

# Faber and Faber Limited Pension and Assurance Scheme

**Annual Report 31 March 2023**

Scheme Registration Number: 10172221



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**Trustees and Advisers****Trustees**

S Evans (Resigned 31 March 2023)  
TW Faber (Chairman) (Resigned 31 March 2023)  
J Gates (Resigned 31 March 2023)  
KG Wood (Resigned 31 March 2023)  
Capital Cranfield Pension Trustees Limited

**Principal and Sponsoring Employer**

Faber and Faber Limited  
Bloomsbury House  
74-77 Great Russell Street  
London  
WC1B 3DA

**Participating Employer**

Faber Music Limited

**Scheme Actuary**

John Broome Saunders  
Broadstone Corporate Benefits Limited  
100 Wood Street  
London  
EC2V 7AN

**Scheme Administrator**

Broadstone Consultants & Actuaries Limited (From 1 August 2022)  
Broadstone House  
23-25 St George's Road  
Bristol  
BS1 5UU

Mercer Limited (Until 31 July 2022)

**Independent Auditor**

Sumer Audit  
Suite B  
Blackdown House  
Blackbrook Park Avenue  
Taunton  
TA1 2PX

**Investment Consultant**

Broadstone Corporate Benefits Limited  
100 Wood Street  
London  
EC2V 7AN

## **Trustees and Advisers (continued)**

### **Investment Manager**

CBRE Global Investment Partners  
60 London Wall  
Moorgate  
London  
EC2M 5TQ

Mobius Life Limited  
3<sup>rd</sup> Floor  
20 Gresham Street  
London  
EC2V 7JE

### **Annuity Providers**

Legal & General Assurance Limited  
1 Coleman Street  
London  
EC2R 5AA

### **Additional Voluntary Contributions Providers**

Aviva Life Services UK Limited  
Wellington Row  
York  
YO90 1WR

Scottish Friendly Assurance Society Limited  
Galbraith House  
16 Blythswood Square  
Glasgow  
G2 4HJ

### **Bank**

National Westminster Bank Plc (opened 3 August 2022)  
NatWest Building  
Brampton Road  
Newcastle-under-Lyme  
ST5 0QZ

Royal Bank of Scotland (closed 7 March 2023)

### **Contact for further information, queries about benefit entitlements and complaints about the Scheme**

The Trustee of the Faber and Faber Limited Pension and Assurance Scheme

c/o Broadstone Consultants & Actuaries Limited  
Broadstone House  
23-25 St George's Road  
Bristol  
BS1 5UU

Email: [faber@broadstone.co.uk](mailto:faber@broadstone.co.uk)

## Trustee's Report

### Introduction

The Trustee of the Faber and Faber Limited Pension and Assurance Scheme ("the Scheme") is pleased to present the Trustee's Report and audited financial statements for the year ended 31 March 2023. The report sets out how the Scheme is run, how the assets are invested, and the financial activity of the Scheme in the year ended 31 March 2023. The audited financial statements have been prepared and audited in accordance with regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

The Scheme provides pensions in retirement and preserved pensions on leaving service. The Scheme was closed to new entrants with effect from 6 April 2006 and closed to future accrual from 5 April 2010. The Scheme was contracted out of the State Second Pension until the cessation of future accrual. Members are encouraged to consult their Scheme Booklet and Benefit Statements for further information. Alternatively, members can write to the Scheme Administrators at the address on page 2 of this report.

The Scheme was introduced under an Interim Trust Deed dated 31 December 1959 and is governed by a Definitive Trust Deed dated 22 December 2003, plus rule amendments dated 2006 and 2010.

The names of the Trustees who served during the year are set out on page 1.

The Scheme's Trust Deed and Rules contains provisions for the appointment and removal of Trustees. Apart from the member-nominated Trustees, all of the Trustees were appointed, and may be removed, by the Principal Employer. The Pensions Act 2004 contains statutory requirements covering the appointment of member-nominated Trustees. The Principal Employer confirms that the Scheme satisfies these requirements.

With effect from 1 April 2023, the Scheme has a sole professional trustee (Capital Cranfield Pension Trustees Limited). Therefore there is no longer a requirement to appoint member-nominated trustees.

There were two formal Trustees' meetings held during the year.

### Changes to the Scheme

#### Change of Administrator

With effect from 31 July 2022 Mercer Limited resigned as administrators and, from 1 August 2022, Broadstone were appointed by the Trustees for administration.

#### Change of Auditor

On 8 June 2023 Sumer Audit were appointed as the Scheme auditor. There were no reportable circumstances to the Trustee or members following the resignation of UHY Hacker Young LLP on 9 June 2023.

### Taxation status

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. To the Trustee's knowledge, there is no reason why such approval should be prejudiced or withdrawn.

## Trustee's Report (continued)

### Pension increases

The rates of increase applied to pensions in payment from 6 April 2022 were as follows:

Element	Escalation basis	Increase applicable
Pre 88 GMP	Fixed 0%	-
Post 88 GMP	September CPI, max 3.0%	3.0%
Pre 6 April 1997 non-GMP pension	Fixed 0%	-
6 April 1997 – 5 April 2006 pension	September RPI, max 5.0%	4.9%
Post 5 April 2006 pension	September RPI, max 2.5%	2.5%

Pensions in payment for less than one year are increased on a pro rata basis.

No discretionary increases were granted.

### Financial development

The financial statements on pages 15 to 25 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 decreased from £23,162,000 at 31 March 2022 to £19,191,000 at 31 March 2023.

### Transfer values

All transfer values paid to other pension schemes or credits given in respect of transfer values received from other pension schemes during the year were calculated and verified by the Scheme's Actuary or calculated in accordance with instructions prepared by him, in accordance with statutory regulations.

