The BAA Pension Scheme

Report & Accounts

for the year ended 30 September 2022

Pension Scheme Registry No. 1000446

Report and Accounts
for the year ended 30 September 2022

Contents

Any enquiries regarding the Scheme generally or in relation to an individual's entitlement to benefits should be addressed to:

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THE BAA PENSION SCHEME

The BAA Pension Scheme ("the Scheme") was established in April 1966. It is a contributory, final salary, defined benefit arrangement. The Scheme includes the transferred assets and liabilities of the BAA Group Pension Scheme established 1 January 1991 and wound up on 30 June 1996.

The Scheme closed to new members on 15 June 2008. However, membership at a later date was also permitted to those who had commenced an apprenticeship prior to the closure date and who then subsequently became a permanent BAA Group employee on the conclusion of that vocational training.

The Scheme is established under irrevocable trusts and administered by the Trustee in accordance with the provisions of the Trust Deed and Rules which are amended from time to time. The Principal Employer is LHR Airports Limited ("the Employer") and the primary purpose of the Scheme is to provide pensions on retirement and other benefits for all eligible participators.

1. TRUSTEE AND ADVISERS

The Trustee is BAA Pension Trust Company Limited, and it is responsible for the management of the Scheme. Law Debenture (BAA) Pension Trust Corporation (LDPTC), although not formally a trustee is referred to in the Rules as the Independent Trustee and has special reserve powers designed to safeguard the accrued rights of beneficiaries. LDPTC satisfies requirements of independence from the Employer set out in the Trust Deed and Rules. LDPTC's nominated representatives, who attend Trustee meetings, are Mr M Jaffe or Ms S Pitt.

The Trustee is responsible for all aspects of the Scheme. However, in order to facilitate the efficient discharge of business certain matters are, from time to time, delegated to and managed by an investment committee or other specialist committees. Any decisions of the committees are subject to endorsement by the full Trustee Board, except where this is not appropriate, e.g. where doing so would create a conflict of interest.

Details of the Directors of the Trustee Company ("the Trustee Directors") and its advisers are set out below:

BAA Pension Trust Company Limited

Unless otherwise stated, the Trustee Directors are Management Representatives

<u>**Trustee Directors**</u>

P Wilbraham *β	Chairman
M Macgregor #+	(Pensioner Nominated Trustee Representative)
T Mackay #	(Member Nominated Trustee Representative)
P Stannett #	(Company Nominated Trustee Representative)
F Brown*β	(Company Nominated Trustee Representative)
C Lubin	(Company Nominated Trustee Representative)
M Riaz #+	(Member Nominated Trustee Representative)
C Hobbs #	(Member Nominated Trustee Representative) – (resigned 11 July 2022)
J Mccoy []	(Member Nominated Trustee Representative) – (appointed 25 January 2023)

<u>**Independent Trustee**</u>
*+#β M Jaffe (LDPTC)
*+#β S Pitt (LDPTC)

<u>**Secretary to the Trustee**</u>
#*+β A Parris

+ member of the Audit and Risk Committee
* member of the Investment Committee
\# member of the Administration Committee
β member of the Valuation Committee

ADVISERS

Actuary	K Nicholls FIA, Mercer Limited
Auditor	Crowe U.K. LLP
Administrators	Equiniti Pension Solutions (until 31 October 2022) XPS (from 1 November 2022)
Bankers	Lloyds Bank plc Barclays Bank plc (from 01 October 2022)
Custodian	JP Morgan Chase. Assets are held in the name of 'Chase Nominees'.
Investment Managers	Allianz Global Investors GmbH (until September 2022) BlackRock Investment Management (UK) Limited BlueBay Asset Management LLP Bridgewater Associates LP GQG Partners KKR Private Credit Opportunities Partners II (EEA) L.P. Legal and General Investment Management M&G Asset Management Man Group plc Ownership Capital B.V. Wellington Asset Management
AVC Investment Managers	Santander Utmost Life and Pensions Aviva Group
Bulk Purchase Annuity Provider	Legal & General Assurance Society Limited
Investment Consultants	Redington Limited
Legal Adviser	CMS Cameron McKenna Nabarro Olswang LLP

1. TRUSTEE AND ADVISERS (continued)

Procedure for Appointment and Removal of Trustee Directors of BAA Pension Trust Company Limited

The approved arrangements for this Scheme, which comply with the requirements specified in the Pension Act 2004, are summarised as follows:

Trustee Directors are appointed by the Board of the Employer and will normally serve a three-year term. There shall be eight Trustee Directors: four Management Representatives, three Members' Representatives and one Pensioner Representative. The appointment of the Chairman and Management Representatives is based on nominations made by the Employer. The Members' and Pensioner Representatives are chosen by ballot controlled by the Electoral Reform Society or such other organisation as the Employer, with the agreement of the Independent Trustee, shall decide.

A Trustee Director may also be removed at his/her own or at the Employer's request and any Trustee Director who fails to attend any Trustee meeting in a six-month period may be removed from office by the Employer at the request of the other Trustee Directors. Where the Trustee Director being removed was a Member or Pensioner representative, all the other Trustee Directors must agree to the removal and elections would then be held to appoint a replacement.

Procedure for Appointment and Removal of the Independent Trustee

There must at all times be a single Independent Trustee of the Scheme. It is appointed by and can be removed by the Employer in certain circumstances or may, at its own request, retire. A replacement Independent Trustee would have to be appointed simultaneously with any removal or resignation and the outgoing Independent Trustee would be entitled to write to all beneficiaries explaining the circumstances of its replacement, removal or resignation.

Investment Committee

The membership of the Committee is noted on page 3. The Trustee decided that this group will be a standing committee which would make operational decisions relating to the implementation of the Scheme's investment strategy including selection and appointment of investment managers.

Valuation Committee

The membership of the Committee is noted on page 3. The Trustee decided that this group will be an ad hoc committee which would only deal with the issues relating to the triennial actuarial valuation, including dialogue with the Employer and preparation of valuation related correspondence for the Main Board.

Audit and Risk Committee

The membership of the Committee is noted on page 3. The Trustee decided that this group will be a standing committee which would be responsible for dealing with any issues relating to the preparation and audit of the statutory accounts, monitoring the Scheme's internal controls and record keeping, and maintenance of the Risk Register of the Scheme.

Administration Committee

The membership of the Committee is noted on page 3. The Trustee decided that this group will be a standing committee which would be responsible for monitoring the third party administration services provided by XPS Administration and make delegated day to day decisions concerning settlement of death benefits and other discretionary benefits.

Trustee Training

All newly appointed Trustee Directors are required to attend suitable training. During their term of office or on reappointment, Trustee Directors are encouraged to identify their own training needs and attend appropriate courses. In addition, formal training is organised as part of business planning. Trustee Training is recorded within the Trustee Training Log.

The Pensions Regulator has issued scope guidance specifying the expected knowledge and understanding requirements of a competent trustee. Each Trustee Director attends appropriate training so they become conversant with Scheme documents and develop knowledge and understanding (appropriate to their role as Trustee Director) of trusts and pensions law and the principles of funding and investment.

2. MEMBERSHIP OF THE SCHEME

	Actives	Deferred Pensioners	Pensioners:- former members	Pensioners:- Dependants	Total
At 1 October 2021	1,573	5,107	7,568	1,762	16,010
Adjustments+	(3)	9	(1)	(5)	-
New starters	-	75	24	76	175
Leavers – deferred	(75)	-	230	-	155
–Transfer outs	(2)	(101)	-	-	(103)
Deaths	(1)	(4)	(171)	(87)	(263)
Retirements	(24)	(230)	-	-	(254)
Children's pension ceased	-	-	-	(5)	(5)
At 30 September 2022	**1,468**	**4,856**	**7,650**	**1,741**	**15,715**

+ The adjustments reflect members whose movement was completed in this period but the effective date of the movement was in a previous period. An example would be a member who died in a previous period but who we were only notified of in this period.

3. ACTUARIAL VALUATION AND CONTRIBUTIONS

The Trustee undertakes a full valuation at least every three years in line with the requirements of the Pensions Act 2004. A full valuation of the BAA Pension Scheme was carried out as at 30 September 2021 and determined a surplus of £119m (corresponding to a funding level of 103%).

The 2021 valuation was the sixth valuation for the Scheme under the Pensions Act 2004 and the Scheme Funding Regulations issued in 2005 which require schemes to adopt the Statutory Funding Objective. The Trustee decided on a funding objective, including a set of actuarial assumptions, and agreed it with the Employer. This is set out in the current Statement of Funding Principles.

As there was a surplus, the Trustee and Employer did not need to agree a Recovery Plan. However, the Trustee monitors the funding level on a monthly basis and in the event that the funding level is below 95% at two consecutive calendar quarter end updates (starting from 1 January 2023), the Trustee and Employer have agreed that a recovery plan to address the deficit will be agreed within 2 months of the date of the second quarter end. If a recovery plan cannot be agreed within this period then the Trustee will call a new valuation. This arrangement will be reviewed as part of the Scheme's next valuation due as at 30 September 2024.

As a result of the 2021 valuation, the Trustee and Employer agreed that regular Employer contributions of 25.6% of Basic Salary plus Shift Pay will continue to be paid to meet the cost of the future accrual of benefits. Employee contributions continued to be payable at between 5% and 7.5% of Pensionable Salary.

The Employer also continues to pay the augmentation costs (if any) arising following redundancies.

The level of contributions paid by members of the Scheme is set out in the Schedule of Contributions and Trust Deed and Rules of the Scheme. A revised Schedule of Contributions was agreed by the Employer and the Trustee, effective from 1 January 2023.

Employees' and Employer's contributions are due monthly by the 19th day of the following month to which contributions relate. Contributions relating to benefit augmentations are due within one month of the later of the date of granting of the augmentation or such later date as is agreed between the Trustee and the Employer.

Report on Actuarial liabilities

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

The most recent actuarial valuation of the Scheme was carried out as at 30 September 2021 and a summary of the funding position is set out below:

	Funding Assessment as at 30 September 2021 £m
Market value of assets	4,655.5
Technical provision liabilities	4,536.5
Deficit	119.0
Funding Level	103%

Method: The actuarial method used in the calculation of the technical provisions is the Attained Age method.

A full yield curve approach was used to calculate the technical provisions as at 30 September 2021, with single equivalent assumptions shown in the table below:

Retail Price Inflation	3.65% p.a.
Consumer Price Inflation	3.35% p.a.
Pensionable salary increases	1.90% p.a.
Basic Salary plus Shift Pay increases	5.15% p.a.
Discount rate:	
Pre-retirement	2.60% p.a.
Post-retirement	1.80% p.a.
Pension increases in payment:	
Open section	3.50% p.a.
Closed section	3.65% p.a.
Post 2015 pension	2.35% p.a.
Mortality – base table	107/98%% of S3PMA year of birth tables for non-pensioner/pensioner males and 95%/89% of S3PFA_M year of birth tables for non-pensioner/pensioner females to reflect the membership profile of the Scheme.
Mortality – future improvements	CMI 2021 projection with a 1.5% p.a. long term rate of improvement and smoothing factor (Sk) of 7.5

4. FINANCIAL DEVELOPMENT OF THE SCHEME

The financial statements have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of The Pensions Act 1995. The Fund Account shows in detail the financial development of the assets of the Scheme over the year to 30 September 2022.

A summary of the changes in the Scheme during the year and in the preceding year were as follows:

	Year to 30 September 2022 £'000	**Year to 30 September 2021 £'000**
Income	32,561	44,130
Expenditure	(164,917)	(166,034)
Net withdrawals from dealing with members	(132,356)	(121,904)
Net return from investments	(1,507,568)	203,895
Net (decrease) / increase	(1,639,924)	81,991
Net assets at beginning of year	**4,686,557**	**4,604,566**
Net assets at end of year	**3,046,633**	**4,686,557**

5. PENSION INCREASES

Although the two original schemes have been merged, pension increases are still determined relative to the category of membership basis.

Both the "Plc Section" and the "Group Section" increases are determined in accordance with the relevant version of the Trust Deed and Rules (as amended) that applies to particular members. Under the Rules pensions are increased with effect from 1 October in line with the proportionate increase in the Government's Index of Retail Prices ("RPI") during the year ending in the preceding August. In relation to service prior to 1 October 2015, Group Section increases are capped at 5% per year whilst Plc Section increases are uncapped. Pension increases in relation to service after 1 October 2015 are capped at 2.5% per year. Deferred pensions have increased in accordance with the Scheme's Trust Deed and Rules.

Pensions in payment as at 30 September 2021 were increased on 1 October 2021 by 4.8% (for service prior to 1 October 2015) and 2.5% (for service after 1 October 2015) for the Plc and the Group section of the Scheme (in line with RPI for the year to August 2021).

In relation to service prior to 1 October 2015, pensions in payment as at 30 September 2022 were increased on 1 October 2022 by 12.3% for the Plc Section (in line with RPI for the year to August 2022) and 5.0% for the Group Section. For service after 1 October 2015 pensions in payment were increased by 2.5%. These increases relate only to the excess pension accrued over GMP. There were no discretionary increases awarded to pensions in the year.

6. ADMINISTRATION AND INVESTMENT MANAGEMENT COSTS

The fees for professional services provided by the actuary, auditor, custodian, Independent Trustee, legal advisers, investment adviser and investment managers are all paid by the Scheme.

7. TRUSTEE GOVERNANCE MATTERS – RISK MANAGEMENT

The Trustee has adopted and maintains a formal risk management process to assess risks and implement risk management strategies. This involves the identification of the type of risks the

Scheme faces, presenting them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks. As part of this process the Trustee regularly reviews the adequacy of the Scheme's internal controls as documented in the Scheme's risk register.

8. 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 that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ("GMP") benefits. A second High Court judgment was handed down on 20 November 2020 which provided clarification on the obligations of pension plan trustees to equalise past transfer values to allow for GMP. The issues determined by these judgments arise in relation to many other defined benefit pension schemes.

The Trustee of the Scheme is aware that the judgments will affect the Scheme and will be considering this at future meetings and decisions will be made as to the next steps. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. Any adjustments necessary will be recognised in the future accounts as necessary. Further details are provided in note 23 of the financial statements.

9. SUMMARY FUNDING STATEMENT

The Scheme provides members with an annual statement summarising the funding position under the Scheme. The next statement for the year ended 30 September 2022 will be sent to members mid 2023.

