LEONARDO HELICOPTERS PENSION SCHEME

Report and Financial Statements for the year ended 5 April 2022

Scheme Registration No: 10260073

XPS Administration

One Temple Quay, Temple Back East, Bristol BS1 6DZ

XPS Administration is a trading name of XPS Administration Limited
Registered No. 9428346. Registered Office: Phoenix House, 1 Station Hill, Reading RG1 1NB

Part of XPS Pensions Group

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CHAIR'S INTRODUCTION

YEAR ENDED 5 APRIL 2022

I am pleased to present the Report and Financial Statements for the Leonardo Helicopters Pension Scheme (the "Scheme") for the year ended 5 April 2022.

Since our last report, with improvements in the investment environment in 2021 following the downturn experienced through the pandemic, the Trustee developed a de-risking plan with the Scheme's investment and actuarial advisers, and undertook a number of de-risking measures through 2021. This involved moving assets out of the 'on-risk' return seeking portfolio into off-risk allocations. As part of this activity, the Trustee developed a journey plan towards full funding on the Scheme's 'low dependency' funding basis, and made changes to the liability hedging basis to reflect the focus on the low dependency funding targets.

The investment environment into 2022 has been difficult, with high levels of volatility. There is a challenging backdrop with the Russian invasion of Ukraine having impacted markets across the globe, with unprecedented rises in oil and gas prices and increasing levels of inflation. Asset values fell through the first quarter of 2022, and the portfolio is positioned defensively in light of the continuing volatile conditions. Despite these challenges, the Scheme's overall funding position has improved over the Scheme Year to 5 April 2022 amid increasing interest rate expectations and positive investment growth over the year as a whole.

Over the Scheme Year, the total portfolio grew in value by 1.8%. Within this, our on-risk assets grew by 6.0%. Our hedging portfolio maintained a 100% hedge against interest rates and inflation in the first half of the year, and from November 2021 the strategic level was amended to 95%, but was applied to the more prudent 'low dependency' basis as part of the de-risking measures. The market environment continues to be uncertain and the Trustee remains focused on developing its risk control measures.

Work continues on reconciling the delayed data received from HMRC concerning Guaranteed Minimum Pension (GMP) benefits as well as the complex requirements around equalising GMPs. The Trustee and Company agreed a proposed method of equalisation by conversion, and have undertaken a consultation period with pensioner members on this method. The Company and Trustee will be combining the GMP Equalisation project with a new Pension Increase Exchange (PIE) offer to pensioners in two tranches during 2022 and 2023. The GMP project will then progress to members reaching retirement, who will continue to be offered PIE.

The Company has undertaken a consultation process through 2022 with active Scheme members and their representatives regarding proposed changes to future pension provision. The Trustee has been in discussions with the Company through the period and is now awaiting the Company's confirmation of the outcome of the consultation.

In July 2022, Craig Porter resigned as a Trustee Director following a change in employment, and the Company is selecting a replacement. I would like to thank Craig for his valuable contribution.

I am grateful to all the Trustee Directors, Pensions Management and our advisers for their significant contribution to the management of the Scheme during a busy year, and I look forward to working with them over the coming year.

M Flavell

Martin Flavell

Chair
Leonardo Helicopters Pension Scheme (Trustee) Limited

Date: 20 September 2022

TRUSTEE AND ADVISERS

Trustee:	Leonardo Helicopters Pension Scheme (Trustee) Limited
Trustee Directors:	Martin Flavell * (Chair) Caroline Beaumont * Chris Burton ** Malcolm Gillam ** Clive Higgins * Steve Jenkins ** Simon Jones * Craig Porter * (Resigned 31 July 2022) Rebecca Ward ** * *Company Nominated* ** *Member Nominated*
Scheme Secretary:	Rachael Skuse
Scheme Address:	Leonardo Helicopters Pension Scheme Box 205 Leonardo UK Ltd Lysander Road Yeovil Somerset BA20 2YB
Principal Employer:	Leonardo UK Ltd (02426132) One Eagle Place London SW1Y 6AF
Actuary:	Chris Vaughan-Williams Aon Solutions UK Limited 1 Redcliff Street Bristol BS1 6NP
Auditor:	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
Legal Adviser:	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX
Bankers:	Barclays Bank plc 1 Churchill Place London E14 5HP
Covenant Adviser:	Cardano Advisory Limited (formerly known as Lincoln Pensions Limited)

TRUSTEE AND ADVISERS (continued)

Investment Managers:	Schroders IS Limited (formerly known as River and Mercantile Investments Limited)
Custodian:	CACEIS
AVC Providers:	Mobius Life Ltd Prudential Assurance Company Ltd
Administrator:	XPS Administration Limited One Temple Quay Temple Back East Bristol BS1 6DZ
Investment Adviser:	Schroders IS Limited (formerly known as River and Mercantile Investments Limited)

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2022

The Trustee presents to the members its annual report and financial statements for the year ended 5 April 2022.

Scheme Information

The Leonardo Helicopters Pension Scheme is governed by Scheme Rules and provides pensions and lump sum benefits on retirement and death for those employees who are members of the Scheme.

The Scheme provides defined benefit pensions. The Scheme closed to new entrants in October 2007.

The Trustee of the Scheme is Leonardo Helicopters Pension Scheme (Trustee) Limited.

The Trustee Board is made up of nine Trustee Directors consisting of five Trustee Directors nominated by the Principal Employer (one of which is the Chair of the Trustee Board) and four nominated by the membership.

During the year, the Trustee Directors met frequently to deal with various matters relating to the management of the Scheme including monitoring funding and investing the Scheme assets. The Trustee Directors have the responsibility for ensuring that the Scheme is properly run in accordance with its governing documents, and in the best interests of the members.

The investment sub-committee and administration sub-committee also met regularly during the year in advance of each full Trustee meeting. A Joint DB Investment Committee met during the year made up of the investment sub-committees of the Leonardo Helicopters Pension Scheme and the Leonardo Electronics Pension Scheme. The Joint DB Investment Committee reviews common DB investment information and proposals and receives training from Schroders.

In addition, there is a Joint DC Investment Committee, which is a joint committee for the Leonardo Helicopters Pension Scheme, Leonardo FuturePlanner and the Leonardo Electronics Pension Scheme. The purpose of the DC Committee is to review the AVC investment strategy of the Leonardo Helicopters Pension Scheme (together with the investment strategy of Leonardo FuturePlanner and the defined contribution elements of the Leonardo Electronics Pension Scheme).

In total there were 7 Trustee meetings and 21 sub-committee meetings during the year, with Trustee Director attendance at 97% for the year (2021: 100%).

The Trustee produces an annual business plan, and a long-term strategic plan which sets out the objectives of the Trustee. Progress against the business plans is monitored by the Trustee at each quarterly meeting.

Trustee knowledge

There is a requirement for the Trustee Directors to have knowledge and understanding of the law relating to pensions and the principles relating to the funding of the Scheme and the investment of the Scheme's assets. The Trustee Directors are also required to be conversant with the Scheme's documents. To fulfil these requirements the Trustee has adopted a training policy and attends regular training sessions.

Risk management

The Trustee Directors have put in place steps to monitor areas of potential risk to the Scheme. They regularly monitor, amongst other aspects of the Scheme, investments, the funding of the Scheme and the administration of the Scheme. The Scheme's risk register is reviewed on a quarterly basis by the Trustee and updated as necessary.

The Trustee has adopted an integrated risk management plan, which looks at the financial covenant, investment and funding risks faced by the Scheme.

TRUSTEE’S REPORT FOR THE YEAR ENDED 5 APRIL 2022 (continued)

Employer’s Covenant

The Principal Employer of the Scheme is Leonardo UK Ltd (formerly named Leonardo MW Ltd, having changed name with effect from 31 March 2021).

The Trustee Directors recognise that the ability of the Principal Employer to meet its ongoing contribution requirement is important to the funding of the Scheme and hence the security of members' benefits. As a way of increasing the security of the Scheme, the Trustee has entered into an agreement with the Leonardo Group’s parent company, Leonardo SpA, in which Leonardo confirms it will provide support for the Scheme. Leonardo has agreed that it will be responsible for the liabilities of the participating employers and has undertaken to pay any outstanding Scheme contributions and pay any Scheme deficit if the Scheme were to wind up with insufficient assets.

The Trustee regularly monitors the financial status of the Principal Employer and has engaged Cardano Advisory Limited to carry out 6 monthly independent reviews of the financial strength of the employers, or more frequently if the Trustee considers this appropriate.

As part of the 5 April 2020 actuarial valuation, and in light of the COVID-19 pandemic, additional detailed reviews of the employer covenant were commissioned, with reports on a range of areas including cash resources, profitability and credit strength of the Principal Employer and its ultimate parent company. Overall, the employer covenant has been robust and continues to be rated as strong. The actuarial valuation is discussed in further detail on page 16 of this report.

