

Allied Domecq Pension Fund

Annual statement by the Chair of the Trustee for the year to 31 March 2023

What is this Statement for?

This Statement has been prepared by the Trustee of the Fund in order to comply with the governance requirements of certain Regulations. It provides details of the Fund's Money Purchase Underpin ("MPU") and Additional Voluntary Contribution ("AVC") arrangements and is intended to be incorporated into the Trustee's Annual Report and Accounts. This Statement applies to the year ending 31 March 2023.

It is important that you can feel confident that your savings in the Fund are being looked after and give good value.

This Statement sets out how the Trustee board has managed the Fund in the last year and what they aim to do in the coming year.

A copy of this Statement, together with other key Statements about how the Fund is managed are available by contacting the Scheme Administrator using the details shown at the end of this statement.

What's in this Statement?

We have included information on the following areas in this Statement:

1. How we manage your Fund – who the Trustee is and what guides our decision-making;
2. Investment options – what we have done to check the performance and suitability of the Fund's investment options;
3. Investment performance – what returns the investment options have given over the last few years;
4. The Fund's Money Purchase Underpin – how this was calculated and how the calculation methodology has changed during the year;
5. Costs and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Fund over time;
6. Value for members - how the quality of the Fund's services that you pay for compare to other pension schemes (including investment returns on your savings);
7. Administration – how well the Fund has been administered, including how promptly and accurately key transactions, such as the investment of your contributions, have been processed;
8. Trustee knowledge – what we as the Trustee board have done to maintain our level of knowledge and obtain the professional advice we need to look after the Fund for you; and
9. Our key actions last year and plans for the next year – what key actions the Trustee board took in the last year and what we aim to do in the coming year to continue to improve the Fund for all our members.

How we manage your Fund

The Allied Domecq Pension Fund continued to be managed by Allied Domecq First Pension Trust Limited ('the Trustee') throughout the course of the year.

The Statement of Investment Principles ('SIP') was updated in September 2022. No material changes were made as part of this annual review. The latest SIP is appended to this statement.

Additional Voluntary Contribution (“AVC”) Investment options

We review the Fund’s AVC arrangements on an annual basis, with the last review conducted in May 2022. We are satisfied that the lifestyle arrangement has performed in-line with our objectives and remains suitable for most members because it offers good value for money and is aligned with most member requirements – see section 2 for more details. The next full review of the investment options is due to be carried out in the second calendar quarter of 2023.

There have been no changes to the investment options offered by the Fund’s main AVC provider in the last year following our last review.

Investment performance

Throughout the period covered by this Statement, rising interest rates and inflation, as well as the Russian invasion in Ukraine, caused volatility in markets. As a result, some of the Fund’s AVC funds delivered negative returns over the year.

Over the year to 31 March 2023, the funds used in the Fund’s lifestyle arrangement saw investments change in value by the following amounts:

- A 2.3% rise or, put another way, a rise of £23 for every £1,000 invested, for those members invested in the BlackRock Aquila (50/50) Global Equity Fund;
- An 8.2% fall, or a fall of £82 for every £1,000 invested, for those members invested in the BlackRock Aquila Life Market Advantage Fund; and
- A 2.1% rise, or a rise of £21 for every £1,000 invested, for those invested in the BlackRock Aquila Life Cash Fund.

The investment returns across the AVC fund range were broadly in line with each fund’s performance benchmark, except for the Aquila Life Market Advantage fund which underperformed its cash-based target. Further detail can be found in Section 3.

Costs and charges

Members pay for the Fund’s AVC and MPU investment costs while the Fund pays for the Fund’s administration, communications, retirement and governance costs.

We monitored the costs and charges deducted from members’ pension pots during the last year:

The charges for the core lifestyle strategy offered to members with AVCs range from 0.125% p.a. at retirement to 0.27% p.a. for members at the point of the strategy that invests in the BlackRock Aquila Life Market Advantage (“ALMA”) Fund; or, put another way, in a range of £1.25 to £2.70 per £1,000 invested. We have also looked at how the costs and charges deducted from a typical member’s pension pot each year might affect its future size at retirement. Over a 10-year period, our modelling estimates that the current level of costs and charges for the Fund’s lifestyle arrangement could reduce the size of a £8,000 pension pot by £1,455 at retirement age.

The charges for the Fund’s lifestyle arrangement were lower than the Government’s charge cap for pension schemes used for auto-enrolment. Further detail can be found in Section 7.

Value for Members

Each year we look at the costs and charges you pay as well as the range and quality of the services you receive and see how they compare with similar pension schemes. We believe that the arrangements in place continue to offer you good value.

Administration

We checked that the administration of the Fund is going smoothly at our quarterly meetings and found that:

- Key financial transactions were processed promptly and accurately; and
- The wider administration of the Fund was completed predominantly within the agreed service standards. See section 9 for more details.

Trustee knowledge

It is important that we as a Trustee keep our knowledge of pension and investment matters up to date and have access to sound professional advice.

All Trustee Directors received appropriate training during the year – see section 10 for more details.

Collectively, the Trustee Directors believe that they have the appropriate skills and expertise, together with access to good quality professional advice, to enable them to run the Fund effectively.

Our plans for the next year

During the last year the Trustee undertook the following to assess or improve value for members:

- Conducted a review of the fees, suitability and performance of the AVC funds.
- Considered the suitability of the lifestyle strategy.
- Concluded that the range of AVC funds remained appropriate for the majority of members.

In the coming year (which will be covered by the next Statement), the Trustee's focus will be on ensuring that the current AVC arrangements remain suitable for the majority of members.

The rest of this Statement goes into more detail – please read on if you want to find out more about how we have managed your Fund in the last year.