10. STATEMENT OF TRUSTEE'S RESPONSIBILITIES

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

- show a true and fair view of the financial transactions of the 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 Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and 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 Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

11. INVESTMENT STRATEGY

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

The current strategy is broadly split between:

1. Investments that move in line with the long-term liabilities of the Scheme. This is referred to as Liability Driven Investing ("LDI"), which comprises mostly UK government bonds ("Gilts"), Gilt repurchase agreements and cash, along with interest rate swaps and inflation swaps to a lesser extent. The purpose of these investments is to hedge against the impact of interest rate and inflation movements on the value of the long-term liabilities.
2. Return-seeking investments comprising Equities, Credit, Property, Infrastructure Equity, Illiquid Credit and Multi-Strategy Funds. The purpose of these investments is to deliver a relatively high return in a diversified and risk-controlled manner to remain within the Scheme's overall risk budget of 6% Funding-Ratio-at-Risk (i.e. the Scheme's investment strategy should not risk the funding ratio falling by more than 6% in a 1-in-20 downside scenario on a Gilts + 0.50% basis).

Over the course of the year, a number of changes were made to the investment strategy:

- **BlackRock Global Screened Corporate Bond Fund** – in September 2021, the Trustee agreed to fully disinvest from this mandate. The trade took place in November 2021. The c.£290m proceeds were held as cash within the LGIM Segregated LDI.
- **AllianzGI LIBOR Mandate Portfolio** – in September 2022, the Trustee agreed to fully disinvest from this mandate. The trade took place in September 2022 but settled in October 2022. The £130m proceeds were later invested into the LGIM Segregated LDI portfolio.
- Several redemptions were made from various funds over the end of September 2022, including Man Progressive Diversified Risk Premia Fund, Wellington ARB Credit and GQG Partners Emerging Market Equity Fund, with settlements either in September or October. Proceeds of these redemptions were invested into the LGIM Segregated LDI portfolio, to increase collateral levels following an increase in the volatility of real gilt yields.

Since 30 September 2022, there have been further changes to the investment strategy as follows:

- The Trustee decided to fully disinvest from M&G Secured Property Income Fund on 7 October and has entered a redemption queue.
- The target interest rate and inflation hedge ratios of the Scheme were reduced from 100% to 80% of the funding level, on a Gilts + 0.50% basis, in October 2022. This decision was made in reaction to the unprecedented volatility in real gilt yields that occurred in September and October. The target hedge ratios were then raised to 90% of the funding level in November 2022.

- A new long-term strategic asset allocation was agreed by the Trustee in November 2022. Along with changes to some of the allocations to certain funds, this included an allocation of 4% to an LGIM Synthetic Equity portfolio.
- In January 2023, the Trustee decided to appoint Systematica as a new manager. The £110m investment was funded from the LGIM Segregated LDI portfolio.
- In February 2023, it was decided to fully disinvest from Wellington ARB Credit, with the proceeds to be invested into the LGIM Segregated LDI portfolio and an increase (5% immediately, 5% one month later) to the LGIM Synthetic Equity portfolio allocation.

The table below shows the Scheme's investment manager structure as at 30 September 2022:

Asset Class	Manager
Equities	Ownership Capital Global Equity Fund
	GQG Partners Emerging Market Equity Fund
Credit	BlueBay Leveraged Finance Total Return Fund
	Allianz GI LIBOR Mandate Portfolio
	Wellington LIBOR Plus Portfolio
Property	M&G Secured Property Income Fund
Infrastructure Equity	BlackRock Global Renewable Power Infrastructure Fund III
Multi Strategy	Bridgewater Optimal Portfolio fund II
	Man Progressive Diversified Risk Premia Fund
Illiquid Credit	KKR Private Credit Opportunities Fund Partners II Fund
	M&G Multi-Dated Asset Fund
Liability Hedging	LGIM Segregated LDI
	L&G Pensioner Buy-in
Cash	JPM Liquidity
	LGIM Liquidity

Investment in stock, shares, debentures or other securities issued by Grupo Ferrovial SA, any holding company of Grupo Ferrovial SA or any subsidiary of Grupo Ferrovial SA or any such holding company is restricted under the terms of the investment manager agreements in place. The Trustee accepts that where they invest in pooled investment vehicles, the Trustee cannot impose this restriction on the investment manager.

12. ASSET ALLOCATION

The table below shows the Scheme's investment allocation as at 30 September 2022 versus last year's asset allocation and target strategic allocation:

	30 September 2022*	30 September 2021	Target asset allocation*
Equity	14.5%	13.3%	13.3%
Credit	20.8%	24.4%	17.4%
Property	4.9%	3.4%	3.2%
Multi Strategy	14.0%	9.5%	9.5%
LIBOR+	4.3%	3.0%	0.0%
Illiquid Credit	6.1%	3.9%	5.4%
Infrastructure Equity	2.5%	0.6%	2.2%
Liability Hedging Assets & Cash	32.8%	41.9%	49.0%

Figures subject to rounding

*The target asset allocation was in the process of being updated by the Trustee on 30 September 2022. Due to significant market volatility at the end of September 2022, and the fact that the illiquid credit funds are still in the process of being funded, the 30 September 2022 allocation was not closely aligned with the target asset allocation.

13. INVESTMENT PERFORMANCE

The table below shows the Scheme's return over various periods to 30 September 2022.

	1 Year	3 Years (p.a.)	5 Years (p.a.)
Scheme	-32.4%	-10.6%	-2.4%
Change in value of liabilities*	-29.6%	-10.3%	-2.6%

*Change in liabilities has been calculated on a Gilts +0.50% basis by the Actuary and the asset return uses performance data estimated by Redington and Cardano.

As the most appropriate overall benchmark for the investment strategy, the Scheme uses an approximation for the movement in the value of its liabilities through time. Adopting this benchmark means that over certain periods there may be significant discrepancies between this benchmark and the underlying targets for each of the investment managers used. This is because strategic decisions have been taken with a long-term view, and individual investment managers, with the exception of the LDI manager, are therefore not intended to exactly match a liability-based benchmark.

14. INVESTMENT MANAGER FEES

All of the investment managers are remunerated on an ad valorem basis, i.e. fees are calculated based on the market value of the assets under their management. There are however additional performance-related fees in place for Wellington, KKR, Ownership and Bridgewater.

15. INVESTMENT POLICY

The Trustee makes all major decisions on the management of assets and liabilities based on investment advice. There is also an Investment Sub-Committee that has limited powers to make certain decisions as agreed and delegated by the Trustee. The Investment Sub-Committee also receives investment advice before taking decisions.

The Trustee has clear investment objectives, which relate to improving the value of the assets compared to the liabilities. The Trustee also monitors the risk versus the liabilities, based on information supplied by its investment adviser. Performance is measured against the Trustee's liability-related benchmark each quarter, as well as underlying manager performance being reviewed on a quarterly basis against their respective benchmarks.

Due to the benefits of cost and ease of implementation, the Trustee mainly invests in pooled investment vehicles. The Trustee recognises that due to the collective nature of these investments, there is less scope to directly influence how the asset manager invests. However, the Trustee's investment advisers ensure the investment objectives and guidelines of the manager are consistent with that of the Trustee.

When relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes and is assessed over a medium- to longer-term timeframe, subject to a minimum of three years.

The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team.

Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees annually to confirm they are in line with market practices, notably when the Trustee expects the manager to take an active ownership approach and consider long-term financially material Environmental, Social and Governance "ESG" factors.

The Trustee's policy towards monitoring non-financial performance is set out in the Responsible Investment section of the Statement of Investment Principles (SIP).

The Trustee reviews the portfolio transaction costs and portfolio turnover range of managers annually, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

The Trustee's SIP sets out its policy on Responsible Ownership. The Trustee's policy is that ESG issues, including risks around climate change, are considered to be financially material to the investment portfolio over the Scheme's time horizon. As the Scheme is currently open to accrual, the appropriate time horizon is generally longer term. The Trustee considers the long-term financial interests of the Scheme to be paramount, and, where appropriate and practical, requires its investment managers to:

- Consider financially material ESG issues (including climate change risks), in investment decision making.
- Practice good stewardship which includes engaging with issuers of debt or equity on financially material ESG issues. Good stewardship in this context relates to the investment managers gaining alignment with the Trustee to fulfil their fiduciary duties to the members of the Scheme, by undertaking a number of activities that serve to secure the member's benefits in a sustainable way. Such activities include monitoring assets, exercising voting rights where stock is held, and utilising their greater negotiating power to put pressure on issuing companies to adhere to certain standards.

The rationale for delegating ultimate ESG responsibility to the investment managers is as follows:

- The investment managers are the closest party in the investment process to the underlying companies in which the Scheme holds investments.
- Through managing investments of multiple investors, the investment managers possess greater negotiating power and thus are more able to meaningfully influence the ESG characteristics of issuers.

Non-financial matters, including ethical views of beneficiaries and members, are not ordinarily taken into account in the selection, retention and realisation of investments.

The Trustee considers ESG integration as an element in the selection and ongoing monitoring of investment managers, by considering research carried out by the Investment Adviser, which includes:

- Manager Selection Process: each time an investment manager is selected or reviewed, ESG integration is one of the key selection factors considered by the Investment Adviser's manager research team.
- Annual survey: The Investment Adviser's recommended investment managers are surveyed annually to ensure any changes to the ESG integration process are captured (e.g. data sources, reporting lines, etc.).
- UN Principles for Responsible Investment "PRI" reporting: The Investment Adviser requests PRI assessment scores from all investment managers for funds in which clients are invested on an annual basis. The Investment Adviser reports Strategy and Governance scores as part of standard quarterly manager monitoring reports.

The global custodian, JP Morgan, is responsible for the safekeeping of the Scheme's directly held assets and performs the associated administrative duties.

The Trustee communicates periodically with members on investment issues as part of its regular member updates. In particular, the SIP is reviewed periodically and is available to all members on request.

16. GOING CONCERN

In performing its assessment of the Scheme's ability to continue as a going concern, the Trustee has considered relevant factors, in particular the Scheme's strong funding level, its well-diversified investment strategy and the Employer's ability to pay contributions to the Scheme.

The Trustee has held regular meetings with the Employer's management throughout the year and continues to monitor its financial performance with the support of its covenant adviser. The Trustee also considers KPIs on a quarterly basis as part of its Integrated Risk Management monitoring framework. The Trustee notes the significant increase in passenger numbers at Heathrow during 2022 and the improvement in the financial performance of the business. Based on its assessment of relevant factors the Trustee believes that support from the Employer will continue to be available and has concluded that it remains appropriate to prepare the Scheme's financial statements on a going concern basis.

Signed on behalf of BAA Pension Trust Company Limited:

……………………… ……………………………..
Director Director

Date: 30 March 2023

The Compliance Statement on page 42 and the Implementation Statement on page 44 form part of this Trustee's Report

Independent Auditor’s Report to the Trustee of the BAA Pension Scheme

Opinion

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

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The Trustee is responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the statement of Trustee's responsibilities, 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 have 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.

- 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.
- Non-receipt of contributions due to the Scheme from the Employer. This is addressed by testing contributions and other income due are paid to the Scheme in accordance with the Schedule of Contributions or other relevant agreements between the Employer and the Trustee.
- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the investment custodian and fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.
- Diversion of bulk annuity income due to the Scheme from annuity providers. This is addressed by testing that income received from the annuity providers is reconciled by the administrator to pensions paid to pensioner members.

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 Schemes Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

Date: 18 April 2023

BAA Pension Scheme
Fund Account for the year ended 30 September 2022

	Note	2022	2021
		£'000	£'000
Contributions and benefits			
Contributions receivable:	4		
Employer		31,287	42,671
Employee		1,247	1,391
Total contributions		32,534	44,062
Transfers in	5	27	68
		32,561	44,130
Benefits paid or payable	6	(115,412)	(113,669)
Individual transfers out to other schemes		(44,818)	(48,272)
Administrative expenses	7	(4,687)	(4,093)
		(164,917)	(166,034)
Net withdrawals from dealings with members		(132,356)	(121,904)
Return on investments			
Investment income	8	77,226	93,274
Investment management expenses	9	(3,552)	(6,835)
Change in market value of investments	10	(1,581,242)	117,456
Net returns on investments		(1,507,568)	203,895
Net (decrease)/increase in the fund during the year		(1,639,924)	81,991
Net assets of the Scheme at 1 October		4,686,557	4,604,566
Net assets of the Scheme at 30 September		**3,046,633**	**4,686,557**

The notes on pages 21 to 38 form part of these financial statements

BAA Pension Scheme
Statement of Net Assets (available for benefits) as at 30 September 2022

	Note	2022 £'000	2021 £'000 (As restated)
Investment assets			
Bonds	10	2,019,802	4,260,925
Pooled investment vehicles	12	1,781,021	2,054,574
Derivatives	13	191,594	55,957
Insurance policies	14	510,100	323,400
AVC Investments	15	846	1,370
Cash		284,653	70,798
Other investment balances	16	77,749	105,084
Amounts receivable under reverse repurchase agreements	16	267,414	182,700
		5,133,179	7,054,808
Investment liabilities			
Derivatives	13	(310,448)	(49,293)
Other investment balances	16	(14,564)	(122,877)
Amounts due under repurchase agreements	16	(1,774,978)	(2,202,798)
		(2,099,990)	(2,374,968)
Total net investments		3,033,189	4,679,840
Current assets	19	19,233	15,390
Current liabilities	20	(5,789)	(8,673)
Total net assets as at 30 September		**3,046,633**	**4,686,557**

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

The financial statements were approved by the Directors of BAA Pension Trust Company Ltd on
30 March 2023

Director

Director

The notes on pages 21 to 38 form part of these financial statements

1. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and in accordance with the Occupational Pension Plans (Requirements 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 (Revised 2018 ("the Revised SORP").

As stated in the Statement of Trustee's Responsibilities on page 9, 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 14 under the heading Going Concern, the Trustee has undertaken an assessment in relation to going concern and has concluded that it remains appropriate to prepare the Scheme's financial statements on a going concern basis.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustees Report.

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Trustee are shown below:

a) Contributions

Employee contributions, including AVCs and added years, are accounted for by the Trustee when they are deducted from pay by the Employer.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.

Augmentation contributions are paid from time to time by the Employer to fund benefit improvements on the terms agreed with the Trustee. These are accounted for on an accruals basis.

Deficit contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions under which they are paid, or upon receipt if this is earlier than the due date in the Schedule of Contributions and this treatment has been agreed by the Employer and the Trustee.

b) Benefits Payable and Payments to Leavers

(i) Pensions in payment are accounted for in the period to which they relate.
(ii) Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
(iii) Individual transfers out are accounted for on a cash basis and represent the capital sums paid to personal pensions or pension plans of new employers for members who have left service.