Voluntary Contributions

The Additional Voluntary Contribution (AVC) option provides members with an opportunity to make further provision for their retirement in addition to the benefits provided by the Scheme. Investment choices are available in the form of a “Lifestyle” arrangement and a “Pick & Mix” option. A Mobius Life microsite was launched in June 2021 providing additional investment fund information to members. In addition, some members have AVCs with Prudential but cannot contribute more to these funds.

In addition to AVCs, members of the Main Section are able to contribute under the Buy Up option which provides for a higher career salary accrual rate, in return for an additional member contribution. The cost of the Buy Up option is set by the Trustee each year.

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2022 (continued)

Membership

The number of members as at the year-end was:

Active members at 6 April 2021		1,357
Death in Service	-	
Retirement	(52)	
Deferred	(36)	
Active members at 5 April 2022		1,269
Deferred pensioners at 6 April 2021		1,160
From Active	36	
Transfer Out	(12)	
Retirement	(50)	
Death	(1)	
Deferred pensioners at 5 April 2022		1,133
Pensioners at 6 April 2021		2,458
Retirement	102	
New dependants / spouses	26	
Death	(40)	
Pensioners at 5 April 2022		2,546
Total members at 5 April 2022		4,948

Part of the benefits for 119 pensioners is covered by an external annuity policy (2021: 134).

Pension increases

Different rates of increase, and caps on the level of increase, apply for different sections and tranches of benefit within the Scheme.

All pensions in payment were increased on 1 April 2022 in accordance with the Rules of the Scheme. The applicable increase rate (before caps) on 1 April 2022 was generally 4.95% which is the level of RPI in September 2021, with benefits accrued after 5 April 2019 having an applicable increase (before caps) of 3.1%%, which is the level of CPI at the same date. Relevant deductions or additions were made for statutory obligations to provide increases in relation to Guaranteed Minimum Pension (GMP).

Some pensioners have elected to exchange the increases provided in the Rules of the Scheme for the statutory minimum increases required by legislation.

Deferred pensions in excess of the GMP are increased annually in line with the statutory measure of inflation for pension purposes, up to a maximum of 5% for benefits accrued before 6 April 2009 and 2.5% for benefits accrued after.

All increases to pensions in payment and deferred pensions were made in accordance with the Rules of the Scheme. There were no discretionary increases made during the year.

Transfer Values

Cash equivalents (transfer values to other approved pension arrangements) payable are calculated and verified as prescribed by Section 97 of the Pension Schemes Act 1993. No discretionary benefits are included.

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2022 (continued)

Scheme Changes

There have been no changes to the Scheme Rules over the year.

Financial Development of the Scheme

Changes in the Scheme's net assets during the year were as follows:

	£'000s
Net assets at 5 April 2021	1,756,468
Net withdrawals from dealings with members	(33,247)
Net returns on investments	36,686
Net assets at 5 April 2022	1,759,907

The financial statements for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

Communication

"InTouch", a newsletter for Scheme members is issued by the Trustee on a regular basis. Benefit statements are issued on an annual basis to active members setting out the amount of pension built up so far, and forecasts at normal retirement date. In addition members can access information from the Scheme website, www.lhpensions.co.uk. XPS Administration Limited also offers MyPension.com, an online tool for members enabling them to view their pension records and undertake various activities online. All communications have moved to predominantly electronic distribution during the year, other than where members have opted into continuing with paper copies.

A series of pensions workshops are offered to members in line with demand.

Going concern

The Trustee of the Scheme has made an assessment on going concern and given the funding position and the support from the Principal Employer, the Trustee concludes that the Scheme retains sufficient liquidity that the going concern basis remains appropriate for the foreseeable future and at the very least for the next twelve months.

Taxation Status

The Scheme is a registered pension scheme within the meaning of Section 153 of the Finance Act 2004.

Enquiries

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme Trustee:

c/o XPS Administration Limited
One Temple Quay
Temple Back East
Bristol BS1 6DZ

Email: lhps@xpsgroup.com

MoneyHelper

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. MoneyHelper can be contacted at:

MoneyHelper
Holborn Centre
120 Holborn
London EC1N 2TD

Tel: 0800 011 3797
Email: pensions.enquiries@moneyhelper.org.uk
Website: www.moneyhelper.org.uk

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2022 (continued)

Pensions Ombudsman

Early Resolution Service

The early resolution service is available to assist with any difficulty that has not been resolved or to assist with a potential complaint.

Tel: 0800 917 4487
Email: helpline@pensions-ombudsman.org.uk

Complaints

If a member has a complaint against the Scheme that has not been resolved to his or her satisfaction through the Scheme's Dispute Procedure, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustee or Scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

The Pensions Regulator (tPR)

The Pensions Regulator can intervene if they consider that a scheme's trustees, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton BN1 4DW

Tel: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10260073. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

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

Tel: 0800 731 0193
Website: www.gov.uk/find-lost-pension

INVESTMENT REPORT

Background

At the Scheme year-end, 5 April 2022, the net investments of the Scheme were valued at £1.76bn, compared with £1.76bn at the start of the Scheme year.

The majority of the assets of the Scheme continue to be invested by the fiduciary manager, Schroders IS Limited. This includes a liability hedging portfolio through which the impact of movements in long-term interest rate and inflation expectations are managed.

This report gives information about the assets as at 5 April 2022.

Investment Principles

The Trustee has produced a Statement of Investment Principles (SIP) showing how it invests the assets of the Scheme. The SIP is reviewed regularly by the Trustee and was last updated in November 2021.

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. This is broken down into the following qualitative objectives:

1. Acquire suitable assets which, having due regard to risk, will generate income and capital growth to pay, together with the Employer and member contributions, the benefits as they fall due.
2. Limit the risk of the assets failing to meet the liabilities over the long term.
3. Achieve a return on investment which is expected at least to meet the Actuary's assumptions over the long term.

The Trustee has translated its objectives into benchmarks for the Scheme. The benchmarks are consistent with the Trustee's views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk measured relative to liabilities.

The Trustee has also produced a defined contribution SIP which was last updated in September 2020.

Copies of the SIPs are available to members from the Scheme Administrator, XPS Administration, using the contact details on page 4. The SIPS are also available from the Scheme website at www.lhpensions.co.uk/compliance.

Investment Manager

The Trustee has delegated responsibility for the day-to-day management of the assets to the Scheme's Investment Manager, Schroders IS Limited ("Schroders Solutions"). An Investment Management Agreement between the Trustee and Schroders IS Limited governs this relationship.

The Investment Manager has been appointed in two capacities:

- Implement a liability hedging strategy and
- Actively manage Growth Assets which covers a wide range of asset classes and investment managers, Cashflow Matching Credit, ASE, Liability Hedging and the Collateral Fund.

Market Commentary

Global equities rose over the year despite the challenges towards the end of the period due to the war in Ukraine. Concerns over rising inflation led to central banks increasing interest rates and government bond yields rose over the year. Commodity prices soared.

US stocks fell in the first quarter of 2022. Russia's invasion of Ukraine drew widespread condemnation and elicited a range of strict sanctions from the US and its allies. The invasion amplified existing concerns over inflation pressures, particularly through food and energy although economic data otherwise remained stable. The Fed raised interest rates by 0.25%, with further increases expected through the rest of 2022. European shares fell sharply in the first quarter. The region has close economic ties with Ukraine and Russia, particularly when it comes to reliance on Russian oil and gas. UK equities were resilient as investors began to price in the additional inflationary shock of Russia's invasion of Ukraine. The Bank of England increased its base rate by 0.5% over the quarter to 0.75%.

INVESTMENT REPORT (continued)

Asset Allocation

The Trustee reviews the strategic asset allocation of the Scheme on a regular basis. However, investment decisions within this framework are delegated to Schroders Solutions.

The Trustee has allocated 40% of assets to Growth Assets, 35% of assets off-risk for liability hedging, 15% of assets to Active Structured Equity and 10% of assets to Cash Flow Matching Credit Assets.

The Trustee continues to monitor the strategy through regular reviews, and following an improvement in funding position took action to de-risk the portfolio by reducing the allocation to Growth Assets by 15% in July 2021. The Trustee will continue to review on an on-going basis the extent to which risk and volatility can be reduced further as the funding position improves over time.