No allowance for discretionary benefits is made in the calculation of the cash equivalent transfer values.

### Report on actuarial liabilities

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2020 and its results are summarised below:

	Scheme funding valuation	Solvency valuation
Value of assets available to meet technical provisions	£19.3 million	£19.3 million
Value of liabilities in respect of technical provisions	(£25.0) million	(£39.7) million
Shortfall	(£5.7) million	(£20.4) million
Funding level	77%	49%

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live.

The actuarial valuation as at 31 March 2023 is in the process of being completed and a new Schedule of Contributions and Statement of Funding Principles has recently been signed. The full valuation results will be included within the next accounts.

## Trustee's Report (continued)

### Significant actuarial assumptions

The actuarial method used in the calculation of the technical provisions was the Projected Unit Method and the significant actuarial assumptions used in the calculations were as follows:

**Discount interest rate:** The discount rate adopted for the scheme funding valuation was 2.8% p.a. for first 20 years following valuation date then 1.30% p.a. thereafter.

**Future Retail Price inflation:** The rate of inflation as measured by RPI growth will be calculated using the Bank of England's implied inflation spot curve at a term of 19 years, rounded to the nearer 0.1 % p.a. The rate adopted at the valuation was 3.1 % p.a.

**Future Consumer Price inflation:** The RPI price inflation assumption less a margin of 1.0% p.a. The rate adopted at the valuation was 2.1 % p.a.

**Pension increases:** For elements of members' pensions in payment which increase subject to a maximum of 5% p.a. the rate adopted was 3.1 %. For elements of members' pensions in payment which increase subject to a maximum of 2.5% p.a. the rate adopted was 2.3%. For post-88 GMP elements of pensions in payment, the rate adopted was 2.0% p.a. For pensions in deferment the rate adopted was 2.1%.

**Pay increases:** The CPI price inflation assumption plus a margin of 0.25% p.a. The rate adopted at the valuation was 2.35% p.a.

**Mortality:** S3PA (VL/L/M/H) tables based on pension size, projected by year of birth on the CMI 2019 projections with a long-term rate of improvement of 1.75% p.a.

### GMP equalisation

On 26 October 2018 the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to Guaranteed Minimum Pension (GMP) benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. As part of the triennial actuarial valuation undertaken as at 31 March 2020 the Scheme Actuary included a reserve of £124,000 at that date in respect of the likely backdated amounts and related interest. The Trustee does not consider this to be material to the financial statements and therefore have not included a liability in respect of these matters in the financial statements. They will be accounted for in the year they are determined.

The High Court made a further ruling in November 2020 concerning GMP equalisation on past transfers and the Trustee will be considering the implication of this latest ruling on the Scheme in due course but do not believe it will be of a material impact.

### Summary of contributions

During the year, the contributions payable to the Scheme were as follows:

	£000
<b>Contributions payable under the Schedule of Contributions:</b>	
Employer	
- Deficit funding	482
<b>Total contributions payable under the Schedule of Contributions and as reported in the Fund Account</b>	<b>482</b>

**Trustee's Report (continued)****Membership**

Details of the membership of the Scheme are given below:

	2023	2022
<b>Employed Deferred members</b>		
Employed Deferred members at the start of the year	23	24
Retirement	(1)	-
Member leaving with deferred benefits	-	(1)
Total Employed Deferred members at the end of the year	<u>22</u>	<u>23</u>
<b>Pensioners</b>		
Pensioners at the start of the year	72	73
Retirements	2	1
Deaths	-	(2)
Total pensioners at the end of the year	<u>74</u>	<u>72</u>
<b>Dependants</b>		
Dependants at the start of the year	12	13
Death	-	(1)
Total dependants at the end of the year	<u>12</u>	<u>12</u>
<b>Members with deferred benefits</b>		
Deferred members at the start of the year	106	107
Retirements	(1)	(1)
Full commutation	(1)	-
Total deferred members at the end of the year	<u>104</u>	<u>106</u>
Total membership at the end of the year	<u>212</u>	<u>213</u>

The pensioner and dependant numbers include 1 (2022: 1) individuals where annuities have been purchased in the name of the Trustee.

**Investments**

Day-to-day management of the investments has been delegated by the Trustee to the Investment Managers as shown on pages 1 and 2. The Investment Managers are remunerated on a fee basis.

The Investment Managers appointed on behalf of the Trustee to manage funds under Section 34(4) of the Pensions Act 1995 are appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or are specifically exempted from the requirements of the Act. The Investment Managers appointed have the appropriate knowledge and experience to manage the particular investments delegated to them.



## Trustee's Report (continued)

### Investments (continued)

#### Investment strategy

The investment objectives of the Scheme are:

- To make sure the Scheme can meet its obligations to its beneficiaries.
- To ensure that sufficient assets are held to meet the Technical Provisions, calculated in accordance with the Scheme's Statement of Funding Principles.
- To pay due regard to the Employers' interests in the size, stability and incidence of their contributions payments.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the maturity of the liabilities of the Scheme and the funding agreed with the Employer. The investment strategy established and approved by the Trustee in August 2021, is outlined in the table below:

Investment Strategy	Strategic Asset Allocation (%)	Actual Allocation 31/03/2023 (%)	Value at 31/03/2023 (£)
LGIM UK Equity Index Fund	9	11.8	2,243,439
LGIM World (ex UK) Developed Equity Index Fund (GBP Hdg)	16	18.5	3,502,323
LGIM World Emerging Markets Equity Index Fund	10	4.3	816,347
Columbia Threadneedle Pensions Property Fund	3	3.5	667,862
Osiris Property Fund (CBRE)	0	2.3	431,042
Ruffer Absolute Return Fund	12	14.0	2,645,781
Newton Global Dynamic Bond Fund	22	7.3	1,374,937
Partners Generations Fund	15	18.6	3,524,676
<b>Total Growth Assets</b>	<b>87</b>	<b>80.3</b>	<b>15,206,407</b>
L&G Life FABT Real Long Duration Fund	6	9.9	1,883,002
L&G Life FABR Fixed Long Duration Fund	7	9.8	1,848,684
<b>Total Matching Assets</b>	<b>13</b>	<b>12.0</b>	<b>3,731,686</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>18,938,093</b>

#### Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy. A copy of the Statement is available on request. There were no significant departures from the Principles during the year.