3. ACCOUNTING POLICIES (continued)

c) Expenses

Administrative and investment management expenses are accounted for on an accruals basis.

d) Investment Income

(i) Investment income from bonds is recognised on an accruals basis.

(ii) Dividend income from equity shares is recognised when the Scheme becomes entitled to the dividend. In the case of UK quoted shares this will be from the ex-dividend date.

(iii) Income receivable from pooled investment vehicles is recognised on an accruals basis. Income from accumulating pooled investment vehicles is reinvested by fund managers and is reflected within their change in market value.

(iv) Deposit and other income receivable is accounted for on an accruals basis.

(v) Receipts from the Buy-In insurance policy are accounted for as annuity income on an accruals basis.

e) 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 the sale of investments during the year.

f) Investments

(i) Investments other than derivatives

- Listed securities are valued at bid price as at the year-end date. Accrued income on bonds is excluded from the closing value and reflected as income receivable within other investment balances.
- Pooled investment vehicles are valued at the bid market values at the year-end date for funds with bid/offer spreads, or a single price where there are no bid/offer spreads, as provided by the relevant fund managers on the last dealing day prior to the year-end date.
- Investments held in foreign currencies are valued as above and translated into sterling at the relevant spot rates ruling at the year-end date.
- Investments are included in the financial statements at fair value. In the absence of a liquid market for certain securities, these fair values may differ from their realisable value.

(ii) Derivatives

Futures

- Open futures contracts that are exchange traded are included in the net asset statement at market value. For futures contracts that are assets, market value will be unrealised profit at the quoted bid price of the contract at the year end. For futures contracts that are liabilities, market value will be the unrealised loss at the quoted offer price of the contract at the year end.
- Amounts due to or from brokers are included within cash deposits and other investment balances and represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker.

3. ACCOUNTING POLICIES (continued)

(ii) Derivatives (continued)

Futures (continued)

- The amounts included in change in market value are the realised and unrealised gains or losses on open and closed futures contracts.

(iii) Swaps

- Swaps are included in the net asset statement at the net present value of future cash flows using pricing models and relevant market data at the year-end date.
- Interest is accrued monthly on a basis consistent with the terms of each contract. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts.
- Interest receipts or payments on swap contacts are reported within investment income.
- All gains and losses arising on these contracts are included within change in market value.
- Bond forward contracts are included in the net asset statement at their mark to market value. All gains or losses arising on open and closed contracts are included within change in market value.

(iv) Options

- Options are included in the net asset statement at the net present value of future cash flows using pricing models and relevant market data at the year-end date.
- All gains and losses arising on these contracts are included within change in market value.

(v) Forward Foreign Exchange

- Forward foreign exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was closed out at the year-end date with an equal and opposite contract.
- All gains or losses arising on these contracts are included within change in market value.

(vi) Insurance policies

- The buy-in policy is included in these financial statements at the same amount as the related obligation, determined using the most recent Scheme Funding valuation assumptions and methodology. The buy-in valuation is provided by the Scheme Actuary.

(vii) Repurchase Agreements

- Bond investments are sold subject to contractual agreements ('Repurchase Agreements') for the repurchase of equivalent securities. The securities sold are stated at bid prices where available and accounted for within their respective investment classes. The contracts to buy back the equivalent securities, the Repurchase Agreements, are an investment liability and amounts payable under the repurchase agreements are stated at the value of contracted obligation.
- Bond investments are bought subject to contractual agreements ('Reverse Repurchase Agreements') for the resale of equivalent securities. The securities bought are excluded from their respective investment classes. The contracts to sell back the equivalent securities, the Reverse Repurchase Agreements, are an investment asset and the Market Value reported is the cash paid to the counterparty at inception of the Agreements.

g) Currency

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

4. CONTRIBUTIONS RECEIVABLE

	2022 £'000	2021 £'000
Employer		
Normal	14,838	16,288
Augmentations	1,449	1,383
Deficit funding	15,000	25,000
	31,287	42,671
Employee		
Normal	1,184	1,335
Additional voluntary contributions	25	12
Additional contributions to purchase added years	38	44
	1,247	1,391
	32,534	44,062

Augmentations include £1,449m (2021: £1.383m) in respect of the reimbursement by the Employer of discretionary Unfunded Unapproved Retirement Benefits schemes (UURBS) pensions paid by the Scheme and included in pensions payable in note 6.

Deficit funding contributions were payable by the employer in monthly instalments until 30 September 2022. From 1 October 2019 deficit funding contributions reduced to £20m p.a. from £23m p.a., in accordance with the Recovery Plan agreed with the Trustee as part of the 30 September 2018 actuarial valuation.

On 17 December 2020 LHR Airports Limited and the BAA Pension Trust Company Limited signed a Pre-Funding Agreement relating to the BAA Pension Scheme. Under the Agreement, LHR Airports Limited agreed to pay a total of £35,000,000 (divided as £15,000,000 for Future Service Contributions and £20,000,000 for Deficit Repair Contributions) on 18 December 2020, as an advance payment in respect of contributions due to the Scheme under the Schedule of Contributions. The amount was paid to the Scheme by the Employer on 18 December 2020 in accordance with this Pre Funding Agreement.

Following the completion of the actuarial valuation as at 30 September 2021, there were no further deficit contributions payable to the Scheme.

5. TRANSFERS IN

	2022 £'000	2021 £'000
Individual transfers in from other schemes	27	68

6. BENEFITS PAID OR PAYABLE

	2022 £'000	2021 £'000
Pensions	107,093	102,336
Lump sum death benefits	1,043	518
Commutations and lump sum retirement benefits	7,276	10,685
Taxation on lifetime or annual allowance exceeded	-	130
	115,412	113,669

7. ADMINISTRATIVE EXPENSES

	2022 £'000	2021 £'000
Actuarial fees	994	550
Legal and professional fees	1,089	877
Investment adviser fees	824	710
Independent Trustee fees	137	118
PPF levy and other regulatory levies	304	781
Audit fee	76	73
Scheme administrative costs	1,263	984
	4,687	4,093

8. INVESTMENT INCOME

	2022 £'000	2021 £'000
Dividends from equities	12	4
Income from bonds	43,353	45,673
Income from pooled investment vehicles	22,683	33,409
Income from swap contracts	3,640	4,131
Income from insurance policies	23,710	13,502
Net interest on cash instruments	(16,172)	(3,445)
	77,226	93,274

9. INVESTMENT MANAGEMENT EXPENSES

	2022 £'000	2021 £'000
Administration, management and custody	3,601	6,907
Investment managers fee rebate	(49)	(72)
	3,552	6,835

10. RECONCILIATION OF INVESTMENTS

	Value at 30 September 2021 (As restated) £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Value at 30 September 2022 £'000
Bonds	4,260,925	2,133,120	(3,338,508)	(1,035,735)	2,019,802
Pooled investment vehicles	2,054,574	2,288,338	(2,438,096)	(133,795)	1,781,021
Derivative contracts	6,664	473,336	(365,429)	(233,425)	(118,854)
Insurance policies	323,400	365,802	-	(179,102)	510,100
AVC investments	1,370	24	(553)	5	846
	6,646,933	5,260,620	(6,132,586)	(1,582,052)	4,192,915
Cash deposits	70,798			810	284,653
Other investment balances	(2,037,891)			-	(1,444,379)
	4,679,840			(1,581,242)	3,033,189

In the previous year liquidity funds of £110m were included in cash deposits. The opening balances have been adjusted to reflect the liquidity funds in pooled investment vehicles instead of cash deposits.

Sales include £300m from BlackRock Global Screened Corporate Bond Fund, £130m from AllianzGI LIBOR fund, a total of £143m from GQG Emerging Market Equity Fund, a total of £158m from Wellington LIBOR Plus Portfolio, £50m from Man Progressive Diversified Risk Premia, £130m from the AllianzGI LIBOR fund and £325m from BlueBay Leveraged Finance Total Return Fund. The proceeds of all of these sales were invested into the LGIM Segregated LDI portfolio. Purchases include an investment of £60m into the BlueBay Leveraged Finance Total Return Fund. The majority of the remaining sales and purchases in pooled investment vehicles related to movements in and out of the liquidity funds.

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

Separately identifiable direct transaction costs during the year amounted to £177,893 (2021: £156,881) based on global custodian records.

Indirect costs are incurred through the bid offer spread on investments within pooled investment vehicles and charges made within those vehicles.

11. Concentration of investments

Except as noted below, no investments represented more than 5% of the Scheme's assets.

Holding	2022 £'000	2022 %	2021 £'000	2021 %
BlueBay Leveraged Finance Total Return Fund	452,988	14.8	500,275	10.7
Ownership Capital Global Equity Fund	354,179	11.6	444,393	9.5
Insurance policy - Legal & General Assurance Society	246,400	8.1	323,400	6.9
Insurance policy - Legal & General Assurance Society	263,700	8.6	-	-
Man Progressive Diversified Risk Fund	194,472	6.3	-	-
BAA Bridgewater Opt Fund	233,259	7.6	-	-

12. Pooled investment vehicles

	2022 £'000	2021 £'000 (as restated)
Equity funds	374,547	630,478
Credit funds	131,084	101,989
Property funds	150,023	161,603
Infrastructure funds	56,916	18,267
Multi strategy funds	950,739	1,032,083
Liquidity funds	117,712	110,154
	1,781,021	2,054,574

The illiquid credit fund relates to the Credit Opportunities portfolio managed by KKR, which invests in a diversified portfolio of corporate bonds and debt-related financial instruments such as secured bank loans and private credit.

The underlying assets in the Credit funds consist primarily of higher yielding fixed income securities.

Multi strategy funds contain a range of asset classes with different characteristics, predominantly UK and overseas equities, currencies, and derivatives.

13. Derivative contracts

	2022 £'000 Asset	2022 £'000 Liability	2021 £'000 Asset	2021 £'000 Liability
Futures	1,941	(794)	9,464	(852)
Forward foreign exchange contracts	13,792	(48,540)	7,461	(28,742)
Swaps	174,972	(259,442)	38,786	(19,434)
Bond forwards	471	(1,225)	246	(265)
Options	418	(447)	-	-
	191,594	(310,448)	55,957	(49,293)

(i) Futures

The Scheme manages risk in the portfolio by entering into a futures position to adjust the portfolio weighting without disturbing the underlying assets.

Futures contracts are exchange traded derivatives, which reduces the risk that the counterparty does not fulfill their side of the contract.

Open futures contracts at the year-end are as follows:

Nature	**Economic Exposure Value**	**Expires**	**Market Value (asset)**	**Market Value (liability)**
	£'000		**£'000**	**£'000**
UK Bonds	(11,430)	2 months	-	(138)
Overseas Bonds	(154,800)	2 months	1,941	(656)
30 September 2022	(166,230)		1,941	(794)
30 September 2021	(757,415)		9,464	(852)

The economic exposure values futures on a 'gross basis' showing the total exposure to the underlying asset class that the future effects as if the change in asset allocation in the underlying asset has taken place.

(ii) Forward Foreign Exchange Contracts

During the year forward foreign exchange contracts were entered into by the Scheme to hedge foreign exchange risk on overseas securities.

Forward contracts are individually traded over-the-counter contracts. The contracts are generally three months' duration.

Open forward foreign exchange contracts that have a close out date of 1 to 3 months at the year-end are as follows:

Currency Bought	Value of Currency bought	Currency Sold	Value of currency sold	Asset value	Liability Value
	£'000		£'000	£'000	£'000
Various	2,212,706	Various	(2,247,454)	13,792	(48,540)
30 September 2022	2,212,706		(2,247,454)	13,792	(48,540)
30 September 2021	940,609		(2,135,544)	7,461	(28,742)

The gross amount is the gross sterling equivalent of the currency on which the contract is based. The total number of contracts outstanding at the year end was 802.

(iii) Swaps

The Scheme has entered into a series of interest rate, inflation and total return primarily to hedge against long term interest rate and inflation rate movements.

Swap contracts in place as at 30 September 2022 are as follows:

Types of swaps	Nominal Principal £'000	Expires	Market Value (asset) £'000	Market Value (liability) £'000
Inflation	541,887	5-40 years	79,327	(6,131)
Interest rate	176,116	3-30 years	400	(564)
Overnight Index	3,534,132	2–50 years	95,235	(252,747)
Credit Index	18,180	<2 months	10	-
30 September 2022	4,270,315		174,972	(259,442)
30 September 2021	1,963,174		39,032	(19,699)

The notional principal of the swap is the amount used to determine the value of swapped receipts and payments.

(iv) Bond Forward Contracts

Bond forwards are over the counter contracts entered into by two counterparties to buy or sell a bond on a specified future date at an agreed price. The contracts generally expire in up to one month.

	Nominal Principal £'000	Market Value (asset) £'000	Market Value (liability) £'000
Overseas	1,129,377	471	(1,225)
30 September 2022	1,129,377	471	(1,225)
30 September 2021	32,703	246	(265)

(v) Options

The Trustees invest in options to provide protection against negative price movements of its assets. Option contracts in place as at 30 September 2022 are as follows:

Types of options	Nominal Principal £'000	Expires	Market Value (asset) £'000	Market Value (liability) £'000
Currency	22,322	8 months	310	(384)
Euro Bond	2,600	2 months	25	(21)
Index	22,500	12 months	83	(40)
30 September 2022	47,422		418	(447)
30 September 2021	-		-	-

The notional amount represents the value of underlying stocks subject to the option contracts.

(vi) Collateral

During the year collateral was received and pledged in respect of non-centrally cleared swaps, bond forward contracts and repurchase agreements. At the year end the collateral received/pledged was as follows:

Collateral Received	2022 £'000	2021 £'000
Stock equivalents	25	49,330
Cash equivalents	4,243	12,733
	4,268	62,063

Collateral Pledged	**£'000**	**£'000**
Stock equivalents	(547,458)	(80,383)
Cash equivalents	(46,546)	(4,056)
	(594,004)	(84,439)

14. Insurance policy

In June 2018 the Trustee purchased an insurance policy with Legal & General Assurance Society Limited. The policy insures the benefits of approximately 1,200 pensioner members of the Scheme.

In February 2022 the Trustee purchased an additional insurance policy with Legal & General Assurance Society Limited. The policy insures the benefits of approximately 1,400 pensioner members of the Scheme.