The table below shows the asset allocation at the current and prior year ends:

	5 April 2022		5 April 2021	
	Market Value £'000s	% of funds (ex AVCs)	Market Value £'000s	% of funds (ex AVCs)
Equity	325,962	18.5	574,015	32.7
Private Equity	9,066	0.5	10,509	0.6
Alternatives	129,315	7.4	170,264	9.7
Return Seeking Credit	82,401	4.7	123,420	7.0
Property	57,094	3.2	50,506	2.9
Cash & Sovereign Bonds	132,970	7.6	41,510	2.4
Commodities	20,046	1.1		
Currency Hedge	(4,267)	(0.2)	4,581	0.2
Total Growth Assets portfolio	752,587	42.8	974,805	55.5
Liability Hedging Assets	553,275	31.5	326,500	18.6
Active Structured Equity	287,551	16.4	277,121	15.8
Cash Flow Matching Credit Assets	163,996	9.3	176,947	10.1
Total assets (excluding AVCs)	1,757,409	100.0	1,755,372	100.0
AVCs	12,135		12,163	
Cash in transit	9		80	
Total investments	1,769,553		1,767,615	

Liability Risk

The Trustee has put a programme in place to reduce some of the unrewarded risks that the Scheme faces in relation to the value of the liabilities. In particular, Schroders Solutions Derivatives manages a liability hedge.

The liability hedge is designed to protect the Scheme from adverse movements in long-term interest rates and inflation, which directly impact the value of the Scheme's liabilities. The value of the gilts that are part of the hedging portfolio tends to move in line with the Scheme's liabilities when interest rates and inflation rates change. Similarly the swaps in the hedging portfolio, which are implemented via a number of counterparty banks, are such that, if interest rates fall significantly (and so the liabilities rise in value), the swap counterparty pays the Scheme to cover the rise in the value of the liabilities. Conversely, if the value of the liabilities falls due to interest rate and inflation changes, the Scheme pays the counterparty under the swap contracts an amount that is in line with this fall in the liabilities. Importantly, the purpose of the liability hedge is to offset (or hedge) the changes in the value of the liabilities whether there is a rise or fall.

INVESTMENT REPORT (continued)

The mark to market valuation of the swaps represented an unrealised gain/loss, as at 5 April, for the following years:

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Interest rate swaps	(16,678)	34,813	149,439	32,049	13,162	50,907
Inflation swaps	19,629	(23,872)	(44,532)	(18,385)	(27,334)	(22,253)
Swaptions	-	-	-	-	-	(13,502)
Gilt total return swaps	(6,396)	(18,406)	26,248	28,814	19,977	34,794
Total Gain/(Loss)	(3,445)	(7,466)	131,155	42,478	5,805	49,946

A positive mark-to-market value of the swaps represents a rise in the value of the swaps from the Scheme's perspective and vice versa. However, this rise will have been necessary to offset the rise in the value of the Scheme's liabilities and so the impact of the interest rate changes on the Scheme's finances will (as intended) have been broadly neutral.

During the Scheme year, until November 2021 the Trustee maintained a strategic hedging level of 100% of the interest rate risk and 100% of the inflation risk of the Technical Provisions as at 5 April 2020 and the liabilities expected to be accrued between 6 April 2020 and 5 April 2023. From 10 November 2021 the strategic level was amended to 95%, and was applied to the Low Dependency basis as at 5 April 2020 and the liabilities expected to be accrued between 6 April 2020 and 5 April 2023. At the year end the portfolio was hedging 95% of the interest rate risk and 95% of the inflation risk.

Collateral

The gilts can be used to meet collateral calls from the Scheme's counterparties: Barclays Bank plc, BNP Paribas, Citigroup Inc., Goldman Sachs plc, HSBC plc, Royal Bank of Scotland plc, Merrill Lynch & Co. Inc., Royal Bank of Canada, Lloyds Banking Group, UBS, JP Morgan and Morgan Stanley & CO. International plc. The Scheme would be obliged to post collateral to the counterparties as and when the swap mark-to-market is negative to the Scheme (i.e. in the counterparties' favour). Once the collateral is transferred to the respective counterparty it is held by the counterparty but in the name of the Trustee.

Return Seeking Portfolio

The Growth Assets (GA) are designed to deliver performance in excess of a specific target through exposure to diversified investment arrangements. Schroders Solutions invests and manages the Scheme's assets on behalf of the Trustee.

Schroders Solutions fiduciary management service reduces the risks and costs of decision delay and provides access to a broad range of asset allocation and increased investment specialisation, such as high yield bonds, leveraged loans and other alternative asset classes as well as currency hedging. As well as the delegated responsibility for dynamic asset allocation, Schroders Solutions is also responsible for selecting, combining and replacing fund managers.

The core strength of the fiduciary management portfolio proposition lies in the delegation to the manager of the flexibility to dynamically allocate across all asset classes in accordance with medium to long term views on global markets, and to 'defend' by increasing the allocation to cash when the risk/return attributes of multiple asset classes are poor. This is demonstrated in the Asset Allocation table above showing the variation at the current and prior year end.

INVESTMENT REPORT (continued)

The investment objective for GA is a return of SONIA + 3.125% per annum, after the deduction of fees, over rolling three year periods. Performance of the GA assets against objective is as follows:

GA	1 Year	3 Years p.a.	5 Years p.a.
Investment return	6.0%	6.3%	5.1%
Objective	3.3%	3.4%	3.5%
Investment return relative to target	2.7%	2.9%	1.6%

Performance is shown to 5 April 2022 after the deduction of fees (to the extent that fees are paid from assets). The objective is shown to 5 April 2022.

The Trustee monitors the performance of GA on a quarterly basis and is provided with a valuation of all of the Scheme's assets on a monthly basis.

The Trustee also has a derivatives programme to manage the exposure of the assets to currency movement which is managed by Schroders Solutions.

The Trustee will continue to consider further opportunities to reduce unrewarded risks where this can be done cost effectively. There are appropriate arrangements in place to provide collateral for the derivatives programmes.

Total Investment Performance

The performance of the Scheme's return-seeking portfolio and the total performance (including the performance of the swaps) was positive over the year ended 5 April 2022.

Performance against objective over different time periods is as follows:

Total performance	1 Year	3 Years p.a.	5 Years p.a.
Investment return	1.8%	5.9%	4.8%
Objective	-0.7%	2.8%	3.5%
Investment return relative to target	2.5%	3.1%	1.3%

The objective for three years covers the period 1 April 2019 to 5 April 2022, and for five years it covers 1 April 2017 to 5 April 2022.

Investment Expenses

Investment management fees and expenses amounted to £6.4m during the period (previously £1.7m). It should be noted that, in addition to these direct expenses, the majority of underlying managers' fees are reflected in unit prices and these are not separately disclosed. Discounts on investment management fees are negotiated where possible.

Custody of Assets

The swap contracts entered into with Barclays Bank plc, BNP Paribas, Citigroup Inc., Goldman Sachs plc, HSBC plc, Royal Bank of Scotland plc, Merrill Lynch & Co. Inc., Royal Bank of Canada, Lloyds Banking Group, UBS, JP Morgan and Morgan Stanley & CO. International plc are held directly in the Trustee's name. These direct principal to principal contracts do not themselves require safe custody. However, the collateral provided to the counterparties to secure their value when their mark-to-market is positive is held by CACEIS, as custodian for the Scheme.

The pooled fund units and shares comprising the assets managed through the fiduciary management portfolio are held by CACEIS in the name of its nominee company, KAS Nominees Limited.

INVESTMENT REPORT (continued)

Environmental, Social and Governance Factors

Financially material investment considerations can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. The Trustee delegates consideration of financially material factors to the Investment Manager, who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered, in the context of long term performance, by the Investment Manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the Investment Manager monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

Corporate Governance and Stewardship

The Trustee and Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of the SIP and is required to exercise its powers with a view to giving effect to the principles contained therein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee has appointed the Investment Manager to implement the Scheme's investment strategy. The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the underlying managers.

The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using Schroders Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Investment Manager's remuneration is based on the Scheme's asset size, and the Investment Manager is therefore incentivised to maximise the Scheme's asset size over the long term. The Trustee is satisfied that these arrangements incentivise the Investment Manager:

- to align its investment strategy and decisions with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, and
- to assess and make decisions based on the medium to long-term financial and non-financial performance of issuers of debt or equity, and to engage with issuers to improve this medium to long-term performance.

The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

The majority of the Scheme's investments are made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes or social, ethical or environmental factors, is delegated to the manager of the pooled investment fund. The extent to which these factors are taken into account in the selection, retention and realisation of investments is considered by the Investment Manager as part of the process of selecting organisations with which to invest.

The Trustee supports the Myners Principles and the UK Stewardship Code. It has conducted a 'comply or explain' review in respect of both of the Myners Principles and Investment Guidance from the Pensions Regulator.

INVESTMENT REPORT (continued)

These considerations, which include the below "Risks", can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant, as set out in the ESG section above. The Trustee delegates consideration of financially material factors to the Investment Manager, who considers these when constructing the portfolio, including looking at Underlying Managers.

Non-financial matters

The Trustee does not directly take into account non-financial matters (such as members' ethical or future impact priorities) given the difficulty of establishing consensus views on such matters. The Trustee maintains a dialogue with members through the Pensions Council and may seek views directly from time to time. The DCISC consults members from time to time in the context of self-select investment options for DC assets.

