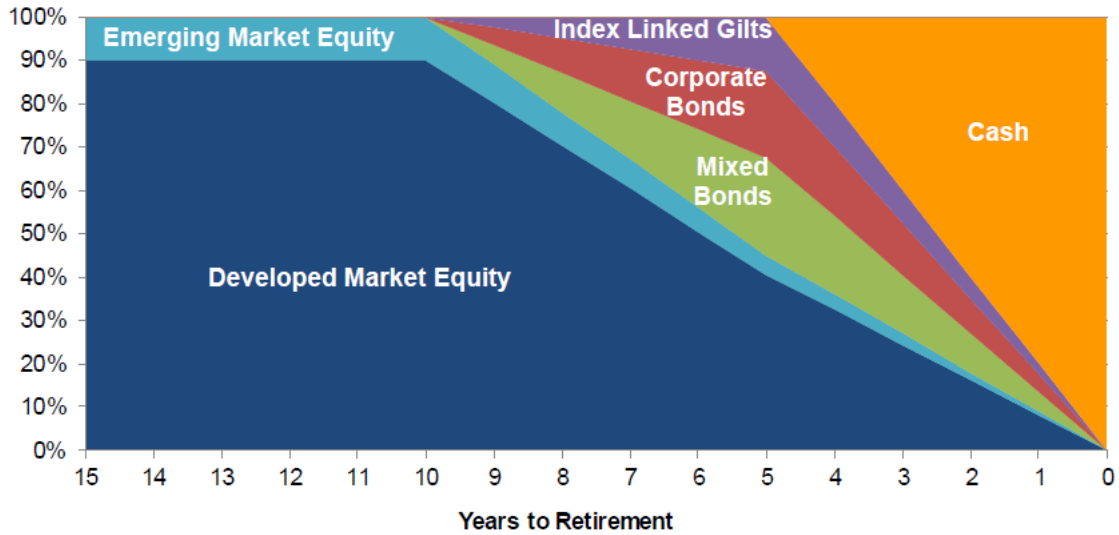
The Drawdown Targeting Lifestyle Strategy is the default strategy for those who were contributing to the Scheme in November 2019 and for members currently invested through Prudential. It is designed to be suitable for members who are considering income drawdown at retirement (i.e. those members who plan to withdraw money as a regular or series of one-off amounts, leaving the rest invested), while also recognising it will need to provide appropriately for those who do not know in what form they will be drawing their benefits. A chart setting out the asset allocation of the Drawdown Targeting Lifestyle Strategy is shown below:



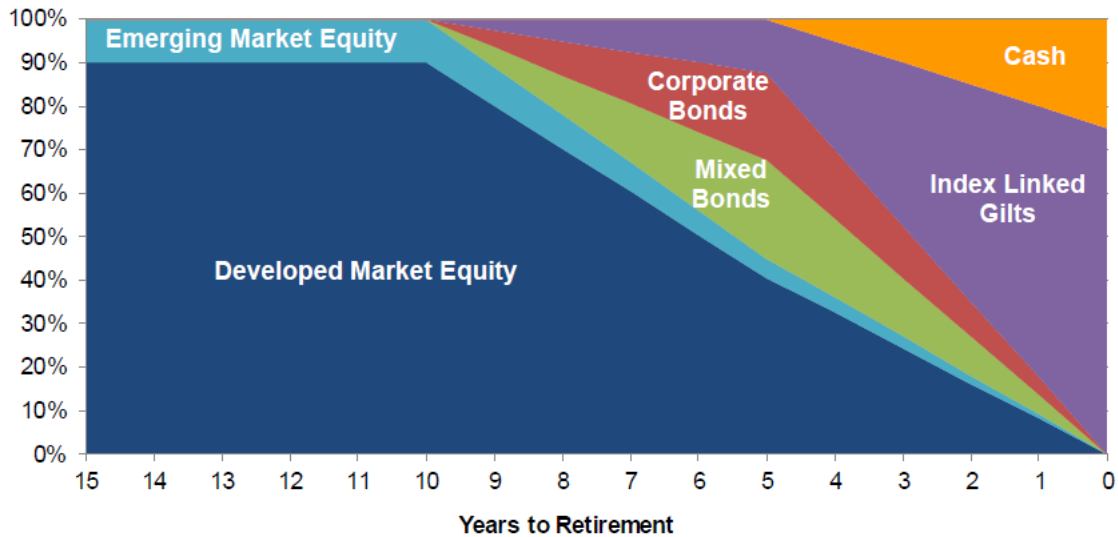
The Cash Targeting Lifestyle Strategy is the default strategy for members invested through Standard Life and who had ceased contributing to the Scheme by November 2019. It is designed to be suitable for members who are considering taking their DC benefits as a cash lump sum at retirement. A chart setting out the asset allocation of the Cash Targeting Lifestyle Strategy is shown below:

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES



Members can opt to invest in the Annuity Cash Targeting Lifestyle Strategy. It is designed to be suitable for members who are considering using their DC funds to purchase an annuity at retirement. A chart setting out the asset allocation of the Cash Targeting Lifestyle Strategy is shown below:



Freestyle Options

The table below provides details of the funds that are used in the lifestyle strategy (shown in bold) and are available on a standalone basis for members who wish to make their own investment choices.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Table 1 - Fund Details

<i>Asset Class</i>	<i>Passive/ Active</i>	<i>Fund</i>	<i>Benchmark</i>	<i>Objective</i>
UK Equity	Passive	SL Vanguard FTSE UK All Share Index Pension Fund	FTSE All-Share Total Return GBP index	To track the benchmark
Global Equity	Passive	SL Vanguard FTSE Developed World ex UK Pension Fund	FTSE Developed ex-U.K. Index	To track the benchmark
Emerging Markets Equity	Passive	SL Vanguard Emerging Markets Stock Index Pension Fund	MSCI Emerging Markets Total Return (net) GBP index	To track the benchmark
Corporate Bonds	Passive	SL Vanguard UK Investment Grade Bond Index Pension Fund	Bloomberg Barclays GBP Non-Government Float Adjusted Bond Total Return GBP index	To track the benchmark
Index Linked Gilts	Passive	SL Vanguard UK Inflation Linked Gilt Index Pension Fund	Bloomberg Barclays U.K. Government Inflation-Linked Bond Float Adjusted Total Return GBP index	To track the benchmark
Mixed Bonds	Active	SL SLI Absolute Return Global Bond Strategies Pension Fund	3 month LIBOR	To achieve 3 month LIBOR + 3% pa
Cash	Active	Standard Life Deposit and Treasury Pension Fund	SONIA	To outperform the benchmark
Fixed Interest Gilts	Passive	SL Vanguard UK Long Duration Gilt Index Pension Fund	Bloomberg Barclays U.K. Government 15+ Years Float Adjusted Total Return GBP index	To track the benchmark

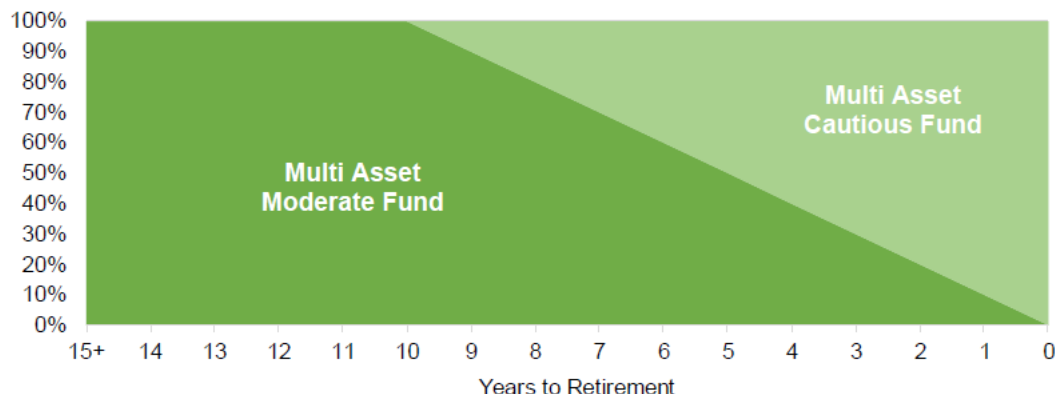
Members invested through Prudential are currently invested in the following funds:

- Prudential Long-Term Bond Fund with a benchmark of 50% FTSE Actuaries UK Conventional Gilts Over 15 Years Index and 50% iBoxx Sterling Over 15 Years Non-Gilts Index and objective to track its benchmark.
- Prudential With Profits Fund which has an objective to achieve competitive long-term returns.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

Members invested through Utmost Life & Pensions are currently invested in the Investing By Age Strategy which is a lifestyle strategy invested as follows:



The investment objective of the Multi Asset Moderate Fund is to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income, property and cash, with the potential for moderate to high levels of price fluctuations.

