THORNTONS PENSION SCHEME ANNUAL REPORT
FOR THE YEAR ENDED 31 MAY 2021

Scheme Registration Number: 10126689

Thorntons Pension Scheme

Annual Report for the year ended 31 May 2021

Contents

Trustee, Principal Employer and Advisers

Trustee

Employer-nominated Trustees

Independent Trustee Services Limited (ITS) - Independent Trustee

Principal Employer

Thorntons Limited

Scheme Actuary

Kathryn Taylorson, FIA (reappointed 18 March 2021, resigned 3 August 2020)
Mercer Limited

Kath Taylor, FIA (appointed 3 August 2020, resigned 18 March 2021)
Mercer Limited

Independent Auditor

BDO LLP

Scheme Administrator

Mercer Limited

Scheme Investment Consultant

Mercer Limited

Investment Managers

BlackRock Investment Management (UK) Limited
Mercer Limited
Legal & General Assurance (Pensions Management) Limited
Hermes Investment Management Limited
Aviva Investors Pensions Limited
Investec Asset Management Limited

Investment Custodians

State Street Bank Luxembourg S.A.
State Street Custodial Services (Ireland) Limited
HSBC Securities Services
Bank of New York Mellon (International) Limited

Additional Voluntary Contribution (AVC) Providers

The Prudential Assurance Company Limited
Utmost Life and Pensions Limited

Bank

HSBC

Legal Advisers

Wrigleys Solicitors LLP
Gowlings WLG (UK) LLP (appointed 22 September 2020)

Employer Covenant Adviser

Ernst & Young (appointed 3 November 2020)

Contact for further information and complaints about the Scheme

Enquiries about the Scheme generally and complaints:
Paul Sherman
The Secretary to the Trustees of the Thorntons Pension Scheme
Independent Trustee Services Limited
4th Floor Cannon Place
78 Cannon Street
London
EC4N 6HL
Email: paul_sherman@itslimited.org.uk

Enquiries about an individual's entitlement to benefit should be addressed to:
John Stevens
Mercer Limited
1 Whitehall Quay
Whitehall Road
Leeds
LS1 4HR
Email: john.stevens@mercer.com

Introduction

The Trustee of the Thorntons Pension Scheme (the Scheme) is pleased to present their report together with the audited financial statements for the year ended 31 May 2021. The Scheme is a defined benefit scheme.

Full membership of the Scheme was closed to new employees who commenced service on or after 1 August 2002. Between 6 April 2009 and 5 April 2013, the date on which the Scheme was closed to future accrual, benefits accrued on a Career Average Revalued Earnings (CARE) basis.

Constitution

The Scheme was established on 24 May 1967 and is governed by a definitive Trust Deed dated 25 April 2003 and a supplemental definitive Deed and Rules dated on 9 September 2009.

Management of the Scheme

Trustee

The Pensions Act 2004 provides for the appointment of Member nominated Trustee Directors. However, as all Directors of the Independent Trustee, Independent Trustee Services Limited (ITS), satisfy the independence conditions in the regulations, the Scheme is exempt from this requirement. The power to appoint and remove Trustee rests with the Principal Employer, Thorntons Limited.

The Directors of Independent Trustee Services Limited are:

R Croft
M Evans
H Frisby
J Kempster (appointed 13 September 2021)
H Kotecha
J Lovell
C Martin
B Smith (appointed 1 June 2020)
D Visavadia
J Wood

The Trustee met formally twice during the year on 23 July 2020 and 22 October 2020.

Statement of Trustee's Responsibilities

The Statement of Trustee's Responsibilities is set out on page 14 and forms part of this Trustee's Report.

Governance and risk management

The Trustee has in place a business plan which sets out their objectives in areas such as administration, investment and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustee run the Scheme efficiently and serves as a useful reference document.

The Trustee also has a risk register which sets out the key risks to which the Scheme is subject along with the controls in place to mitigate these. This register is regularly reviewed and updated by the Trustee.

Trustee knowledge and understanding

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

Principal Employer

The Scheme was provided for all eligible employees of the Principal Employer whose registered address is Thorntons Limited, 889 Greenford Road, Greenford, Middlesex, UB6 0HE.

Financial development

The financial statements on pages 18 to 28 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund increased from £125,361,458 at 31 May 2020 to £128,206,349 at 31 May 2021.

The increase shown above comprised net withdrawals from dealings with members of £314,022 together with net returns on investments of £3,158,913.

Guarantee

To help secure the financial position of the Scheme the Company has entered into an agreement with the Trustee under which Ferrero International S.A. (Ferrero) - (Thorntons Limited's parent company) had agreed that, if the Company becomes insolvent or is unable to pay such amounts as required under the Schedule of Contributions, Ferrero will step in and pay those amounts instead, depending on the circumstances, up to a value of £40 million. As a part of 2020 Actuarial Valuation agreement, the Trustee is working with Ferrero agree:

- an extension of the term of the guarantee to 30 June 2031;

- to fix the value of the guarantee at £40m.

The Trustee intends to confirm the finally agreed position on the guarantee from Ferrero Trading Lux S.A. when it next communicates with the Scheme members.

COVID-19

In early 2020, a new coronavirus, COVID-19, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity which has been reflected in fluctuations in global stock markets and, in turn, in valuation of Scheme assets. The Trustee has designed and implemented the Scheme’s investment strategy taking a long term view and has built in resilience to withstand short term fluctuations.

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. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Principal Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

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

The most recent full actuarial valuation of the Scheme was carried out as at 31 May 2020. This showed:

	31 May 2020
The value of the Technical Provisions was:	£160.9 million
The value of the assets at that date was:	£125.1 million
Funding level:	78%

The next full actuarial valuation of the Scheme will be carried out as at 31 May 2023.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles).

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Report on actuarial liabilities - continued

Significant actuarial assumptions

Principal actuarial assumptions for valuation as at 31 May 2020	
Investment return pre-retirement:	2.24% p.a.
Investment return post-retirement:	0.99% p.a.
Price inflation - Retail Prices Index:	2.94% p.a.
Deferred revaluation:	2.94% p.a.
Pension increases in payment:	
Pre 97	0.00% p.a.
Post 97	2.84% p.a.
Mortality:	S3PA tables ("middle" table for females) using year of birth with 112%/102% weighting for male/female non-pensioners and 107%/104% weighting for male/female pensioners, CMI 2019 projections model and a long-term improvement rate of 1.5% p.a. and a smoothing parameter of 7.5

The derivation of these key assumptions and an explanation of the other assumptions to be used in the calculation of the technical provisions are set out below.

Derivation of actuarial assumptions for valuation as at 31 May 2020	
Discount interest rate:	The majority of benefits in a pension scheme are paid many years in the future. In the period before the benefits are paid, the Trustees invest the funds held by the scheme with the aim of achieving a return on those funds. When calculating how much money is needed now to make these benefit payments, it is appropriate to make allowance for the investment return that is expected to be earned on these funds. This is known as "discounting". The higher the investment return achieved, the less money needs to be set aside now to pay for benefits. The calculation reflects this by placing a lower value on the liabilities if the "discount rate" is higher. The Trustees' investment policy is to invest the funds held in respect of retired members in lower risk assets (which therefore have a lower expected return) than those held for members who are still some way from retirement. Therefore, the discount rate assumption is split into pre and post-retirement rates (with pre-retirement being higher).
Inflation:	Pensions in payment typically increase in line with price inflation, subject to a cap. Salary growth is also normally linked to price inflation. A higher inflation assumption will, all other things being equal, lead to a higher value being placed on the liabilities.
Life expectancy:	Pensions are paid while the member (and potentially their spouse or partner) is alive. The longer people live, the greater is the cost of providing a pension. Allowing for longer life expectancy therefore increases the liabilities.

Scheme Actuary

With effect from 3 August 2020 Kathryn Taylorson, FIA resigned as Scheme Actuary and Kath Taylor, FIA was subsequently appointed as Scheme Actuary. Subsequently Kath Taylor resigned as Scheme Actuary with effect from 18 March 2021 and Kathryn Taylorson, FIA was reappointed as Scheme Actuary.

The following statement was received from Kathryn Taylorson, FIA:

"Under Regulation 5(4) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 I have considered whether there are any circumstances connected with my resignation from the appointment which significantly affect the interests of current or prospective members and beneficiaries under the Scheme. I can confirm that I know of no such circumstances".