The Scheme Actuary has valued these policies, on a technical provision basis, as at 31 December 2022 as follows:

- 2018 policy: £246.4m (2021: £323.4m)
- 2022 policy: £263.7m

A summary of the key assumptions used to calculate the value of the policies at 31 December 2022 is as follows:

Assumption	30 September 2022	30 September 2021
Discount rate	4.22%	1.8%
Pension increases	3.65% - 3.84%	3.5% - 3.65%
Mortality – base and future improvements	S3PA YoB tables weighted by 89% for females and 98% for males. In line with the CMI_2021 model with a 1.5% p.a. long-term rate of improvement, Sk of 7.5	S3PA YoB tables weighted by 89% for females and 98% for males. In line with the CMI_2018 model with a 1.5% p.a. long-term rate of improvement, Sk of 7.5

The main reason for the fall in the value of the polices is due to the increase in the discount rate.

15. AVC investments

	2022	**2021**
	£'000	**£'000**
Santander	255	233
Utmost Life and Pensions	130	150
Aviva Group	461	987
	846	1,370

AVC investments held on a money purchase basis are invested separately from main Scheme assets. Members participating in such AVC arrangements each receive an annual statement confirming the value of their investments and the movement in the year.

16. Other Investment balances

	2022 £'000		2021 £'000 (As restated)	
	Investment Asset	Investment Liability	Investment Asset	Investment Liability
Cash due to/from Broker	6,650	(7,533)	3,350	(10,325)
Repurchase and reverse repurchase agreements	267,414	(1,774,978)	182,700	(2,202,798)
Investment income receivable	1,099	(2,742)	86,696	(111,183)
Outstanding trades	70,000	(4,289)	15,038	(1,369)
	345,163	(1,789,542)	287,784	(2,325,675)

The Scheme holds an interest rate and inflation hedging mandate under which bonds have been sold subject to repurchase agreements and reverse repurchase agreements.

Under repurchase agreements 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. The securities are included in the financial statements as assets of the Scheme at their market value. At 30 September 2022 the market value of securities included was £1,019m (2021: £2,116m).

Cash received from counterparties in respect of the securities that have been sold is used by the investment manager to purchase additional securities to meet desired exposure levels. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Scheme's financial statements under other investment liabilities.

Under reverse repurchase agreements, the financial statements recognise the cash delivered to the counterparty as an asset. At 30 September 2022 the market value of securities included was £256.m (2021: £182.m).

The collateral received/pledged to/from the Scheme on repurchase and reverse repurchase agreements has been disclosed in note 13(vi).

17. Fair value determination

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
At 30 September 2022				
Bonds	1,842,188	177,614	-	2,019,802
Pooled investment vehicles	-	1,593,021	188,000	1,781,021
Derivatives	1,147	(120,001)	-	(118,854)
Insurance policies	-	-	510,100	510,100
AVC investments	-	461	385	846
Cash deposits	284,653	-	-	284,653
Other investment balances and repurchase agreements	63,185	(1,507,564)	-	(1,444,379)
	2,191,173	143,531	698,485	3,033,189

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
At 30 September 2021				
Bonds	3,515,003	745,922	-	4,260,925
Pooled investment vehicles	-	1,934,317	120,257	2,054,574
Derivatives	8,612	(1,948)	-	6,664
Insurance policies	-	-	323,400	323,400
AVC investments	-	992	378	1,370
Cash deposits	70,798	-	-	70,798
Other investment balances and repurchase agreements	(17,793)	(2,020,098)	-	(2,037,891)
	3,576,620	659,185	444,035	4,679,840

18. Investment Risks

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

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

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

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates;

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates; and

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

The Scheme has exposure to the above risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks within agreed risk limits, taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment agreements in place with the Scheme's investment managers and they are monitored by the Trustee in regular reviews of the investment portfolio.

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

	Credit risk	Market risk			**2022**	2021
		Currency	Interest rate	Other price	**£m**	**£m**
Liability Driven Investments						
Bonds	◐	○	●	○	**1,835.7**	**3,515.0**
Derivatives	◐	◐	●	◐	**(110.0)**	**8.2**
Pooled investment vehicles	●	◐	●	○	**117.7**	**-**
Insurance policies	●	○	●	◐	**510.1**	**323.4**
Cash and Other investment assets and liabilities	◐	◐	◐	○	**(1,371.2)**	**(1,909.3)**
Return Seeking Investments						
Bonds	●	◐	●	○	**184.1**	**745.9**
Pooled investment vehicles	●	◐	◐	◐	**1,663.3**	**1,944.4**
Bond funds (direct and indirect risk)					***453.0***	***500.3***
Other funds (direct risk only)					***1,210.3***	***1,444.1***
Derivatives	◐	◐	◐	◐	**(8.9)**	**(1.5)**
Cash and Other investment assets and liabilities	◐	◐	◐	○	**211.5**	**52.3**
Total (excluding AVCs)					3,032.3	4,678.4

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

Further information on the Trustee's approach to risk management is set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Investment Strategy

The Trustee determines investment strategy after taking advice from a professional investment adviser. The investment objective is to maintain a portfolio of suitable assets of appropriate liquidity which, together with future contributions, will generate investment returns to meet the benefits of the Scheme payable under the Trust Deed and Rules, as they fall due. Further details of the Trustee's investment strategy are set out in the Trustee's report on page 10.

Credit Risk

The Scheme is subject to credit risk because it invests directly in bonds and over-the-counter ("OTC") derivatives and because it holds cash balances as well as a bulk annuity insurance contract. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. In addition, the Scheme is indirectly exposed to credit risks arising from some of the financial instruments held by the pooled investment vehicles.

Credit risk arising from bonds held directly is mitigated by the appointment of investment managers with the appropriate skill and processes to manage these assets. These managers are also set limits and guidelines, including restrictions on the credit quality of the investment they purchase for the Scheme. These portfolios are very well diversified and the risk from any individual security or issuer is kept at an appropriate level given the credit worthiness of that security or issuer. For example, the Scheme may hold significant positions in UK Government Bonds as the credit risk associated with the UK Government is small.

Credit risk arising from OTC derivatives is mitigated by collateral arrangements (see note 14vi).

Credit risk arising from bonds and cash balances is mitigated by transacting with governments and financial institutions which are rated investment grade. As at 30 September 2022 99.8% of bonds held by the Scheme were rated investment grade (2021: 99.3%).

Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the pooled fund manager; the regulatory environments in which the pooled managers operate; diversification of the investments amongst a number of pooled arrangements; and investment due diligence checks carried out by the investment advisors appointed by the Trustee on the appointment of new pooled investment managers and on an ongoing basis thereafter. Pooled investment arrangements used by the Scheme primarily consist of unit linked insurance contracts, authorised unit trusts, open mutual funds and limited partnerships. Direct credit risk also arises from the bulk annuity policy the Scheme has in place with Legal & General Investment Management which is used to hedge longevity, interest rate and inflation risk of the insured pensioner population.

Credit risk arising from the insurance policy held with Legal & General Assurance Society Limited is mitigated through the use of a provider with the appropriate skill, processes and size to manage these assets. In addition, the Scheme is protected by the Financial Services Compensation Scheme.

Indirect credit risk arising from pooled investment vehicles is mitigated by the investment restrictions in place for each of the pooled investment vehicles, and varies depending on the nature of the underlying assets (see note 12).

Currency Risk

The Scheme is subject to currency risk because some investments are denominated in overseas currencies.

A number of the managers hold bonds for the Scheme which are denominated in overseas currencies. The currency risk from the bonds is mitigated by the managers who use currency forwards to offset the majority of currency exposure. Any remaining exposure is held to achieve improved returns and the risk from these positions is carefully managed.

The KKR, Ownership Capital and BlackRock Renewables Funds are all based in USD. The Scheme fully currency hedges these funds to mitigate any direct currency risk. All other pooled funds are reported in GBP so there is no direct currency risk from the pooled investment vehicles. Indirect currency risk from pooled investment vehicles is mitigated by investing in currency hedged share classes where available.

A summary of exposures to currency risk at both the current and previous year end is given in the following table:

2022	**Investments**	**Currency Contracts**	**Total**
	£m	**£m**	**£m**
US Dollar	660.5	(541.2)	119.3
Euro	54.4	(90.6)	(36.3)
Japanese Yen	4.6	(0.9)	3.7
Other overseas currency	0.9	(27.9)	(27.0)
Total overseas exposure	720.3	(660.6)	59.7
Unhedged exposure	8.3%		

2021	**Investments**	**Currency Contracts**	**Total**
	£m	**£m**	**£m**
US Dollar	1,110.3	(914.7)	195.6
Euro	209.1	(256.8)	(47.7)
Japanese Yen	0.0	(0.7)	(0.7)
Other overseas currency	6.3	(44.0)	(37.7)
Total overseas exposure	1,325.7	(1,216.2)	109.5
Unhedged exposure %	8.3%		

Interest Rate Risk

The Scheme is subject to interest rate risk on the LDI investments, comprising government bonds, interest rate and inflation swaps and cash, as well as the bulk annuity insurance contract.

Interest rate risk is mitigated by aligning the sensitivity of the LDI investments with that of the Scheme's liabilities. Under this strategy, if interest rates fall, the value of LDI investments will rise to match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value as will the actuarial liabilities because of an increase in the discount rate. The valuation of the bulk annuity policy that the Scheme has will be impacted by interest rates as it is used to hedge the liabilities of the insured pensioner population.

At the year-end the LDI portfolio represented 32.6% of the total assets (2021: 32.9%).

The value of the insurance policy held with Legal & General Assurance Society Limited is affected by interest rates, which are used to set the discount rate used when valuing. The interest rate risk is mitigated as the value of the asset and the value of the liabilities for those members covered by the insurance policy are opposite and equal.

Other Price Risk

The Scheme is subject to other price risk in relation to the return seeking investments which include equities, non-gilt bonds, property funds, diversified growth funds and hedge funds.

Other price risk is mitigated by constructing a diverse portfolio of investments across various markets and managers.

At the year-end these represented 67.4% of the total assets (2021: 67.1%).

19. CURRENT ASSETS

	2022 £'000	2021 £'000
Debtors		
Contributions due from the Principal Employer in respect of reimbursement of UURBS pensions	121	116
Prepayments	122	182
Due from Employer – VAT	542	139
Annuity income due	1,131	-
	1,916	437
Cash balances:		
Cash at bank	17,317	14,953
	19,233	15,390

The contributions due from the Principal Employer as at 30 September 2022 were in respect of discretionary UURBS pensions paid by the Scheme and were received by the Scheme in accordance with the timescale set out in the Schedule of Contributions.

20. CURRENT LIABILITIES

	2022 £'000	2021 £'000
Creditors		
Employer contributions paid in advance	-	4,043
Administration and investment management expenses	4,018	3,337
Due to HMRC	1,475	1,019
Benefits payable	296	274
	5,789	8,673

21. RELATED PARTY TRANSACTIONS

LHR Airports Ltd provides certain administration and other services to the Scheme. The costs of these services are recharged to the Scheme and are included within administrative expenses disclosed in Note 7. During the year these costs amounted to £60,000 (2021: £120,000). Independent Trustee fees are also disclosed in Note 7.

LHR Airports Ltd is responsible for certain discretionary payments of pension benefits. The actual payment of these amounts is made by the Scheme and reimbursed by LHR Airports Ltd. During the year such payments amounted to £1,449,324 (2021: £1,382,933). Apart from the above, and transactions and balances with the Principal Employer shown in the Financial Statements and notes thereto, there were no other related party transactions.

22. CAPITAL COMMITMENTS

At 30 September 2022 the Scheme had commitments to invest in KKR Private Credit Opportunities Partners II L.P. fund of US$44.2m (2021: US$46.2m) and in BlackRock Global Renewable Power Infrastructure Fund US$174.1m (2021: US$213.4m).

23. 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 that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ("GMP") benefits. A second High Court judgment was handed down on 20 November 2020 which provided clarification on the obligations of pension plan trustees to equalise past transfer values to allow for GMP. The issues determined by these judgments arise in relation to many other defined benefit pension schemes.

The Trustee of the Scheme is aware that the judgments will affect the Scheme and will be considering this at future meetings and decisions will be made as to the next steps. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

The latest actuarial valuation as at 30 September 2021 was completed in December 2022 which included an allowance of 0.1% (£4.5m) of the total liabilities of the Scheme covering the expected total increase in actuarial liabilities for GMP equalisation. There was no analysis between past and future liabilities

Based on this initial assessment the Trustee does not expect the backdated amounts to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. Any adjustments necessary will be recognised in the future accounts as necessary.

Independent auditor's statement about contributions to the Trustee of the BAA Pension Scheme

Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions payable to the BAA Pension Scheme, for the Scheme year ended 30 September 2022 which is set out on page 40.

In our opinion contributions for the Scheme year ended 30 September 2022 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 15 October 2019.

Basis of opinion

Our objective is to obtain sufficient evidence 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 Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

Auditor's responsibilities for the statement about 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

Crowe U.K. LLP
Statutory Auditor

Date: 18 April 2023

Trustee's summary of contributions payable during the Scheme year ended 30 September 2022

Contributions payable to the Scheme in accordance with the Schedule of Contributions in respect of the year ended 30 September 2022 were as follows:

	2022 £'000
Employer normal contributions	14,838
Employer deficit funding contributions	15,000
Employer augmentations	1,449
Member normal contributions	1,184
Total contributions paid under the Schedule of Contributions	32,471
Member additional voluntary contributions	25
Member additional contributions to purchase added years	38
Contributions disclosed in the financial statements	32,534

For and on behalf of the BAA Pension Trust Company Limited

Director

Director

Date: 30 March 2023

Mercer

Certificate Of Schedule Of Contributions

Name of the Scheme	BAA 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 could have been expected on 30 September 2021 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 20 December 2022.

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

Signature	
Name	Kirstie Nicholls
Date of signing	21 December 2022
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
Address	One Christchurch Way Woking Surrey GU21 6JG

COMPLIANCE STATEMENT

1. Tax Status

The Scheme was approved by the Inland Revenue Pension Schemes Office under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 until 5 April 2007. Subsequently it became a Registered Scheme with Her Majesty's Revenue and Customs from 6 April 2007, in accordance with the provisions of the Finance Act 2006. The Trustee's opinion is that there is no reason to believe this approval/registration may be prejudiced or withdrawn.

2. Employer Related Investments

The Scheme did not hold any direct investments in the Employer during the year.