The investment objective of the Multi Asset Cautious Fund is to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income and cash, with the potential for low to moderate levels of price fluctuations.

Further considerations

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

BlackRock, Russell, Aviva, Invesco, Vanguard and Standard Life are responsible for appointing a custodian for the pooled funds in which the Scheme's funds are invested. The custodian provides safekeeping for all the funds' assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions. The Trustee has also appointed BNY Mellon in order to hold the pooled funds managed by BlackRock.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy or breach of funding level trigger. The Trustee will take investment advice and consult with the sponsoring employer over any changes to the SIP.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to make an informed decision. The Trustee has established the following decision-making structure:

<p>Trustee</p> <ul style="list-style-type: none"> • Sets structures and processes for carrying out its role • Selects and monitors planned asset allocation strategy for Defined Benefits Section • Selects and monitors type and range of units on offer in Defined Contribution Section • Appoints Investment Committee • Selects direct investments (see below) • Considers recommendations from the Investment Committee 	<p>Investment Committee</p> <ul style="list-style-type: none"> • Makes recommendations to the Trustee on: <ul style="list-style-type: none"> – selection of investment advisers and fund managers – structure for implementing investment strategy • Monitors investment advisers and fund managers • Monitors direct investments • Makes ongoing decisions relevant to the operational principles of the Scheme's Defined Benefits Section's investment strategy
<p>Investment Adviser</p> <ul style="list-style-type: none"> • Advises on all aspects of the investment of the Scheme's assets, including implementation • Advises on this statement • Provides required training 	<p>Fund Managers</p> <ul style="list-style-type: none"> • Operate within the terms of this statement and their written contracts • Select individual investments with regard to their suitability and diversification • Advise the Trustee on suitability of the indices in their benchmark • Provide pooled funds for the Defined Contribution Section

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' AVCs and the Defined Contribution Section pooled funds. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 2 – STATEMENT OF INVESTMENT PRINCIPLES

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 3 – IMPLEMENTATION STATEMENT

The Implementation Statement ("IS") has been prepared by the Trustee and covers the DB and DC Sections of the Scheme covering the Scheme year from 1st July 2021 to 30th June 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual implementation statement which outlines the following:

1. A description of any review and changes made to the Statement of Investment Principles ("SIP") over the Scheme year;
2. Evidence of how the Trustee has fulfilled the objectives and policies included in the SIP over the Scheme year;
3. Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

Executive summary

Based on the activity carried out by the Trustee and its investment managers over the year, the Trustee is of the opinion that its policies have been implemented effectively in practice. The Trustee notes that all of its investment managers were able to disclose good evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. The Trustee will therefore continue to use its influence to drive positive behaviour and change among the investment managers that it has employed to invest the assets of the Scheme, and with other third parties that the Trustee rely on, such as its investment advisers. The Trustee will monitor, assess and ultimately hold them to account to make sure that the assets of the Scheme are appropriately invested

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 3 – IMPLEMENTATION STATEMENT

1. Review and changes made to the SIP over the year

The Trustee has a SIP that covers both the DB and DC Sections of the Scheme. The Trustee undertakes a review of the SIPs at least triennially or after any significant change in investment strategy. The SIP was updated in September 2021 and in February 2022 to:

- Reflect a buy-in which took place in February 2022 this was funded by the total redemption of the Scheme's corporate bonds holdings and partial redemption of the LDI mandate. Including amendments to the target asset allocation of the DB Section following
- The appointment of LGIM appointed as an equity manager, replacing BlackRock in February 2022
- Total redemption of the Aviva property fund.