The investment manager fees are disclosed separately in the fund account and are calculated with reference to the value of assets invested in each fund.

A copy is available on request and can also be found online at the following web address:  
<https://www.faber.co.uk/staff-information/>.

## Trustee's Report (continued)

### Investments (continued)

#### Implementation Statement

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 ("the Regulations"). The Regulations require that the Trustee outlines how they have ensured compliance with the policies and objectives set out in their Statement of Investment Principles (SIP) over the course of the year under review.

The legislation states that the Implementation Statement must be included in the Annual Report and Accounts and that it must also be made publicly available online for any accounts signed after 1 October 2020. Hence, the trustee has produced an implementation statement which is included in the appendix to these financial statements.

The implementation statement forms part of this report.

#### Investment performance

The overall Scheme performance for the year to 31 March 2023 was -22.5% (net of fees, excluding AVCs and cash amounts).

Performance of the Scheme's assets is shown below:

Overall Scheme performance*	%
1 year	-22.5%
3 years	-2.4%
5 years	-2.1%

Performance is shown net of fees to the extent that fees are paid from assets.

#### Custodian

The Investment Managers appoint their own custodians for the investments underlying their range of pooled funds. The custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of the investments. Underlying investments are held in the name of the custodian nominee company, which is in line with common practice for pension scheme investments. The Trustee is responsible for ensuring that the Scheme's assets continue to be held securely. The Trustee regularly reviews the custodian arrangements.

The Trustee has delegated overall responsibility for the appointment of custodians to the individual Investment Managers.

#### Environmental, social and governance considerations

The Trustee recognises that Environmental, Social and Governance (ESG) issues can have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can have a material financial impact on the returns provided by those assets.

The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustee has an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on its assets.

The Trustee does not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time.

**Trustee's Report (continued)****Investments (continued)****Environmental, social and governance considerations (continued)**

With regard to the specific risk to the performance of the Schemes' investments associated with the impact of climate change, the Trustee takes the view that this falls within their general approach to ESG issues. The Trustee regards the potential impact of climate change on the Schemes' assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustee will continue to monitor market developments in this area in conjunction with their adviser.

**Views of members and beneficiaries**

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental and quality of life issues. The Trustee therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

**Engagement and voting rights**

Responsibility for engagement with the issuers of the Scheme's underlying investment holdings, including the use of voting rights, is delegated to the Investment Managers. The Trustee can therefore only indirectly influence engagement and voting policy.

**Further information**

Further information regarding regulatory arrangements is set out on pages 26 and 27.

Signed for and on behalf of the Trustee:

Trustee Director:



Date:

3.11.2023

## 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 to 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 this responsibility, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any accounting estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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

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

The Trustee is responsible under pension 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 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 the Faber and Faber Limited Pension and Assurance Scheme**

### **Opinion**

We have audited the financial statements of the Faber and Faber Limited Pension and Assurance Scheme (the 'Scheme') for the year ended 31 March 2023 which comprise the Fund Account, the Net Assets Statement 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).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023, 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;
- 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 Pensions Act 1995.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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

### **Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our Report of the Auditors thereon. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent Auditor's Report to the Trustee of the Faber and Faber Limited Pension and Assurance Scheme (continued)**

### **Responsibilities of the Trustee**

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

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Scheme and sector, we identified that the principal risks of non-compliance with laws and regulations related to pension scheme regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements of the Scheme. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and Financial Reports of Pension Schemes: A Statement of Recommended Practice (revised June 2018). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the audit engagement team included:

- Enquiry of management and those charged with governance about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance and any correspondence with The Pensions Regulator;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Performing analytical procedures to identify any unusual or unexpected relationship that might indicate a risk of material misstatement due to fraud;
- Review of internal control reports of service organisations providing services to the Scheme such as Scheme administrators, investment managers and other Scheme advisers; and
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of any significant transactions outside the normal course of business and assessing whether judgements made in making accounting estimates are indicative of a potential bias.

**Independent Auditor's Report to the Trustee of the Faber and Faber Limited Pension and Assurance Scheme (continued)****Auditor's responsibilities for the audit of the financial statements (continued)**

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**Use of this report**

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

*Sumer Audit*

**Sumer Audit**  
Statutory Auditor  
Suite B  
Blackdown House  
Blackbrook Park Avenue  
Taunton  
TA1 2PX

Date: *3 November 2023*

## **Independent Auditor's Statement about Contributions to the Trustee of the Faber and Faber Limited Pension and Assurance Scheme**

### **Statement about contributions payable under the Schedule of Contributions**

We have examined the summary of contributions payable to the Faber and Faber Limited Pension and Assurance Scheme on page 5, in respect of the Scheme year ended 31 March 2023.

In our opinion the contributions for the Scheme year ended 31 March 2023 as reported in the summary of contributions on page 5 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 Actuary on 11 August 2021.

### **Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 5 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.

### **Respective responsibilities of Trustee and auditor**

As explained more fully in the Statement of Trustee's Responsibilities on page 10, 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 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.