3. Transfer of Pension Rights

The Scheme can transfer pension rights to, or receive them from such schemes as are suitably approved by the Commissioners of Inland Revenue. Transfers out to other pension schemes include transfers to arrangements approvable under Section 32 of the Finance Act 1981. The sums transferred were cash equivalents calculated, and paid in the manner prescribed by the Actuary in accordance with legislation. The calculation of transfer values does not make any allowance for discretionary benefits as these are not a feature of the Scheme. Transfer values paid during the year are the full cash equivalent and have not been adjusted as a result of Scheme funding levels.

4. Complaints

If Scheme members have any queries concerning their benefits they should contact the Scheme's administrator at the address shown for enquiries on the contents page. If the enquiry is not resolved to their satisfaction, members should use the Scheme's dispute resolution procedure, which is aimed at resolving complaints and disputes.

Money & Pensions Service (MaPS), a free government backed service, offers free money or pensions help. MaPS can be contacted at:

Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD
Email: contact@maps.org.uk
Tel: 01159 659 570 or 0800 138 777
www.moneyandpensionsservice.org.uk

If the matter remains unresolved after MaPS has assisted, members have the right to refer their complaint to the Pensions Ombudsman, who investigates complaints of injustice caused by bad administration or disputes of fact or law. The Pensions Ombudsman can be contacted at:
10 South Colonnade
Canary Wharf
London
E14 4PU
Email: enquiries@pensions-ombudsman.org.uk
Tel: 0800 917 4487
www.pensions-ombudsman.org.uk

COMPLIANCE STATEMENT (continued)

5. The Pensions Regulator

The Pensions Regulator is the UK regulator of workplace pension schemes.
The Regulator's aim is to encourage high standards in the way pension schemes are run, to prevent problems from developing. The Regulator works with pension scheme trustees and scheme managers to help protect work-based pensions and if problems do develop, the Regulator has powers to put matters right. The Regulator cannot help with individual complaints or disputes, but if members believe that the Scheme is not complying with pensions rules and regulations, they can report this to the Regulator, at the following address:

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

Email: report@tpr.gov.uk
Tel: 0345 600 7060
www.thepensionsregulator.gov.uk

IMPLEMENTATION STATEMENT FOR 2021-2022

BAA Pension Scheme

February 2023

Private and Confidential

Introduction

This Implementation Statement is the Trustee's response to regulatory requirements to produce an annual review of how voting and engagement policies in its Statement of Investment Principles (the "SIP") have been implemented. This document also includes details on any recent updates to the SIP.

It has been prepared by the Trustee of the BAA Pension Scheme, covering the period 1 October 2021 to 30 September 2022.

The Statement sets out at a high level how the Trustee's policy on stewardship and engagement has been implemented. Where relevant, it describes the areas of the portfolio where stewardship and engagement are most likely to be financially material. It also discloses sample outcomes of voting and engagement activity by managers that hold listed equities.

Changes to the SIP over the period

The Trustee reviewed and updated the SIP in May 2022. Key changes to the SIP stem from a focus on climate change and associated TCFD regulation. These include:

- Detail on the risks to which the Scheme is exposed to, as well as steps taken by the Trustee to mitigate these risks. Climate risk has been added, with a focus on asset repricing risk associated with transitioning to a low carbon economy and physical risks such as asset damage resulting from climate change.
- Time horizons in which the Trustee will look to identify climate-related risks and opportunities have been stated. This is shown in the table below:

Time Horizon	
Short-term	In line with the next actuarial valuation (2024) cycle
Medium-term	Around the Scheme's previous 108% funding target (2028) on the self-sufficiency basis
Long-term	As the Scheme matures further (10-12 years)

- Further detail as to how climate-related risks and opportunities, as well as active engagement with companies, are monitored by the Trustee i.e., scheme governance in relation to climate change. This involves conducting scenario analysis on the assets. The Trustee recognises the importance of conducting scenario analysis on the liabilities and covenant as well as assets, to be compliant with TCFD regulations.

- The Trustee expects its asset managers (and other providers where appropriate) to also adopt the TCFD recommendations when producing their financial disclosures. The Trustee will monitor the extent to which its asset managers and providers adopt TCFD reporting.

The SIP continues to reflect the regulatory changes regarding the Shareholder Rights II Directive (‘SRD II’).

How have the policies in the SIP been followed over the year?

In the opinion of the Trustee, the policies set out in the SIP have been followed throughout the Scheme year. This statement sets out how, in its opinion, the Trustee has followed those policies during the year.

How the Scheme is governed

A Corporate Trustee – BAA Pension Trust Company Limited (“the Trustee”) – was appointed as the sole Corporate Trustee of the BAA Pension Scheme (“the Scheme”). The Trustee oversees the governance of the Scheme in consultation with LHR Airports Limited (“LHRA”).

The Trustee has formed an Investment Strategy Committee (“ISC”) to which it has delegated responsibility for overseeing and monitoring the Scheme’s investments.

The Trustee’s policies on risk

The SIP lists a number of risk parameters that the Trustee believes may result in a failure to meet the agreed objectives.

Over the year, the Trustee managed these risk parameters, including climate related risks, through regular monitoring on at least a quarterly basis and considered any action where appropriate, consulting with the Employer and seeking guidance and written advice from its investment advisers as required.

The Trustee does not consider there to have been any material breaches of risk parameters over the Scheme year. In the opinion of the Trustee, the risk parameters have been adequately managed throughout the year.

The Trustee’s policies for investment managers

The Trustee’s policy is to delegate the day-to-day management of the assets to investment managers.

Due to the benefits of cost and ease of implementation, the Trustee mainly invests in pooled investment vehicles. The Trustee recognises that due to the collective nature of these investments, there is less scope to influence directly how the asset manager invests. The Trustee does not consider that any material changes were made to the pooled fund terms over the Scheme year.

In terms of segregated arrangements, changes were made to the Investment Manager Agreement (“IMA”) for the LGIM LDI portfolio to incorporate the latest Scheme liability cashflows for interest rate and inflation hedging purposes for the Scheme (following a breach of the trigger in September and November 2021 for reviewing the hedge). Furthermore, the IMA was updated in February 2022 to account for the second buy-in cashflows and in July 2022 following a review of the LDI benchmark by the Scheme’s actuary.

The Trustee reviews transaction costs of all transitions that occur, where data is disclosed and available. The Trustee is comfortable that transaction costs that occurred over the Scheme year were within reasonable expectations.

The Trustee’s policies on stewardship, engagement and voting behaviour

Direct engagement with underlying companies (as well as other relevant assets) in which the Trustee invests is carried out by the Scheme’s investment managers. The Trustee’s ability to influence investment managers’ stewardship activities will depend on the nature of the investments held. Before appointing a pooled fund manager, the Trustee’s investment advisors assess whether the investment objectives and guidelines of the manager are in line with those of the Trustee.

The Trustee does not believe that it can rely solely on markets to price in climate-related risks quickly or accurately enough. The risks arising from climate change should therefore be actively managed where possible, appropriate, and consistent with the Scheme's wider investment objectives. The Trustee aspires to align with the aim of LHR Airports Ltd, its corporate sponsor, by dedicating resource to considering how the Scheme can achieve net-zero carbon emissions.

To this end, the Trustee has set a long-term objective of achieving net-zero carbon emissions no later than 2050, and an interim target of achieving a 50% reduction in emissions by 2030. In addition to reducing portfolio emissions, this will involve investing in a way that contributes to reducing emissions in the real economy. The Trustee notes that there remains considerable uncertainty in the implementation of net-zero investment strategies but is committed to working with asset managers and advisers to move towards this target through monitoring manager progress, conducting an annual survey and PRI reporting.

The Trustee believes that engagement (including the exercise of voting rights) is one means of helping to manage the Scheme's climate-related risks. Engagement with underlying companies (as well as other relevant organisations) is carried out primarily by investment managers on behalf of the Trustee. Each investment manager is expected to exercise voting rights in accordance with their guidelines. The ISC, on behalf of the Trustee, encourages its managers to engage with investee companies and promote adherence to best practice in corporate governance. The ISC, on behalf of the Trustee also meets the Scheme's managers periodically, where the managers present on these activities and are held accountable to the standards expected from the Trustee.

Stewardship and engagement (including the use of voting rights) is most likely to be financially material in the sections of the portfolio where physical equities are held. For the Scheme's managers that hold physical equity holdings (Man, Bridgewater, GQG and Ownership Capital) we have included further detail and an overview of votes cast during the financial year. The Trustee is comfortable that the voting and engagement policies have all been adequately followed over the Scheme year. There are sections of the portfolio where stewardship and engagement would be considered less relevant, such as the LDI portfolio – which predominantly invests in Gilts. However, where engagement is possible, it is of importance for the Scheme's investment managers.
As part of the Trustee's on-going work around sustainability more broadly, the Trustee has identified climate change and diversity and inclusion as the key themes it would like to focus their stewardship and engagement activities on.

The following investment managers of the Scheme have been recognised by the Financial Reporting Council as signatories to the UK Stewardship Code: Legal & General Investment Management, M&G, Man Group, BlackRock, Wellington Management and BlueBay. The code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term value, which the Trustee is supportive of. The Trustee is comfortable each manager provides good quality and transparent reporting of their approach to stewardship. There are no immediate concerns with the fact that the other investment managers used by the Scheme are not signatories to the UK Stewardship Code. The Scheme's managers actively promote sustainable investment principles and are clear and transparent in reporting their approaches to the Trustee. More information on each of the Scheme's managers' stewardship and engagement policies can be found in the appendix. The Trustee intends to continue to engage with each manager on their policies.
When selecting any new investment manager, the Trustee must be comfortable that it can adequately manage ESG and climate-related risks, investing in line with the Trustee's beliefs. Managers will be periodically reviewed and held to account. If the Trustee is not satisfied that managers are investing in line with these beliefs, the Trustee will first engage with them to try to bring about improvements, but ultimately will terminate their mandate if improvements are not made.

Appendix

In addition to requiring its managers to present on stewardship and engagement policies when the Trustee meets with them, the Trustee also requires each manager to produce an annual statement on their stewardship approach. Direct responses and engagement examples from each of the Scheme's investment managers and reports can be found below:

<u>LGIM</u>

"LGIM's purpose is to create a better future through responsible investing. Aligned to this purpose, ESG is a central underpinning to all of LGIM's activities and especially within strategic initiatives. LGIM has developed and publicly disclosed its policies for stewardship activities. Our policies are reviewed annually and updated where necessary to ensure they remain aligned with the various evolving regulations, best practice and client feedback."

"We are committed to using our scale and influence to encourage companies to improve their management of ESG issues and as such we have dedicated significant resources to our stewardship obligations."

"LGIM has established a fully integrated framework for responsible investing, across both public and private assets, to strengthen long-term returns and raise market standards. This is based on stewardship with impact and collaborative, active research across asset classes. Together, these activities enable LGIM to conduct engagement that helps drive positive change and to deliver integrated solutions for clients."

<u>Case 1: Climate Impact Pledge</u>

Under our Climate Impact Pledge engagement campaign, we have mapped about 1,000 companies worldwide, in 15 climate-critical sectors, against key indicators. Using quantitative and qualitative measures, we assess them under a 'traffic light' system, drawing on independent data providers and our pioneering climate modelling.
These metrics inform our engagements. We will take action against companies that fail to demonstrate adequate climate commitments, through our voting rights across our entire book and investment decisions within some of our funds. We will celebrate successes, too.

- Out of the 60 companies targeted for in-depth engagement, 45 (75%) responded to our engagement campaign and a meeting was held.
- Of the 1000 companies in the pledge that have not met our expectations, 80 companies are subject to data driven voting sanctions. 14 companies have been divested from select funds.
- Of the 60 companies engaged with, 53% of companies set net zero targets. We will continue to monitor their progress and whether they are meeting their interim targets.

<u>Case 2: Ethnic diversity</u>

In August 2020, we announced our minimum expectations for ethnic diversity on corporate boards. We did so because we believe more diverse views create better boards, and we began our engagement campaign by focusing on the largest UK- and US-based companies. LGIM expected FTSE100 and S&P500 boards to have at least one ethnically diverse member or they would be sanctioned in the 2022 proxy season.

During 2020 and 2021 we engaged with 79 companies to ask them to meet our minimum expectations. We also explained to companies the data we were using to assess their levels of board ethnicity. Of the 79 companies we engaged in 2020, 51 have added at least one ethnically diverse director since September 2020 (with a total of 54 individual ethnically diverse directors added). 65% of these new directors hold no other public board positions (20% hold one other board seats, and 15% hold two or more), a very encouraging expansion of the universe of board talent.

The campaign also spurred an improvement in the data on this issue. 15 of the 79 companies we engaged were incorrectly listed by third-party providers as lacking ethnic diversity on their boards, and subsequently updated the records.

While there is still evidently much to be done, we are pleased with this progress. Our view is that improving diversity in all its forms is financially material; we believe more diverse organisations make better strategic decisions, show superior growth and innovation, and exhibit lower risk.

Bridgewater Associates

"As a global macro, multi-asset manager, our first investment goal is to build a deep understanding of how economies and markets work. Because ESG issues are important drivers of global economies and markets, we have made it a strategic priority to deeply research these issues and to integrate that research into our investment process in a manner that is consistent with our systematic way of managing money. Since our investment logic is predominantly driven by macroeconomic views, much of our ESG research takes a similarly macro-oriented approach that spans across economies, markets, and asset classes."

"Our second goal is to convert the understanding we have built into high-quality solutions for our clients' most important investment objectives. The framework we use for integrating ESG considerations into portfolios depends on the portfolios' objectives. For portfolios with traditional return and risk objectives, we research ESG issues that we believe may have a material impact on financial performance, and this research is integrated as part of our broader investment research process. In addition to having return and risk objectives, we are increasingly partnering with clients who have added a third dimension to their investment objectives, namely impact. For these portfolios, we not only consider how ESG-related issues might affect return and risk but also how aligned these portfolios are to environmental and social outcomes."

Man Group

"At Man Group, we believe in the absolute necessity of addressing the climate crisis. As stewards of capital and long-term investors, we acknowledge our responsibility to address climate change-related risks and opportunities through our own investment decisions, as well as through our influence on investee companies."

"In July 2021, we became a signatory of the Net Zero Asset Managers initiative, committing to the attainment of net zero emissions within our investment portfolios by 2050."

"As a responsible investor, Man Group complements its stewardship activity by carrying out rigorous engagement work with investee companies. We define engagement as a constructive and purposeful dialogue with companies on material risks tied to ESG issues - a targeted and focused discussion with a clear agenda and defined objectives. We have designed our approach to stewardship in close collaboration with senior members across Man Group's investment engines, many of whom focus on ESG related strategies to leverage resources across the business to drive sound ESG practices at all investee companies."