A copy of the latest SIP can be found here:

<https://pensioninformation.aon.com/spiritgroup/fileviewer.aspx?FileID=12921&FileName=SLPS%20SIP%20February%202022.pdf>

The Trustee consulted with the company when making these changes and obtained written advice from its investment consultant.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 3 – IMPLEMENTATION STATEMENT

2. Meeting the objectives and policies outlined in the SIP

The Trustee outlines a number of key objectives and policies in its SIP. This Statement should be read in conjunction with the SIP and provides an explanation of how these objectives and policies have been met and adhered to over the course of the year.

The Trustee was supported in its duties by its investment adviser, Aon.

Joint DB and DC Policies

Environmental, Social and Governance ("ESG") considerations

During the year, the Trustee received Quarterly Monitoring Reports ("QMRs") which included Aon's rating of the Scheme's investments. The monitoring included underlying ratings of sub-categories, such as ESG, which the Trustee reviewed and considered. Where appropriate, the Trustee would question the managers on their ESG practices and, if necessary, change the investment arrangements. However, this was not necessary during the year.

During the year, the Investment Sub Committee ("ISC") met with a number of the Scheme's investment managers and received an update on how ESG policies for the respective investments and how ESG is incorporated into the investment decision making process.

The Trustee is comfortable that the ESG policies and objectives have been met over the year.

Stewardship

The Trustee expects the Scheme's investment managers to, where appropriate, engage with investee companies and to exercise voting rights in relation to the Scheme's assets.

Via Aon, the Trustee maintains an active dialogue with the Scheme's investment managers and regularly reviews the continuing suitability of their appointment. This review includes consideration of stewardship matters and the managers' exercise of voting rights. The Trustee is supported in this review by Aon.

Details of the managers' stewardship activities over the year are provided at the end of this statement, including information on their voting behaviour, significant votes cast and the use of the services of a proxy voter.

Members views

In line with its policy, over the year, the Trustee has not explicitly taken into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters.

That said, the Trustee is mindful of developments in this area and review this position as appropriate. Where a member does make a decision to share their views with the Trustee, the Trustee will note and discuss and minute any subsequent course of action.

Arrangements with asset managers

The Trustee is supported by Aon in the monitoring the activity of its investments. As noted, the Trustee receives QMRs, which include Aon's ratings of the investments.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 3 – IMPLEMENTATION STATEMENT

Aon is responsible for researching, rating and monitoring asset managers across all asset classes. This includes some aspects on the manager's alignment with Trustee policies generally; for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues.

For the DB arrangements, the ISC aims to meet with each manager annually to receive an update on the investments performance, market outlook and positioning, ESG policies and how ESG is incorporated into the investment decision making process.

The Trustee is comfortable the investment strategy and decisions of the asset managers are aligned with the Trustee's policies and that its policies in this area have been adhered to over the year.

Costs, transparency and the monitoring of performance and remuneration

For the DB arrangements, the Trustee gathers cost information on its investments annually, to provide a consolidated summary of all the investment costs incurred. The cost report includes a breakdown of the costs into their various component parts, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers.

During the year, Aon monitored portfolio turnover among the investment managers and had no concerns about it. Additionally, the QMRs provided to the Trustee during the year consider the performance of the investment managers relative to their costs; no concerns were identified during the year.

For the DC arrangements, the Trustee provides cost information on its investments annually within the Chair's Statement in the Trustee Report & Accounts. The Trustee reviewed the data which included both explicit and implicit costs and charges. Aon also reviewed the member borne costs and none appeared to be unreasonable in their view.

DB Specific Policies

Investment risks

During the year, the Trustee received QMRs from Aon, monitoring the valuation of all investments held, the funding level, the performance the Scheme, performance of the investments against their respective benchmarks. The QMRs included details of any significant issues with the investments that may impact their ability to meet the performance targets. As mentioned above, the ISC also receives updates from the asset manager annually.

The Trustee is comfortable this policy has been met over the year.

Flight Plan

During the year, The Trustee received QMRs from Aon, monitoring the Scheme's funding level against the flight plan triggers. If a funding level trigger is breached, a corresponding increase in the matching component allocation would be proposed at the meeting, or as soon as is reasonably practical thereafter.