Turnover costs

The Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

Conflicts of interest

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager directly monitors these as part of their regulatory filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest framework is available publicly here:
https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/

Employer Related Investments

There were no employer related investments during the year.

REPORT ON ACTUARIAL LIABILITIES

Section 222 of the Pensions Act 2004 stipulates that all pension schemes must have a "Statutory Funding Objective", which should be to have "sufficient and appropriate assets" to cover its "technical provisions" (i.e. meet members' benefit obligations). The valuation allows for all benefits accrued to members but yet to be paid at the valuation date. It uses assumptions about various factors that will influence the Scheme in the future, such as the levels of investment return and inflation, when members will retire and how long members will live. These assumptions are agreed between the Trustee and Employers and are set out in the Statement of Funding Principles, which is available to members on request.

The latest Actuarial Valuation of the Scheme was completed as at 5 April 2020 and the respective Schedule of Contributions was certified on 8 December 2020. This valuation disclosed technical provisions of £1,684.1 million compared to assets of £1,589.3 million, resulting in a deficit of £94.8 million.

There was an estimated shortfall of £886.1 million relative to the solvency position (i.e. the estimated level of assets needed to buy insurance policies for benefits earned to the valuation date).

Significant Assumptions

Set out below is a summary of the key actuarial assumptions used for the 5 April 2020 valuation, which used the Projected Unit Method to place a value on the technical provisions.

Discount rate: term dependent rates set by reference to 65%/35% of the gilt and SONIA swap yield curves at the valuation date plus adjustments of 2.85% per annum pre-retirement and 0.85% per annum post-retirement.

Rate of RPI price inflation: term dependent rates set by reference to 65%/35% of the break-even gilt and swap RPI yield curves at the valuation date.

Rate of CPI price inflation: The rate of RPI inflation less 0.7% per annum at each term.

Increases to pensions in service and payment: Derived from the appropriate price inflation assumption allowing for the maximum and minimum annual increases, and for price inflation to vary from year to year, with an adjustment to allow for the timing of increases and seasonal trends.

Pay increases: The rate of CPI inflation plus 1% per annum at each term.

Post retirement mortality: Standard tables S3PMA for males and S3PFA_M for females, with scaling factors of 100%.

Future improvements in mortality: An allowance for future improvements was made from 2013 in line with the CMI 2019 core projections with a smoothing parameter of 7.0, initial addition to improvement rates of 0.5% and long-term improvement rate of 1.50% per annum.

Retirement age: An allowance for early retirements was made for each section of the Scheme.

Cash commutation: 90% of members were assumed to commute 30% of their pension on retirement (before any allowance for at-retirement options) which includes an allowance for commutation factors expected following the 2020 valuation.

Pension increase exchange on retirement: An allowance was made for 30% take-up for those members not yet offered the option, based on terms which are 60% of the value of the non-statutory increases on the technical provisions basis.

Supplement purchase on retirement: An allowance was made for 40% of members to exchange 5% of their pension at retirement to buy supplementary pension, based on terms which are consistent with the assumed commutation factors.

GMP equalisation: An allowance was made of 0.15% of past service liabilities.

The next formal valuation of the Scheme will become due with an effective date of 5 April 2023 and is expected to be finalised no later than 5 July 2024.

ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Certification of schedule of contributions

Leonardo Helicopters Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that:

The statutory funding objective could have been expected on 5 April 2020 to be met by the end of the period specified in the recovery plan dated 8 December 2020.

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 8 December 2020.

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	Date
	8 December 2020
Name	Qualification
Chris Vaughan-Williams	Fellow of the Institute and Faculty of Actuaries
Address	Name of employer
1 Redcliff Street Bristol BS1 6NP	Aon Solutions UK Limited

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 the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- 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 the 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 a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any 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 is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised 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 monitoring 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.

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's Report, which includes the Investment Report, the Report on Actuarial Liabilities, the Statement of Trustee's Responsibilities and the Implementation Statement was approved by the Trustee.

M Flavell
....

Name: Martin Flavell Date: 20 September 2022

Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

R Ward
....

Name: Rebecca Ward Date: 20 September 2022

Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LEONARDO HELICOPTERS PENSION SCHEME

Opinion

We have audited the financial statements of the Leonardo Helicopters Pension Scheme for the year ended 5 April 2022 which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 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 5 April 2022, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial documents, we have concluded that the Scheme 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 Schemes 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 Schemes 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 auditor's report thereon. The Schemes 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LEONARDO HELICOPTERS PENSION SCHEME (continued)

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 18, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Schemes 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 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LEONARDO HELICOPTERS PENSION SCHEME (continued)

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://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 Schemes Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements 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 Schemes Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Schemes Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor, Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Date: 20 September 2022

FUND ACCOUNT

For the year ended 5 April 2022

	Note	2022 £'000s	2021 £'000s
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	26,598	23,847
Employee contributions	4	24	27
Total contributions	4	26,622	23,874
Other income	5	441	-
		27,063	-
Benefits paid or payable	6	50,227	52,562
Payments to and on account of leavers	7	7,715	9,942
Other payments	8	325	299
Administrative expenses	9	2,043	1,831
		60,310	64,634
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		(33,247)	(40,760)
RETURNS ON INVESTMENTS			
Investment income	10	22,622	20,365
Change in market value of investments	12	19,405	179,009
Investment management expenses	11	(5,341)	(2,310)
NET RETURNS ON INVESTMENTS		36,686	197,064
NET INCREASE IN THE FUND FOR THE YEAR		3,439	156,304
OPENING NET ASSETS		1,756,468	1,600,164
CLOSING NET ASSETS		1,759,907	1,756,468

The notes on pages 24 to 35 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 5 April 2022

	Note	2022 £'000s	2021 £'000s
INVESTMENT ASSETS	12		
Bonds		968,869	505,122
Pooled investment vehicles	13	751,617	1,126,913
Derivatives	14	379,158	108,128
AVC investments	15	12,135	12,163
Cash deposits		19,481	79,770
Other investment balances	16	15,886	29,855
		2,147,146	1,861,951
INVESTMENT LIABILITIES			
Derivatives	14	(377,593)	(94,336)
TOTAL NET INVESTMENTS		1,769,553	1,767,615
CURRENT ASSETS	20	1,753	2,203
CURRENT LIABILITIES	21	(11,399)	(13,350)
CLOSING NET ASSETS		1,759,907	1,756,468

The notes on pages 24 to 35 form part of these financial statements.

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 for the Defined Benefit Section, is dealt with in the Report on Actuarial Liabilities on page 16 of the Annual Report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on 20 September 2022.

M Flavell

Name: Martin Flavell

Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

R Ward

Name: Rebecca Ward

Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 5 April 2022

1. BASIS OF PREPARATION

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

The Scheme is a registered hybrid pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by the employer and employees are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment. The Scheme is administered by the Trustee in accordance with the Trust Deed and Rules, solely for the benefit of its members and other beneficiaries.

As stated in the Statement of Trustee's Responsibilities on page 18, the Trustee is responsible for preparing the Financial Statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis. The Trustee has undertaken an assessment in relation to going concern and has considered such matters as the potential impact on the Scheme's investment strategy, the Employer's business and its ability to pay contributions to the Scheme, taking into account the Scheme's strong funding level, well diversified investment strategy, strength of the Employer covenant and the guarantee from Leonardo SpA. The Trustee Board has determined that whilst there is some uncertainty over the impact on the Employer's financial performance and resources, this is anticipated to be modest and there is not a material uncertainty as to the ability of the Scheme to continue as a going concern for the foreseeable future and the Trustee therefore believes it remains appropriate to prepare the Financial Statements on a going concern basis.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is c/o XPS Administration Limited, One Temple Quay, Temple Back East, Bristol BS1 6DZ.

Email lhps@xpsgroup.com.

3. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared on an accruals basis.

(b) Contributions

Employers' contributions, members' contributions, including those paid under the SMART option, are accounted for on an accruals basis in accordance with the Schedule of Contributions.

AVC's are accounted for on an accruals basis, and the resulting investments are included within the net assets statement on the basis values provided by the AVC investment managers.

Augmentation contributions are accounted for in accordance with the agreement under which they are payable, or, in the absence of an agreement, on a receipt basis.

Employer deficit funding contributions are recognised on the due dates in accordance with the Schedule of Contributions or in the absence of a formal agreement on a receipts basis.

(c) Payments to Members

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

3. ACCOUNTING POLICIES (continued)

(d) Expenses

Expenses are accounted for on an accruals basis. The Scheme bears all the costs of administration.

(e) Investment Income

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

Income from bonds, other interest receivable and annuity income is taken into account on an accruals basis.

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

Income arising on the underlying investments of accumulation funds is reflected within the change in market value.

(f) Investments

Investments are included at fair value as follows:

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

Unquoted securities are included at fair value estimated by the Trustee using appropriate valuation techniques.

Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Annuities purchased by the Trustee, which fully provide the benefits for certain members, are included in the financial statements at nil value. The cost of purchasing immediate annuities in respect of pensioners in reported with the Fund Account under 'Benefits'. The Trustee has reviewed the Scheme's annuity policies and has concluded that these are not significant to the Scheme's assets and the fund account movement, and therefore not valued these policies of the grounds of materiality.

Swaps are valued based on the present value of future cash flows arising from the swap, determined using discounted cash flow models and market data at the reporting date.

Options are valued at fair value using pricing models and relevant market data at the year-end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

(g) Foreign Currency Translation

Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated into sterling using the closing exchange rates at the year end.

(h) Currency

The Scheme's functional and presentational currency is Pound Sterling (GBP). Monetary amounts in these financial statements are rounded to the nearest £'000s.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

4. CONTRIBUTIONS

	2022	2021
	£'000s	£'000s
Employer contributions		
Normal	11,934	7,436
SMART	6,878	7,958
Additional voluntary	1,786	2,753
Deficit funding	4,000	3,700
Expenses	2,000	2,000
	26,598	23,847
Employee contributions		
Normal	24	27
	26,622	23,874

SMART contributions are in respect of salary sacrifice arrangements made available to certain members by the employer.

Employee AVC contributions are disclosed as employer contributions as they are paid via SMART.

Contributions received from members and participating employers were in accordance with the Schedule of Contributions.

The deficit funding is payable under the recovery plan. The deficit payments will continue to be paid to the end of the recovery plan in 2024.

5. OTHER INCOME

	2022	2021
	£'000s	£'000s
Other income	39	-
Claims on Term insurance policies	402	-
	441	-

6. BENEFITS PAID OR PAYABLE

	2022	2021
	£'000s	£'000s
Pensions	38,229	36,017
Commutation of pensions and lump sum retirement benefits	11,816	16,107
Lump sum death benefits	141	292
Refunds of contributions on death	8	18
Taxation where lifetime or annual allowance exceeded	33	128
	50,227	52,562

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022	2021
	£'000s	£'000s
Individual transfers out to other schemes	7,715	9,942

8. OTHER PAYMENTS

	2022	2021
	£'000s	£'000s
Premiums on term insurance policies	325	299

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

9. ADMINISTRATIVE EXPENSES

	2022 £'000s	2021 £'000s
Administration	692	603
Actuarial fees	332	393
Legal fees	55	20
Other professional fees	14	26
Audit fees	34	25
PPF levy	888	750
Other fees	27	14
Miscellaneous expenses	1	-
	2,043	1,831

10. INVESTMENT INCOME

	2022 £'000s	2021 £'000s
Income from bonds	6,699	5,623
Income from pooled investment vehicles	8,289	9,021
Interest on cash deposits	(9)	(4)
Gains/(losses) on foreign exchange	440	(798)
Income from derivatives / swaps	7,141	6,462
Annuity income	62	61
	22,622	20,365

11. INVESTMENT MANAGEMENT EXPENSES

	2022 £'000s	2021 £'000s
Administration, management & custody	5,202	2,758
Investment fee rebate	(112)	(743)
Investment custodian fees	251	295
	5,341	2,310

12. RECONCILIATION OF INVESTMENTS

Defined Benefit Section	Value at 5.4.2021 £'000s	Purchases at cost & derivative payments £'000s	Sales proceeds & derivative receipts £'000s	Change in market value £'000s	Value at 5.4.2022 £'000s
Bonds	505,122	1,288,363	(767,838)	(56,778)	968,869
Pooled investment vehicles	1,126,913	472,935	(900,241)	52,010	751,617
Derivatives	13,792	36,432	(72,373)	23,714	1,565
AVC investments	12,163	3,058	(3,545)	459	12,135
	1,657,991	1,800,788	(1,743,997)	19,405	1,734,186
Cash deposits	79,691			-	19,472
Cash in transit	80			-	9
Other investment balances	29,855			-	15,886
	1,767,617			19,405	1,769,553

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

12. RECONCILIATION OF INVESTMENTS (continued)

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. Transaction costs analysed by main asset class and type of cost are as follows:

	Fees	Commission	Stamp duty and taxes	2022 Total	2021 Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Other	1	26	-	27	-
2021	1	18	-	-	19

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

13. POOLED INVESTMENT VEHICLES

The Scheme's investments in pooled investment vehicles at the year-end comprised:

Defined Benefit Section	2022 £'000s	2021 £'000s
Equity	291,541	557,603
Bonds	244,467	288,700
Property	57,094	50,506
Cash	7,673	39,087
Alternatives	130,796	191,017
Commodities	20,046	-
	751,617	1,126,913

14. DERIVATIVES

Objectives and policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme as follows.

Swaps – the Trustee's aim is to match as far as possible the fixed income portfolio and the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Forward foreign exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Options – the Trustee wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements. During the year the Scheme held a number of equity option contracts that protect it from falls in value in the main markets in which the Scheme invests.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

14. DERIVATIVES (continued)

At the year end the Scheme held the following derivatives:

	2022 Asset £'000s	2022 Liability £'000s	2021 Asset £'000s	2021 Liability £'000s
Swaps	329,538	(332,983)	53,158	(60,623)
Options	47,870	(38,593)	49,571	(32,894)
Forward foreign exchange contracts	1,750	(6,017)	5,399	(819)
	379,158	(377,593)	108,128	(94,336)
	1,565		13,792	

Swaps Nature	Expiration	Notional principal £'000s	Asset £'000s	Liability £'000s
Interest Rate Swaps	2022 - 2066	1,105,387	303,593	(320,271)
Inflation Swaps	2022 - 2036	171,060	20,756	(1,127)
Total Return Swaps	2022 - 2023	203,867	5,189	(11,585)
			329,538	(332,983)

Included in bonds is collateral of £28.4m (2021: £27.4m) which has been pledged to the counterparty. At the year end the Scheme held £35.6m (2021: £28.6m) of collateral belonging to the counterparty. This collateral is not reported within the Scheme's net assets.

Options

Type	Expiration	Underlying Investment	No of outstanding contracts	Asset £'000s	Liability £'000s
Call	2022	NKY Index	2	727	(71)
Put	2022	NYK Index	1	-	(443)
Call	2022-2023	SPX Index	18	34,882	(19,060)
Put	2022-2023	SPX Index	9	-	(8,659)
Call	2022-2023	SX5E Index	8	8,494	(4,279)
Put	2022-2023	SX5E Index	4	-	(3,578)
Call	2023	UKX Index	2	3,767	(1,817)
Put	2023	UKX Index	1	-	(686)
				47,870	(38,593)

Forward Foreign Exchange

Contract	Settlement Date	Number of contracts	Currency bought	Currency sold	Asset £'000s	Liability £'000s
Forward OTC	Under 1 month	8	€8,223,198	£6,905,349	1	(48)
Forward OTC	Under 1 month	6	£16,740,446	€19,966,598	94	(8)
Forward OTC	Under 1 month	5	£12,951,390	¥1,997,590,000	599	-
Forward OTC	Under 1 month	8	£185,132,322	$249,702,500	-	(5,699)
Forward OTC	Under 1 month	10	¥1,020,490,000	£6,572,553	-	(262)
Forward OTC	Under 1 month	8	$63,246,400	£47,279,153	1,056	-
					1,750	(6,017)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

15. AVC INVESTMENTS

The Trustee holds assets invested separately from the main fund securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to the year-end confirming contributions paid and the value of their fund. The aggregate amounts of AVC investments are as follows:

	2022 £'000s	2021 £'000s
Prudential	519	514
Mobius Life	11,616	11,649
	12,135	12,163

16. OTHER INVESTMENT BALANCES

	2022 £'000s	2021 £'000s
Amounts due from broker	13,546	28,287
Dividends and interest receivable	2,340	1,568
	15,886	29,855

17. FAIR VALUE DETERMINATION

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

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

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

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

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

	At 5 April 2022			
Defined Benefit Section	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Bonds	968,869	-	-	968,869
Pooled investment vehicles	15,137	553,424	183,056	751,617
Derivatives	-	1,565	-	1,565
AVC investments	-	11,616	519	12,135
Cash	33,027	-	-	33,027
Accrued income	2,340	-	-	2,340
	1,019,373	566,605	183,575	1,769,553

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

17. FAIR VALUE DETERMINATION (continued)

	At 5 April 2021			
Defined Benefit Section	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Bonds	505,122	-	-	505,122
Pooled investment vehicles	71,711	848,970	206,232	1,126,913
Derivatives	-	13,792	-	13,792
AVC investments	-	11,649	514	12,163
Cash	79,770	-	-	79,770
Accrued investment income	1,568	-	-	1,568
Unsettled items	28,287	-	-	28,287
	686,458	874,411	206,746	1,767,615

18. INVESTMENT RISK DISCLOSURES

Investment Risk

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: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- 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 determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

Credit Risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustee's policy for managing credit risk is detailed in the Statement of Investment Principles.