Case 1: Rathbones - FTSE 350 modern slavery engagement initiative

Issue/theme: "Modern slavery Act (2015)."

Engagement undertaken: "Man Group continued its support for an investor coalition, led by Rathbones and representing £9.6 trillion AUM. The engagement, co-ordinated through the PRI Collaboration Platform, includes 29 asset managers and institutional investors, including pension funds, and targets FTSE 350 companies which fail to comply with Section 54 of the Modern Slavery Act."

Outcome: "The 61 FTSE 350 companies targeted in 2021 became compliant by January 2022, and 20 out of 22 FTSE "100 companies contacted in 2020 became compliant by the end of that year."

Case 2: Dai-Ichi Life Holdings Inc

Issue/theme: “Business ethics – a series of fraudulent incidents with employees illegally collecting large sums of money from customers.”

Engagement undertaken: “Man held a virtual meeting with the company to discuss its management quality reform and the importance of putting in place strong measures to prevent financial fraud, establish a new corporate culture, and recover the trust of stakeholders.”

Outcome: “Dai-ichi recognised the severity of the incidents and how it needed to make a number of changes. The company provided a detailed list of immediate, short and long-term actions and also agreed to report regularly on its reform.”

Allianz Global Investors

“One way we are looking to drive real-world impact is through our enhanced climate engagement with high emitting companies highlighted by the launch of our Climate Engagement with Outcome approach. This enables us to use expanding data coverage to fully scope the climate profiles of the highest carbon emitters in portfolios and engage more fully with them to identify and develop climate transition pathways. The most important part of this approach is its real-world impact across all topics, beyond just carbon emissions. We also gain insights into climate transition efforts across regions and sectors which allows us to identify progress of our invested companies in a consistent and comparable way.”

“Our commitment to active asset management is unequivocal. We think being an active asset manager offers unique advantages in today’s investment environment – whatever the asset class, geographic scope or investment style. Being active also allows us to stay ahead of our clients’ future needs and to manage emerging and developing risks and opportunities when it comes to sustainable investing.”

Case 1: Advising clients on a strategy to reduce a portfolio’s CO2 footprint

Issues/theme: “Pensions team of a global technology and optics manufacturer committed to a carbon neutrality goal.”

Engagement undertaken: “An equity investments sleeve was identified as a starting point. We performed an analysis of available sustainable investment strategies and advised the client on a choice that incorporated risk, return, ESG metrics and the carbon footprint of the equity investment.”

Outcome: “The result was a change of the investment strategy and benchmark that will lead to a reduction of the carbon footprint of the portfolio by 14,410 mtCO2e annually, as measured by financed Scope 1 and Scope 2 emissions.”

Case 2: Boosting funding for the Sustainable Development Goals (SDGs) in Uruguay

Issues/theme: “Engagement to discuss and encourage the financing of SDG’s in emerging markets. Typically, we do this via conference calls, participating in panels and organised field visits. In 2021, due to the pandemic, our engagement moved fully to virtual modes, we held three conference calls (in May, July and October) and shared views on a conference panel (March) with the Debt Management Office (DMO) of Uruguay.”

Engagement undertaken: “We engaged on the country’s thematic bond issuance plans and on how to upgrade the country’s systems of budget expenditure tracking and monitoring for the purpose of improved reporting under different types of thematic bond structures. In the course of our discussions, we shared experience we gained from other engagements, specifically with government bodies in Nigeria and Mexico. In those cases, with support from the United Development Program, the countries developed a system of budget expenditure tagging and tracking for similar purposes. On their environmental efforts more specifically, we also discussed Uruguay's plan to develop hydrogen power capacity."

Outcome: "The DMO took on board the suggestions around peer experiences for budget expenditure tagging and tracking and indicated they would study their applicability to the Uruguayan Treasury set-up. For 2022 we plan to engage further on this topic and more broadly, on funding for the SDGs."

BlackRock

"The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact"

"We advocate for sound corporate governance and sustainable business practices that result in long-term value creation for our clients. The BlackRock Investment Stewardship team engages companies to provide feedback on their practices and inform our voting. We focus on a range of issues that fall within each of the environmental, social and governance (ESG) categories where we assess there is potential for material long-term financial impact on a company's performance. We engage with companies held in index and active portfolios alike to encourage them to adopt the robust business practices consistent with sustainable long-term performance."

"Engagement is core to our stewardship program as it helps us assess a company's approach to governance, including the management of relevant environmental and social factors. To that end, we conduct approximately 3,600 engagements a year on a range of ESG issues likely to impact our client's long-term economic interests. We meet with executives and board directors, communicate with the company's advisors, and engage with other shareholders where appropriate."

Case 1: Cogna SA

Issues/theme: "Cogna Educação, S.A. (Cogna) is a Brazilian company that provides educational services and digital solutions across Brazil's teaching ecosystem: primary, secondary, higher, and graduate education programs. The company serves more than 2.4 million students in the country and employs more than 23,300 people.

BlackRock Investment Stewardship (BIS) engages companies to reflect a long-term investor perspective and better understand how company leadership identifies and manages risks and opportunities – including environmental, social, and governance (ESG) factors – that we believe can impact their ability to deliver sustained financial performance for long-term investors like BlackRock's clients.

In our engagements with Cogna we have discussed the quality and timeliness of their disclosures. Specifically, we have encouraged Cogna to enhance their disclosures to provide investors with a better understanding of the composition of the board and its role in overseeing management's approach to material risks and opportunities. We look to directors on key committees to demonstrate that they have taken into consideration the interests of long-term shareholders — such as BlackRock's clients — and other stakeholders as they make the decisions that shape their companies."

Engagement undertaken: "Over the course of our engagements with Cogna, we have explained how enhanced disclosure is helpful to further our understanding of how the company identifies and manages risks and opportunities, and the board's oversight role in supporting management's strategy for delivering long-term financial returns. Prior to 2022, the company's disclosures lacked sufficient detail to gain a deep understanding of their approach to corporate governance. In particular, the company's disclosures did not provide enough detail related to the composition of the board and how the board's combined skills and expertise support oversight of the company's strategic aims over the long-term.

In addition to discussing board quality and effectiveness, we have also engaged to further understand Cogna's approach to human capital management. Specifically, we have engaged to monitor progress on the steps the company has taken to address a number of labour lawsuits – filed by former employees and teachers, including outsourced workers – related to the payment of severance pay and overtime, among other claims. We believe that companies' performance is more resilient when they mitigate adverse impacts to people that could arise from their business practices, because it reduces their exposure to material risks and enhances stakeholder engagement. Cogna was receptive to our feedback and shared the measures they were taking to address the issue with the São Paulo State Court. BIS encouraged the company to disclose these measures to help investors, and other stakeholders, better understand how Cogna's board is overseeing management in addressing these material risks.

The responsiveness of the board to shareholder feedback, including BlackRock's, and the company's enhanced disclosure enabled us to vote in support of all the directors standing for re-election. BIS is encouraged by the progress demonstrated to date and will continue to engage to provide direct feedback, or signal concerns, as Cogna seeks to further enhance their disclosures. We aim to be a constructive, supportive shareholder, bringing a long-term perspective to our work with companies as they grapple with governance and sustainability challenges in their business models that, when addressed, support long-term value creation."

Outcome: "As a result of on-going engagement with shareholders, including BlackRock, Cogna has significantly improved their board-related disclosures. As reflected in the "2021 Sustainability Report" – which was released in advance of the 2022 annual general meeting – the company now provides a detailed overview of the composition of the board, including a clear description of the board members' diversity, skills, attendance rate, and tenure."

Case 2: ExxonMobil Corporation

Issues/themes: "ExxonMobil Corporation (Exxon) is a multinational oil and gas corporation headquartered in Texas. The company is engaged in the exploration, development, and distribution of oil, gas, and petroleum products and operates through the following segments: Upstream, Downstream and Chemical. In order to assess companies' strategies to navigate the energy transition, BIS engages with company leadership to better understand the plans the company has in place."

Engagement undertaken: "At Exxon's 2021 annual general meeting (AGM), shareholders, including BlackRock, voted to elect three shareholder-nominated directors with industry experience relevant to the energy transition. Since the 2021 meeting, we have been encouraged by the efforts Exxon has made to enhance their competitive position and long-term financial resilience in light of the anticipated long-term shift in the global energy mix. BIS supported a shareholder proposal for Exxon to update their disclosure."

Outcome: "Following engagement, Exxon updated their disclosure, Advancing Climate Solutions to include an analysis of the company's business and investment portfolio under the International Energy Agency's Net Zero by 2050 (IEA NZE 2050) scenario, including existing operations and future opportunities across its business in oil, natural gas, fuels, lubricants, chemicals, lower-emission fuels, hydrogen, and carbon capture and storage. The analysis found that the company "could continue to grow cash flows over time through reduced investments in oil and natural gas and increased investment in accretive projects in chemicals, carbon capture and storage, low emissions fuels, and hydrogen." Exxon states that this analysis was reviewed in a third-party quality assurance audit."

Wellington Management

"Our investment-led approach is a key component of our engagement and escalation process. We vote proxies in ways we believe will maximise the economic value of our clients' holdings long term, and we encourage companies to hold a high bar for ESG to enhance both their resiliency and profitability."

“We typically start with routine one-on-one engagement with investee companies. This starting point helps prioritize issues for subsequent engagements and, ultimately, inform the investment decisions we make on behalf of our clients. Thanks to our long history of investing in nearly all sectors of the global securities markets, we have direct access to most company management teams and boards. Each year, our portfolio managers, global industry analysts, credit analysts, and ESG research analysts conduct regular, in-person or virtual company meetings around the world.”

“We focus on gaining differentiated insights, assessing and influencing risks and opportunities facing an issuer, encouraging transparency improvements, and influencing behavioural changes that we believe may impact future profitability and resilience of a company. We prioritize engagement on material issues most likely to have a financial impact on companies or affect operations. We also seek to understand corporate strategy and share our views, if appropriate, on material topics such as capital allocation, risk management, and environmental, social, and governance (ESG) practices.”

“The goal of our stewardship activities – engaging with company managements and voting proxies on our clients’ behalf – is to support decisions that we believe will maximize the long-term value of securities we hold in client portfolios. In order to assist analysts and portfolio managers in fulfilling our stewardship responsibilities, we have a dedicated ESG Research Team. Our ESG Research Team, part of the central investment research function, researches and provides company- and sector-specific ESG analysis and engages directly with company management teams on ESG topics, alongside portfolio managers and analysts. Stewardship can be accomplished thorough research and constructive dialogue with company management and boards, by monitoring company behavior through informed active ownership, and by emphasizing management accountability for important issues via our proxy votes. Portfolio managers, industry analysts, and ESG analysts all take part in the ongoing dialogue with companies, and we share information from these engagements with one another using a common research platform. In 2021, we expanded our Sustainable Investment team and created a dedicated Stewardship team, focused on empowering investors on their stewardship journey to promote positive change on material issues that impact long-term financial performance.”

Case 1: JP Morgan Chase & Co

Issues/theme: “During the second quarter of 2022 we engaged with JPMorgan Chase & Co. on environmental, social, and governance issues.”

Engagement undertaken: “We voted against JPM’s executive compensation plan in May of 2022, on the grounds that pay incentives were poorly structured. During our engagements, we raised the topics of talent development and retention as well as succession planning and the company’s long-term strategy. On the environmental front, we raised the topics of product sustainability and innovation.”

Outcome: “The Board granted JPM’s CEO, Jamie Dimon, retention pay of over $52M. We voted against this compensation plan because there was no indication that Dimon planned to leave JPM. Additionally, we were concerned that the compensation was not linked to any objective performance criterion. While JPMorgan’s environmental risk management is not an outlier, we believe some of the collateral underlying loans they have issued could be vulnerable to climate change, including to hurricanes and wildfire. Innovations to better manage risks like these will be essential to JPM’s core business going forward. We will continue to be mindful of these issues – our fundamental assessment of JPM’s ESG risk management remains that they are broadly in-line with peers, and we have therefore not changed our positioning at this time. Going forward, we will continue to monitor JPM’s progress towards best practice in governance. We will be particularly attentive to developments related to the separation of the Chair and CEO, which is new this year. We believe best practice is to ensure full autonomy of the roles.”

Case 2: TransCanada Pipeline (TC Energy)

Issues/themes: “During the third quarter of 2022 we engaged with TransCanada Pipeline (TC Energy) regarding environmental risks.”

Engagement undertaken: “we discussed Carbon Emissions and our Net Zero commitment.

Outcome: “We were informed by TC’s management that they do not have an overall methane target (but have a 45% reduction goal in Canada by 2026). However, we believe TC Energy is well-positioned with an increasingly carbon-efficient gas-focused midstream business, as well as a robust opportunity set in energy transition technologies which includes renewables, hydrogen, renewable natural gas, and Carbon Capture, Utilization and Storage (CCUS). Furthermore, TC Energy implemented new leak detection strategies to comply with Canada’s aggressive methane goals and will now apply these to US assets. They indicated the Inflation Reduction Act should improve returns by allowing TC Energy to continue putting capital towards the things that are improving their operations and reducing greenhouse gases. TC energy expects to develop more renewables along their large pipeline footprint that runs through the wind corridor of the US. An opportunity to further reduce emissions comes from the needed replacement of older compressors on Columbia pipeline, also increasing throughput. One possible downside is the company is not as focused on responsibly sourced gas as some peers.”

BlueBay

“We have adopted a firmwide ESG investment management approach across in scope managed assets. This enables us to deliver superior risk-adjusted returns over the long term while meeting our clients’ wider societal expectations, as well as ensuring we account for our own ESG footprint. As part of this, we have a firm-level set of ESG approaches we apply for in scope assets, whether they relate to pooled funds (funds) or separately managed account. Specific investment strategies may go further in their ESG approach, depending on what the underlying driver is for ESG incorporation (e.g. risk management or seek to promote ESG considerations independent on any investment materiality), and how pragmatic or conservative the ESG requirements are.“

“As a minimum, our ESG investment management framework focuses on integration (the identification and assessment of investment material ESG risk factors), supplemented by active engagement (process of dialogue with issuers on ESG matters) and proxy voting activities (the latter, where relevant, which is in very limited instances).”

“Our approach to ESG investment management continues to evolve over time. Since 2013, when we began to take a more strategic and formal approach to incorporating ESG analysis, ESG has grown in importance. It became a strategic priority for the firm in 2019, and subsequently moved to being adopted as a strategic pillar in 2020, meaning it is embedded in our standard practice. As part of this, our ESG team moved from our risk to our investment function, reflecting the increasing integration and importance of ESG insights, not just as a risk filter but also a potential alpha source.”