We hope this Statement is of help to you planning for your future. If you have any questions, please contact: the Fund's Administrator, as follows:

By Post: Allied Domecq Pension Fund
c/o Barnett Waddingham
PO Box 3402
Bristol
BS1 9NF

By Phone: 0344 264 3586 (or +44 117 313 7233 if you are calling from outside the UK)

Lines are open between 9am and 5.15pm, Monday to Friday

You can also view details of your benefits and see other updates from the Fund online via BWebstream. If you do not already have an account, you can register for your personal online BWebstream Member Self-Service account at logon.bwebstream.com.

Detailed Chair's Statement

Introduction

Governance requirements apply to pension arrangements like the Fund, to help members achieve a good outcome from their pension savings. The Trustee is required to produce an annual statement describing how these governance requirements have been met.

For the record this Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations.

This Statement covers the period from 1 April 2022 to 31 March 2023.

A signed version of this Annual Statement is available on request.

1 How we manage your Fund

At 31 March 2023, the Trustee of the Fund was Allied Domecq First Pension Trust Limited ('the Trustee'). The Trust Deed and Rules, which govern the Fund, were last amended on 11 September 2014. The Trustee maintains a Statement of Investment Principles ('SIP'), which sets out the Trustee's investment policies. The Trustee, with the help of its professional advisers, reviews the SIP at least every three years. The last annual review was carried out in September 2022, although this did not result in any material changes. The next annual review is expected to be carried out in September 2023.

The Statement of Investment Principles and an implementation statement setting out how the Trustee complied with the Statement of Investment Principles during the year to 31 March 2023 will be published alongside the 2023 Annual Report & Accounts, at <https://allieddomecqpensions.co.uk/statutory-documentation.html>

2 AVC investment options

Default arrangement

The Fund does not have a default arrangement, as no new contributions have been permitted for some years.

Other investment options

The Fund offers members a choice of investment options including a lifestyle option and a range of self-select funds. The main objectives of these investment options are to:

- cater for the likely needs of a wide range of members;
- offer a wide range of asset classes, levels of risk and return and different investment approaches; and
- support members who want to take a more active part in how their savings are invested.

In keeping with the Pensions Regulator's guidance, the Trustee also carries out an annual review of the performance and suitability of these investment options. We remain comfortable with these investment options following our last review and our next review is due to be completed in the second calendar quarter of 2023. The investment performance of these funds during the last year is shown in section 3.

3 Investment Performance

The presentation of investment performance takes into account the statutory guidance issued by the Department for Work and Pensions. The Trustee has followed the statutory guidance in all areas.

Over the year to 31 March 2023, the funds used in the Fund's lifestyle arrangement saw investment returns between a change in value by the following amounts:

- A 2.3% rise or, put another way, a rise of £23 for every £1,000 invested, for those members invested in the BlackRock Aquila (50/50) Global Equity Fund;
- An 8.2% fall, or a fall of £82 for every £1,000 invested, for those members invested in the BlackRock Aquila Life Market Advantage Fund; and
- A 2.1% rise, or a rise of £21 for every £1,000 invested, for those members invested in the BlackRock Aquila Life Cash Fund.

The investment performance of the funds used in the Fund's arrangement expressed as a percentage were:

Fund	1 Year returns		3 Year returns		5 Year returns	
	Fund %	Benchmark %	Fund % p.a.	Benchmark % p.a.	Fund % p.a.	Benchmark % p.a.
Aquila Life UK Equity Index Fund	2.4	2.9	13.5	13.8	4.8	5.0
Aquila Life (50:50) Global Equity Fund	2.3	2.4	14.5	14.6	7.0	7.0
Aquila Life World (ex-UK) Equity Index Fund	-1.5	-1.1	16.2	16.6	10.8	11.0
Aquila Life Consensus Fund	-0.9	-0.4	8.8	8.9	5.4	5.3
Aquila Life Market Advantage	-8.2	2.2	2.2	0.8	0.5	0.8
Aquila Life >5 Years Index Linked Gilt Index Fund	-29.6	-30.4	-10.5	-9.2	-4.2	-4.1
Aquila Life >15 Years UK Gilt Index Fund	-30.1	-29.7	-16.8	-16.4	-6.5	-6.4
Aquila Life Cash Fund	2.1	2.2	0.7	0.7	0.7	0.6

Source: Aegon, figures quoted gross of fees. ALMA benchmark shown is SONIA.

The performance of the passive fund range is broadly in line with corresponding benchmarks over longer time periods, as we would expect. The tracking error is slightly larger over shorter time periods, although this is typical of these types of funds and reflects differences in pricing points between the AVC fund and the underlying benchmark.

The Aquila Life Market Advantage fund is measured against a SONIA (cash) benchmark. Based on the economic and market conditions observed over the year, an underperformance relative to this benchmark is not unexpected.

The Trustee is satisfied that investment returns across the AVC fund range were generally in line with each of the fund's objectives except for the Aquila Life Market Advantage fund which underperformed its cash-based target. As the Aquila Life Market Advantage fund has a cash-based target, over a period when many asset classes fell in value, underperformance was not unexpected.

Lifestyle option

The return for members in the lifestyle option (see section 4) is shown in the table below, broken down by age of member invested.

Age of member at 31 March 2023 (Years)	1 year	3 year (p.a.)	5 year (p.a.)
25	2.3	14.5	7.0
45	2.3	14.5	7.0
55	-6.1	7.5	3.2

4 Unit-Linked AVC charges and transaction costs

The charges and costs borne by members for the Fund's services are:

Service	By members	Shared	By the Fund
Investment management	✓	✗	✗
Investment transactions	✓	✗	✗
Administration	✗	✗	✓
Governance	✗	✗	✓
Communications	✗	✗	✓

This presentation of charges and costs, together with the projections of the impact of charges and costs later in this Statement, takes into account the statutory guidance issued by the Department for Work and Pensions.