The following statement was received from Kath Taylor, FIA:

"Under Regulation 5(4) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 I have considered whether there are any circumstances connected with my resignation from the appointment which significantly affect the interests of current or prospective members and beneficiaries under the Scheme. I can confirm that I know of no such circumstances".

Membership

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

	Deferreds	Pensioners	Total
At 1 June 2020	1,125	720	1,845
Adjustments	(4)	8	4
Retirements	(46)	46	-
Deaths	(3)	(33)	(36)
Transfers out	(6)	-	(6)
Spouses and dependants	-	10	10
Pensions commuted for cash	-	(17)	(17)
At 31 May 2021	1,066	734	1,800

Included within pensioners above is 49 (2020: 42) members receiving a pension upon the death of their spouse.

Pension increases

Pensions in payment as at 1 May 2020 were increased in line with the Scheme rules. Pension arising from pensionable service completed post 6 April 1997 increases in line with Retail Prices Index up to a maximum of 5% per annum. During 2021 these pensions were increased by 1.1% (2020: 3.3%). Preserved pensions were increased in accordance with statutory guidelines. None of the pension increases were discretionary.

Calculation of transfer values

The cash equivalent transfer values have been calculated on the Trustees' transfer value basis. The Trustee is responsible for choosing the method and assumptions used to calculate transfer values, having taken advice from the Scheme Actuary.

The cash equivalent transfer value calculations have been reduced to reflect the funding position of the Scheme on the Trustees' transfer value basis. Therefore transfer payments will be made at less than the full cash equivalent, and this will be reviewed following the review of the Scheme's funding position. There is no allowance made for discretionary benefits when calculating transfer values.

Investment management

General

The overall investment policy of the Scheme is determined by the Trustee having taken advice from its advisers, Mercer Limited ("Mercer"). The Trustee is responsible for determining the investment strategy and manager appointments after taking appropriate advice. The Trustee has delegated the day-to-day management of investment to professional investment managers. These managers, undertake, within restrictions in the contractual documentation, the day-to-day management of the asset portfolio, including the full discretion for stock selection.

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme's (Investment) Regulations 2005 and subsequent legislation.

The SIP was updated in September 2020 in order to expand upon the application of the Trustee’s engagement beliefs and policy, as well as setting out the Trustee's policy with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs.

The SIP was further updated in March 2021 to reflect the extension of the Scheme's target inflation and interest rate hedge ratios to 70% of the risk associated with the Scheme’s liabilities on a gilts + 0.5% p.a. basis.

Full information on these policies is outlined throughout the SIP, a copy of which is available at https://www.thorntons.co.uk/legal/thorntons-pension-scheme.html. Further information is also summarised later in this report. In addition, the Trustee's Engagement Policy Implementation Statement on page 10 outlines how, in the opinion of the Trustee, the Trustee's engagement policy has been followed during the year.

Investment principles

The Trustee has produced a Statement of Investment Principles (“SIP”) in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme’s (Investment) Regulations 2005 and subsequent legislation.

The SIP was updated in September 2019 to reflect new regulatory requirements taking effect from October 2019. The update included the Trustee’s policies relating to financially material considerations over an appropriate time horizon, non- financial matters, the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments.

The SIP was also updated in September 2020 to reflect additional regulations taking effect from October 2020. This update expanded upon the application of the Trustee’s engagement activities as well as setting out its policy with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs.

Full information on these policies is outlined throughout the SIP, a copy of which is available at https://www.thorntons.co.uk/legal/thorntons-pension-scheme.html. Further information is also summarised later in this report. In addition, the Scheme’s Engagement Policy Implementation Statement on page 32 outlines how, in the opinion of the Trustee, the Trustee’s engagement policy has been followed during the year.

Investment Objectives and Policies

Objectives

The Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee’s primary objectives are as follows:

- To make sure that the Trustee can meet its obligations to the beneficiaries of the Scheme taking into account the funding level of the Scheme and the strength of covenant of the Employer.
- To pay due regard to the interest of the Employer on the size and incidence of its contribution payments.

The Trustee understands, following discussions with the Employer, that the Employer is willing to accept some degree of volatility in its contribution requirements in order to reduce the long-term cost of the Scheme's benefits.

Financially Material Considerations

When setting objectives, investment strategy and choosing appropriate investments for the Scheme, the Trustee takes into account what it believes to be financially material considerations over an appropriate time horizon, which can include risk and return expectations as well as Environmental, Social and Governance ("ESG") issues where these are considered to have a material impact on income, value or volatility of an investment held or the overall portfolio of investments held by the Scheme. Specific considerations are detailed throughout the SIP.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades) and the Trustee takes this into account when setting gilts strategy. However, any future opportunities for the Trustee to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

The Trustee's strategic benchmark for the Scheme's assets has been determined using appropriate economic and financial assumptions, from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Non-Financial Matters

"Non-financial matters" (where "non-financial matters" includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments. The Trustee would review this policy in response to significant member demand.

Selection, Retention and Realisation of Investments

The selection, retention and realisation of assets is carried out in a way consistent with maintaining the Scheme's overall strategic allocation and consistent with the overall principles set out in this Statement.

The Trustee has implemented a policy to manage the Scheme's net cash in/out flow. Within investment manager portfolios, the investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments subject to the relevant appointment documentation and pooled fund prospectuses.

In addition the Trustee monitors the allocation between the appointed managers and between asset classes and will rebalance (or delegate this to individual investment managers) as appropriate.

ESG, Stewardship and Climate Change

The Trustee believes that financially material factors, including ESG factors, may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may apply over the Scheme's investment time horizon and increasingly may require explicit consideration.

The Scheme's assets are invested predominantly in pooled vehicles and the day-to-day management of the Scheme's assets has been delegated to investment managers, including the selection, retention and realisation of investments within their mandates. In doing so, the Trustee expects and encourages the investment managers to undertake engagement activities on relevant matters including ESG factors (including climate change considerations) and to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee engages with existing investment managers on these issues through (amongst other things) meetings and periodic correspondence. Managers who are regulated by the UK's Financial Conduct Authority are expected to report on their adherence to the UK Stewardship Code on an annual basis. This applies to both equity and debt investments, as appropriate, and covers a range of matters including an equity or debt issuer's performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

A proportion of the Scheme's assets are managed on a benchmark-tracking (or "passive") basis. As a result, the Trustee recognises that the choice of benchmark dictates the assets held by the Scheme's investment managers given passive mandates and that these managers have limited freedom to take account of factors that may be deemed to be financially material as part of stock selection decision-making. The Trustee accepts that the primary role of its passive managers is to deliver returns in line with the market and believes this approach is in line with the basis on which the current strategy has been set. The Trustee will periodically consider the appropriateness of the benchmark indices against which its passive managers aim to track, relative to viable alternative indices.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers, monitoring existing investment managers and retaining or withdrawing from investment managers. The relative importance of these factors compared to other factors will depend on the asset class being considered. Monitoring of the existing investment managers is undertaken on a regular basis and is based on Mercer's assessment of the degree to which ESG considerations are embedded into a manager's investment processes. This monitoring is documented at least annually and Mercer informs the Trustee of any changes to its ESG ratings of investment managers usually on a quarterly basis. The Trustee will challenge managers who it believes are taking insufficient account of ESG considerations in implementing their mandates. The Trustee will also monitor investment manager engagement activity (such as voting) at least annually.

The Trustee has not set any investment restrictions on the appointed investment manager(s) in relation to particular products or activities, but may consider this in future.

The Trustee will not consider the ESG policies of Additional Voluntary Contributions (AVCs) providers and associated investment funds as these are a small proportion of total assets.

Alignment of Investment Manager Objectives and Incentivisation

Investment managers are appointed based on their perceived capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics for the asset class or specific investment strategy they are selected to manage over a suitably long time horizon. This includes, in relation to active management, appropriate levels of outperformance and, in relation to passive management, suitable levels of "tracking error" against a relevant benchmark.

The Trustee seeks expert advice in relation to these appointments. This advice may consider factors such as the manager's idea generation, portfolio construction, implementation, business management, timeliness and quality of reporting, as well as the investment manager's approach to ESG and engagement activity, as they apply to the specific investment strategy being considered.

Where relevant, the Trustee specifies the investment objectives and guidelines in an Investment Management Agreement and sets these so that they are in line with the Trustee's specific investment requirements. In relation to pooled investment vehicles, the Trustee accepts that it has no ability to specify the risk profile and return targets of the manager other than through the choice of specific vehicles. They will therefore select vehicles that best align with the Trustee's own investment objectives and guidelines (as set out in relevant governing documents) and, once appointed, will review the appointment should there be any material changes in these terms.