The Scheme holds £968.9m in directly held bonds (2021: £505.1m), £1.6m in OTC derivatives (2021: £13.8m) and £33.1m in directly held cash balances (2021: £108.1m). The Scheme also holds £252.1m bonds and cash through underlying pooled fund investments (2021: £327.8m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

18. INVESTMENT RISK DISCLOSURES (continued)

Credit Risk (continued)

Credit risk arising on derivatives held directly depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds OTC derivative contracts which are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. Credit risk for OTC derivative contracts is mitigated by placing restrictions on Schroders Solutions which ensure that new contracts are only entered into with counterparties that are investment grade. The credit risk in respect of OTC swaps is further reduced by collateral arrangements.

Credit risk arising on bonds held directly is mitigated by Schroders Solutions choosing to only invest in government bonds, where the credit risk is minimal.

Directly held cash balances are at financial institutions which are at least investment grade credit rated. This is the position at the year-end.

In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Indirect credit risk arises in relation to underlying investments held in bond and cash pooled investment vehicles. This risk is mitigated by the Trustee mandating Schroders Solutions that the underlying investment in sub-investment grade debt may not exceed 30% of the GA.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer. The Trustee monitors the investment strategy adopted by Schroders Solutions to ensure that the arrangement remains diversified.

Direct credit risk arises in respect of pooled investment vehicles. The Scheme's Growth Assets is invested across a large number of different pooled funds which have various legal structures in various domiciles (e.g. open-ended investment companies, unit trusts, limited partnerships etc.).

The direct credit risk associated with these managers is also mitigated by:

- the regulatory environments in which those managers operate;
- diversification amongst a large number of pooled arrangements; and
- due diligence checks by Schroders Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee's policy for managing this risk is detailed in the Statement of Investment Principles.

Currency risk is mitigated by delegating management of currency exposures at total portfolio level to Schroders Solutions. Schroders Solutions implement currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of Foreign Exchange (FX) forward contracts.

Net of currency hedging, 8.5% of the Scheme's holdings were exposed to overseas currencies as at year-end (2021: 13.0%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

18. INVESTMENT RISK DISCLOSURES (continued)

Interest rate risk

Some of the Scheme's Growth Assets will be subject to interest rate risk. The Scheme's Liability Hedging Assets will be affected by changes in interest rate in a way that largely offsets the impact of changing interest rates on the Scheme's liabilities, and therefore act as a liability hedge. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate. At the year-end, the assets held for liability hedging purposes comprised of:

	2022	2021
	£'000s	£000s
Direct		
Bonds	969,869	505,122
Swaps	(3,445)	(7,466)
Indirect		
Bond PIVs	244,467	288,700
Cash PIVs	7,673	39,087

Please note clean values have been used where applicable.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, equity futures, hedge funds, other alternatives and property. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2022	2021
	£'000s	£000s
Direct		
Equity Options	6,368	14,541
S&P Options	2,907	2,136
Indirect		
Bond PIVs	244,467	288,700
Cash PIVs	7,673	39,087
Equity PIVs	291,541	557,603
Property PIVs	57,094	50,506
Alternatives PIVs	121,730	180,509
Private Equity PIVs	9,066	10,509
Commodities PIVs	20,046	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

19. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme in the current or previous year:

	2022		2021	
	£'000s	%	£'000s	%
BNY Mellon Global Equity Fund	275,583	15.6	468,311	26.6
Insight	162,744	9.2	175,663	10.0

20. CURRENT ASSETS

	2022	2021
	£'000s	£'000s
Bank balance	1,416	1,891
VAT recoverable by the Employer	97	67
Life assurance paid in advance	240	245
	1,753	2,203

The tax recoverable by the Employer is VAT on administrative expenses which the Employer reclaims and reimburses to the Scheme.

21. CURRENT LIABILITIES

	2022	2021
	£'000s	£'000s
Accrued expenses	935	1,341
Unpaid benefits	546	862
Tax payable	452	425
Contributions prepaid	9,466	10,722
	11,399	13,350

Employer contributions are received annually in advance in January each year. Contributions have been prepaid in line with the Schedule of Contributions currently in force.

22. EMPLOYER RELATED INVESTMENTS

There were no employer related investments within the meaning of Section 40(2) of the Pensions Act 1995.

23. CONTINGENT LIABILITIES

There were no contingent liabilities as at 5 April 2022 (2021: Nil).

24. RELATED PARTIES

Six of the nine Trustee Directors in office during the year were contributing members of the Scheme during the Scheme Year. Their contributions were calculated and paid to the Scheme in accordance with the Scheme Rules.

One of the Trustee Directors is a pensioner member of the Scheme, who receives pension benefits in line with the Scheme Rules.

Management and governance services are provided by an in-house Pensions Management team based at Leonardo UK Ltd which is the Principal Employer. Costs of the governance service are agreed with Leonardo UK Ltd and are met by the Scheme. For 2021/22 these costs amounted to £160,000 (2020/21: £160,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2022

24. RELATED PARTIES (continued)

Trustee Directors who are pensioner members of a Leonardo Group Pension Scheme receive remuneration from Leonardo UK Ltd for governance services. Trustee remuneration for the 2021/22 Scheme Year totalled £27,770 (2020/21: £30,194).

£97,226 (2020/21: £19,344) was due to the Scheme from the Employer at the year-end in respect of VAT reclaimed by the Employer on Scheme Administration expenses.

The Trustee Directors are not aware of any material related party transactions that require disclosure in the financial statements, other than those already disclosed.

25. CAPITAL COMMITMENTS

There were no outstanding capital commitments as at 5 April 2022 (2021: Nil).

26. 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.

27. GMP EQUALISATION

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

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The Trustees are considering next steps as the Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. Any adjustments necessary will be recognised in the year they are determined. It is not possible to estimate the value of any such adjustments at this time.

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEE OF THE LEONARDO HELICOPTERS PENSION SCHEME

Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions payable to the Leonardo Helicopters Pension Scheme on page 37, in respect of the Scheme year ended 5 April 2022, to which this statement is attached.

In our opinion the contributions for the Scheme year ended 5 April 2022 as reported in the attached summary of contributions on page 37 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 8 December 2020.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 37 in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of the Trustee and the Auditor

As explained more fully on page 18 in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions 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 it 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.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor, Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Date: 20 September 2022

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

During the year, the contributions paid to the Scheme by the employer under the Schedule of Contributions were as follows:

	£'000s
Employer normal contributions	11,934
Employer SMART contributions	6,878
Employer deficit funding contributions	4,000
Employer expense contributions	2,000
Employee normal contributions	24
Total contributions paid	24,836

Reconciliation to the financial statements:

Contributions paid under the Schedule of Contributions	24,836
Members' Additional Voluntary Contributions	1,786
Contributions receivable per the financial statements	26,622

This summary was approved by the Trustee on 20 September 2022.

M Flavell

Name: Martin Flavell
Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

R Ward

Name: Rebecca Ward
Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the Leonardo Helicopters Pension Scheme (the "Scheme") in relation to the Scheme's Statement of Investment Principles (the "SIP").

The SIP was amended once during the year ending 5 April 2022, and the changes made were in relation to the permitted allocation ranges for the underlying elements of the investment strategy, as well as altering the focus of the liability hedging mandate towards protecting funding on a Low Dependency liability basis. This SIP came into force from 02 November 2021.

A copy of the current SIP signed and dated 02 November 2021 can be found here:
www.lhpensions.co.uk/compliance

This Implementation Statement covers the Scheme year from 6 April 2021 to 5 April 2022 (the "Scheme Year"), although the information on engagement and voting statistics relates to the period from 1 April 2021 to 31 March 2022. It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A copy of this Implementation Statement is available on the following website:
www.lhpensions.co.uk/compliance

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Scheme invests in assets with voting rights attached, and other assets with no voting rights. The Trustee's policies on exercising voting rights and engagement are set out in the SIP. The Trustee made no changes to the voting and engagement policies contained in the SIP during the year. They will keep these policies under review.

The Trustee retains the Fiduciary Management[1] service of Schroders IS Limited, formerly known as River and Mercantile Investments Limited, as their Investment Manager and Adviser (it is referred to as the "Fiduciary Manager" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "Underlying Investment Managers"). Schroders Group, a global asset manager, has a long history of engagement and active ownership, dating back to 1998 when it .appointed its first governance resource, and has recorded and monitored ESG engagements since then. It is a signatory to the UK Stewardship code. Its external recognition includes an A+ rating for UN Principles for Responsible Investment, A- rating for Carbon Disclosure Project, Advanced ESG recognition from Morningstar and Best Investor Engagement recognition from IR Society Best Practice Award for 2021.