Charges

The charges quoted in this Statement are the AVC funds' Total Expense Ratios ("TERs"). The TER consists of an AVC fund's Annual Management Charge ("AMC") and its Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs, but exclude transaction costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

An AVC funds' transaction costs are in addition to its TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

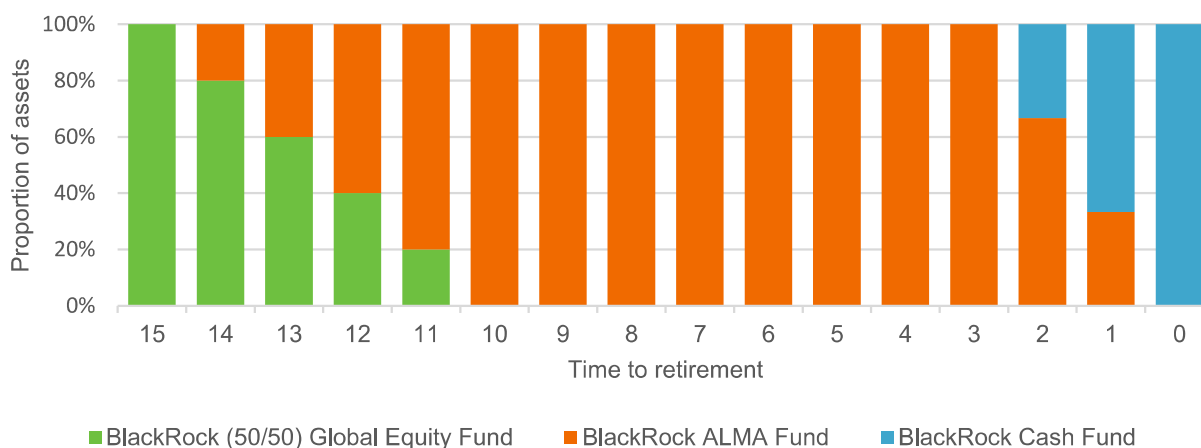
The transaction costs shown in this Statement are those taken from AVC funds while members are invested in them. The transaction costs shown here do not include any costs members may incur from time to time when buying or selling units in certain funds caused by the unit price for a particular fund moving from a "bid" to "offer" basis (or vice versa) or any other "dilution levy" when units in that fund are bought or sold to protect the value of the fund for other investors.

Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Fund's AVC Provider.

Lifestyle option

The lifestyle option is available to members with AVC funds and invests contributions in different Aegon funds according to how far each member is from retirement. As the composition of each individual member's lifestyle strategy changes over time, the charges borne by each member can also vary from one year to the next. The table below provides further information.



Source: Aegon

The charges for the core lifestyle strategy offered to members with AVCs range from 0.125% p.a. at retirement to 0.27% p.a. for members at the point of the strategy which invests in the ALMA Fund; or, put another way, in a range of £1.25 to £2.70 per £1,000 invested. The table below sets out how the fees of the lifestyle arrangement vary depending on the period until retirement.

The annual charges for the lifestyle option during the period covered by this Statement were:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
Over 15 years	0.16	1.60	0.04	0.36
14 years	0.18	1.82	0.27	2.71
13 years	0.20	2.04	0.51	5.07
12 years	0.23	2.26	0.74	7.43
11 years	0.25	2.48	0.98	9.78
3-10 years	0.27	2.70	1.21	12.14
2 years	0.22	2.22	0.81	8.14
1 year	0.17	1.73	0.41	4.14
Retirement	0.13	1.25	0.01	0.15

Source: Hymans Robertson

The transaction costs for the lifestyle option have risen compared to last year. This is a consequence of transaction costs increasing for the underlying BlackRock ALMA Fund, which features in the lifestyle option. This is largely due to the "slippage method" used to calculate transaction costs. There were significant daily

movements in certain asset values at times during 2022. As the BlackRock ALMA Fund bought and sold assets during some of these times, the value of assets immediately before and after transactions had taken place were quite different. This is because asset values had such significant daily moves at times during 2022, which then appears as a larger transaction cost through the “slippage method”.

The table in Appendix 2 gives the charges and transaction costs for each fund used in the lifestyle option.

Other self-select options

Self-select funds are also available to members with AVC funds and the level of charges for each of them (including those used in the lifestyle arrangement) and the transaction costs over the period covered by this Statement are:

Fund	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
Aegon BlackRock Consensus Index Class S3	0.16	1.60	0.03	0.28
Aegon BLK Aquila Life Ov 5 Yr UK I/L Gilt Class S3	0.11	1.10	0.03	0.25
Aegon BLK Aquila Life Over 15 Yr UK Gilt Class S3	0.11	1.10	-0.01	-0.14
Aegon BLK Aquila Life UK Equity Class S4	0.11	1.10	0.07	0.66
Aegon BLK Aquila Life World ExUK Eq Idx Class S7	0.21	2.10	0.00	0.00
Aegon BLK Aquila Life 50:50 Global Equity Class S3	0.16	1.60	0.04	0.36
Aegon BlackRock Market Advantage Class S3	0.27	2.70	1.21	12.14
Aegon BlackRock Cash Class S4	0.125	1.25	0.01	0.15

Source: Aegon

The transaction costs borne by members in the self-select funds during the year were in a range from -0.01% to 1.21% of the amount invested; or, put another way, in a range from -£0.14 to £12.14 per £1,000 invested.

5 Money Purchase Underpin

The Fund's Money Purchase Underpin (“MPU”) arrangements arise in respect of members' Post 1997 Protected Rights Contracting Out benefits (“Post 1997 benefits”). The Money Purchase Underpin was triggered in respect of some members during the period covered by this Statement.