The Trustee makes appointments with the view to them being long term (to the extent this is consistent with the Trustee's overall investment time horizon) and there is typically no set duration for the manager appointments. However, appointments can typically be terminated at relatively short notice.

For each appointment, retention is dependent upon the Trustee having ongoing confidence that the investment manager will achieve the mandated investment objective. The Trustee makes this assessment taking into account various factors which includes performance to date as well as an assessment of future prospects.

Investment managers are therefore incentivised both to achieve the mandated objectives, consistent with the Trustee's policies and objectives, and to ensure that they remain capable of doing so on a rolling basis. This encourages investment managers to take a suitably long term view when assessing the performance prospects of, and engaging with, the equity and debt issuers in which they invest or seek to invest.

Performance Assessment and Fees

The Trustee receives reporting on asset class and investment manager performance on a regular basis, via a combination of formal independent reports and periodic presentations from the investment managers. Investment returns (and their associated volatility) are measured on both an absolute basis and relative to one or more suitable benchmarks and targets.

As well as assessing investment returns the Trustee will consider a range of other factors, with the assistance of the investment advisor, when assessing investment managers, which may include:

- Personnel and business change;
- Portfolio characteristics (including risk and compatibility with objectives) and turnover;
- Voting and engagement activity;
- Service standards;
- Operational controls; and
- The advisor's assessment of ongoing prospects based on their research ratings.

The investment managers are remunerated by way of a fee calculated as a percentage of assets under management. In each case, the principal incentive is for the investment manager to retain their appointment (in full), by achieving their objectives, in order to continue to receive their fee in full. On some mandates, performance related fees may also be in operation. Performance related fees incentivise the manager to outperform their target as they take a share of the outperformance. The Trustee will consider introduction of performance related fees on a case by case basis where not in operation and would also consider requesting fee reductions. Investment managers are not remunerated based on portfolio turnover.

Portfolio Turnover Costs

Turnover costs arise from a) "ongoing" transactions within an investment manager's portfolio and b) "cashflow" costs incurred when investing in or realising assets from a mandate.

The Trustee has not historically monitored investment managers' ongoing transaction costs explicitly but measure these implicitly through ongoing performance assessments which are net of these costs. The Trustee now seek explicit reporting on ongoing costs for all appointed managers.

The Trustee does not monitor regular cashflow costs (but seeks to minimise them through ongoing cashflow policy). The Trustee monitors the costs of implementing strategic change via its investment consultant.

Investment Strategy

The Trustee has agreed, based on expert advice from Mercer, an investment strategy that is consistent with the Trustee's funding and investment objectives. The split of assets between each asset class (excluding any cash held separately to meet day-to-day cash flow requirements) is set out below.

Asset Class	Strategic Allocation (%)
Equities	19.5
Emerging Market Debt	4.5
Property	12.0
Multi-Asset Credit	7.0
Investment Grade £ Bonds	15.0
Liability Driven Investments (“LDI”)*	42.0
Total Scheme	**100.0**

*LDI may include physical gilt and index-linked gilt holdings, as well as partially funded exposure to changes in interest rates and inflation through pooled vehicles with underlying exposure to derivative contracts including interest rate and inflation swaps, total return swaps and gilt repo. It may also include cash.

The Trustee regards all the Scheme's investments as readily marketable, during normal market conditions. This is because:

- BlackRock, LGIM and Ninety One (formerly Investec) pooled investment vehicles are daily priced and traded;
- Mercer and Hermes pooled investment vehicles are monthly priced and traded; and
- Aviva pooled investment vehicle is monthly priced but only has annual redemptions on 31 December.

The actual allocations will vary from the strategic allocation above due to market price movements.

Investment Performance to 30 June 2021 (being the closest date available to the Scheme year end)

	1 Year		Last 3 Years		Last 5 Years	
	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)
Total	3.2	2.9	7.4	7.8	7.9	8.4
BlackRock (UK Equity)	21.5	21.5	2.0	2.0	-	-
BlackRock (World ex-UK Equity)	25.2	25.4	14.3	14.4	-	-
BlackRock (World ex-UK Equity (95% Hedged))	36.4	36.8	13.8	14.5	-	-
BlackRock (Low Volatility Equity)	7.9	7.5	7.8	7.4	7.6	7.3
BlackRock (Emerging Market Equity)	25.8	26.0	9.4	9.6	-	-
Investec (Emerging Market Debt)	5.7	1.3	4.7	4.2	-	-
Mercer (Multi-Asset Credit)	15.2	11.2	4.4	4.5	5.0	4.6
Hermes (Property)	7.5	8.5	3.8	3.3	6.1	5.1
Aviva (HLV Property)	9.0	7.4	7.0	5.4	7.4	6.5
LGIM (Sterling Non-Gilts)	1.4	0.7	7.5	7.0	5.8	5.6
BlackRock (Sterling Non-Gilts)	1.5	1.7	4.5	4.7	3.9	4.0
BlackRock (LDI)	(9.4)	(9.3)	9.7	10.0	8.8	9.1

Figures shown are based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream. Returns are gross of fees.

For periods to 30 June 2021 the Scheme outperformed its composite benchmark by 0.3% over one year while underperforming by 0.4% p.a. and 0.5% p.a. over three and five years respectively.

Asset Allocation

The following table provides more detail on the distribution of the Scheme's assets (excluding cash held in the Trustee bank account and AVC's) at the beginning of the year and the year end.

Pooled investment vehicles	Start Of Year £m	End Of Year £m	Start Of Year %	End Of Year %	Benchmark allocation %
BlackRock (Global Equity)	17.6	22.5	14.3	17.6	19.5
BlackRock (Global Low Volatility Equity)	3.5	4.3	2.8	3.4	
BlackRock (Emerging Markets Equity)	2.5	3.1	2.0	2.5	
Investec (Emerging Markets Debt)	5.0	5.3	4.1	4.2	4.5
Mercer (Multi-Asset Credit)	7.4	8.6	6.0	6.7	7.0
Hermes (Property)	4.4	4.5	3.6	3.5	4.5
Aviva (HLV Property)[1]	7.7	9.2	6.3	7.3	7.5
LGIM (Sterling Non-Gilts)	8.0	8.1	6.5	6.4	6.5
BlackRock (Sterling Non-Gilts)	10.1	10.3	8.2	8.1	8.5
BlackRock (LDI)	43.8	51.1	35.5	40.0	42.0
BlackRock (Cash)	13.1	0.3	10.7	0.3	
Total	**123.1**	**127.3**	**100.0**	**100.0**	**100.0**

Source: Investment Managers and Mercer.Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

[1] End of year valuation estimated by the manager due to lack of more recent data.

The Trustee invests in pooled investment vehicles, some of which make use of derivative contracts for efficient portfolio management purposes. For the LDI portfolio managed by BlackRock, significant use is made of derivative contracts for the purposes of protecting the Scheme against the interest and inflation rate risk inherent in the Scheme's liabilities in a capital-efficient way. The LDI portfolio's principal derivative investments are in collateralised interest rate and inflation swaps.

Custodial Arrangements

The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments.

As the Scheme is invested using pooled funds, the Trustee has no direct ownership of the underlying assets. The safekeeping of the assets within the pooled funds is performed by custodian banks specifically appointed by the managers to undertake this function and whose appointment is reviewed at regular intervals by the manager.

The current custodians appointed by the Scheme's investment managers are shown in the table below.

Manager	Custodian
BlackRock	Bank of New York Mellon Europe
	JP Morgan Dublin
Ninety One	State Street
Mercer	State Street Custodial Services (Ireland) Limited
Hermes	NatWest Trustee and Depositary Services Limited
Aviva	RBC Jersey
LGIM	HSBC Bank Plc

Source: Investment Managers

In addition to the above, the Trustee has directly appointed Bank of New York Mellon (International) Limited as custodian responsible for handling any movements between BlackRock pooled funds.

Cash held on behalf of the Scheme is held in an account with HSBC Bank.

Further information

Further information about the Scheme is given in the explanatory booklet, dated October 2009, which is issued to all members.

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 it 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 the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the 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.

Independent Auditor's Report to the Trustee of Thorntons Pension Scheme

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 May 2021 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.