Example 1: Dorna Sport: Engagement via 1-on-1 call on 25th January 2022

Issues/themes: “Dorna is the exclusive worldwide rights holder of MotoGP and World SuperBikes (WSBK), which are the premium motorcycle racing series in the world. This entitles Dorna to exclusively manage, organise and run 100% of all commercial rights related to MotoGP and WSBK on a worldwide basis.”

Engagement undertaken: “In the context of the company’s € 975m TLB divi/recap transaction, the company presented its initiatives on ESG, and we engaged with them on their transaction to a decarbonised business model. MotoGP has announced it will introduce part-sustainable fuels from 2024, with the aim of the world championship using fully sustainable solutions from the 2027 season. By 2024 the series is aiming to have all three classes of the world championship – including Moto2 and Moto3 – to use fuels of 40% non-fossil origin. By 2027 at the latest, all three classes will use completely sustainable fuels from 100% non-fossil origin.

Dorna is developing a plan with Enel to measure and reduce the carbon emissions linked to the MotoGP championship. Additionally, the company expects to be able to calculate the Carbon Footprint of the world championship.”

In terms of Governance, Dorna is committed to the highest business and ethical standards. In 2013, Dorna approved its “Anti-Bribery Compliance Policies” and in 2015 implemented a Corporate Compliance Programme reinforcing best practices and ethics in business. Management committed to report their first non-financial performance report by Jun-22, encompassing the 2021 ESG-related KPIs, in order to set quantitative ESG objectives.”

Outcome: “Following our engagement with the issuer, our post-engagement view was positive, and our European loan and Unconstrained strategies (includes the BlueBay Leverage Finance Total Return Bond Fund) participated in the new issuance.”

Example 2: Clarios Global: Engagement via 1-on-1 call on 25th August 2022

Issues/theme: "Clarios Global (POWSOL) is the world's largest supplier of low voltage automotive batteries with c. 36% market share globally and 75% market share in the US and 50% in Europe. As a battery manufacturer a key ESG concern is how they manage their environmental risk. Compared to their competitors, Clarios have a track record of producing batteries more efficiently with a lower lead component than peers. Additionally, they have had minimal environmental penalties or controversies as 99% of Clarios' lead is recycled in the US and Europe."
Engagement undertaken: "We had an update call with the company and were notified of further positive developments as their Diehard AGM battery was the first to secure third-party validation. Additionally, Clarios has closed the acquisition of Metalurgica de Medina in Spain, a battery recycler, increasing their direct control over the recycling chain. Metalurgica has supplied Clarios for a long time and has the reputation of being a top tier recycler and we don't expect issues to come up with the acquisition. Economically, the acquisition is creating additional integration and small positive for margins."
Outcome: "Overall, this was a positive engagement with an issuer which continues to justify its 'Medium' Fundamental ESG (Risk) Rating."
KKR
"KKR maintains that the thoughtful management of environmental, social, and governance (ESG), regulatory, geopolitical, and reputational issues make KKR a better investor and is an essential part of long-term business success in a rapidly changing world."

"KKR is committed to investing responsibly by:

• Incorporating material ESG, regulatory, geopolitical, and reputational considerations into KKR's investment decision-making and management practices, where relevant. This includes considering key risks and opportunities during the diligence process and, where applicable, then engaging on these issues with the companies in which KKR invests or to which KKR provides financing.

• Communicating KKR's responsible investment approach, progress, and goals transparently to the public, KKR's fund investors, and other stakeholders.

• Advancing consistent and thoughtful responsible investment processes in the financial industry by collaborating with industry peers, standard-setting organizations, and other stakeholders.

• Maintaining KKR's own internal governance and culture to ensure that KKR acts as a good citizen in the communities in which KKR operates."

"This policy is intended to provide a broad framework for our approach to ESG integration through the investment life cycle across KKR's investment businesses. KKR's influence and control of companies in which we invest varies significantly across and within certain asset classes. To this end, this policy articulates the approaches that KKR believes are broadly relevant for each asset class. Where KKR maintains control of a company, it seeks to work with the company to appropriately integrate and monitor progress on material ESG issues into business processes. In cases where KKR determines it has limited ability to conduct diligence or to influence and control the integration of ESG considerations in an investment, KKR will appropriately incorporate the applicable elements of this policy. Examples of such cases include where KKR is a lender with no indicia of influence or control, is a minority shareholder, has limited governance rights, or where other circumstances affect KKR's ability to assess, set, or monitor ESG-related performance goals."

Case 1: Ingersoll Rand:

Over the eight-year period KKR was invested in Ingersoll there was intense focus on employee engagement, worker safety, improving working conditions, training, and building an ownership culture. Equity ownership expanded from 86 employees to over 16,000 employees worldwide and more than $500 million of value in granted stock was delivered (exclusive of management). We supported a holistic operational transformation at the company.

As a result, the company reduced its voluntary turnover rate by over 80% and its injury rate approximately 70%, saw employee engagement go up from the 19th percentile to the 76th percentile, as measured by Gallup, while also creating a more than 4x return for our investors.

Case 2: LCY group:

Since 2019, LCY Group has been developing a proactive climate change strategy and advancing transparency, in line with third-party frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD) to help articulate the financial effects of climate change. With KKR's guidance and support, LCY Group established more robust executive oversight of ESG management and appointed its first Head of ESG. In 2020, the company also strengthened its climate governance and oversight activities by establishing a Climate Change Task Group, under the ESG Committee and supervised by the Board of Directors, which is responsible for climate change risk management and opportunity assessment. Additionally, LCY Group was the first chemical company in Taiwan to publish reports in accordance with TCFD, SASB, and the Global Reporting Initiative (GRI). It has been recognized with ESG reporting awards, including the Bronze Award for Corporate Sustainability Reporting by the Taiwan Corporate Sustainability Awards in 2021. The company is in the process of reassessing its decarbonization strategy and adjusting its GHG emission reduction goals to align with market-relevant ambition to reach net-zero emissions with action plans.

M&G

“We believe that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. We believe that if a company is run well, and sustainably, it is more likely to be successful in the long run.”

“As an active fund manager, M&G meets with investee companies to add value to the investment process, to increase our understanding, or provide feedback to a company. We also undertake ESG engagement, which is focused on achieving real world outcomes. We focus on the underlying substance of our engagement, delivery of our engagement objectives and the relevance for our investments when assessing the quality and effectiveness of these activities.”

“We engage as both equity holders and fixed income investors to protect our clients’ interests before and during the course of an instrument’s life. For ESG engagements, our aim is to influence company behaviour or disclosure. As investors in private or illiquid asset classes, or where there is an intention to hold the asset to maturity, we undertake extensive due diligence and engagement prior to, and throughout, investment.”

“Our approach across asset classes continued to develop in 2021, as we increasingly make use of our broad cross asset capabilities, often as a holder of both a company’s equity and debt, to increase the significance of our engagement activities. Across asset classes, the end goal of all of our stewardship activities is to best serve our customers by achieving positive outcomes and helping ensure our investee companies are effectively dealing with all of the material risks affecting them, both financial and non-financial. This could require continued engagement to bring about positive change or, where this does not prove possible, voting against board members or ultimately divesting from a company.”

Case 1: Arrow Global – banking company

Issues/themes: “Our engagement objectives are to request the improvement of disclosures and external ESG ratings.”

Engagement undertaken: “We held a video call on 13th April 2022 with Arrow and attendees included their ESG specialist and representatives from their IT and financial reporting teams.”

Outcome: “We were encouraged that Arrow is continuing with its ESG work following being taken private. It also appeared that they are keen to improve their ESG-related output. With regards to customer treatment Arrow noted the request for greater disclosure regarding the treatment of customers including by geography as well as disclosure regarding collections performance and borrowers. They will discuss what can be provided depending on commercial sensitivities and availability of relevant data. The company no longer needs to provide a remuneration report however we highlighted this as a negative from a governance perspective. The representatives took away the requests and have started discussions internally on how to address them. However, there is clear need for further work and disclosure by Arrow and we will need to see evidence of the improvement before potentially changing our current view.”

Case 2: Adevinta – Global Advertising Company

Issues/themes: "Our engagement objectives are to improve the Diversity and Inclusion disclosure and Modern Slavery practices."
Engagement undertaken: "We met with the Head of Sustainability and Investor Relations at Adevinta to make our expectations known."
Outcome: "The company informed us that they are planning to expand their DEI efforts into disability, ethnicity and sexual orientation but are facing challenges due to GDPR limitations and variation in regulations across markets. They currently don't produce a gender pay gap report in the UK due to this lack of data, but Adevinta are looking to report on this from next year. By the end of 2022 they plan to conduct a taxonomy review of all suppliers and create risk metrics. For 2023, Adevinta will go one level deeper and establish a specific plan for different categories of suppliers, which includes both social and environmental aspects."
"The company runs an Early Women in Leadership Programme, which has been extended to EGC, which they are tracking. We voiced that it would be useful to see the successes of these programmes publicly disclosed, which the company noted and said that they will endeavour to do so in their upcoming reports. Overall, we are happy that the direction of travel for Adevinta is positive, but we will continue to monitor the situation to ensure that disclosure is improved and our asks are implemented."
GQG
"GQG is committed to seeking to achieve its clients' investment objectives, which are financial in nature (e.g., long-term capital appreciation). GQG seeks to consider all relevant factors in pursuing these objectives. In this regard, GQG believes that, for the most part, earnings drive stock prices. As part of this, GQG believes that ESG shortcomings can pose a material risk to a company's ability to achieve durable earnings over the long term. As a result, our bottom-up fundamental analysis can encompass ESG considerations. For example, we may consider issues such as labour relations, corporate culture, environmental responsibility and the quality of corporate leadership in our investment process."

"Our investment decisions reflect the analysis of information identified by GQG as relevant to our clients' financially driven investment objectives. As such, we consider ESG factors among other factors as an element of our investment research "mosaic". The role that ESG information plays in our investment thesis for any individual portfolio holding varies based on financial materiality of ESG issues to the position, availability of ESG data, position size and other factors. Non-ESG financially relevant factors thus may be more important than ESG factors in any particular investment decision, and we expect that over time many decisions will be made primarily or completely based on non-ESG factors."

"At GQG, we define stewardship as the activities we undertake as agents of our clients in working with the companies we invest in with a goal of maximizing overall long-term value. As owners of our companies, we recognize the related rights and responsibilities that come with equity ownership."

"GQG will generally engage with a company's management with respect to ESG issues where we deem the engagement would be useful and productive. GQG sees engagement as both an opportunity to inform companies of our views, as well as a discovery process to inform our own ESG risk assessment. The encouragement by GQG of better corporate citizenship by investee companies is an element of our ESG-focused engagement when we believe doing so may improve investment returns."

Case 1: Vale (13 September)

"Our engagement with Vale covered several topics, including the company's relationship with the Brazilian government in the context of ongoing negotiations overcompensation to victims of the Samarco disaster. Other subjects included relisting on the UN Global Compact, actions taken to meet company targets for tailings dam remediation and updates to its program to improve workplace safety culture. The company gave useful and productive insights into progress in these areas that helped inform our investment risk assessment for the position. GQG has engaged with Vale six times on ESG-related topics and the company's tailings risk management has been a consistent engagement theme. On multiple occasions we encouraged the company to disclose asset-level reporting of tailings dam remediation. We believe that this thematic engagement focus has encouraged greater transparency by the company."

Case 2: Occidental Petroleum (14 April)

"Our engagement with Occidental Petroleum (OXY) focused on the company's GHG emissions and decarbonization strategy, in light of a climate-related shareholder proposal lodged at their 2022 annual general meeting (AGM). During the call the company detailed its plans for the development and construction of direct air capture (DAC) facilities, as well as carbon sequestration hubs. We received useful information about the expected return rates of OXY Low Carbon Venture (LCV) investments. Their first DAC plant breaks ground in late 2022 and comes online in late 2024. This plant will remove nearly one million tons annually. The company estimates the carbon credit market to reach US $250-450mm of revenue per ton of CO2 and its LCV business will one day eclipse OxyChem revenues ($5.2bn net sales in 2021). Concerning the shareholder proposal, OXY asserted that the proposal would require accelerating their construction of DAC plants from 70 to 100 by 2030. Accordingly, OXY argues the plan is overly prescriptive and that it would not be in the interests of shareholders for the company to make such a capital-intensive investment before the carbon credit market is fully tested. In our view, the concern for increased R&D in 'green' technologies which are not yet commercially viable is legitimate. The engagement informed our positive assessment of OXY's decarbonization strategy, which appears to have earnings visibility and lead to material commercial opportunities, as well as helping GQG make an informed choice when voting in the 2022 AGM."

Ownership Capital

"As active owners and long-term investors, Ownership Capital aims to be a good steward of the assets we manage. Ownership Capital is dedicated to strong stewardship which plays a vital role in responsible investment practices. Ownership Capital recognises the importance of shareholder engagement and the contribution that environmental, social and governance (ESG) considerations can make to sustainable investment outcomes."

"Engagement is undertaken by our investment team and is seen as vital to understanding a company's strengths and weaknesses. We believe engagement is useful in assessing the performance and suitability of investee management teams and is key in influencing these teams."

"The investment team of Ownership Capital is responsible for continuously monitoring companies and holdings to ensure that they remain appropriate and suitable for investment. Meetings are regularly held with companies to discuss specific results or events as well as more informal dialogue incorporating site visits and other research initiatives. These meetings cover a range of topics from corporate strategy, risk management, corporate governance, board composition and remuneration issues. Ultimately this dialogue aims to cover aspects relevant to the decision on whether or not to invest in, or divest from, the company concerned."

"We believe the best way to generate attractive long-term returns at a low level of risk is to find companies with growing, defensive cash flows and invest in them at attractive prices. We also believe that comprehensive and financially relevant ESG analysis, properly integrated into a fundamental process, will help uncover which companies are truly built for the long term. However, since the majority of companies are not ESG leaders, we think the optimal strategy involves engagement instead of exclusion, and we therefore focus on working with our portfolio companies to improve long-term areas of weakness in their businesses."

"We use our eight Investment Principles to identify investee companies with proven, cash-flow-generating business models and competitive advantages with high barriers to entry. These companies are long-term in the way they manage and invest in the business and take a proactive stance towards reducing long-term risks. Our eight investment principles are: 1) Strong revenue growth potential, 2) High quality and sustainable margins, 3) Low capital requirements, 4) High return on capital, 5) Right valuation, 6) Strong management and governance, 7) Long-term profit orientation, 8) Good environmental and social indicators."