Towards the end of the previous Scheme year end, the Scheme breached a funding level trigger and the Trustee had a meeting to discuss the actions. The Trustee took action to reduce the risk in the investment strategy and delegated to the ISC to provide a recommendation on the de-risked investment strategy, with support and advice from Aon. The Trustee has implemented the de-risked investment strategy.

The ISC is currently working to agree a revised Flight Plan as a result the previous trigger framework has been suspended.

SPIRIT (LEGACY) PENSION SCHEME

APPENDIX 3 – IMPLEMENTATION STATEMENT

DC Specific Policies

The Investment Strategy

For members who do not wish to take an active role in managing their investment choices, three Lifestyle strategies are available as low-involvement options targeting Income Drawdown, Annuity or Cash at retirement. The primary default strategy for active members has been set as the Income Drawdown Targeting Lifestyle Strategy. Existing deferred members as at November 2019 were transferred to the Cash Targeting Lifestyle Strategy, which is now an additional default strategy.

The default strategies manage risk automatically by moving from higher to lower risk funds as members approach their selected retirement age.

In addition to the three Lifestyle strategies, the Trustee makes available to members a range of 8 self-select funds which provide members with a diversified range of investment options covering the main asset classes, ranging from low to high risk / return options.

With the help of Aon, the Trustee completed the triennial investment strategy review of the DC section over the course of the year. This was agreed by the Trustee at the 10 March 2022 Trustee's meeting and included the following:

- Membership analysis – consideration of the characteristics of different segments of the DC section's membership, to assist with setting the DC section's investment objectives and strategies.
- Strategy analysis – a review of the primary and additional default arrangements in light of the membership and the degree to which it is consistent with the Trustee's aims and objectives.
- Changing investment market conditions – consideration of the changes in the investment conditions, products and techniques available in the marketplace which may be appropriate for the DC section.
- Self-select fund range review.

As a result of the review, the Trustee agreed to change the Cash and Income Drawdown Targeting Lifestyle Strategies, by removing the investments in emerging markets. This change will be implemented after the year end and the Trustee believes it will improve member retirement outcomes.

The next investment strategy review is due to take place in 2024.

Based on the advice the Trustee received as part of the strategy review and subsequent updates from Aon during the year, the Trustee is comfortable that the Scheme provides a suitable range of investments and that, following the implementation of the agreed changes, the default strategies are aligned with the Trustee's objectives and are expected to meet the needs of members.

Risks

Consideration of different risks was an integral part of the strategy review the Trustee undertook during the year and the investment strategy was designed to appropriately manage those risks.

During the year, Aon provided regular updates to the Trustee on emerging risks and developments during the COVID-19 pandemic and the Russia/Ukraine conflict. This allowed the Trustee to monitor risks over the year and make decisions as to the management of the DC investments.

Based on the advice and updates provided by Aon, The Trustee is comfortable that the agreed investment strategy (to be implemented after year end) appropriately manages the various key risks associated with DC investments.

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3. Voting and engagement activity undertaken over the year

The DB and DC Section of the Scheme invests in pooled funds across a range of asset classes, and the Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers in whose funds it invests.

As part of the production of this statement, the Trustee – supported by its investment advisers, Aon – has reviewed the voting and engagement activities carried out on its behalf by the Scheme’s investment managers.

The remainder of this section summarises information received from the Scheme’s relevant investment managers about their approach to voting, including the use of any proxy voting services provided (relevant for equity and multi-asset managers only), and their approach to engaging with underlying security issuers.

The Trustee acknowledges that the concept of stewardship is less relevant to liability driven investments (“LDI”) and fixed income and cash funds. As such, these investments have not been covered in this statement.

Voting and Engagement activity – Equity funds

Over the year, the material equity investments held by the Scheme were:

Investment manager	Fund	Scheme
BlackRock	Aquila Life MSCI World Index Fund (and GBP Currency hedged version)	DB
Legal & General Investment Management (“LGIM”)	Developed Balanced Factor Equity Funds	DB
Vanguard Asset Management	Vanguard Emerging Markets Stock Index Pension Fund	DC
	Vanguard FTSE UK All Share Index Pension Fund	AVC/DC
	Vanguard FTSE Developed World ex UK Pension Fund	DC

The majority of the Scheme’s relevant investment managers have provided examples of significant votes they have participated in over the period. Each manager has their own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

1. a vote where a significant proportion of the votes (e.g., more than 15%) went against the management’s proposal;
2. a vote where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting;
3. a vote that is connected to a wider engagement initiative with the company involved;
4. a vote that demonstrates clear and considered rationale;
5. a vote that the client considers inappropriate or based on inappropriate rationale; and
6. a vote that has significant relevance to members of the Scheme.