We have audited the financial statements of Thorntons Pension Scheme ('the Scheme') for the year ended 31 May 2021 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – Financial Reports of Pension Schemes (revised 2018).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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. The other information comprises the information included in the annual report and financial statements, 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determine 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 Trustees either intend 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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

- Obtaining an understanding of the Scheme's legal and regulatory frameworks, focusing on those which we determine to be the most significant, and how the Scheme complies with these.
- Enquiring of Trustee, and where appropriate, the administrators or consultants as to whether;
  - the Scheme is in compliance with laws and regulations that have a material effect on the financial statements;
  - they have knowledge of any actual, suspected or alleged fraud;
  - any reports have been made to the Pensions Regulator.

Based on our understanding of the Scheme, we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Acts 1995 and 2004 and those that relate to the reporting framework (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 and the Statement of Recommended Practice 'Financial Reports of Pensions Schemes' 2018 ('The SORP'); and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls by the Trustee and those involved in the preparation of the financial statements and underlying accounting records. We determined that the principal risk was related to the posting of inappropriate journals, which may act to conceal fraudulent activity.

Audit procedures performed to respond to the identified risks included, but were not limited to, the following:

- Testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- Enquiring of management and those charged with governance with regard to actual and potential litigation and claims.
- Reviewing the disclosures in the financial statements and testing to supporting documentation to assess compliance with relevant laws and regulations, as detailed above.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing any significant correspondence with the Pensions Regulator.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://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, 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 Scheme's Trustee, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Statutory Auditor
Leeds
United Kingdom
Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Fund Account

	Note	2021 Total £	2020 Total £
Employer contributions	4	**4,250,004**	4,250,004
Other income	5	**3,399**	785
		4,253,403	4,250,789
Benefits paid or payable	6	**(3,154,238)**	(3,150,073)
Payments to and on account of leavers	7	**(880,503)**	(84,531)
Administrative expenses	8	**(532,684)**	(394,603)
		(4,567,425)	(3,629,207)
Net (withdrawals)/ additions from dealings with members		**(314,022)**	621,582
Returns on investments			
Investment income	9	**517,787**	13,907,474
Change in market value of investments	10	**2,823,400**	(2,510,102)
Investment management expenses	11	**(182,274)**	(81,059)
Net returns on investments		**3,158,913**	11,316,313
Net increase in the fund during the year		**2,844,891**	11,937,895
Net assets at 1 June		**125,361,458**	113,423,563
Net assets at 31 May		**128,206,349**	125,361,458

The notes on pages 20 to 28 form part of these financial statements.

Statement of Net Assets available for benefits

	Note	2021 Total £	2020 Total £
Investment assets			
Pooled investment vehicles	13	**127,336,417**	123,078,236
AVC investments	14	**193,958**	235,350
Cash	15	**10,017**	54,512
Other investment balances	16	**54,464**	53,855
Total investments	10	**127,594,856**	123,421,953
Current assets	21	**921,882**	2,246,398
Current liabilities	22	**(310,389)**	(306,893)
Net assets at 31 May		**128,206,349**	125,361,458

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 takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 4 to 5 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 20 to 28 form part of these financial statements.

1. Identification of the financial statements

The Scheme is established as a trust under English law.

The Scheme was established to provide retirement benefits to certain groups of employees of Thorntons Limited. The address of the Scheme's principal office is 889 Greenford Road, Greenford, Middlesex, UB6 0HE.

The Scheme is a defined benefit scheme.

2. Basis of preparation

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

3. Accounting policies

The principal accounting policies are set out below. Unless otherwise stated, they have been applied consistently year on year.

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

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

3.3 Contributions

Employer deficit funding contributions are accounted for in the period to which they relate, in accordance with the Schedule of Contributions, or on receipt if earlier, with the agreement of the employer and Trustees.

3.4 Transfers

Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

3.5 Other income

Income is accounted for in the period in which it falls due on an accruals basis.

3.6 Payments to members

Pensions in payment are accounted for in the period to which they relate.

Other benefits, and any associated tax liabilities, are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for on the later of the date of leaving, retirement or death and the date on which any option or notification is communicated to the Trustee. If there is no choice, they are accounted for on the date of retirement or leaving.

3.7 Administrative and other expenses

Administrative expenses are accounted for in the period in which they fall due on an accruals basis.

Investment management expenses are accounted for in the period in which they fall due on an accruals basis.

3.8 Investment income

Dividends from equities are accounted for on the ex-dividend date.

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

3.9 Change in market value of investments

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

3.10 Valuation of investments

The market value of pooled investment vehicles held with Investec Asset Management Limited, Aviva Investors and Mercer Limited is based on the single unit price operating at the year end, as advised by the investment managers.

The market value of pooled investment vehicles held with BlackRock Advisors (UK) Limited, Legal & General Assurance (Pensions Management) Limited and Hermes Investment Management Limited Property Unit Trust is based on the bid price operating at the year end, as advised by the investment managers.

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

4. Contributions

	2021 Total £	2020 Total £
Employer contributions:		
Regular deficit funding	**4,250,004**	4,250,004

In accordance with the Schedule of Contributions dated 26 October 2018 the employer shall pay £354,167 per month from 1 June 2020 to 31 August 2021.

In accordance with the revised Schedule of Contributions dated 26 August 2021 the employer shall pay £395,833 per month from 1 September 2020 to 30 June 2028.

5. Other income

	2021 Total £	2020 Total £
Interest on cash deposits held by the Trustee	**3,399**	785

6. Benefits paid or payable

	2021 Total £	2020 Total £
Pensions	**2,253,613**	2,087,633
Commutation of pensions and lump sum retirement benefits	**888,070**	1,054,900
Lump sum death benefits	**12,555**	7,540
	3,154,238	3,150,073

7. Payments to and on account of leavers

	2021 Total £	2020 Total £
Individual transfers out to other schemes	**880,503**	84,531

8. Administrative expenses

	2021 Total £	2020 Total £
Pension consultancy fees	**243,036**	210,932
Administration fees	**132,505**	103,433
Other Trustee's fees and expenses	**69,832**	59,135
Covenant fee	**39,570**	-
Audit fees	**16,757**	13,966
Legal fees	**30,419**	6,672
Miscellaneous expenses	**(600)**	465
Bank Charges	**1,165**	-
	532,684	394,603

In accordance with the Schedule of Contributions the principal employer shall pay the levy to the Pension Protection Fund, no later than the month after an invoice has been submitted by the Trustee.

9. Investment income

	2021 Total £	2020 Total £
Income from pooled investment vehicles	**505,322**	13,871,520
Interest on cash deposits	**12,465**	35,954
	517,787	13,907,474

10. Reconciliation of investments

	Market value at 1 June 2020 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	**Market value at 31 May 2021 £**
Pooled investment vehicles	123,078,236	59,241,974	(57,807,193)	2,823,400	**127,336,417**
AVC investments	235,350	-	(41,392)	-	**193,958**
	123,313,586	59,241,974	(57,848,585)	2,823,400	**127,530,375**
Cash	54,512			-	**10,017**
Other investment balances	53,855			-	**54,464**
	123,421,953			2,823,400	**127,594,856**

10.1 Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of transaction costs is not separately provided to the Scheme.

11. Investment management expenses

	2021 Total £	2020 Total £
Administration, management and custody fees	**190,011**	87,499
Other investment management rebates	**(7,737)**	(6,440)
	182,274	81,059

12. Taxation

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

13. Pooled investment vehicles

	2021 Total £	2020 Total £
Bonds	**69,878,000**	74,867,426
Equities	**29,890,258**	23,607,111
Property	**13,688,168**	12,158,168
Multi-Asset Credit	**8,580,035**	7,404,222
Diversified growth	**5,299,956**	5,041,309
	127,336,417	123,078,236

The Aviva Investors Pensions Limited and Hermes Investment Management Limited pooled investments are held in the name of the Scheme. Income generated by these units is distributed as shown in note 9.

The remaining pooled investments are held under managed fund policies in the name of the Trustee. Income generated by these units is not distributed, but retained within the managed funds and reflected in the market value of the units.

The companies managing the pooled investments are registered in the United Kingdom.