Investments with the Underlying Investment Managers are generally made via pooled investment funds, where the Scheme's investments are pooled with those of other investors. With a pooled investment fund, the direct control of the process of engaging with the companies that issue the underlying securities lies with the Underlying Investment Manager.

A copy of the SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee's policies on corporate governance and other financially material considerations when providing Fiduciary Management services. In particular, the Trustee requires that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, when choosing new or monitoring existing Underlying Investment Managers.

[1] The Fiduciary Manager was acquired by Schroders Group on 1 February 2022, so two sets of engagement priorities/themes were applicable to the Scheme during the Scheme Year. Details of both sets of engagement themes can be found in the next section. Going forward, the Fiduciary Manager's engagement priorities will be aligned with the priorities of the broader Schroders Group.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

The Trustee believes it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. Similarly, the Trustee has not sought to set their own voting policy, a position they do not intend to change at this time.

The Trustee has aligned their stewardship priorities with their Fiduciary Manager's engagement themes over the Scheme Year. The Trustee believes the Fiduciary Manager's engagement themes/priorities are issues which are material to the long-term value of the investments. The Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. These issues also reflect expectations and trends across a range of stakeholders including employees, customers, communities, suppliers and regulators. By strengthening relationships with this range of stakeholders, business models become more sustainable.

The Trustee believes the current approach to stewardship is in members' and beneficiaries' best interest, as the voting and engagement carried out by both Fiduciary Manager and Underlying Investment Managers is expected to improve ESG related risk management and climate risk, and ultimately this is expected improve the financial outcome for the Scheme's members.

Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustee, with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at quarterly ISC meetings held during the Scheme Year.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

The Trustee has identified areas in which it can enhance its stewardship activities in the following scheme year by:

- Reviewing the Fiduciary Manager's (Schroders Solutions) latest ESG-related policies.
- Continuing to review the Fiduciary Manager on its ESG integration and its own stewardship activities over the year.

Investment governance

The Trustee has governed the Scheme in line with the SIP.

The SIP sets out that the Trustee will hold regular Investment meetings each year – these meetings provide an opportunity for the Trustee to maintain sufficient involvement in the investment process to discharge its responsibilities appropriately and to demonstrate consultation with the Sponsoring Employer. These were held through this Scheme year.

The Investment meetings held during the Scheme year led to significant changes in the investment strategy. The most notable changes to the investment strategy during the Scheme year were:

- Taking steps to secure the Scheme's liabilities on a Low Dependency basis by hedging interest rate and inflation risks relative to that liability basis.
- Reducing the level of investment risk, in accordance with a strengthening in the Scheme's funding position.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

3. Voting and Engagement Summary

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustee in line with voting and engagement policies that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund or how the Fiduciary Manager approaches engagement with Underlying Investment Managers and intended outcomes.

2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, Bank of New York Mellon ("BNYM"), uses a proxy voting company called Institutional Shareholder Services ("ISS") to exercise these rights on its behalf and monitors ISS's activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio, the active structured equity portfolio, the cash flow matching credit portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- There are two set of engagement priorities/themes from the Fiduciary Manager which the Trustee considered in this Implementation Statement. Examples were provided in the appendix and they were selected to demonstrate how the Fiduciary Manager & Underlying Investment Managers, on behalf of the Trustee, voted and engaged with the investee companies. Those engagement priorities and themes were set out below:
    - For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions' going forward given the acquisition of the business):
        - E Climate change: carbon emissions and footprint of our funds
        - S Human capital: employee engagement and satisfaction
        - G Corporate governance: board composition, executive pay / compensation
    - For Schroder Solutions' engagement themes (from February 2022 onwards):
        - Climate: Climate risk and over sight, Climate alignment including decarbonising and minimising emissions, climate adaptation and carbon capture and removal
        - Natural Capital and Biodiversity: Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation
        - Human Rights: Overarching approach to human rights, works and communities, customers and consumers
        - Human Capital Management: Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
        - Diversity and Inclusion: Board diversity and inclusion, executive & Workforce diversity and inclusion
        - Corporate Governance: Board and management, executive remuneration, relationship with shareholders

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, climate strategy in particular, corporate governance including board composition. Executive pay, board diversity and improving social outcomes were the other main themes identified. These themes are in line with the Fiduciary Manager's engagement priorities/themes set out above. We have included a table which sets out the engagement priorities and relevant voting and engagement examples in the appendix.
- On behalf of the Trustee, the Scheme's Fiduciary Manager have also identified five Underlying Investment Managers who will be the engagement targets over the next scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the board independence and diversity.
- As a result of the Russia-Ukraine war, the Fiduciary Manager has implemented a no-Russia investments policy and by the end of March 2022, Schroders Solutions had begun removing any Russia exposures from the portfolio and engaging with underlying managers who continue to hold exposures. This will be a priority engagement theme for the next Scheme year. The Trustee is supportive of this approach and receives updates from the Fiduciary Manager on the success of its engagements in this area.

Some details of the voting and engagement from the Scheme's Underlying Investment Managers are set out below:

- Within the Scheme's portfolio, BNYM Global Equity Fund makes up the majority of the Scheme's investments in return-seeking assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with an American multinational shipping & receiving supply chain management company. BNYM voted for a shareholder proposal requesting that the company report on its plans to reduce its total contribution to climate change and align its operations consistent with the Paris Agreement Goals. BNYM consider some of the company's peers to have set ambitious targets and they believe by supporting this proposal, it will provide shareholders with more transparency into the company's policy and goal-setting process, especially at a time when this company is looking to expand its airline and vehicle fleets. The BNYM annual proxy voting report (2021, link included in Appendix) was reviewed by the Trustee. The proxy voting report includes details of the significant votes and engagement examples covering a board range of underlying investment companies.
- For the largest mandate within the return-seeking credit assets, engagement on improving public disclosure and operational risk management was noted as a significant example. The manager engaged with a leading financial services company that has approximately $1.9 trillion in assets who is subject to several consent orders and other regulatory actions, requiring the company to undertake certain changes to its business, operations, products, services and risk management practices. The manager's engagement objectives were to improve compliance and operational risk management and enhance public disclosures regarding risk control improvements. The engagement process focused on prioritising the governance with new leadership from outside the organisation, enhanced audits, procedures and controls to mitigate the chance of improper lending practices. The outcomes of the engagement were largely positive such that a new CEO was hired externally, its operating committee who was the most senior group responsible for running the company, has seen nine of its 18 members hired externally.
- For the Cash Flow Matching Credit mandate, an example of Insight's engagement with a Norwegian Oil and Gas operator (DNO) was noted. Insight questioned gas flaring with DNO several years ago. DNO has now become the first company in Kurdistan to reinject gas into reservoirs and continues to invest in gas reinjection despite initial Kurdish Government objections due to cost. Insight's active engagement meant that DNO has set an ambitious target to cap its Scope 1 and Scope 2 carbon intensity at one half of the Oil and Gas Climate Initiative (OGCI)'s figure on a five-year moving average basis through 2030.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

- In relation to the liability hedging and active structured equity mandates, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored. Within the liability hedging mandate, the Fiduciary Manager added an allocation to green gilts, which is seen as a vote in favour of the UK Government's commitments to achieving the Paris Agreement goals.

The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers are in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

Appendix 1 – Voting & Engagement statistics

1. Voting and engagement by the Fiduciary Manager (Schroders IS, formerly known as R&M) in relation to underlying pooled funds held on behalf of the Trustee

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment in pooled funds managed by underlying investment managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee and we cover these here.

Over the year to 31 March 2022, the Fiduciary Manager voted on 111 resolutions across 27 meetings. The Fiduciary Manager voted against management on 6 resolutions which was 5.7% of total resolutions and abstained on 6 resolutions (5.7% of the total resolutions).

The Schroders IS Investment Research team engaged with investment managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, auditor tenure and fund costs.

The following provides an ongoing engagement example where the Fiduciary Manager engaged Neuberger Berman ("NB", an underlying credit manager) on the tenure of E&Y as fund auditor. In January 2021, they noted that following the 2019 accounts EY have now been in-place for 20 years as fund auditor. The Fiduciary Manager believe there is some additional protection to investors from rotation of auditors (assuming the quality of the appointed party is maintained). They informed NB that in the absence of any plan to change auditor it is subsequently their intention to vote against E&Y's appointment at the 2021 AGM. In February 2021 NB informed Schroders that it was their intention to put the NBIF audit out to tender later in 2021, with EY being allowed to participate.

The tender process was to be completed before the 2022 AGM and that depending on the outcome of the tender process, one of the resolutions was to approve a new auditor. Schroders Solutions had a routine operational due-diligence meeting with NB in their new offices in Victoria. They again raised the issue of auditor tenure. As a direct result of their engagement with them in 2021 the board issued a tender for the audit of the fund. E&Y, KPMG & GT were short listed. A score card was used to assess each firm. E&Y was reselected on the basis of the highest score. A new audit team was assigned to the engagement. Whilst Schroders's engagement did not result in a change of auditor it did result in a full tender process and a change in audit team.