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

### **Use of our statement**

This statement is made solely to the Scheme's Trustee as a body, in accordance with the 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 and the Scheme's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

*Sumer Audit*

**Sumer Audit**  
Statutory Auditor  
Suite B  
Blackdown House  
Blackbrook Park Avenue  
Taunton  
TA1 2PX

Date: 3 November 2023



**Fund Account**

	Note	2023 £000	2022 £000
<b>Contributions and benefits</b>			
Employer contributions	4	<u>482</u>	<u>966</u>
Benefits paid or payable	5	(662)	(554)
Payments to and on account of leavers	6	<u>-</u>	<u>(370)</u>
		(662)	(924)
<b>Net (withdrawals)/additions from dealings with members</b>		<u>(180)</u>	<u>42</u>
<b>Returns on investments</b>			
Investment income	7	14	21
Change in market value of investments	8	(3,798)	86
Investment management expenses	9	<u>(7)</u>	<u>-</u>
<b>Net returns on investments</b>		<u>(3,791)</u>	<u>107</u>
<b>Net (decrease)/increase in the fund during the year</b>		(3,971)	149
<b>Net assets of the Scheme at start of year</b>		<u>23,162</u>	<u>23,013</u>
<b>Net assets of the Scheme at end of year</b>		<u>19,191</u>	<u>23,162</u>

The notes on pages 17 to 25 form part of these financial statements.

**Statement of Net Assets (available for benefits)**

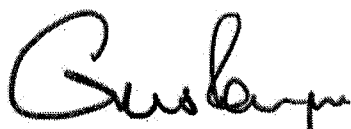
	Note	2023 £000	2022 £000
<b>Investment assets</b>	8		
Pooled investment vehicles	10	18,938	22,413
AVC investments	12	26	25
Cash		-	406
Other investment balances		3	6
<b>Total investments</b>		<b>18,967</b>	<b>22,850</b>
<b>Current assets</b>	16	<b>224</b>	<b>312</b>
<b>Current liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets of the Scheme at end of year</b>		<b>19,191</b>	<b>23,162</b>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the report on Actuarial Liabilities on page 4 of this Annual Report and these financial statements should be read in conjunction with them.

The notes on pages 17 to 25 form part of these financial statements.

These financial statements were approved by the Trustee on ..... **3.11.23** .....

Trustee Director:



Trustee Director

## Notes to the Financial Statements

### 1. 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 applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

On the basis of their assessment of the Plan's financial position and the Trustee's strategic plans, the Trustee has concluded that it continues to be appropriate to adopt the going concern basis of accounting in preparing these financial statements.

### 2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included on page 3.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Contributions

Deficit funding contributions are accounted for as they fall due under the Schedule of Contributions and the Recovery Plan. Other contributions are accounted for in accordance with agreed arrangements.

#### Payments to members

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

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 received or paid.

#### Administrative and other payments

On-going administrative expenses of the Scheme are borne by the Employer in accordance with the Schedule of Contributions.

#### Investment income and change in market value

In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Income from any pooled investment vehicles, cash and short term deposits is accounted for on an accruals basis. Annuity income is accounted for as it accrues.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

## Notes to the Financial Statements (continued)

### 3. Accounting policies (continued)

#### Investment management expenses and transaction costs

Investment management fees are accounted for on an accruals basis.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees and commissions.

#### Investments

Investments are included at fair value. Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are published, or, if single priced, at the closing single price as advised by the relevant Investment Manager.

Acquisition costs are included in the purchase cost of investments.

Insurance policies specifically allocated to the provision of benefits for, and providing all the benefits payable to, particular members of the Scheme have not been included in the financial statements as the Trustee consider them to be immaterial. The purchase cost of annuities is charged to the Fund Account as benefits payable. Income arising from annuity policies is included in investment income and the pension paid included in pension payments.

#### Currency

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

### 4. Contributions

	2023 £000	2022 £000
Employer contributions		
Deficit funding	482	466
Lump sum deficit funding	-	500
	<u>482</u>	<u>966</u>

The actuarial valuation of the Scheme as at 31 March 2020 indicates a funding shortfall (Technical Provisions minus value of assets) of £5,670,000.

To eliminate this funding shortfall and to target the agreed long-term funding objective, the Trustee and the Employers have agreed that minimum contributions will be paid to the Scheme by the Employers as follows:

Year ending 31 March	Faber and Faber		Faber Music		Total £000
	Regular contributions £000	Lump sum contributions £000	Regular contributions £000	Lump sum contributions £000	
2022	396	425	70	75	966
2023	410	-	72	-	482
2024	424	-	75	-	499
2025	439	-	77	-	516
2026	454	-	80	-	534
2027	470	-	83	-	553

Contributions were received in the year in accordance with the Schedule of Contribution.

**Notes to the Financial Statements (continued)****5. Benefits paid or payable**

	2023	2022
	£000	£000
Pensions	565	554
Commutation of pensions and lump sum retirement benefits	97	-
	<u>662</u>	<u>544</u>

**6. Payments to and on account of leavers**

	2023	2022
	£000	£000
Individual transfers out to other schemes	-	370

**7. Investment income**

	2023	2022
	£000	£000
Income from pooled investment vehicles	<u>14</u>	<u>21</u>

**8. Reconciliation of investments**

	Value as at 1 April 2022	Purchases at cost	Sales Proceeds	Change in market value	Value as at 31 March 2023
	£000	£000	£000	£000	£000
Pooled investment vehicles	22,413	8,746	(8,422)	(3,799)	18,938
AVC investments	25	-	-	1	26
	<u>22,438</u>	<u>8,746</u>	<u>(8,422)</u>	<u>(3,798)</u>	<u>18,964</u>
Cash deposits	406				-
Other investment balances	<u>6</u>				<u>3</u>
	<u>22,850</u>				<u>18,967</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The transfers occurred in cash. The managers of the Scheme's pooled investment vehicles are all registered in the UK.