14. AVC investments

The Trustee holds assets which are separately invested from the main fund in the form of individual policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 31 May each year, confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below:

	2021 Total £	2020 Total £
The Prudential Assurance Company Limited	**141,325**	182,717
Utmost Life and Pensions	**52,633**	52,633
	193,958	235,350

15. Cash

	Assets £	**Liabilities £**	**2021 £**	Assets £	Liabilities £	2020 £
Sterling	**10,017**	**-**	**10,017**	54,512	-	54,512

16. Other investment balances

	Assets	**Liabilities**	**2021**	Assets	Liabilities	2020
	£	**£**	**£**	£	£	£
Investment income receivable	**20,000**	**-**	**20,000**	19,391	-	19,391
Tax recoverable on investments	**34,464**	**-**	**34,464**	34,464	-	34,464
	54,464	**-**	**54,464**	53,855	-	53,855

17. Fair value hierarchy

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

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities which the reporting entity can access at the assessment dates.

Level 2 Inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs which reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Level 3 Unobservable inputs for the asset or liability. Unobservable inputs are inputs which reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

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

	2021 Level 1 £	**2021 Level 2 £**	**2021 Level 3 £**	**2021 Total £**
Pooled investment vehicles	**-**	**113,648,249**	**13,688,168**	**127,336,417**
AVC investments	**-**	**-**	**193,958**	**193,958**
Cash	**10,017**	**-**	**-**	**10,017**
Other investment balances	**54,464**	**-**	**-**	**54,464**
	64,481	**113,648,249**	**13,882,126**	**127,594,856**

Analysis for the prior year end is as follows:

	2020 Level 1 £	2020 Level 2 £	2020 Level 3 £	2020 Total £
Pooled investment vehicles	-	110,920,068	12,158,168	123,078,236
AVC investments	-	-	235,350	235,350
Cash	54,512	-	-	54,512
Other investment balances	53,855	-	-	53,855
	108,367	110,920,068	12,393,518	123,421,953

18. Investment risks

Financial Reporting Standard (FRS) 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. These risks are set out by FRS 102 as follows:

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

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

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

The Trustee is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund that should be invested in the principal market sectors, the day to day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the investment manager. The Scheme has exposure to the above risks because of the investments made by the Trustee to implement the Scheme's investment strategy. The Trustee manages the Scheme's investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios. The investment objectives and risk limits of the Scheme are further detailed in the SIP and Summary of Investment Arrangements ("SIA").

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

(i) Investment Strategy

The Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee's primary objectives are as follows:

- To make sure that the Trustee can meet its obligations to the beneficiaries of the Scheme taking into account the funding level of the Scheme and the strength of covenant of the Employer.
- To pay due regard to the interest of the Employer on the size and incidence of its contribution payments.

The Scheme's current investment strategy is set out as follows:

- 19.5% of investments in global equities
- 4.5% in emerging market debt
- 12.0% in conventional property and long lease property
- 7.0% in multi-asset credit
- 57.0% in investment grade Sterling bonds and liability driven investments (LDI)

(ii) Market Risk

a. Currency Risk

Indirect currency risk arises from the Scheme's investment in sterling priced pooled investment vehicles that hold underlying investments denominated in foreign currency. To control this risk, approximately 50% of the Scheme's holdings of developed overseas equity exposure is hedged back to sterling using currency forward contracts.

b. Interest Rate Risk

The Scheme is subject to indirect interest rate risk because some of the Scheme's pooled investment vehicles hold underlying investments are in bonds. The Trustee has considered this indirect interest rate risk in the context of its investment strategy and uses indirect interest rate risk to control the interest rate risk inherent in the Scheme's liabilities.

18. Investment risks - continued

At the year-end 54.9% (2020: 60.9%) of the Scheme's invested assets were exposed to indirect interest rate risk via its holdings of investment grade credit and LDI funds. Under this strategy, if interest rates fall, the value of these assets will rise (other things being equal) to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value (other things being equal), as will the actuarial liabilities because of an increase in the discount rate.

The Trustee has an exposure to growth fixed income assets via the underlying assets in the multi asset credit fund and the emerging markets debt fund. The interest rate exposure that these asset classes introduce is taken by the investment manager as part of its investment strategy to add value.

c. Other Price Risk

Other other price risk arises principally in relation to the Scheme's underlying holdings of equities, conventional property, long lease property, emerging markets debt and multi asset credit. At the year-end, these assets represented 37.9% of the total investment portfolio (2020: 39.1%). The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Within the LDI portfolio managed by BlackRock, there is also other price risk in relation to inflation. The allocation to the LDI portfolio at the year-end was 40.4% (2020: 35.5%).

(iii) Credit Risk

The Scheme is exposed to indirect credit risk where its pooled funds hold underlying investments in debt instruments, including sovereign government bonds, corporate bonds and shorter term liquidity instruments. The value at year end amounted to 65.7% of total assets (2020: 70.9%).

The table below outlines the Scheme's exposure to these debt instruments at the start and end of the Scheme year.

Investment Type	**2021 (£m)**	**2020 (£m)**
Pooled investments vehicles (Sovereign bonds / LDI)	51.1	43.8
Pooled investments vehicles (corporate bonds)	18.5	18.1
Pooled investments vehicles (Other bonds – including emerging markets debt and multi-asset credit)	13.9	12.4
Pooled investments vehicles (liquidity funds)	0.3	13.1
Total	**83.8**	**87.4**

Indirect credit risk arising from these investments is mitigated by the Trustee through the strategic allocation, ensuring adequate diversification (non LDI assets) and investing a significant proportion of the Scheme's credit exposure in funds which hold at least investment grade credit rated investments.

The Scheme also has a direct exposure to credit risk from all its pooled investment vehicles themselves. Pooled investment vehicles used by the Scheme comprise unit linked insurance contracts, authorised unit trusts and open-ended investment companies (OEICs). The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the each vehicle's legal structure and regulatory environment.

Direct credit risk arising from pooled investment vehicles structured as authorised unit trusts and open ended investment companies is mitigated by the underlying assets of the pooled arrangements being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Direct credit risk arising from pooled investment vehicles structured as unit linked insurance contracts is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight. In the event of default by the insurer, the Scheme may be protected by the Financial Services Compensation Scheme ("FSCS") and may be able to make a claim for up to 100% of its policy value, although noting that compensation is not guaranteed. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

18. Investment risks - continued

The table below outlines the Scheme's pooled fund exposure by type of vehicle at the start and end of the Scheme year.

Investment Type	**2021 (£ms)**	**2020 (£ms)**
Unit Linked Insurance Contracts	65.5	39.2
Unit Trusts	40.3	55.9
Open Ended Investment Companies	14.2	25.5
Open Ended Unit Trust	7.6	2.5
Total	**127.6**	**123.1**

Summary

The table below shows which of that stated risks, each asset class is exposed to:

	Credit risk	**Market risk**				
		Foreign exchange risk	**Interest rate risk**	**Other price risk**	**2021 £m**	**2020 £m**
UK Equities	✔			✔	1.7	1.1
Overseas Equities	✔	✔		✔	28.2	22.5
Emerging Market Debt	✔	✔	✔	✔	5.3	5.0
Multi Asset Credit	✔	✔	✔	✔	8.6	7.4
Property	✔			✔	4.5	4.4
HLV Property	✔			✔	9.2	7.7
Sterling Corporate Bonds	✔		✔		18.5	18.1
LDI inc cash	✔		✔	✔	51.4	56.8

19. Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year end:

	2021		2020	
	£	**%**	£	%
Blackrock AL Ccy Hedg Wrld Ex-Uk Eq S1	**12,925,195**	**10.1**	10,013,987	8.0
BlackRock - A.L. All Stocks Corporate Bond Fund	**10,319,194**	**8.0**	10,120,906	8.1
AVIVA - Lime Property Fund Unit Trust	**9,237,645**	**7.2**	7,717,927	6.2
LMF GBP 2050 IL GILT FLEX	**9,138,180**	**7.1**	N/A	N/A
Mercer Multi-Asset Credit Fund A15-0.4000-GBP	**8,580,036**	**6.7**	N/A	N/A
L&G - Active Corp Bond Over 10 years	**8,131,895**	**6.3**	7,973,856	6.4
Blackrock - Aquila Life World Ex-Uk Eq Idx S1	**7,829,158**	**6.1**	6,449,546	5.1
LMF GBP 2032 IL GILT FLEX	**7,694,158**	**6.0**	N/A	N/A
AQUILA LIFE 2068 GILT FUND CLSS1	**7,580,342**	**5.9**	N/A	N/A
BlackRock - Bonds - ICS GBP LIQ Agency	**N/A**	**N/A**	13,012,544	10.4
BlackRock - Bonds - LMF GBP Prof Short Real Flex	**N/A**	**N/A**	12,778,436	10.2
Mercer Multi-Asset Credit Fund	**N/A**	**N/A**	7,404,222	5.9

20. Employer-related investments

There was no employer-related investment as at 31 May 2021 (31 May 2020: none).