Over the Scheme Year, the Fiduciary Manager also:

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager is not satisfied with the quality of data currently provided;
- reviewed all Underlying Investment Managers against its updated proprietary ESG manager rating framework and will prioritise its engagement with five managers where ESG-related issues have been identified. The Fiduciary Manager plan to report back to the Trustee in the next Implementation Statement on progress. The top engagement themes are set out in the table below:

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

Top engagement themes	
Manager A – Equity	▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes
Manager B – Alternatives	▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Board independence and diversity ▪ Formalise voting and engagement policy
Manager C – Alternatives	▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager D – Alternatives	▪ Formalise diversity policy ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager E – Alternatives	▪ Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business. ▪ Formalise diversity policy ▪ Formalise ESG investment policy

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

There are c. 30 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustee as described in section 3 above.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund	Vanguard FTSE All World ETF Fund
Total meetings eligible to vote	882	5,268
Total resolutions eligible to vote	11,989	54,483
% of resolutions did you vote on for which you were eligible?	97%	99%
% did vote with management?	88%	94%
% vote against management?	8%	5%
% abstained	1%	2%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%	0%

Note:

- BNYM uses Institutional Shareholder Services, "ISS", for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use the PLSA template. We included votes withheld in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withheld and votes abstained. BNYM also did not vote on 3% of the overall proposals.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.

3. Most significant votes carried out by the Underlying Managers

Engagement priorities	Examples
Climate change	Origin Energy Limited, Electronic Arts Inc, Costco
Human capital	Microsoft, Goldman Sachs
Corporate governance	FedEx, EXXON

BNYM Global Equity Fund

Microsoft

In November 2021, BNYM supported a shareholder proposal that requested a report on effectiveness of workplace sexual harassment policies. Given Microsoft faces a litany of potential controversies in recent years, BNYM believe a transparent report allows shareholders to more adequately assess if the company is addressing these risks effectively. The proposal passed with majority support, forcing Microsoft to report on the effectiveness of workplace sexual harassment policies.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

Goldman Sachs

In April 2021, BNYM voted for a shareholder proposal requesting Goldman Sachs report on the impact of the use of mandatory arbitration on employees and workplace culture. As Goldman Sachs requires employees to agree to arbitrate employment-related claims, BNYM believe additional information is useful for shareholders to determine if this process had any impact on human capital management issues such as employee retention and recruitment. The proposal did not pass; however, Goldman Sachs chose to act and produce a response in light of the high level of support which is a good outcome despite the result of the proposal.

Electronic Arts Inc

BNYM inquired as to whether or not Electronic Arts will be including Scope 3 emissions in their reporting and also will they be setting TCFD disclosure targets. Electronic Arts responded that they recently hired new talent to comply with the environmental disclosures and will be explaining the disclosures over the coming months.

Exxon Mobil Corporation

In 2021, BNYM held multiple engagements with Exxon Mobil Corporation and the dissident in the proxy contest, Engine No.1. At the May 2021 meeting, BNYM submitted a cross-slate vote, voting for all dissident candidates and the replacement of one management nominee with an alternative whom BNYM believed had a more appropriate skillset required for Exxon's business strategy. BNYM believe that this support will enhance Exxon's preparedness for an energy transition in the future and the dissident nominees will bring necessary independent industry expertise to the board.

Vanguard FTSE All-World ETF Fund

Origin Energy Limited

Origin is the second-largest utility provider in Australia. Over the last several years, activist groups have targeted Origin as one of the largest carbon emitters in Australia. Vanguard has engaged with Origin's board and company leaders over many years and the recent discussions have been focused on the company's climate risk mitigation and energy transition plans.

At the annual meeting on 20 October 2021, Vanguard considered, but did not support, several shareholder proposals requesting that company to publish a report on water quality and groundwater management at its sites, temporarily halt operations in area with cultural heritage sites, publicly disclose all materials and agreements used in consent negotiations with Indigenous communities, suspend membership in industry groups whose goals don't align with the Paris Agreement and commit to align all material future capital expenditures with a 1.5 degrees global warming limit.

Vanguard evaluates the materiality and oversight of these various risks on a case-by-case basis. Should there be gaps in the company's current disclosures or disconnects with long-term strategy, Vanguard may vote in favour of shareholder proposals that seek enhanced reporting of the company's approach to risk oversight and strategy alignment. Based on the analysis carried out, Vanguard expressed their support for the revision of the climate targets and their expectation that Origin would update its disclosure, however they did not support the capital allocation proposal by shareholder as they believed that the proposal was aimed at directing the company's strategy away from gas operations, which was overly prescriptive. In addition, Vanguard found the company's governance and oversight processes on climate risks were sufficient, and related disclosures were appropriate and Origin should retain flexibility to manage its relations with industry associations. As a result, Vanguard decided to not support the proposal on climate -related lobbying resolution at this time but encouraged the board to continue to prioritise its review and oversight of the risks highlighted by the proposal, particularly related to organisations that are not fully aligned to the Paris Agreement. Finally, for the water, cultural heritage and consent resolution, Vanguard concluded that Origin had taken appropriate and sufficient action to manage related risks and impacts and was providing adequate reporting to the public. The resolution was deemed overly prescriptive because they sought to dictate the company's operations.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

The votes were considered because they were related to climate risk. Although Vanguard did not support the shareholder's proposals, Vanguard has called on companies and their boards to enhance disclosure on oversight and management of a company's material risks. Market norms, regulations, and investor expectations are moving toward greater disclosure on governance matters. The Trustee can expect Vanguard, through their engagements, proxy voting and public advocacy, to continue to seek relevant, decision-useful information on material risks including climate change.

FedEx

FedEx is a US based package logistics company. At the annual meeting for FedEx on 27 September 2021, Vanguard supported a nonbinding management proposal seeking approval for the compensation of named executive officers and a shareholder proposal requesting that the board report on the company's lobbying-related oversight, policies and expenditures. However, Vanguard did not support a shareholders proposal that requested reports on how the company's policies may reinforce racism within its corporate culture.

For the proposal to ratify named executive officers' compensation, Vanguard's review revealed strong pay for performance alignment on a relative basis and determined that the plan appropriately represented the shareholders' interests and incentivised executives to think about the company's long-term success. Therefore, Vanguard supported this year's executive compensation plan.

For the proposal to report on racism in FedEx's corporate culture, Vanguard are encouraged to see the company's strong commitment to continually improving its diversity-related disclosures through its annual ESG report. Company leaders were receptive to feedback that investors would benefit from additional disclosure on the board's assessment of the effectiveness of its diversity-related efforts. Vanguard did not support the proposal because Vanguard believe the company has provided extensive disclosure of its diversity, equity and inclusion efforts and the board remains committed to improving this reporting.

Costco

Costco is an American Multinational corporation which operates a chain of membership-only warehouse clubs. At the annual meeting for Costco on the 20 January 2022, Vanguard supported a shareholder proposal requesting that the board adopt short-, medium-, and long-term science-based greenhouse gas emissions reduction targets, inclusive of its full value chain, to achieve net zero emissions by 2050 and to effectuate appropriate reductions prior to 2030. The proposal passed with 70% support.

Vanguard expects companies and their boards to exhibit three key elements of sound climate risk governance:

- Oversight: A climate-competent board that demonstrates awareness of climate risks and fosters healthy debate on climate topics, challenges management assumptions, and makes thoughtful and informed decisions regarding these risks.
- Mitigation: Robust risk oversight and mitigation measures, including setting targets aligned with the goals of the Paris Agreement and an expected net zero transition and integrating climate risk considerations into strategic business planning and capital allocation decisions.
- Disclosure: Effective and comprehensive disclosures, both qualitative and quantitative, to show progress over time, preferably written in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD).

Where climate change is a material risk to a company's business strategy, Vanguard expect the board to be climate-competent and reflect the necessary skills to independently oversee its company's risks and strategy related to the expected energy transition. Vanguard encourage companies to disclose material risks, including climate-related risks, and their mitigation strategies. As Vanguard have previously communicated, robust climate risk mitigation measures include setting targets aligned with the goals of the Paris Agreement or applicable subsequent agreements and disclosing how the company will deliver shareholder value considering climate risk.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement polices for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html
Vanguard	**Disclosure of rationale of voting** can be found: https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary
Leadenhall	https://www.leadenhallcp.com/esg
Neuberger	https://www.nb.com/en/global/esg/engagement
CBRE	**CBRE Global ESG policy:** https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/cbreim-global-esg-policy.pdf
Insight	https://www.insightinvestment.com/investing-responsibly/