**9. Investment management expenses**

	2023	2022
	£000	£000
Administration, management and custody	<u>7</u>	<u>-</u>

**10. Pooled investment vehicles**

	2023	2022
	£000	£000
Equities	9,045	8,179
Diversified Growth	5,911	6,130
Bonds	2,604	6,699
Property	<u>1,378</u>	<u>1,405</u>
	<u>18,938</u>	<u>22,413</u>

## Notes to the Financial Statements (continued)

### 11. Insurance policies

Following the introduction of FRS 102 with effect from 1 January 2015, there is a new requirement for annuity policies held in the name of the Trustee to be valued in the accounts. The Trustee is aware of one historic insurance policy under which the Scheme receives income of approximately £1,000 per annum in respect of one pensioner (2022: one). As part of the actuarial valuation as at 1 April 2020 the Scheme Actuary calculated the value of this policy to be approximately 0.03% of the net assets of the Scheme as at that date. The Trustee deems this value to be immaterial and so the annuity policy has not been valued in these financial statements.

### 12. AVC investments

The Trustee holds assets invested separately from the main fund in the form of equity, bond, with profits and cash funds, securing additional benefits on a money purchase basis for those members that elected to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to the year end confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments is as follows:

	2023	2022
	£000	£000
Scottish Friendly Assurance Society Limited	6	5
Aviva Life Services UK Limited	20	20
	<u>26</u>	<u>25</u>

### 13. Concentration of Investments

The following investment holdings represent more than 5% of the Scheme's net assets at either the current or previous year ends:

	2023		2022	
	£000	%	£000	%
Partners Group Generations Fund	3,525	18.4	3,500	15.1
Legal & General World (ex UK) Equity Index	3,502	18.2	3,760	16.2
Ruffer Absolute Return Fund	2,646	13.8	-	-
Legal & General UK Equity Fund	2,243	11.7	2,193	9.5
Legal & General Life FABT Real Long Duration Fund	1,883	9.8	1,166	5.0
Legal & General FABR Fixed Long Duration Fund	1,849	9.6	-	-
BNYM Global Dynamic Bond Fund	1,375	7.2	4,559	19.7
Standard Life GARS	-	-	2,629	11.4
Legal & General World Emerging Mkt Equity Index	-	-	2,226	9.6

### 14. Fair value of investments

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

Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the instrument, either directly or indirectly.

Level 3: Inputs that are unobservable, i.e. for which market data is unavailable.

## Notes to the Financial Statements (continued)

### 14. Fair value of investments (continued)

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

	At 31 March 2023			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Pooled investment vehicles	-	18,507	431	18,938
AVC investments	-	-	26	26
Cash deposits	-	-	-	-
Other investment balances	3	-	-	3
<b>Total</b>	<b>3</b>	<b>18,507</b>	<b>457</b>	<b>18,967</b>

	At 31 March 2022			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Pooled investment vehicles	-	21,008	1,405	22,413
AVC investments	-	-	25	25
Cash deposits	406	-	-	406
Other investment balances	6	-	-	6
<b>Total</b>	<b>412</b>	<b>21,008</b>	<b>1,430</b>	<b>22,850</b>

### 15. Investment risk disclosures

#### Investment risks

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

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

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

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

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in the investment strategy set out below.

The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

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

## Notes to the Financial Statements (continued)

### 15. Investment risk disclosures (continued)

#### Investment risks (continued)

##### Credit risk

The Scheme invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the investment managers used to manage the Scheme's investments.

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

The Scheme is also subject to direct credit risk because the Scheme holds cash balances. Cash is held within financial institutions which are at least investment grade credit rated.

The Scheme is exposed to credit risks arising from the underlying investments held in the pooled funds, where they invest in bonds. The main indirect exposure to credit risk arises from the Scheme's investment in Absolute Return Bonds. In achieving its investment objective, the Diversified Growth Funds allocation may also invest in bonds.

The managers of these pooled funds manage credit risk by having a diversified exposure to for example bond issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager's change the underlying investments in line with its views on markets, asset classes and specific bonds.

##### Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to indirect currency risk because some of the Scheme's investments are held in overseas markets through the pooled investment vehicles. The Trustee consider the overseas currency exposure in the context of the overall investment strategy, and believe that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manage the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, or implement separate currency hedging arrangements.

All of the Scheme's pooled funds are accessed via a Sterling share class. Therefore the Scheme is not subject to direct currency risk. The Scheme's assets are exposed to indirect currency risk as the pooled funds invest in non-Sterling investments. This exposure applies to the Equity, Diversified Growth Funds, Alternatives and Absolute Return Bond mandates.).

The exposure to foreign currencies within the pooled funds will vary over time as the manager's change the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the fund managers.



**Notes to the Financial Statements (continued)****15. Investment risk disclosures (continued)****Investment risks (continued)****Interest rate risk**

The Scheme's assets invested in Absolute Return Bonds and Liability Driven Investment are sensitive to indirect interest rate risk. However, this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns due to the investment approaches of these funds.

The Diversified Growth Funds allocation may also have some sensitivity to indirect interest rate risk. This sensitivity will vary over time as the underlying investments change, but it is not expected to be a significant driver of returns due to the investment approach of this fund.

**Other price risk**

The Scheme's assets are exposed indirectly to risks of market prices other than currencies and interest rates, such as Equities, Diversified Growth Funds, Property, Alternatives and Absolute Return Bonds held in pooled vehicles. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets. The exposure will vary over time depending on how the managers change the underlying asset allocation to reflect their market views. The Trustee believe that the managers of the funds adequately diversify between different asset classes and within each asset class to manage this risk.