21. Current assets

	2021 Total £	2020 Total £
Contributions due from the employer in respect of:		
- Employer	**354,167**	354,167
Cash deposits held	**567,715**	1,892,231
	921,882	2,246,398

The contributions due as at 31 May 2021 were received after the year end in accordance with the due date set out in the Schedule of Contributions.

Cash held on behalf of the Scheme is held in an account with HSBC Bank.

22. Current liabilities

	2021 Total £	2020 Total £
Lump sums on retirement payable	**19,101**	56,853
Death benefits payable	**-**	3,792
Refunds of contributions payable	**1,144**	1,144
Taxation payable	**24,172**	29,117
Administrative expenses payable	**154,849**	104,949
Investment management expenses payable	**27,789**	27,704
Amounts due to Principal Employer	**83,334**	83,334
	310,389	306,893

23. Related party transactions

(a) Key management personnel of the Scheme or its parent (in aggregate)

During the year fees totalling £69,832 (2020: £59,135) were payable to Independent Trustee Services Limited (ITS).

In addition to the above related party transactions, in accordance with the Schedules of Contributions the Principal Employer has paid the PPF levies on behalf of the Scheme.

Independent Auditor's Statement about Contributions to the Trustee of Thorntons Pension Scheme

Statement about contributions

We have examined the Summary of Contributions to Thorntons Pension Scheme ('the Scheme') for the year ended 31 May 2021 which is shown on page 30.

In our opinion, contributions for the year ended 31 May 2021, 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 26 October 2018.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions 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 Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of any 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 preparation of a 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 report

This statement is made solely to the Scheme's Trustee, in accordance with Regulation 4 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 statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our audit work, for this statement, or for the opinions we have formed.

BDO LLP
Statutory Auditor
Leeds
United Kingdom
Date:

BDO LLP is a limited partnership registered in England and Wales (with registered number OC305127).

Summary of Contributions

During the year ended 31 May 2021, the contributions payable to the Scheme by the Principal Employer were as follows:

	2021 Total £
Contributions payable under the Schedule of Contributions:	
Employer contributions:	
Deficit funding	**4,250,004**
Contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditor) and reported in the financial statements	**4,250,004**

Certification of schedule of contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 26 August 2021.

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 26 August 2021.

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

Signature	*Kathryn Taylorson*
Scheme Actuary	Kathryn Taylorson
Qualification	Fellow of the Institute and Faculty of Actuaries
Date of signing	26 August 2021
Name of employer	Mercer Limited
Address	1 Whitehall Quay Whitehall Road Leeds LS1 4HR

Introduction

This Statement sets out how, and the extent to which, the stewardship (voting and engagement) policies set out in the Trustee's Statement of Investment Principles ('SIP') dated 25 March 2021 and 24 September 2020 have been followed during the year to 31 May 2021.

This Statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The Trustee has agreed a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed.

The Trustee's primary objectives are as follows:

- To make sure that the Trustee can meet its obligations to the beneficiaries of the Scheme taking into account the funding level of the Scheme and the strength of covenant of the Employer; and
- To pay due regard to the interest of the Employer on the size and incidence of its contribution payments.

Given the nature of the liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades). However, any future opportunities to transfer liabilities (fully or partially) to an insurance company (e.g. through the purchase of bulk annuities with an insurance company) may shorten the Scheme's investment horizon significantly.

The Trustee understands, following discussions with the Employer, that the Employer is willing to accept some degree of volatility in its contribution requirements in order to reduce the long-term cost of the Scheme's benefits.

Policy on Environmental, Social and Governance ('ESG'), Stewardship and Climate Change

As set out in its SIP, the Trustee has agreed polices in relation to ESG) factors, stewardship and climate change. In particular the SIP sets out the Trustee's policies with regard to:

- The exercise of the rights (including voting rights) attaching to the investments held by the Scheme.
- The undertaking of engagement activities with the issuers of the investments held by the Scheme.
- How to incentivise the Scheme's appointed investment managers to align their investment strategy and decisions with the Trustee's policies.
- How to incentivise the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity they invest in on the Trustee's behalf.
- How to incentivise the investment managers to engage with issuers of debt or equity that they invest in on the Trustee's behalf in order to improve the issuer's performance over the medium to long-term.
- How the method (and time horizon) of the evaluation of the investment managers' performances, and the managers' remunerations for asset management services, are aligned with the Trustee's policies.
- How the Trustee monitors portfolio turnover costs incurred by the investment managers, and how it defines and monitors targeted portfolio turnover or turnover range.
- The duration of the Trustee's arrangements with the investment managers.

Engagement

Set out below is a summary of the work undertaken during the year by the Trustee relating to its stewardship policies and an assessment of how the Trustee's engagement and voting policies were implemented by its appointed investment managers during the year. **In the Trustee's opinion, the implementation of the Trustee's policies has been acceptable over the reporting year.**

- With the assistance of its investment consultant, Mercer Limited ("Mercer"), the Trustee regularly reviewed the stewardship activity of its investment managers. This is with the exception of the Trustee's appointed Additional Voluntary Contributions providers, where the assets held form only a very small part of the Scheme's total invested assets.

- As part of these reviews, the Trustee considered Mercer's assessment of how each manager incorporates stewardship considerations into its investment processes, noting and discussing any changes to Mercer's assessments. Mercer summarises its assessment of each manager by means of an "ESG" rating, an ESG rating of 1 indicating that Mercer believes an investment manager is fully embedding stewardship matters into its investment process and a rating of 4 indicating that Mercer believes an investment manager takes little account of stewardship matters.
- The review included a benchmarking study, by asset class / mandate type comparing the ESG rating of the Scheme's mandates to those of the wider Mercer universe. The results showed that the ESG ratings of the Scheme's investments are generally above average. The Trustee will repeat the exercise annually and monitor developing trends.
- All of the managers retained acceptable ESG ratings during the year, taking into account the asset class / investment structure for their mandate.
- The Trustee also considered direct reporting from its investment managers on stewardship activity,
- The Trustee expects the investment managers to undertake stewardship in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis. All managers, at the Trustee's request, have recently confirmed their compliance with the principles of the UK Stewardship Code.

Voting Activity

As the Scheme was invested solely in pooled funds over the year, the Trustee accepts it has no legal right to the votes available under these arrangements. Given these arrangements, the Trustee does not use the direct services of a proxy voter.

However, as noted above, the Trustee has made the investment managers aware that it expects the managers to exercise voting rights and undertake stewardship activity that is consistent with the Trustee's stewardship policies.

The Trustee expects the investment managers to provide a summary of their voting activity at least annually. The reports are regularly reviewed by the Trustee, with the assistance of Mercer, to ensure that voting activity by the managers was in line with the Trustee's policy.

The majority of the voting rights attached to the Scheme's investments related to its equity holdings during the year. These holdings are managed by BlackRock in the following passively managed pooled funds:

- Aquila Life UK Equity Index Fund;
- Aquila Life World (ex UK) Equity Index Fund;
- Aquila Life Currency Hedged World (ex UK) Equity Index Fund;
- Aquila Life Global Minimum Volatility Fund; and
- BlackRock Emerging Markets Index Sub-Fund.

BlackRock uses the BlackRock Investment Stewardship ("BIS") team to formulate its voting policy. Voting decisions are made by members of the team with input from investment colleagues as required and in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. The BIS team subscribes to research from the proxy advisory firms Institutional Shareholder Services and Glass Lewis. There is therefore indirect use of proxy voters by the Trustee. However, BlackRock does not simply follow any single proxy research firm's voting recommendations and uses several other inputs, including a company's own disclosures, and BlackRock's record of past engagements, in its voting and engagement analysis.

Information on voting activity has been provided by BlackRock and is summarised below, including commentary provided by them on the most significant votes that have been undertaken on the Trustee's behalf during the Scheme year.

<u>Process for determining the most-significant votes</u>

BIS prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which BlackRock invests on behalf of their clients. BlackRock undertake year-round engagements with its clients to understand their focus areas and expectations to help inform these priorities. The themes identified are reflected in BlackRock's "Global Principles", market-specific voting guidelines and engagement priorities. These underpin their stewardship activities and form the benchmark against which the sustainable long-term financial performance of investee companies is looked at.