For members that have Post 1997 benefits, a notional MPU fund value is calculated and upon retirement, death or transfer out this is compared to the value of the member's accrued Post 1997 benefits. The benefit that is then paid is the higher of the member's Post 1997 benefits or the MPU fund value divided by an MPU conversion factor.

The investment return applied to the MPU is based upon the return earned on the Fund's assets as disclosed in each year's Annual Report and Accounts. This is based on the gross return before manager fees but after allowing for transaction costs. This approach has been in place for several years and is in line with the Fund Rules.

The Fund invests in a bulk purchase annuity (“BPA”) that represents a significant portion of the Fund’s assets (broadly 90% of total assets). To take account of this, the MPU to the year ending 31 March is calculated as the combined weighted return of the BPA over the year, calculated notionally by the Fund Actuary, and the investment return on those assets not transferred to the insurer.

We consider that using the return earned on the Fund to be an appropriate and suitable method for determining members’ notional MPU fund values.

6 Impact of costs and charges - illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member’s pension savings can reduce the amount available to the member at retirement. The following tables show the potential impact of the costs and charges borne by a typical member on projected values in today’s money at stages up to retirement for a selection of funds. The “before costs” figures show the projected value of a member’s savings assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures show the projected value of a member’s savings using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs. Please note the Fund is closed to new contributions.

Please see the notes for the assumptions used in calculating these tables below. These illustrations have been prepared in accordance with the DWP’s statutory guidance on “Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes” on the projection of an example member’s pension savings.

For the Lifestyle:

The table below shows how the AVC pot for a 55 year-old member might grow over time up to their retirement allowing for investment returns, including what effect the charges for these investment options could have:

Years to retirement	Lifestyle Strategy	
	After Costs and charges £	Before costs and charges £
10	8,000	8,000
7	8,360	8,723
5	8,609	9,241
3	8,866	9,790
1	9,116	10,225
0	9,237	10,374

Source: Hymans Robertson

For the most popular AVC fund:

The table below shows how the AVC pot for a 55 year-old member might grow over time up to their retirement allowing for investment returns, including what effect the charges for these investment options could have:

Years to retirement	Consensus Fund	
	After Costs and charges £	Before costs and charges £
10	8,000	8,000
7	8,926	8,974
5	9,603	9,688
3	10,330	10,459
1	11,113	11,291
0	11,526	11,731

Source: Hymans Robertson

For the cheapest AVC fund:

The table below shows how the AVC pot for a 55 year-old member might grow over time up to their retirement allowing for investment returns, including what effect the charges for these investment options could have:

Years to retirement	UK Equity Fund	
	After Costs and charges £	Before costs and charges £
10	8,000	8,000
7	9,312	9,358
5	10,305	10,389
3	11,403	11,534
1	12,618	12,805
0	13,274	13,492

Source: Hymans Robertson

For the most expensive AVC funds:

The table below shows how the AVC pot for a 55 year-old member might grow over time up to their retirement allowing for investment returns, including what effect the charges for these investment options could have:

Years to retirement	BlackRock ALMA Fund	
	After Costs and charges £	Before costs and charges £
10	8,000	8,000
7	8,360	8,723
5	8,609	9,241
3	8,866	9,790
1	9,130	10,372
0	9,265	10,675

Source: Hymans Robertson

For the Cash Fund:

The table below shows how the AVC pot for a 60 year-old member might grow over time up to their retirement allowing for investment returns, including what effect the charges for these investment options could have:

Years to retirement	Cash Fund	
	After Costs and charges £	Before costs and charges £
5	8,000	8,000
3	8,214	8,236
1	8,433	8,479
0	8,545	8,603

Source: Hymans Robertson

Assumptions

As each member has a different amount of savings within the Fund and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below;

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs.
- The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- Projected pension pot values are shown in today’s terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5% p.a. This is similar to the Bank of England target inflation level of 2.0% p.a., but lower than inflation has been over the period covered by this Statement.
- For the projections (excluding the cash fund projections), the starting pot size is assumed to be £8,000 at age 55, as this represents a typical member of the Fund.
- For the cash fund projections, the starting pot size is assumed to be £8,000 at age 60. This projection has been included as the majority of members invested in the cash fund are closer to retirement.

The investment return allowing for inflation for each fund above was:

Fund	Return % p.a.
BlackRock (50:50) Global Equity Index Fund	5.5
BlackRock UK Equity Fund	5.5
BlackRock ALMA Fund	3.0
BlackRock Cash Fund	1.5
BlackRock Consensus Fund	4.0

The assumptions as used in the Statutory Money Purchase Illustrations (“SMPI”) included with members’ benefit statements have otherwise been used. The Trustee has previously carried out SMPI checks and confirmed that SMPI statements were not required for members with the Money Purchase Underpin.

Please note the following:

- In the absence of transaction cost information that matches the reporting period (detailed in “Missing Information”), these illustrations use transaction data from 1 January 2022 to 31 December 2022 as a proxy;
- These estimates use assumed rates of future investment returns and inflation, which may not be borne out in practice;
- The assumptions used may differ in the future to reflect changes in regulatory requirements or investment conditions;
- The values may be affected by future, and as yet unknown, changes to the Fund’s investment options;
- The values are not guaranteed;
- The values for the lifestyle option depend on how far a member is from retirement, as the funds in which that option actually invests change over time;
- The values may not prove to be a good indication of how a member’s savings might actually grow in practice; and
- This analysis complies with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

7 Value for Members

Each year the Trustee carries out an assessment of whether the charges and transaction costs for the lifestyle arrangement and other investment options, which are borne in full or in part by members, represent good value for members.