The Trustee’s definition of a significant vote is broadly consistent with their investment managers’ definitions. So, the examples given below are aligned with the Trustee’s definition of a significant vote.

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BlackRock

Voting policy

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. BlackRock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

The table below shows the voting statistics for BlackRock's Aquila Life MSCI World Index Fund (GBP hedged and unhedged) for the period to 30 June 2022. While the Trustee redeemed from this fund during the year, it was held for a significant portion of the year and therefore has been included.

Number of resolutions eligible to vote on over the period	14,434
% of resolutions voted on for which the fund was eligible	87.00%
Of the resolutions on which the fund voted, % that were voted against management	6.00%
Of the resolutions on which the fund voted, % that were abstained from	0.00%

Voting example: AGL Energy Ltd

In September 2021, BlackRock voted against the election of Mr. Ashjayeen Sharif's self-nomination as a director of the Australian energy company, AGL Energy Ltd. ("AGL"). Mr Sharif is a student at the University of Melbourne and an active leader in the School Strike for Climate movement. While BlackRock believes that it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking, BlackRock supports the Board's view that Mr. Sharif's current skill set, and experience are not yet suited to add to the effectiveness of the Board.

Further, the Board has announced that it is undertaking succession planning and seeking to appoint an ESG specialist to AGL's current Board for 2022. BlackRock will continue to engage with the Board to discuss new director appointments further and determine if future proposed candidates offer the experience and skills that would enhance the Board's quality and effectiveness.

Following the vote, Mr Sharif was not elected as a director.

More information on the respective votes can be found at the respective vote bulletins: [blk-vote-bulletin-agl-energy-sep-2021.pdf \(blackrock.com\)](#)

Engagement policy

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

More information can be found here: <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

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Engagement Example (firm level): Vale

BlackRock has engaged with Vale S.A. (“Vale”), a Brazilian mining company, since 2019. In January 2019, a tailings dam at one of Vale’s iron ore mines collapsed and causing significant fatalities and environmental damage. Tailings dams are used to store water and waste that are by products from the mining process.

Over the course of 2020 and 2021, BlackRock held frequent engagements with Vale. Vale provided updates on the dam collapse, including the status of the investigation and the final settlement. Vale provided additional context on the frequent public announcements about: 1) the steps taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damage and socio-economic impact on the local community.

BlackRock’s engagements with Vale also focused on board effectiveness and sustainability. It shared its expectations of board quality including composition, diversity, and independence. BlackRock also discussed the company’s sustainability disclosures and carbon emissions reduction targets.

Legal & General Investment Management (LGIM)

Voting policy

LGIM uses proxy voting adviser Institutional Shareholder Services (“ISS”) to execute votes electronically and for research. LGIM also receives research from Institutional Voting Information Service (“IVIS”). This augments LGIM’s own research and proprietary ESG assessment tools. LGIM do not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information.

The table below shows the voting statistics LGIM’s - Developed Balanced Factor Equity Funds for the period to 30th June 2022.

Number of resolutions eligible to vote on over the period	11,814
% of resolutions voted on for which the fund was eligible	99.66%
Of the resolutions on which the fund voted, % that were voted against management	20.31%
Of the resolutions on which the fund voted, % that were abstained from	0.17%

Voting example: Synopsys Inc

In April 2022, LGIM voted against a resolution to elect the CEO of Synopsys Inc, an American software company, to the role of the chair of the company’s board.

It is LGIM’s policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure and background. However, the resolution passed with 90.5% in favour. LGIM will continue to engage with this company and publicly advocate its position on this issue and monitor company and market-level progress.

Engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and,
6. Reporting to stakeholders on activity.

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LGIM monitors several ESG subjects and conducts engagement on various issues. Its top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

More information can be found on LGIM's engagement policy <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf>.