Aquila Life Global Minimum Volatility Fund

Source: BlackRock. Figures may not sum due to rounding.

Significant Votes Examples

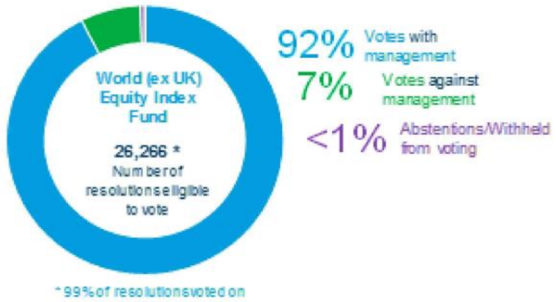
Blackrock has provided a list of 9 significant votes over the period. The summary of these and other resolutions are publicly shared in the manager's website. The most significant included votes in resolutions with the following companies.

Company	Date of Vote	How they voted
Walmart Inc.	3 June 2020	• Voted against all shareholder proposals, which included proposing reporting on impacts of single-use plastic bags, supplier antibiotics use standards, policies to include hourly associates as director candidate, and reporting on strengthening prevention of workplace sexual harassment. In Blackrock view, there were no concerns regarding the company's commitment to addressing these issues and considered the policies and procedures in place as suitable. As such, these proposals were considered not necessary or additive at the time of voting.
Mizuho Financial Group, Inc.	25 June 2020	• Voted against the shareholder proposal to amend articles to disclose a plan outlining the company's business strategy to align investments with the goals of the Paris Agreement. In BlackRock's assessment, the independent fiduciary report that it took into consideration the company's policies has proven that the company now has policies in place that address the issues raised in the proposal.
The Procter & Gamble Company	13 October 2020	• Voted for the shareholder proposal on deforestation (report on efforts to eliminate deforestation) and against the shareholder proposal requesting the publication of a report assessing the company's diversity and inclusion efforts. In BlackRock's assessment, the longstanding, multi-pronged initiatives, along with robust disclosures, place P&G at the forefront of DEI efforts in the market. As a result, BlackRock determined that the requested report would be redundant and therefore did not support it.
Aena SME SA	29 October 2020	• Voted in favour of three management proposals, which included: the approval of the principles for climate change action and environmental governance; the instructions to the board of directors to present the climate action plan at the ordinary general shareholders' meeting to be held in 2021 and updated climate action reports at the ordinary general shareholders' meetings that may be held as from 2022 (inclusive); and, the amendment of the bylaws to add a new Article 50 bis. BlackRock's reasoning behind these votes was based on the manager's assessment of the company's public disclosures and the business practices underlying them, as well as the impact of climate risk to its business lines.

Jardine Strategic Holdings Ltd.	12 April 2021	• Voted against the cash acquisition of Jardine Strategic Holdings Limited by Jardine Matheson Holdings Limited, due to serious concerns about conflicts of interests inherent in this related party transaction, as well as the opportunistic pricing of Jardine Strategic considered under the Acquisition terms.
Pfizer Inc.	22 April 2021	• Voted against the requirement for an independent board chair, because the company has a strong Lead Independent Director with responsibilities that support board effectiveness and there were no concerns about the overall independence of the board. • Voted for reporting on political contributions and expenditures, to underscore the importance of this subject and to encourage incremental improvements to the company's current political contributions and expenditures disclosure. • Voted against reporting on access to Covid-19 products, as the company already provides sufficient disclosure regarding its COVID- 19 vaccine, including publicly stating that it has not received public financial support for its development, and due to the ongoing nature of the COVID-19 crisis, BlackRock have confidence the company will continue to update its disclosures as the situation evolves.
Johnson & Johnson	22 April 2021	• Voted for the Say on Pay proposal because BlackRock considered the company has taken appropriate steps to incentivize current executives and to set compensation plans that are performance based. • Voted against the shareholder proposal for reporting transparency (on government financial support and access to Covid-19 vaccines and therapeutics) as the company already leads on transparency with regard to access to medicine and the manager have confidence the company will continue to provide disclosure as the distribution of the vaccines continues. • Voted against the proposal for an independent board chair, because the company has a designated lead independent director who has a clearly defined role that supports board effectiveness. • Voted for the proposal for reporting on civil right audit, because BlackRock assessed that an audit would reinforce the effectiveness of the company's current programs to advance racial equity and might yield further insights. • Voted against the proposal to adopt a policy on bonus banking, because the company made no changes to its original financial targets due to Covid-19.
AT&T Inc.	30 April 2021	• Voted against the proposal to approve executive compensation based on a pay and performance misalignment. BlackRock also voted against the re-election of Compensation Committee members Beth Mooney (Chair), Scott Ford, Michael McCallister, Matt Rose and Geoffrey Yang, due to concerns around compensation practices, including a large multi-year equity award to a non-CEO executive.
Berkshire Hathaway Inc.	1 May 2021	• Voted for the re-election of Chairman and CEO, Warren Buffett. While voting action is warranted against the company for both governance and climate disclosure shortfalls, exercising the vote against a sitting CEO was considered unwarranted at such time. • Voted against the re-election of the former Chairman of the Audit Committee, Thomas Murphy, and the Chairman of the Governance Committee, Walter Scott, due to our concerns over shortfalls in the company's governance practices and climate action planning and disclosure. • Voted for the proposal to report on climate-related risks and opportunities, because the company does not currently meet the expectations for disclosing a plan for how its business model will be compatible with a low-carbon economy. • Voted for the proposal to publish annually a report assessing diversity and inclusion efforts, because the company does not meet BlackRock's expectations for disclosure of material diversity, equity, and inclusion policies and/or risks.

Source: Blackrock

Aquila Life World (ex UK) Equity Index Fund & Aquila Life Currency Hedged World (ex UK) Equity Index Fund



Source: BlackRock. Figures may not sum due to rounding.

Significant Votes Examples

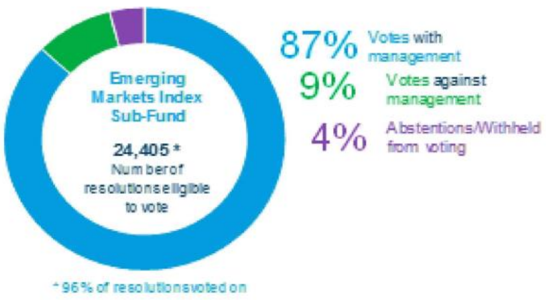
Company	Date of Vote	How they voted
Alphabet Inc	3 June 2020	• Voted against the election of one Director due to excessive board commitments. Voted for the shareholder proposal asking for the recapitalisation plan as BlackRock generally supports one share one vote capital structures.
Walmart Inc.	3 June 2020	• Voted against all shareholder proposals, which included proposing reporting on impacts of single-use plastic bags, supplier antibiotics use standards, policies to include hourly associates as director candidate, and reporting on strengthening prevention of workplace sexual harassment. In Blackrock view, there were no concerns regarding the company's commitment to addressing these issues and considered the policies and procedures in place as suitable. These proposals were considered not necessary or additive at the time of voting.
Tesla Inc.	22 September 2020	• Voted against the election of director Robyn Denholm, the Board Chair. Given Mr. Musk's (CEO) social media communications, the significant percentage of equity pledged by Musk and the unique structure of the directors' and officers' liability insurance policy, BlackRock remain concerned that there is insufficient board oversight of management. • Voted for the shareholder proposal for a simple majority vote, as this could provide additional protections to minority investors.
The Procter & Gamble Company	13 October 2020	• Voted for the shareholder proposal on deforestation (report on efforts to eliminate deforestation) and against the shareholder proposal requesting the publication of a report assessing the company's diversity and inclusion efforts. In BlackRock's assessment, the longstanding, multi-pronged initiatives, along with robust disclosures, place P&G at the forefront of DEI efforts in the market. As a result, BlackRock determined that the requested report would be redundant and therefore did not support it.
Pfizer Inc.	22 April 2021	• Voted against the requirement for an independent board chair, because the company has a strong Lead Independent Director with responsibilities that support board effectiveness and there were no concerns about the overall independence of the board. • Voted for reporting on political contributions and expenditures, to underscore the importance of this subject and to encourage incremental improvements to the company's current political contributions and expenditures disclosure. • Voted against reporting on access to Covid-19 products, as the company already provides sufficient disclosure regarding its COVID-19 vaccine, including publicly stating that it has not received public financial support for its development, and due to the ongoing nature of the COVID-19 crisis, BlackRock have confidence the company will continue to update its disclosures as the situation evolves.