## Notes to the Financial Statements (continued)

### 16. Investment risk disclosures (continued)

#### Summary

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

Fund	Credit risk	Currency risk	Interest rate risk	Other price risk	5 April 2023 £000	5 April 2022 £000
LGIM UK Equity Index Fund	○	○	○	●	2,243	2,193
LGIM World (ex UK) Developed Equity Index Fund	○	●	○	●	3,502	3,760
LGIM World Emerging Markets Equity Index Fund	○	●	○	●	816	2,227
Columbia Threadneedle Pensions Property Fund	●	○	○	●	668	772
Osiris Property Fund	●	○	○	●	431	633
Ruffer Absolute Return Fund	●	●	●	●	2,646	-
Newton Global Dynamic Bond Fund	●	●	●	○	1,375	4,559
Partners Group Generations Fund	●	●	○	●	3,525	3,500
Standard Life GARS Pension Fund	●	●	●	●	-	2,629
LGIM Matching Core Real Long Fund	●	○	●	○	1,883	1,166
LGIM Matching Core Fixed Long Fund	●	○	●	○	1,849	974
<b>Total</b>					<b>18,938</b>	<b>22,413</b>

#### 16. Current assets

	2023 £000	2022 £000
Contributions due from employer in respect of:		
Employer	6	19
Cash deposits	177	293
Prepaid pensions	41	-
	<u>224</u>	<u>312</u>

## Notes to the Financial Statements (continued)

### 17. Employer-related investments

There were no employer-related investments (2022: Nil) within the meaning of section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

### 18. Related party transactions

J Gates is an employed deferred member whilst T Faber is a deferred pensioner member. Neither of these previous Trustees are in receipt of any benefits under the Scheme. S Evans (as Trustee till 31 March 2023) retired in October 2022 and is now a pensioner of the Scheme and is receiving benefits in accordance with the Scheme Rules.

T Faber is a director of the Principal Employer. T Faber is Chairman of the Participating Employer. The Principal Employer and the then Trustees have not charged the Scheme for their services.

The Principal Employer pays the administrative expenses on behalf of the Scheme as set out in the Schedule of Contributions and recharges a portion of this to the Participating Employer. The Principal Employer paid an amount of £16,870 in the year (2022: £12,000) in respect of Trustees' fees.

### 19. GMP Equalisation

As explained on page 5 of the Trustee's Report, on 26 October 2018 the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to Guaranteed Minimum Pension (GMP) benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. As part of the triennial actuarial valuation undertaken as at 31 March 2020 the Scheme Actuary included a reserve of £124,000 at that date in respect of the likely backdated amounts and related interest, together with the value of additional prospective equalised benefits. The Trustee does not consider this to be material to the financial statements and therefore have not included a liability in respect of these matters in the financial statements. They will be accounted for in the year they are determined.

The High Court made a further ruling in November 2020 concerning GMP equalisation on past transfers and the Trustee will be considering the implication of this latest ruling on the Scheme in due course but do not believe it will be of a material impact.

**Actuarial Certificate given for the purpose of Section 227 of the Pensions Act 2004  
(Certificate of Schedule of Contributions)**

Name of scheme: Faber and Faber Limited Pension and Assurance Scheme

**Adequacy of rates of contributions**

I certify that, in my opinion, as at 31 March 2023, the rates of contribution shown in the Schedule of Contributions dated 16 October 2023 are such that the Statutory Funding Objective can be expected to be met throughout the five year period beginning on the date of this certificate.

**Adherence to statement of funding principles**

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 16 October 2023.

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: *John Broome Saunders*

Date: 16 October 2023

Name: John Broome Saunders

Address: Broadstone Corporate Benefits Limited  
100 Wood Street  
London  
EC2V 7AN

## Further Information

### The Pensions Regulator

The Pensions Regulator is the statutory body that regulates occupational pension schemes and can be contacted at:

The Pensions Regulator  
Telecom House  
125-135 Preston Road  
Brighton  
BN1 6AF

Telephone: 0345 600 0707

Email: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)

Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### The Pension Tracing Service

The Pension Tracing Service's main purpose is to provide a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

The Pension Service  
Post Handling Site A  
Wolverhampton  
WV98 1AF

Telephone: 0800 731 0193

Website: [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

The information that would be provided by the PTS to an enquirer includes details of the address at which trustees of a pension scheme may be contacted. This Scheme is registered with the Pension Tracing Service.

### MoneyHelper

Pension Wise, The Pensions Advisory Service and The Money Advice Service have been consolidated into one brand called MoneyHelper, provided by the Money & Pensions Service. Consolidating three brands into one means a better and enhanced consumer experience with a single source of information and guidance.

MoneyHelper is a free and impartial guidance service introduced by the government to assist people with retirement saving options to ensure people make well-informed decisions in order to ensure good retirement outcomes. Contact details are available via the MoneyHelper website at:

[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

Their contact telephone number is 0800 011 3797. Please note that the MoneyHelper does not provide advice but will provide guidance to help understand an individual's options.

**Further Information (continued)****Pensions Ombudsman**

Any concern connected with the Scheme should be referred to the Scheme Administrators, Broadstone Consultants & Actuaries Limited, who will try to resolve the problem as quickly as possible. Contact details are provided on page 2. Members and beneficiaries of occupational pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the trustees can make an application to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

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

Telephone: 0800 917 4487

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

# Faber & Faber Limited Pension & Life Assurance Scheme

## Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated September 2020 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

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

### **Investment Objectives of the Fund**

#### **Funding Objective**

The primary funding objective is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due. The Scheme provides pension and lump sum benefits to members on their retirement or to their dependants on death before or after retirement, on a defined benefit basis set out in the Trust Deed and Rules.

#### **Investment Objectives**

The Trustees' objectives with regard to investing the Scheme assets are to:

- Achieve a return which is sufficient, over the long term, to meet its funding objectives.
- Adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.