At the time of writing, LGIM had not provided engagement examples for the funds. Aon has engaged at length with LGIM regarding its lack of fund level engagement reporting. LGIM has confirmed it is working towards producing this in the first half of 2022.

Engagement Example (firm level): Antimicrobial resistance

Over 2021, LGIM engaged with a number of companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to the uncontrolled release of antimicrobial agents into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks. After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

Vanguard Asset Management

Voting policy

Vanguard Investment Stewardship team votes on behalf of Vanguard's internally managed equity holdings. Vanguard casts proxy votes via dedicated voting providers. It consults a wide variety of third party research providers and its own internal proprietary databases. Vanguard then analyses the various issues and ballot measures in conjunction with its Proxy Voting Guidelines and other relevant data to reach its own independent decisions. The Investment Stewardship team uses a variety of research from well-known providers, such as ISS, Glass Lewis, and Equilar, as well as a number of smaller research providers.

Vanguard does not rely on recommendations from proxy advisors for our voting decisions. It believes it is valuable to understand all sides of an issue before casting a vote on behalf of a Vanguard fund. As such, proxy advisors can be a useful data aggregator which serves as one of the many inputs that Vanguard's Investment Stewardship team uses to reach independent voting decisions on each funds' behalf.

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The table below shows the voting statistics of the Vanguard Equity Funds the DC section of the Scheme invests in for the period to 30th June 2022.

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
Emerging Markets Stock Index Pension Fund	26,874	97.00%	7.00%	2.00%
FTSE UK All Share Index Pension Fund	10,645	99.00%	1.00%	0.00%
FTSE Developed World ex UK Pension Fund	27,324	91.00%	3.00%	0.00%

Voting example: Not available at the time of writing this report.

Engagement policy

Vanguard evaluates a range of factors when considering whether it needs to engage with a portfolio company, such as the purpose, impact and timeliness of a discussion. Vanguard evaluates each engagement request carefully and thoroughly, and its decision on whether to engage is deliberate and research-driven. When it declines an engagement request, it may still want to engage in the future, particularly when company corporate governance circumstances change. Vanguard conducts significant research and analysis to prepare for its discussions with company leaders and board members. Although such discussions can vary widely by company, sector, region, its engagements tend to fall into one of three broad categories:

1. Strategic engagements
2. Ballot-item engagements
3. Thematic engagements

Engagement example

Vanguard does not currently provide fund level engagement reporting in line with the ICSWG template, however, Vanguard is looking to start reporting engagement activities from the end of Q3 2022.

Engagement activity – fixed income funds

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers is to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited in comparison to equities, downside risk mitigation and credit quality are critical parts of investment decision-making.

The following examples demonstrate some of the engagement activity carried out by the Scheme's fixed income managers over the year.

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BlackRock

Please refer to the equity section for a summary of BlackRock's engagement policy and engagement example.

Aon Diversified Liquid Credit Fund – Underlying Investment Managers

Over the period, the Scheme was invested in a number of funds through its investments through Aon Investments Limited. This section provides an overview of the voting (where applicable) and engagement activities of some of one of the most material underlying managers.

Schroders

Engagement policy

Schroders engages on a broad range of topics including climate risk. Schroders believes that engagement provides it with an opportunity to influence company interactions with their stakeholders; ensuring that the companies it invests in are treating their employees, customers and communities in a responsible way.

In Schroders's ISF Securitised Credit Fund, cashflows from various loans, such as mortgages, car loans and credit card payments, are grouped together into bonds known as asset-backed securities. In its engagements, Schroders engages with the managers of the underlying loan products. Schroders has developed questionnaires specifically for collateralised loan obligation managers and commercial mortgage-backed securities managers, which it issues as part of its engagements. The information received is incorporated into its manager due diligence.

Engagement example: OneMain

In 2021, Schroders engaged with financial services company, OneMain Financial about its customer base and how it facilitates financing for a group of consumers that are more 'credit insecure'. OneMain Financial shared with Schroders its criteria for defining 'credit 'insecure' customers and how it achieves better credit results with this more "at-risk" borrower base, including offering the borrower financial education and services. Schroders also discussed differences between OneMain Financial and its peers, specifically disruption potential to its operations and consumer servicing from storms.