Value is not simply about low cost – the Trustee also considers the quality of the services which members pay for. With the help of their professional advisers the Trustee compares the charges and costs as well as the quality of the services against other similar schemes.

The Trustee has adopted the following approach to assessing value for members during the last year:

- Suitability of the funds available;
- Costs associated with investing in the funds available; and
- Performance of the funds offered.

The Trustee's assessment is that, overall, the funds offered provide good value based on a combination of these measures, as determined by the following criteria:

Value category/ feature	Rating	Metric	Comments
Suitability of investment options	Average	Qualitative assessment based upon member profile and use of funds.	The range of funds is predominantly passively managed. The Trustee reviews the range of options and suitability of these options on an annual basis. Following our last review, we are comfortable that the range of investment options remains appropriate and that it is sufficiently wide to meet members' needs.
Charges for investment options	Above average	Comparison of charges from a Value for Money Database	We believe that the charges are competitive for a Fund of this size.
Investment performance	Average	Unitised funds: comparison against benchmarks over 3 months, 12 months and 3 years	We monitor and review the performance of the unit-linked funds. All funds performed broadly in line with expectations over the year, given the nature of the assets held, and the performance targets in place.
Transition Costs	Average	Comparison with wider market – investment advisor guided based on experience across client base	The transaction costs are comparable with those for similar funds used by other schemes.

Overall VfM Rating	Average		We consider the fund options to be suitable and performing in line with expectation. We also consider the costs associated with the funds offered to be competitive.
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8 Administration

The Trustee has appointed Barnett Waddingham to administer the Fund's MPU and its AVCs.

Member data is relatively static, reflecting the fact that the Fund has been closed to new AVCs for some years and recognising that the MPU serves as a benefit underpin, rather than as an active fund choice. There is also very limited activity in terms of members switching between AVC funds.

Nevertheless, regular member data quality reviews are undertaken by the administrator and reported to the Trustee. In addition, periodic reconciliations of individual members' AVC funds are undertaken between the administrator's records and those held by the AVC fund providers.

Barnett Waddingham liaises with the AVC fund providers and operates within agreed service level standards, which are designed to ensure efficient processing of member data and any associated financial transactions. Performance against those service levels is monitored by the Trustee.

The Trustee has a service level agreement (SLA) in place with Barnett Waddingham covering:

- Provision of a retirement pack and quotation of benefits within 10 working days;
- Payment of benefits within 5 working days;
- Provision of transfer value quotation within 10 working days;
- Payment of transfer value within 3 working days;
- Provision of leaver option pack within 10 working days;
- Response to members' enquiries within 10 working days;
- Provision of statements upon request within 10 working days; and
- Processing of investment switches within 5 working days.

Barnett Waddingham monitors its performance and reports to the Trustee via quarterly administration reports. Barnett Waddingham also maintains accreditation with the Pensions Administration Standards Association ("PASA") which recognises high quality administration services and maintains ISO certification for information security (ISO27001), and Quality Management (ISO9001).

The Trustee monitored core financial transactions and administration service levels during the year by:

- Receiving quarterly reports from the administrator on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards;
- Receiving reports from the Fund's Auditor, who independently tests sample transactions for accuracy and timeliness; and
- Considering member feedback, including any complaints.

The Fund's administrators have confirmed to the Trustee that there are adequate internal controls to ensure that core financial transactions relating to the Fund are processed promptly and accurately.

The Trustee is satisfied that the service standards are competitive because they were formally benchmarked when Barnett Waddingham was appointed during 2018. It will review them again on a periodic basis.

Security of assets

There have been a very small number of instances where members of pension schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Trustee keeps the structure of the funds used within the AVC funds under review and believes that these remain appropriate for members when compared to other possible structures.

A few years ago, the Trustee received training on the security of members' assets and will continue to keep this under review. The Trustee takes the security of assets into account when selecting and monitoring the funds used by the Fund.

Data quality

Each year the Trustee receives reports from the Fund's administrator to confirm that it has undertaken an audit of the Fund's common data, being key data, such as names, addresses and dates of birth, needed by the Fund to calculate and settle members' benefits. The Trustees does this to ensure that the records for all members are as accurate and up to date as possible.

The last data quality audit was undertaken in March 2023. This showed that common data was present for 52% of membership data as at February 2023, compared to 51% last year, so is broadly unchanged. However, common data was present for 89% of AVC membership data as at March 2023.

Cyber Security

The Trustee is conscious of the growing threat of cyber-attacks on pension scheme information.

The Trustee periodically asks the Fund's administrator and providers to confirm that their cyber security arrangements are effective and up to date. The Trustee expects that the Fund's administrator and providers will report any security breach immediately and ensure that, where necessary, members are notified as soon as possible.

9 Trustee knowledge

The Trustee is required to maintain appropriate levels of knowledge and understanding to run the Fund effectively. Section 247 and 248 of the Pensions Act 2004 requires that each Trustee Director must:

- Be conversant with the Trust Deed and Rules of the Fund, the Fund's SIP and any other document recording policy relating to the administration of the Fund generally,
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly exercise his or her functions as a Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investing the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

- There is an induction process for newly appointed Trustee Directors, who are asked to complete the Pensions Regulator's "Trustee Toolkit" within six months of becoming a Trustee Director;

- Training is provided to ensure that Trustee Directors maintain a working knowledge of the Fund's Trust Deed and Rules, the Fund's SIP as well as the investment concepts and principles relevant to the Fund contract documents in relation to administration of the Fund and the law and legislation relating to pension schemes and trusts;
- Trustee Directors are encouraged to undertake further study and qualifications that support their work;
- The Trustee Directors have a plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed periodically; and
- The Trustee Directors carry out regular assessments to confirm and identify any gaps in their knowledge and skills.