#### **Stewardship Policy**

The Trustees' stewardship policy, as set out in the SIP is as follows.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their Investment Managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the

Trustees assess the stewardship and engagement activity of their Investment Managers.

## Review of the SIP

The Trustees most recently reviewed the SIP in September 2020, which was updated for new investment regulations in relation to Environmental, Social & Governance (ESG) considerations.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out in this Statement and are detailed in the Trustees' SIP.

## Review of the Investment Strategy

After a period of underperformance recorded for Abrdn Global Absolute Return Strategies ('GARS') Fund, Trustees decided to remove it from the Scheme's portfolio. Based on the recommendations provided by Broadstone Corporate Benefits Limited ('Broadstone') in a Diversified Growth Fund Recommendation Paper, Trustees decided to replace the Abrdn GARS fund with Ruffer Absolute Return Fund. This change was implemented in August 2022.

Additionally, in September 2022, following the advice from Broadstone, as the Trustees' investment consultant, the Trustees agreed to a minor de-risking of the Scheme's portfolio, reducing their holdings in the LGIM Emerging Markets Equity Index Fund. This disinvestment was followed by a subsequent top-up of the two LGIM LDI funds. All other funds remained unaffected during the statement reporting period. The strategy change was implemented in October 2022.

## Investment Managers and Funds in Use

The investment funds and target allocations used by the Scheme as at 31 March 2023 are set out below:

Asset Class	Fund	Target Asset Allocation
UK equities	LGIM UK Equity Index Fund	11.0%
Global equities	LGIM World (ex UK) Equity Index – GBP hedged Fund	18.0%
Emerging market equities	LGIM World Emerging Market Equity Index Fund	5.0%
Multi asset	Ruffer Absolute Return Fund	13.0%
Property	Columbia Threadneedle Pensions Property Fund	4.0%
Absolute return bonds	BNY Mellon Global Dynamic Bond Fund	15.0%
Diversified alternatives	Partners Group Generations Fund	18.0%
Liability driven investment	LGIM Matching Core Fixed Long Fund LGIM Matching Core Real Long Fund	15.0%
<b>Total</b>		<b>100.0%</b>



The Scheme also has 2.3% (of its total assets) holding in the Osiris property Fund. On 19 March 2020, investor approval was granted to terminate the Fund, as a result, the Fund is progressing an orderly wind down.

## Investment Governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone, as the Trustees' Investment Consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

There were no changes to the objectives put in place for Broadstone which were last reviewed in October 2022.

## Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
<b>Financially and Non-Financially Material Considerations</b>	<p>The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect the Investment Managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of their Investment Managers.</p> <p>Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect their Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.</p>	No deviation from this policy over the year to 31 March 2023.
<b>Voting Rights and Engagement</b>	<p>The Trustees expect their Investment Managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their Investment Managers.</p>	No deviation from this policy over the year to 31 March 2023.

## Financially and Non-Financially Material Considerations

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the Investment Managers and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers.

The Trustees invest across a range of asset classes and styles. The Trustees expect the Investment Managers to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
UK equities	Passive	The Trustees acknowledge that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if it has concerns relating to ESG. The Trustees do expect the investment manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
Global equities	Passive	The Trustees acknowledge that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if it has concerns relating to ESG. The Trustees do expect the investment manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.
Emerging market equities	Passive	The Trustees acknowledge that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if it has concerns relating to ESG. The Trustees do expect the investment manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies.

<b>Diversified growth fund and Multi asset</b>	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect its investment manager to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
<b>Property</b>	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities. However, the Trustees expect the investment manager to have regard to ESG issues when properties are being sold and purchased within the portfolio, together with any opportunities to re-develop existing properties with ESG issues in mind.
<b>Absolute return bonds</b>	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect its investment manager, to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
<b>Diversified alternatives</b>	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. Given the nature of the asset class, the Trustees also expect its investment manager, to engage heavily with the underlying investee companies.
<b>Liability driven investment</b>	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the investment.

## Voting Rights and Engagement Activities

The Trustees currently invest in a range of asset classes. In particular, all voting activities have been delegated to the Investment Managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of some of the scheme's investments. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the Investment Managers to influence what they believe to be the most significant votes.

However, the Trustees periodically meet with their Investment Managers, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their Investment Managers on these matters where they think this is in the best interests of members.

Over the year to 31 March 2023, the LGIM Equity Funds, Abrdn Global Absolute Return Strategies Fund, and the Ruffer Absolute Return Fund contained equity holdings, and therefore have voting rights attached to the underlying equities.

The Trustees have delegated engagement activities to the Investment Managers, and Investment Managers report to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by LGIM and Ruffer from 1 April 2022 to 31 March 2023 on behalf of the Trustees (where the investment owns equities) is provided in the table below. The analysis is based on the latest information available from each Investment Manager.

Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
LGIM	UK Equity Index Fund	10,863	94%	6%	0%
LGIM	World (ex-UK) Equity Index – GDP Hedged	36,140	77%	22%	1%
LGIM	World Emerging Market Equity Index Fund	36,476	80%	18%	2%
Abrdn	Global Absolute Return Strategies Fund	232	82%	18%	0%
Ruffer	Absolute Return Fund	1,305	94%	6%	0%

Information regarding proxy voting is detailed below:

- **LGIM** utilise ISS's 'ProxyExchange' voting platform for proxy voting services.
- **Abrdn** utilise the services of ISS for all their voting requirements.
- **Ruffer** utilise the services of ISS. They have developed their own internal voting guidelines, however they take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues

## Significant Votes

The Trustees requested details of the significant votes made on behalf of the Trustees by the Investment Managers. In determining significant votes, the Investment Managers take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at annual Stakeholder roundtable events, or where the Investment Managers note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;

The Trustees believe the following represent significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE 1 – LGIM	
Company	BP Plc

Date	12 May 2022
% of portfolio invested in firm	c. 3.0% of UK Equity Index Fund
Resolution	Approve Net Zero - From Ambition to Action Report
Why significant	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.
How voted	<b>VOTED FOR</b>
Manager Comments	<i>"It is our view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, we remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration."</i>
Vote outcome	89% FOR

SIGNIFICANT VOTE 2 - Abrdn	
Company	<b>Tyson Foods, Inc.</b>
Date	9 February 2023
% of portfolio invested in firm	Information not provided by Abrdn.
Resolution	Comply with World Health Organization Guidelines on Antimicrobial Use Throughout Supply Chains
Why significant	Significant Vote Category 2 ('SV2'): Shareholder and Environmental & Social (E&S) Resolutions <ul style="list-style-type: none"> <li>• Votes on shareholder E&amp;S proposals where we have engaged with the proponent or company on the resolution</li> <li>• Votes on management-presented E&amp;S proposals</li> <li>• Focus on shareholder proposals where we have voted contrary to management recommendations</li> </ul>
How voted	<b>VOTED FOR</b>
Manager Comments	<i>"The company's current commitments align to some, but not all, WHO recommendations on antibiotic use. They currently meet industry standards and expectations. Thus, support for this proposal is not warranted currently."</i>
Vote outcome	Information not provided by Abrdn.

SIGNIFICANT VOTE 3 – Ruffer	
Company	<b>Marks &amp; Spencer Group Plc</b>
Date	5 July 2022
% of portfolio invested in firm	0.24% of Ruffer Absolute Return Fund
Resolution	Governance - Approve Remuneration Report
Why significant	Ruffer believes this vote will be of particular interest to their clients. Ruffer supports companies in the provision of long term incentives for senior management.
How voted	<b>VOTED FOR</b>
Manager Comments	<i>"We engaged with the company on this matter. Steve Rowe's (ex-CEO) notice period started on 5th July and not on 10th March when his departure was formally announced to the market. However, this was done to facilitate an orderly handover of responsibilities to the new CEO(s). Steve was working during this period. We do not have an issue with this and thus approved the Remuneration Report, against our proxy advisor's advice. The fact that Steve was paid a bonus for the year despite the fact that he was on a notice period is also not an issue as he was deserving the bonus according to the criteria laid out for the year 2021-22"</i>

	<i>and even though his departure was formally announced 20 days before the year end- he continued to work until several months after the year end. Finally, the decline in the share price of M&amp;S recently is due to the market concerns of the impact of rise in inflation and not to the performance of M&amp;S which has been very strong even in the current environment. So we would deem it unfair to compare the salary of the new co-CEOs to the impact on the share price due to macro economic fears in the market."</i>
Vote outcome	Resolution Passed (70.9%)

The Trustees believe that the most significant votes detailed above are aligned with the Scheme's stewardship priorities as detailed at the start of this document.

## Engagement Activities

The notable engagement activities of the Investment Managers over the last 12 months is provided below:

- **LGIM** engaged with Macquarie Asset Management, Southern Water's majority shareholder, to share its views on the topic of water pollution in the UK. This builds on LGIM's engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. In the first quarter of 2023, LGIM also signed up to the Ceres investor-led 'Valuing Water Finance Initiative', aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.
- **Abrdn** engaged with JB Hunt Transport Services Inc (JBHT), a logistics services provider, given its relatively high carbon footprint and the fact that it has not committed to setting any science-based carbon reduction targets that are in line with the Science Based Target Initiative. The engagement focused on understanding how JBHT is addressing its climate-related risks, pushing the company to set Science Based Targets, and requesting additional transparency. We are pleased with the progress that JBHT is making with its efforts to stay abreast of technologies, such as adopting Zero Emission Vehicles and planning the purchase of multiple Tesla electric Class 8 trucks as soon as they become available to reduce their carbon footprint. JBHT is also enhancing transparency in addressing and disclosing information around its climate related risks. As a result of the recent engagement, Abrdn raised the ESG rating for the company.
- **Ruffer** - A long term investor in ArcelorMittal, Ruffer engages with the global leader in steel production to discuss climate action and to initiate the formation of working groups focusing on ESG matters. Ruffer met with the company on multiple occasions this year, collaborating to discuss paths to Net Zero. Following discussions, ArcelorMittal has committed to reduce European CO2 emissions by 35% by 2030 and be carbon neutral by 2050. Additionally, the ties between health and safety performance and executive remuneration have been strengthened. Upon the release of further details of ArcelorMittal's progress and targets in its next Climate Action Report, Ruffer will analyse where they can urge the company to make further improvements.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. Investment Managers will submit a transparency report on their

processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2021 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

The latest available UNPRI scores of the Investment Managers are outlined in the table below.

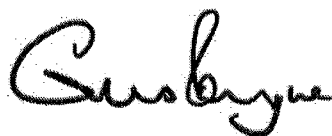
Manager	2021 UNPRI Rating
LGIM	★★★★★
Abrdn	★★★★
Ruffer	★★★★
Columbia Threadneedle	★★★★
CBRE	★★★★
BNY Mellon	★★★★★
Partners	★★★★
Median	★★★

The Trustees also consider the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

### Monitoring of Investment Arrangements

In addition to any reviews of Investment Managers or approaches, and direct engagement with Investment Managers (as detailed above), the Trustees receive performance reports on a quarterly basis together with performance reports from Broadstone Corporate Benefits Ltd on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed:



Date: 3.11.2027

On behalf of the Faber & Faber Limited Pension & Life Assurance Scheme