Vanguard

Please refer to the equity section for a summary of Vanguard's engagement policy and engagement example.

Abrdn (formerly Standard Life)

Engagement policy

Abrdn aims to maintain close contact with the companies and assets in which it invests. Abrdn holds regular engagement programme meetings to discuss various relevant ESG issues, including areas like strategy and performance, risk management, board composition, remuneration, audit, climate change, labour issues, diversity and inclusion, human rights, bribery and corruption.

There are four categories for Abrdn engagements, which are review, respond, enhance and thematic.

1. 'Review' engagements are part of Abrdn's ongoing due diligence. Frequent interactions led by the analyst responsible for oversight of the investment and will usually be attended by other members of relevant investment teams.
2. 'Respond' is a type of engagement that allows Abrdn to react to an event that may impact a single investment or a selection of similar investments.
3. 'Enhance' is an engagement designed to seek change that, in Abrdn's view, would enhance the value of its investment.
4. 'Thematic' engagements result from Abrdn's focus on a particular ESG theme such as climate change, diversity and inclusion or modern slavery.

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More information can be found on Abrdn's voting and engagement policies can be found here:

https://www.abrdn.com/docs?editionId=50636955-103f-47cb-86e2-036aec4d30d4&_ga=2.3007792.1084981515.1625754520-1358126225.1625589512

Engagement example (firm level): Amazon

Abrdn engaged with the multinational technology company Amazon Inc. on matters concerning labour management, diversity and inclusion. During 2021, Abrdn had several engagements with the company after identifying it as a priority engagement due to ongoing labour concerns. Abrdn spoke to Amazon's Head of ESG Engagement to get additional detail around what is happening at its Bessemer, Alabama facility following allegations of anti-union behaviour. Abrdn received reassurance that the company provides employees with accessible channels through which to express concerns, and also received plausible explanations for Amazon's effort to delay the vote and also push for an in-person (vs ballot) vote. The company's Connections Program and Voice of the Associate Channel appear to demonstrate its effort to engage with its employees and listen to feedback, and response rate of the former suggests some success here.

The company continues to make efforts to strengthen employee relations and health and safety / working conditions. This includes making sizeable investments and use of technology to drive further improvements around health and safety and providing numerous engagement channels through which employees can raise concerns. The company also recently strengthened its commitment by adding 2 new Leadership Principles, one of which is to be "Earth's best employer".

Abrdn continues to monitor the company and welcomes how open it is to Abrdn's engagements.

Engagement activity – Real Estate

The Trustee acknowledges that the ability of real estate managers to engage with and influence investee companies may be less compared to equity managers. However, it is encouraging to see from the information they provided for the EPIS that managers are aware and active in their role as stewards of capital.

The following section demonstrates some of the engagement activity being carried out by the Scheme's property manager over the year.

Aviva Investors (“Aviva”) - Pensions Property Fund

Engagement policy

As the Aviva Pensions Property Fund directly owns the assets in the Fund, traditional engagement does not apply to this Fund. Aviva believes engagement in real assets is structured through interaction on environmental and social issues with the occupier, sponsor or counterparty. The engagement should be carried out through the transaction process or through ongoing asset management depending on the asset class. In the case of the Pension Property Fund, Aviva would engage with the tenants in the Fund and develop business plans for the assets to identify opportunities for improvement.

Engagement example: Decarbonisation

Aviva has created an occupier engagement programme to create relationships with tenants in the buildings owned by Aviva's clients. Through engagement Aviva hopes to understand what possible steps could be practically implemented to decarbonise the asset, and how Aviva can work with the occupiers to deliver this. In 2021, Aviva reached out to over 100 occupiers to create these relationships. Aviva held over 40 engagements and are now working with those occupiers to agree next steps towards decarbonisation.

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As a result of the programme, 50% of occupiers who Aviva engaged with agreed to share data which helped it to understand how the building was performing from a decarbonisation view. Aviva then commissioned ten net zero due diligence audits which illustrated a route to decarbonisation. Aviva also asked occupiers about their preferences for on-site interventions like electric vehicle charging and solar panel installation. With the first round of engagements now complete, Aviva's asset management team will be supporting occupiers to implement the agreed measures in 2022.