Case 1: Ansys – Product prototyping/designing can be wasteful and detrimental to environmental efforts

“Since our investment, we have worked with Ansys to develop its long-term sustainability framework and have emphasised the need for more formalised corporate sustainability initiatives, which we believe can reinforce its innovative brand and culture.”

“The company created an executive-level sustainability team and has placed greater focus on key initiatives that align sustainability with long-term business success. They signed a multi-year deal with a manufacturer of engines and power generation products (with a market cap of $32 bn), which through the help of the company aims to reduce 300 million metric tons of carbon emissions by 2030 and targets net zero emissions by 2050.”

“Other examples of its innovation in promoting environmental health include NASA, who uses its simulation to build highly accurate carbon and atmosphere models which help scientists and governments tackle climate change, and the Boston Children’s Hospital which uses its simulation to plan highly complex paediatric surgeries. All of these factors have increased our conviction on the long-term outlook, cost structure and the risk profile of this business.”

Case 2: Intercontinental Exchange (ICE)

“As owner of the New York Stock Exchange (NYSE), ICE is responsible for setting exchange standards for a large community of companies and is therefore well-positioned to play a leading role in helping develop best practices around ESG.”

“We have engaged with NYSE to continue to use its central position to increase ESG awareness and adoption within the equity market."

“ICE is an early investor in the development of global emissions markets and with the launch of several market-based solutions to support ESG investments, including ICE Global Carbon Futures Index, Green-ETFs, ICE Climate Risk pricing tools, and the launch of the MSCI Japan ESG Select Leaders Index. Carbon pricing is a key component of navigating the energy transition towards a net-zero-carbon economy, and pricing tools enable more analysis and comparison around the price for carbon, which will help investors measure and reduce emissions. ICE launched the NYSE Sustainability Advisory Council, which brings together ESG experts to share best practices on sustainability. Through this Council, the NYSE aims to help enable companies in their decision-making on ESG risks and opportunities. “

Voting Disclosure Tables and Significant Votes
Bridgewater Voting Disclosure
1 October 2021 to 30 September 2022

Voting Statistics	Response
How many meetings were you eligible to vote at?	2,115
How many resolutions were you eligible to vote on?	19,566
What % of resolutions did you vote on for which you were eligible?	99.86%
Of the resolutions on which you voted, what % did you vote with management?	87.98%
Of the resolutions on which you voted, what % did you vote against management?	11.71%
Of the resolutions on which you voted, what % did you abstain from voting?	0.65%
In what % of meetings, for which you did vote, did you vote at least once against management?	40.00%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Since December 1, 2006, Bridgewater has engaged Glass, Lewis & Co. ("Glass Lewis") to vote proxies on behalf of Bridgewater's clients. Bridgewater generally subscribes to the proxy voting policy adopted by Glass Lewis but reserves the right to direct Glass Lewis to vote in a manner that is contrary to such policy where appropriate, or as specifically directed by a client.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (If applicable)	0%

Please note that Bridgewater has not adopted a policy for identifying "significant votes," as any particular voting matter's outcome is typically inconsequential in the context of the overall portfolios. Moreover, Bridgewater generally subscribes to the proxy voting policy adopted by Glass Lewis, their proxy voting provider, which makes recommendations in favour of governance structures that manage risk, drive performance, and create shareholder value.

Man Voting Disclosure
1 October 2021 to 30 September 2022

Voting Statistics	Response
How many meetings were you eligible to vote at?	713
How many resolutions were you eligible to vote on?	8241
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	85.7%
Of the resolutions on which you voted, what % did you vote against management?	14.0%
Of the resolutions on which you voted, what % did you abstain from voting?	0.9%
In what % of meetings, for which you did vote, did you vote at least once against management?	51.9%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Glass Lewis. We use our own bespoke policy.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (If applicable)	7%

Man Summary of Significant Votes
1 October 2021 to 30 September 2022

Please find four votes that Man identified to be significant for the Scheme.

	Vote 1	Vote 2	Vote 3	Vote 4
Company Name	Citi Group Inc	Nike, Inc.	Papa John`s International, Inc.	American Water Works Co. Inc.
Date of Vote	26/04/2022	06/10/2021	26/04/2022	11/05/2022
Summary of the resolution	Shareholder Proposal Regarding Report on Human Rights Standards for Indigenous Peoples	Shareholder Proposal Regarding Human Rights Impact Assessment	Shareholder Proposal Regarding Gestation Crates	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement
How you voted	For	For	For	For
Rationale for the voting decision	Favour improved human/political rights policies/disclosure.	Favour improved human/political rights policies/disclosure.	Favour reporting on and protecting animal welfare.	Favour increased environmental reporting/responsibility.

GQG Voting Disclosure
1 October 2021 to 30 September 2022.

Voting Statistics	Response
How many meetings were you eligible to vote at?	91
How many resolutions were you eligible to vote on?	1002
What % of resolutions did you vote on for which you were eligible?	97.41%
Of the resolutions on which you voted, what % did you vote with management?	89.82%
Of the resolutions on which you voted, what % did you vote against management?	7.58%
Of the resolutions on which you voted, what % did you abstain from voting?	6.79%
In what % of meetings, for which you did vote, did you vote at least once against management?	35.00%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	GQG has chosen to vote in accordance with the UNPRI's responsible investment principles alongside other UNPRI signatories and other similarly aligned investment managers. We also leverage ISS's Sustainability Policy. While we find ourselves voting with ISS on most of the issues, we do not blindly follow their lead and will vote against their recommendations on occasion. Key policy highlights are: • Board – Board competence, performance (including on ESG topics and independence) • Compensation – Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer • Social & Environment – Greater transparency on company's action to mitigate ESG risks.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (If applicable)	2.40%

GQG Summary of Significant Votes
1 October 2021 to 30 September 2022

Please find four votes that GQG identified to be significant for the Scheme.

	Vote 1	Vote 2	Vote 3	Vote 4
Company Name	Baoshan Iron & Steel Co., Ltd.	JSW Steel Limited	Petroleo Brasileiro SA	Samsung
Date of vote	05/2022	07/2022	04/2022	03/2022
Summary of the resolution	Approve Draft and Summary of Performance Share Incentive Plan	Approve Material Related Party Transactions with JSW International Tradecorp Pte. Limited	Approve Remuneration of Company's Management and Fiscal Council	Director Election
How you voted	Against	Against	Against	Against
Rationale for the voting decision	A vote AGAINST is warranted because directors eligible to receive performance shares under the scheme are involved in the administration of the scheme.	A vote AGAINST this resolution is warranted given: * There are material conflicts of interest. * There is scope for improved reporting on the rationale behind housing the procurement team within JITP, where there is minimal shareholder oversight.	A vote AGAINST this proposal is warranted the company's disclosure lacks transparency regarding key remuneration figures.	A vote AGAINST incumbent director Han-jo Kim (Item 2.1.1) is warranted, as he has failed to remove convicted and indicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company. A vote FOR the remaining nominees is warranted.

Ownership Capital Voting Disclosure
1 October 2021 to 30 September 2022

Voting Statistics	Response
How many meetings were you eligible to vote at?	15
How many resolutions were you eligible to vote on?	189
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	81%
Of the resolutions on which you voted, what % did you vote against management?	16%
Of the resolutions on which you voted, what % did you abstain from voting?	3%
In what % of meetings, for which you did vote, did you vote at least once against management?	80%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	In Q4 2021 (and historically), we casted our proxy votes via a dedicated voting provider, Broadridge. In January 2022 we onboarded the ISS platform for voting and reporting. We have our own voting policy.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (If applicable)	15%

Ownership Capital Summary of Significant Votes
1 October 2021 to 30 September 2022

Please find four votes that Ownership Capital identified to be significant for the Scheme.

	Vote 1	**Vote 2**	**Vote 3**	**Vote 4**
Company Name	Tradeweb	Ansys	Veeva	Workday
Date of vote	05/2022	05/2022	06/2022	06/2022
Summary of the resolution	Adopt a policy on Board Diversity	Declassify the Board of Directors	Elect Director Mary Lynne Hedley	Advisory vote to ratify named Executive Officers' compensation
How you voted	For	For	Against	Against

Rationale for the voting decision	Board diversity and independence has been a key engagement topic for us. While the company added two racially diverse directors, the company lacks gender diversity with one 1/10 directors being a woman.	Declassifying the Board of Directors would enhance board accountability. A staggered board can entrench management and effectively preclude most takeover bids or proxy contests.	The director is the incumbent chairperson of the nominating committee. As female representation on the board is less than 30%, we withhold our vote or vote Against until this ratio improves.	The executive compensation lacks a strong connection to objective performance criteria. Bonuses were determined by committee discretion and equity awards were entirely time-based.

Portfolio Transaction Costs

The Trustee confirms that the costs provided by its managers were within expectations given the nature of each of the mandates, and as such, the Trustee is confident that no action is required on the back of these responses. This information will continue to be reviewed on an annual basis in case any calls to action arise and is expected to evolve over time.

a. **Legal and General Segregated LDI** – For the period 1 July 2021 to 30 June 2022 the total transaction costs were 0.0182%.

b. **Bridgewater Optimal Portfolio Fund II** – For the period 1 October 2021 to 30 September 2022 the total transaction costs were 0.327%.

c. **Man Group** – For the period 1 October 2021 to 30 September 2022, the transaction costs incurred by Man PDRP were 1.2329%.

d. **Allianz GI Libor Mandate Portfolio** – For the period 1 July 2021 to 30 September 2022, total transaction costs were 0.003%. However, this is an estimation as most of the portfolio trades on implicit costs of bid-offer spreads rather than explicit commissions or fees.

e. **BlackRock Global Renewable Power III Fund** – For the period 1 October 2021 to 30 September 2022, the total transaction costs were 0.0155%.

f. **Wellington Libor Plus Fund** – For the period 1 October 2021 to 30 September 2022, the total transaction costs were 1.9%.

g. **BlueBay Leveraged Finance Total Return Fund** – For the period 1 October 2021 to 30 September 2022, the total transaction costs were 0.93%.

h. **KKR Private Credit Opportunities Partners II Fund** – For the period 1 October 2021 to 30 September 2022, the total transaction costs were approximately $30.4k pro-rated.

i. **M&G Multi-Dated Asset Fund** – For the period 1 October 2021 to 30 September 202, the total transaction costs were 0.0993%.

j. **M&G Secured Property Income Fund** – For the period 1 October 2021 to 30 September 2022, the total transaction costs were 0.09%.

k. **GQG Emerging Markets Equity Fund** – For the period 1 October 2020 to 30 September 2021, the total transaction costs were 1.29%.

l. **Ownership Capital Global Equity Fund** – For the period 1 October 2021 to 30 September 2022, the total transaction costs were 0.53%

Portfolio Turnover

The Trustee confirms that the portfolio turnover provided by its managers were within expectations given the nature of each of the mandates, and as such, the Trustee is confident that no action is required on the back of these responses. This information will continue to be reviewed on an annual basis in case any calls to action arise.

a. **Legal and General Segregated LDI** – Portfolio turnover is not applicable to LDI.

b. **Bridgewater Optimal Portfolio Fund II** – “Specific turnover figures for the Optimal Portfolio could not be provided by Bridgewater at this time. For context, we expect Optimal Portfolio’s turnover to be less than half that of our Pure Alpha strategy (at same risk), because roughly half of Optimal Portfolio's risk is beta, which has lower turnover, and the alphas in the strategy are longer-term and slower moving in nature. Our stress-testing of Optimal Portfolio across time corroborates this expectation, and our initial trading of the portfolio has been in-line with our expectations. As an example, our Pure Alpha 12% volatility fund typically turns over its portfolio value about 15 to 30 times per year based on volume as a share of the funded amount."

c. **Man Group** – For the period 1 October 2021 to 30 September 2022, we estimate the annual aggregated turnover of the Fund to be c.4x per annum on gross exposure. The portfolio is rebalanced monthly, and allocations are adjusted if they differ from the model weight by more than a 5% relative threshold.

d. **Allianz GI Libor Mandate Portfolio** – For the period 1 September 2021 to 23 September 2022, portfolio turnover was 63.1%.

e. **BlackRock Global Renewable Power III Fund** – For the period 1 October 2021 to 30 September 2022, portfolio turnover was 0%.

f. **Wellington Libor Plus Fund** – For the period 1 October 2021 to 30 September 2022, portfolio turnover was 2,957% - this excludes rolls.

g. **BlueBay Leveraged Finance Total Return Fund** – For the period 1 October 2021 to 30 September 2022, one-sided portfolio turnover (the lower of purchases or sales over the average 12M rolling NAV) was 116%.

h. **KKR Private Credit Opportunities Partners II Fund** – Portfolio turnover is not applicable to this fund as the majority of assets are illiquid i.e., not publicly traded.

i. **M&G Multi-Dated Asset Fund** – Please note this is a buy and hold strategy that is currently in a natural winddown, meaning we do not track portfolio turnover, however the AUM as at the end of Q3 2021 was £81.2m and has subsequently reduced to £66.4m at the end of Q3 2022.

j. **M&G Secured Property Income Fund** – SPIF typically has a very low level of asset turnover (sub 3% of Fund NAV) due to the nature of the assets and the hitherto behaviour of its investors. However, the investment team is constantly reviewing the portfolio, and taking opportunities to improve portfolio metrics. For example, selling an office let to 3M asset to recycle proceeds into better quality assets, and even trading supermarkets to improve the metrics and quality of the SPIF supermarket portfolio. As it is 15 years since SPIF's inception, we are planning for more churn in the portfolio, particularly as some of the earlier assets' lease terms become shorter, and with factors such as ESG becoming more important now and in future. Further, the demand by UK DB pension schemes for long lease (and UK property generally) is also reducing as these schemes de-risk – we have seen an increase of this in the last year or two, which we expect to accelerate and increase. In line with the deferral of SPIF which was announced in October 2022, for redemptions from the Nov 2022 dealing day, the investment team has a sales plan which it is planning to execute to raise sufficient liquidity to meet redemptions. We are looking at disposals that will improve Fund metrics wherever possible e.g., assets with weaker tenants or shorter lease length, very over-rented assets, assets with limited ESG potential from a 'net zero' perspective.

k. **GQG Emerging Markets Equity Fund** – Portfolio Turnover as of 30 September 2022was 146.61%.

Ownership Capital Global Equity Fund – For the 1 October 2020 to 30 September 2021, portfolio turnover was 15.2%