Johnson & Johnson	22 April 2021	• Voted for the Say on Pay proposal because BlackRock considered the company has taken appropriate steps to incentivize current executives and to set compensation plans that are performance based. • Voted against the shareholder proposal for reporting transparency (on government financial support and access to Covid-19 vaccines and therapeutics) as the company already leads on transparency with regard to access to medicine and the manager have confidence the company will continue to provide disclosure as the distribution of the vaccines continues. • Voted against the proposal for an independent board chair, because the company has a designated lead independent director who has a clearly defined role that supports board effectiveness. • Voted for the proposal for reporting on civil right audit, because BlackRock assessed that an audit would reinforce the effectiveness of the company's current programs to advance racial equity and might yield further insights. • Voted against the proposal to adopt a policy on bonus banking, because the company made no changes to its original financial targets due to Covid-19.
AT&T Inc.	30 April 2021	• Voted against the proposal to approve executive compensation based on a pay and performance misalignment. BlackRock also voted against the re-election of Compensation Committee members Beth Mooney (Chair), Scott Ford, Michael McCallister, Matt Rose and Geoffrey Yang, due to concerns around compensation practices, including a large multi-year equity award to a non-CEO executive.
Berkshire Hathaway Inc.	1 May 2021	• Voted for the re-election of Chairman and CEO, Warren Buffett. While voting action is warranted against the company for both governance and climate disclosure shortfalls, exercising the vote against a sitting CEO was considered unwarranted at such time. • Voted against the re-election of the former Chairman of the Audit Committee, Thomas Murphy, and the Chairman of the Governance Committee, Walter Scott, due to our concerns over shortfalls in the company's governance practices and climate action planning and disclosure. • Voted for the proposal to report on climate-related risks and opportunities, because the company does not currently meet the expectations for disclosing a plan for how its business model will be compatible with a low-carbon economy. • Voted for the proposal to publish annually a report assessing diversity and inclusion efforts, because the company does not meet BlackRock's expectations for disclosure of material diversity, equity, and inclusion policies and/or risks.
Chevron Corporation	26 May 2021	• Voted for the shareholder proposal to reduce scope 3 emissions because, while recognizing the company's efforts to date, this proposal was consistent with what is expected of large companies like Chevron. • Voted against the proposal to report on impacts of Net Zero 2050 Scenario, as the company has already committed to fulfilling its ask and has demonstrated meaningful progress on climate action to date • Voted against the shareholder proposal to amend the Certificate of incorporation to become a public benefit corporation, because BlackRock believes it is the domain of the Board and management to determine the appropriate corporate structure for the company. • Voted against the proposal to report on lobbying payments and policy, as Chevron meets the expectations of companies regarding their activities and disclosures related to political spending and lobbying and has reflected BlackRock's feedback in its recently updated climate lobbying report. • Voted against the proposal requiring an independent board chair, because BlackRock consider Chevron already has a strong leadership structure.

Exxon Mobil Corporation	26 May 2021	• Voted for the election of several directors. While continuing to be concerned about Exxon's strategic direction and the anticipated impact on its long-term financial performance and competitiveness, the Board would benefit from the addition of diverse energy experience to augment existing skillsets. • Voted against the proposal for an independent board chair because the vote in support of the directors nominated should introduce the necessary balance of independent perspective in the boardroom. • Voted in favour of the proposal to issue an audited report on financial impacts of IEA's Net Zero 2050 Scenario. Despite the restrictiveness of the timeline, BlackRock assessed that shareholders would benefit from greater insight into whether and how the IEA's Net Zero 2050 scenario would affect Exxon's financial position and long-term strategy • Voted against the proposal to report on costs and benefits of environmental-related expenditures because, on their assessment, the company's existing reporting adequately explains the tangible health and environmental benefits of its current policies and practices. • Voted against the proposal to report on political contributions, as Exxon's existing political contributions disclosure meets BlackRock's expectations. • Voted for the shareholder proposal to report on lobbying payments and policy, because additional disclosure of the company's state and local level lobbying activities and expenditures, payments to trade associations and other tax-exempt organizations that conduct lobbying, and related oversight mechanisms would allow shareholders to better assess the company's management of these activities, as well as related risks and benefits.

Source: Blackrock

Blackrock Emerging Markets Index Sub-Fund



Source: BlackRock. Figures may not sum due to rounding.

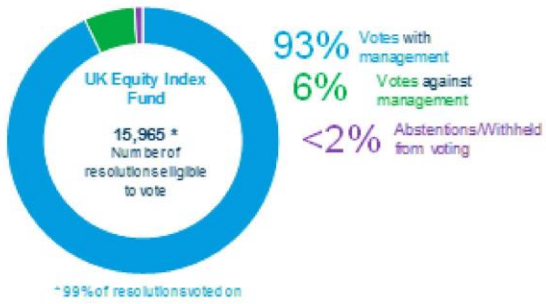
Significant Votes Examples

Company	Date of Vote	How they voted
PGE Polska Grupa Energetyczna SA	26 June 2020	• Voted against the remuneration policy for the lack of transparency and also against the approval of the discharge of Anna Kowalik (Supervisory Board Chairman) for the company's lack of progress on climate-related reporting.
CEZ as	29 June 2020	• Voted against recalling and electing Supervisory Board Members for the company's lack of progress on climate-related reporting and insufficient information with regards to the identity of the directors. Due to similar transparency issues, voted against the remuneration policy, and recalling and electing the Members of the Audit Committee. • Voted against the shareholder proposal to amend the business strategy due to its overly prescriptive nature and the lack of sufficient rationales for the restrictions on capital allocation decisions that it would introduce.

PT Indofodd CBP Sukses Makmur Tbk	3 August 2020	• Voted against the resolution to approve the acquisition of the total issued share capital of Pinehill Company Limited. While the proposed acquisition has merit from a strategic perspective, BlackRock assessed there were concerns around the valuation and terms of the transaction, and the board's oversight in relation to the inherent conflict of interest.
Yanzhou Coal Mining Company Limited	9 December 2020	• Voted against the proposal for approval of equity interests and assets transfer agreement between Yankuang Group Company Limited and Yanzhou Coal Mining Company Limited and the transactions contemplated thereunder, due to concerns about the underlying valuation for the terms of the transaction and management's oversight of potential stranded asset risks.
Top Glove Corporation Bhd	6 January 2021	• Voted against all proposals to elect several Directors. The company has been the subject of intense scrutiny over various labour-related and human rights issues in its supply chain since 2018. Whilst BlackRock acknowledged steps the company has taken in response to some of the controversies, the Covid-19 pandemic has exposed severe shortcomings in management and oversight of worker health and safety-related issues.
Vale SA	30 April 2021	• Voted for several of the management's proposals for the annual and special shareholders' meeting because Vale has enacted necessary changes at the board level, including the creation of a Nominating Committee, that have led to significant improvements in Vale's board composition, diversity, and independence. These changes have, in turn, contributed to board effectiveness and the implementation of stronger corporate governance practices and risk management controls.

Source: Blackrock

Aquila Life UK Equity Index Fund



Source: BlackRock. Figures may not sum due to rounding.

Significant Votes Examples

Company	Date of Vote	How they voted
EVRAZ Plc.	16 June 2020	• Voted against the re-election of Karl Gruber as Director for the company's lack of progress on climate-related reporting.
Chr. Hansen Holding A/S	25 November 2020	• Voted for the proposal requiring the company to apply the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as the framework for climate-related disclosure in the company's annual report, starting from financial year 2020/21. • Voted for the proposal to instruct board to complete an assessment of the ability of the company to publish country-by-country tax reporting in line with the Global Reporting Initiative's Standard, starting from financial year 2021/22. This shareholder proposal was not considered overly prescriptive with regards to both timing and the information to be disclosed, and was also supported by both the company's management and board, as the company recognized the trend in its home market towards providing more detailed tax information on jurisdictions where multinationals operate.
BP Plc	12 May 2021	• Voted for the shareholder resolution on climate change targets. While recognizing the company's efforts to date and direction of travel, supporting the resolution signals, BlackRock desires to see the company accelerate its efforts on climate risk management.