The Trustee, with the help of its professional advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them and typically deliver training on such matters at Trustee meetings if they are material.

All of the Trustee Directors have access to copies of, and are familiar with, the current governing documentation for the Fund, including the Trust Deed & Rules (together with any amendments) and the SIP. The Trustee Directors refer to the Trust Deed and Rules as part of deciding to make any changes to the Fund, and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and in response to any change to the Fund's investments.

All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit, which is a free online learning programme aimed at trustees of occupational pension schemes and which is designed to help trustees meet the minimum level of knowledge and understanding required by law. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

The Trustee also carries out periodic evaluations of the performance and effectiveness of the Trustee Board as a whole, measured against the objectives in the Fund's Objectives.

During the period covered by this Statement, the Trustee received training on topics such as quarterly market conditions and periodic regulatory updates. The Trustee also received routine updates on the Pensions Regulator's new draft Single Code of Practice, following training on this previously provided, and training on the Department for Work Pensions' progress on Pensions Dashboards .

The Trustee has appointed suitably qualified and experienced actuaries, legal advisers and investment consultants to provide advice on the operation of the Fund in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustee regularly reviews the effectiveness of its advisers and periodically reviews their appointment.

The Trustee is satisfied that during the last year it has:

- a) Taken effective steps to maintain and develop its knowledge and understanding; and
- b) Ensured it has received suitable advice.

The Trustee Directors are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during period covered by this Statement.

10 Our key actions last year and plans for the next year

During the last year, the Trustee undertook the following to assess or improve value for members:

- Reviewed fund fees, suitability and performance of the AVC funds.
- Considered the suitability of the lifestyle strategy.
- Concluded that the range of AVC funds remained appropriate for the majority of members.
- Reviewed the responsible investment credentials of the underlying AVC fund manager, BlackRock.

In the coming year (which will be covered by the next Statement), the Trustee's focus will be on ensuring that the current AVC arrangements in place remain suitable for the majority of members.

11 Missing information

Transaction costs included in this Statement, across all AVC funds, are for the period 1 January 2022 to 31 December 2022, rather than for the period 1 April 2022 to 31 March 2023. This means that some information is outside the period covered by this Statement. For the purposes of this Statement (including the illustrations of the impact of costs and charges and the assessment of Value for members), the transaction costs stated are for the 12-month period supplied by providers (as referred to immediately above), without adjustment.

The time it takes to compile transaction cost data means that it is typically not possible to include data to 31 March in this Statement. This is because the Statement is included within the Fund's Annual Report & Accounts, which is prepared by 30 June each year.

The missing information listed above means that the Trustee has not been able to:

- Compare the funds' costs against other schemes over the relevant period; nor
- Prepare full illustrations of how costs and charges affect the size of typical member's savings using transaction costs data over the specific period.

Appendix 1

Allied Domecq Pension Fund

Statement of Investment Principles

1. INTRODUCTION

This statement sets out the principles governing decisions about the investment of the assets of the Allied Domecq Pension Fund ('the Fund'). It is issued by Allied Domecq First Pension Trust Limited, the Trustee of Allied Domecq Pension Fund ('the Trustee') to comply with section 35 of the Pensions Act 1995 ('the Act'), as amended by the Pensions Act 2004, and The Occupational Pension Schemes (Investment) Regulations 2005 ('the Investment Regulations').

The Trustee has obtained and considered written advice on the content of this statement from the Fund's investment advisers whom the Trustee believes to be suitably qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge of the management of the investments of pension trusts. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Act (as amended by the Pensions Act 2004). This statement is consistent with the investment powers of the Trustee which are set out in Rule C8 of the Consolidated Definitive Trust Deed and Rules (2005 Edition) dated 27 May 2005.

Allied Domecq (Holdings) Limited ('the sponsoring Company') has been nominated by the other scheme employers to act as their representative for the purpose of consultation by the Trustee on the contents of the Fund's statement of investment principles. The Trustee has consulted the sponsoring Company on the content of this statement.

2. DECISION-MAKING STRUCTURE

Overall investment policy falls into two parts:

1. The strategic management of the assets is fundamentally the responsibility of the Trustee acting on expert advice and is driven by the investment objectives as set out in Section 3 below.
2. The remaining elements of policy are part of the day-to-day management of the assets which is delegated to professional investment management and described in Section 4.

The Trustee also maintains an Investment Implementation Policy Document ('IIPD'), which contains details of the Trustee's investment arrangements.

3. STRATEGIC MANAGEMENT

3.1 Investment Objectives

The Trustee has adopted the following primary objective to help guide it in the strategic management of the assets and control of the various risks to which the Fund is exposed:

- *The Trustee seeks to invest the Fund so as to maximise the likelihood:*
 - that benefits will be paid to members as they fall due,
 - of securing the Fund's benefits through insurance policies and ensuring there is suitable cover for residual risks, and
 - of continued long-term financial support from the sponsoring employer.

In addition, the Trustee has adopted the following specific objective:

- that there is a low chance of further significant Company contributions being required as a result of investment experience.

The Trustee believes that these objectives will ensure that the assets are invested in the best interests of the members and beneficiaries of the Fund. The Trustee does not foresee these objectives giving rise to any conflict with the interests of the members and beneficiaries, but if a potential conflict arose, the Trustee would take steps to ensure that the assets were invested in the sole interest of members and other beneficiaries.

The Trustee takes advice from the Fund's actuary and the investment advisers with a view to investing the Fund's assets in a manner that is appropriate to the nature and duration of the expected future retirement and death benefits payable from the Fund. With the benefit of this advice the Trustee has determined a benchmark mix of asset types and ranges within which the investment managers may operate; these guidelines are set out in Section 4. It is the intention of the Trustee to review the investment strategy on a regular basis. The Trustee believes these guidelines will also result in the powers of investment delegated to the investment managers being exercised so as to ensure the security, quality, liquidity and profitability of the Fund's portfolio of investments as a whole.

3.2 Investment Risk

As part of its risk management strategy the Trustee has purchased a bulk annuity in respect of the majority of the Fund's liabilities. Given the level of funding, associated adoption of a lower risk investment strategy and bulk annuity in respect of a material proportion of the liabilities, the Trustee focuses on the risks associated with the residual liabilities not covered by the risk transfer. In particular, the Trustee has considered the Fund's funding level sensitivity to:

- Interest rates
- Inflation

- Market pricing in respect of assets to be sold
- Liquidity, and in particular maintaining sufficient liquidity to meet the residual benefits and expenses of the Fund

In addition, when considering the implementation of the investment policy, the Trustee has considered the risk associated with the use of derivatives.

The Trustee expects the purchase of the bulk annuity in respect of assets and liabilities to immunise the Fund from market risks such as credit risk and interest rate risk, inflation risk and longevity risk associated with the liabilities covered by the bulk annuity buy-in.

The Trustee expects the buy-in provider risk to be addressed through the supervisory regime applicable to insurance companies but monitors the monthly payment benefits from the buy-in provider to the Fund and periodically, normally annually, monitors the financial covenant of the buy-in provider.

3.3 Investment Strategy

The Trustee's target investment strategy is to maintain a portfolio of gilts to provide interest rate hedging in respect of residual liabilities and to redeem all proceeds from the remaining property and private lending mandates.

The level of liquidity and interest rate hedging is monitored regularly by the Trustee to ensure that it remains appropriate for controlling the risks identified in 3.2.

3.4 Consultation with the sponsoring Company

The Trustee will seek to maintain a good working relationship with the sponsoring Company and will consult with the sponsoring Company before making any changes to this statement or any material changes to the Fund's investment arrangements.

The Trustee will also seek the sponsoring Company's opinion on whether the Trustee's investment strategy and approach to risk management is consistent with the investment objective stated in 3.1 above. As required by the Pensions Act 1995 and as a matter of good practice, the Trustee consulted with the sponsoring Company when the current investment arrangements were adopted.

4 DAY-TO-DAY MANAGEMENT OF THE ASSETS

4.1 Main Assets

As set out in Section 2, the Trustee delegates the day-to-day management of the Fund's assets to a number of investment managers. The Trustee takes all reasonable steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the Fund's investments and that they are carrying out their work competently and complying with section 36 of the Pensions Act 1995 (as amended by the Pensions Act 2004). To facilitate this, the Trustee, or its investment adviser on behalf of the Trustee, meets periodically with the Fund's investment managers and receives regular reports from all the investment managers. In addition, the Trustee receives regular reports from the investment adviser. The Trustee has also appointed the investment adviser to assist in monitoring the

Fund's investments and to help the Trustee check that nothing has occurred that would bring into question the suitability of the current investments.

The Trustee invests the assets of the Fund predominantly via pooled funds, using a mixture of active and passive management. The Trustee is satisfied that the spread of assets by type and the spread of individual securities within each type provides adequate diversification of investments for risk purposes.

4.2 Investment Guidelines and Restrictions and Fees

The Trustee has developed a set of Investment Guidelines that express the Trustee's policy on issues such as the use of derivatives, underwriting, stock lending etc. It is the intention that these Guidelines will be adopted by the managers, in so far as they apply to each manager's investment activities.

The Trustee has adopted the following control framework in structuring the Fund's investments:

- At the total Fund level and within individual manager appointments, investments should be broadly diversified to ensure there is not a concentration of investment in any particular asset or with any one issuer or by issuers belonging to the same group. This restriction does not apply to investment in cash funds or UK Government debt.
- Investments in derivatives are permitted either directly or within pooled funds as long as they contribute to a reduction in risk or facilitate efficient portfolio management. The Trustee seeks to avoid excessive risk exposure to a single counterparty and to other derivative operations, and ensures that OTC derivatives are predominantly managed on a fully collateralised basis.
- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular, liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing the Fund's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Trustee will ensure that the assets of the Fund not held in the bulk annuity are predominantly invested on regulated markets and that the level of assets not admitted to regulated markets be kept to a prudent level.
- No investment is permitted in securities issued by the Fund's sponsoring Company or affiliated companies (other than any such securities held within a pooled fund in which the Trustee invests).

The Trustee also has a signed Investment Management Agreement with each investment manager which sets out the managers' performance objective, performance benchmark, investment guidelines and restrictions and the degree of risk relative to benchmark that the manager is permitted. These are summarised in the IIPD – Schedules A and C.

The asset managers appointed are mandated to either liquidate or run off remaining portfolios or hold liability matching assets that support the Trustee in meeting its objective. These objectives are fundamentally short term in nature.

Other than portfolios in wind-down, where the term of the appointment is dictated by the sale of remaining assets, managers are expected to remain in place for the remaining lifetime of the Fund. The Trustee does not expect managers to take excess short-term risk and will regularly monitor managers' performance against the benchmarks and objectives set on a short, medium and long term basis.

The investment managers have full discretion to buy and sell investments on behalf of the Fund, subject to the agreed constraints of the mandates and applicable legislation.

The Trustee recognises that investment managers should be fairly remunerated and seeks to ensure that actual fees paid are competitive with market rates and aligned to the objectives of the investments. Details of the managers' fees are also included in the IIPD – Schedule B.

4.3 Consideration of Financially Material Factors in Investment Arrangements

The Trustee recognises that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process.

The strategic benchmark reflects the objectives to hedge interest rate risk and liquidate other assets, rather than deriving expected risk and return profiles using appropriate economic and financial assumptions for different asset classes.

Given the maturity of the Fund and the strong funding position, the Trustee has a relatively short investment horizon and has not made any specific allowance for ESG factors and the risks of climate change in setting its strategic benchmark.

However, given the discretion afforded to the active investment managers, the Trustee expects that its investment managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Selecting Investment Managers

The Trustee has discussed the extent to which ESG issues, where relevant to the investment mandate, are integrated into the investment processes of their active investment managers and are satisfied that the investment managers are following an approach which takes account of all financially material factors.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the underlying assets and that the manager has minimal freedom to take account of factors that may be deemed to be financially material.

4.4 Consideration of Non-financially Material Factors in Investment Arrangements

Given the objectives of the Fund, the Trustee has not considered any non-financially material factors in the development and implementation of their investment strategy.

4.5 Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

The Trustee has reviewed the UK Stewardship Code and expects its investment managers to apply the Code where appropriate on its behalf and will monitor managers' reports on engagement activity accordingly.

Voting and Engagement

The Trustee believes that responsible share ownership and seeking the best long-term value for investment in shares requires active exercise of voting rights. However, the Fund does not currently hold listed equity assets.

Monitoring

The Trustee undertakes an annual review of responsible investment issues and how these are being dealt with by the Investment Managers.

The Trustee, of the Fund's investment adviser on the Trustee's behalf, aims to meet with all their Investment Managers on a periodic basis. The Trustee provides their managers with an agenda for discussion, including, where appropriate, ESG issues. Where considered appropriate, managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues that may affect the prospects for return from the portfolio.

4.6 Additional Voluntary Contributions ('AVCs')

The Trustee has selected a range of funds which it has been advised are suitable for AVC investments, as set out in the IIPD - Schedule D. Performance of these funds is monitored and the range of funds reviewed and if appropriate amended from time to time.

4.7 Realisation of Investments

The investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. When disinvestment is required, in order to meet benefit outgo etc., the Trustee will determine the necessary disinvestments to be consistent with the aim of the investment strategy.

4.8 Portfolio Turnover

Given the Fund's investment strategy in respect of residual liabilities is now comprised of just gilts, cash and redeeming illiquid assets, the Trustee expects the level of turnover within each mandate to be low (other than for the purposes of redeeming assets). Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report, on at least an annual basis, a summary of any transactions over the period. The Trustee will challenge its managers if portfolio turnover seems excessive.

4.9 Monitoring the Investment Managers

Independent performance measurement is carried out by Northern Trust. In addition, the investment adviser provides performance monitoring reports which are reviewed by the Trustee quarterly. Performance is reviewed against a series of metrics, including financial performance relative to the benchmark and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers), and the management of risks. Material deviation from performance or risk targets may result in the mandate being formally reviewed.

The Trustee similarly monitors the performance and ongoing suitability of the AVC providers.

5 TAX STATUS OF THE FUND

The Trustee would not knowingly permit any manager to act in any way to jeopardise the tax status of the Fund.

6 COMPLIANCE WITH THIS STATEMENT

The Trustee will monitor compliance with this Statement annually, or more frequently if necessary, and will obtain written confirmation from the investment managers that they have given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Regulation 4 of the Investment Regulations.

7. REVIEW OF THIS STATEMENT

The Trustee will review this Statement at least annually and more specifically in response to:

- Legislative and regulatory changes
- A material change to the Fund's funding level
- A change to the attitude in risk of the Trustee and the sponsoring Company which they judge to have a bearing on the stated investment policy.

Any such review will again be based on written, expert investment advice and will be in consultation with the sponsoring Company.

Date of Amendments

First Amendment:	July 2001
Second Amendment:	December 2002
Third Amendment:	December 2003
Fourth Amendment:	November 2004
Fifth Amendment:	November 2005
Sixth Amendment:	May 2006
Seventh Amendment:	February 2007
Eighth Amendment:	July 2007
Ninth Amendment:	February 2008
Tenth Amendment:	October 2009
Eleventh Amendment:	May 2010
Twelfth Amendment:	February 2011
Thirteenth Amendment:	September 2011
Fourteenth Amendment	May 2013
Fifteenth Amendment	September 2014
Sixteenth Amendment	December 2016
Seventeenth Amendment	March 2017
Eighteenth Amendment	May 2017
Nineteenth Amendment	October 2017
Twentieth Amendment	September 2018
Twenty-First Amendment	November 2018
Twenty-Second Amendment	March 2019
Twenty-Third Amendment	September 2019
Twenty-Fourth Amendment	December 2019
Twenty-Fifth Amendment	September 2020
Twenty-Sixth Amendment	September 2021
Twenty-Seventh Amendment	September 2022

Appendix 2

Table of funds and charges

Please note that the charges in the table below do not take into account charges for administration services which are paid for by the Trustee.

Lifestyle arrangement

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the Lifestyle arrangement were:

Fund	ISIN *	Charges **		Underlying Fund	ISIN *	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested			% p.a. of the amount invested	£ p.a. per £1,000 invested
Aegon BLK Aquila Life 50:50 Global Equity Class S3	GB00BFBK3HGG89	0.16	1.60	BlackRock Aquila Life 50:50 Global Equity Fund	GB00BFBK3HGG89	0.04	0.36
Aegon BlackRock Market Advantage Class S3	GB00BFBK3KL46	0.27	2.70	BlackRock ALMA Fund	GB00BFBK3KL46	1.21	12.14
Aegon BlackRock Cash Class S4	GB00BFBK3K692	0.125	1.25	BlackRock Cash Fund	GB00BFBK3K692	0.03	0.28

Source: Aegon

* ISIN = the International Securities Identification Number unique to each fund.

** Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE").