THE
BRITISH STEEL
PENSION SCHEME

Registered number – 12014387

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2022

BRITISH STEEL PENSION SCHEME

Contents

BRITISH STEEL PENSION SCHEME

Trustee and independent advisers

Trustee Company	B.S. Pension Fund Trustee Limited
Registered Office	17th Floor 125 Old Broad Street London EC2N 1AR
Directors	K Greenfield (Chairman) - *Independent Trustee Director* C Claydon - *Independent Trustee Director* S Corten - *Member Nominated Trustee Director* B Evans - *Member Nominated Trustee Director* AJ Johnston - *Company Nominated Trustee Director*[1] M Wilson – *Company Nominated Trustee Director*
Secretary to the Trustee	M Donohue
Administrator	B.S. Pension Fund Trustee Limited 1/2 Dalmore House 310 St. Vincent Street Glasgow G2 5RU
Principal Company and Sponsor	Tata Steel UK Limited
Actuary	G Oxtoby Willis Towers Watson
Auditor	Deloitte LLP
Solicitors	Travers Smith LLP
Investment Managers	Pension Services Limited Legal & General Investment Management Limited
Investment Consultants	Willis Towers Watson JLL Strutt & Parker
Independent Property Investment Adviser	S Francis
Custodian	JP Morgan Chase Bank
Bankers	Barclays Bank plc
Corporate Finance Adviser	Penfida Limited
Medical Adviser	PAM Group

[1] Mr Johnston's term of appointment ended on 31 March 2022.

BRITISH STEEL PENSION SCHEME

Chairman's introduction

On behalf of the Trustee of the British Steel Pension Scheme (***the Scheme***) I am pleased to present the Report and Financial Statements for the Scheme for the year ended 31 March 2022.

As part of its dynamic de-risking framework the Trustee entered into a buy-in policy towards the end of 2021 with Legal & General under which around 5% of Scheme liabilities were insured. A further buy-in transaction insuring around 25% of liabilities was completed in May 2022. Individual benefit entitlements are unaffected by these purchases. The Trustee is continuing to monitor movements in the insurance market and expects to execute further, similar buy-in transactions in the future. The Trustee's longer-term objective remains to secure all members' benefits with one or more insurance companies when the Scheme reaches a funding level of 103% on a buyout basis.

The 2021 triennial, actuarial valuation was completed during the year, the second such valuation for the Scheme. Although the headline funding level had fallen slightly, down to 105% from 106.3% in 2018, the Scheme remains well funded with a surplus on a *technical provisions* basis. Further information regarding the results of the 2021 valuation can be found on page 6. When the Scheme was set up in 2018 it was agreed that, if the Scheme's financial position as at 31 March 2021 was better than expected, an additional one-time lump sum payment could be paid out to certain pensioner members in recognition of the reduced pension increase provisions in the Scheme. The valuation of the Scheme as at 31 March 2021 showed that the conditions for making such payments had been met and the payments were made in October 2022.

Detailed analysis of the Scheme assets and return can be found in the investment report starting on page 7. I am pleased to report that the Scheme has once again performed well with its primary performance objective achieving an annualised return of 0.8% compared to the benchmark of -0.7% over the year to 31 March 2022. Longer term performance was similarly encouraging at 2.7% over three years to 31 March 2022 compared to the benchmark of 1.7% over the same period.

Throughout the year much work was done on behalf of the Trustee board by the Audit and Risk Committee to develop a suitable Environment, Social and Governance (***ESG***) framework and within that to set and implement the Scheme's carbon reduction journey. Further details, as well as information on progress to date, can be found in the Scheme's very first TCFD[1] report which is published alongside this Annual Report and can be accessed via the Scheme website.

An Investment Management Agreement has been signed that enables Legal & General Investment Management to be appointed to manage the combined assets of the Scheme, taking over the role from the Scheme's in-house manager, Pensions Services Ltd (***PSL***). The transition is scheduled to be completed by the end of 2022. PSL has served the Scheme very well over many years; however, with assets under management rapidly decreasing through recent buy-in transactions, this is now an appropriate time to make this move.

Allan Johnston's term of appointment as a Company Nominated Trustee Director expired on 31 March 2022. Allan had been involved with the Scheme and its predecessors in a number of different roles since 1994. The Trustee has placed on record its acknowledgement of Allan's significant contribution to the Scheme and its members.

[1] Task Force on Climate Related Disclosures

I am delighted to welcome Stan Luczynski who was appointed to the Trustee board in April 2022 as our latest Company Nominated Trustee director. Finally, I would like to thank all of my fellow Directors and the Scheme Officers and Advisers for their hard work over what has been a very busy and challenging year.

Keith Greenfield
Chairman of Trustee board

BRITISH STEEL PENSION SCHEME

Report of the Trustee – Year ended 31 March 2022

The British Steel Pension Scheme (***the BSPS*** *or* ***the Scheme***) is operated by a Corporate Trustee, B.S. Pension Fund Trustee Limited (***the Trustee***). The Directors are pleased to present its annual report on the Scheme, together with the Financial Statements for the period ended 31 March 2022.

Constitution of the Scheme

The BSPS is an occupational pension scheme set up under trust to provide benefits for former members of the Old British Steel Pension Scheme (***OBSPS***). It is governed by a Trust Deed dated 28 September 2022, as amended from time to time. The Trustee holds funds on trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed.

Management of the Scheme

Responsibility for setting the strategy and for managing the Scheme rests with the Trustee. The directors of the Corporate Trustee are listed on page 1. The board comprises two Company Nominated Trustee Directors (***CNTDs***), two Member Nominated Directors (***MNDs***) and two Independent Trustee Directors (***ITDs***). Tata Steel UK Limited (***the Company***) is responsible for the appointment and removal of the CNTDs. The board is responsible for the appointment of ITDs and is required to consult with the Pensions Regulator ahead of any appointment. The Company must give its approval to any ITD nominee before the appointment can be ratified.

All directors are appointed for a fixed term not exceeding three years and are required to retire by rotation at the end of their term of appointment. ITDs and MNDs can only be removed within their term of appointment with the approval of all other Trustee directors. CNTDs can be removed by the Company within their term of appointment.

S Corten's and B Evans's terms of appointment expired on 31 March 2022. Interviews for the vacancies were conducted during February 2022 by a selection panel consisting of representatives of the Trustee board and the Company. S Corten and B Evans were reappointed as MNDs for a further term of three years commencing on 1 April 2022. AJ Johnston's term of appointment expired on 31 March 2022 and he stood down as a CNTD from that date. The Company subsequently appointed S Luczynski to the vacant CNTD position.

The Trustee board meets at least quarterly, and decisions are reached by consensus. In addition to scheduled board meetings, the Trustee held two special meetings and three dedicated strategy & training days. These were held separately from ordinary Scheme business to allow the board to consider in detail the pros and cons of various possible risk management strategies.

The Trustee board has established the following sub-Committees:

- Audit and Risk Committee (three scheduled meetings each year plus special meetings);
- Disputes and Determinations panel (meetings as required);
- Restoration Working Group (meetings as required);
- Data Working Party (meetings as required); and
- Remuneration Committee (meetings as required).

The day-to-day management and operation of the Scheme is delegated to the in-house pension administration and investment offices set out on page 1 and is supervised by the Trustee board. The Trustee board has appointed professional advisors and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. Written agreements are in place with each of them.

Trustee directors who are employed within the Company are not paid additionally by the Scheme for their services. Other Trustee directors are paid a fee and reimbursed for expenses incurred in performance with their duties, in accordance with the Trustees board's agreed policy.

Recent developments

The Trustee continues to focus on its long-term goal, which is to be in a position to secure 103% of member benefits with one or more insurers.

The Trustee continued its consideration and development of potential de-risking options for the Scheme. In 2021 the Trustee and Company agreed to implement a dynamic de-risking framework to lock in funding gains and reduce risk as the Scheme funding position improves over time. The framework consisted of a series of triggers with agreed de-risking actions to be taken when the triggers are reached. The framework allows the Trustee to move quickly when conditions are favourable, a particular benefit in volatile markets.

At the end of 2021 the Trustee entered into a buy-in policy with Legal & General under which around 5% of Scheme liabilities were insured, thereby removing the investment and longevity risk in respect of these members. Benefit entitlements and the security of member benefits remain unchanged, and the policy is being held as a long-term investment of the Scheme.

The Trustee completed the second triennial valuation of the Scheme during the year which showed that the funding position had fallen slightly, primarily as a consequence of the impact of the global pandemic on markets and the Government announcement regarding changes to the way inflation is to be calculated from 2030 onwards. The Scheme, nevertheless, remained in surplus on the 'technical provisions' basis. The results of the 2021 valuation can be found on page 6.

When the Scheme was set up in 2018 it was agreed that, if the Scheme's financial position at 31 March 2021 was better than expected, an additional one-time lump sum payment could be paid out to certain pensioner members in recognition of the reduced indexation provisions in the Scheme. The valuation of the Scheme at 31 March 2021 showed that the conditions for making such payments had been met, and up to £58 million was therefore due to be shared between eligible members. This amount represented 50% of the "unexpected" surplus built up over the three years to 31 March 2021. A Trustee sub-committee, the Restoration Working Group, was formed to consider and recommend how to make the payments within the confines of pensions and tax legislation. Around 50,000 members qualified for a payment, most of which were made on a lump sum basis, with a provision recorded for the total restoration budget at year end. The bulk of the payments were made in October 2022.

The Audit and Risk Committee, on behalf of the Trustee, reviewed the Scheme's obligations to comply with enhanced climate-related governance requirements. During the year the Trustee reviewed and endorsed the Committee's recommendations on processes to enable the Trustee to identify, manage, and monitor climate related risks and opportunities and to satisfy itself that third parties, such as professional advisers and investment managers, were also taking climate issues into account when providing services to the Trustee. The Trustee finalised the timeframe over which it aims to have a carbon neutral investment strategy, along with the metrics used to monitor progress towards that goal. Further details on the Trustee's agreed approach to reducing the Scheme's carbon exposure can be found in the 2022 TCFD report on the Scheme website.

Post the Scheme year end, the Trustee concluded a second buy-in policy with Legal & General, where approximately 25% of liabilities were insured (bringing the total insured to just under 30%).

Recognising that the total of assets under the management of Pension Services Limited had decreased to c£6 billion as a result of the two insurance transactions completed during 2021-22, and in light of the fact that this was expected to decrease further as the Trustee pursued its strategy to secure liabilities in full with one or more insurers, the Trustee also reached agreement with Legal & General Investment Management (***LGIM***) that it (LGIM) should be appointed to manage the combined assets of the Scheme. The transition of assets and supporting staff is expected to be concluded before the end of 2022.

Report on actuarial liabilities

The Financial Statements set out on pages 25 to 41 do not include liabilities in respect of promised retirement benefits which fall due after the period end. These liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of the Scheme every three years. This valuation considers the funding position of the British Steel Pension Scheme and the level of any contributions payable.

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

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2021 and showed the following results.

Valuation date	***31 March 2021***	*31 March 2018*
Value of technical provisions	***£9,841 million***	*£10,553 million*
Value of assets available to meet technical provisions	***£10,333 million***	*£11,221 million*
Surplus	***£492 million***	*£668 million*
Funding level	***105.0%***	*106.3%*

The value of technical provisions is calculated by projecting the benefits expected to be paid in each year after the valuation date and then discounting the resulting cashflows to obtain a present value. It reflects assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns, when members will retire and how long they will live.

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

Discount rate	*1.45%*
CPI inflation	*3.05%*
Section 148 increases	*4.45%*
Deferred pension revaluation:	
CPI	*3.05%*
CPI capped at 5% pa	*2.80%*
CPI capped at 4% pa	*2.65%*
CPI capped at 3% pa	*2.25%*
CPI capped at 2.5% pa over the whole deferment period	*2.50%*
Pension increases in payment:	
CPI capped at 5% pa	*2.80%*
CPI capped at 3% pa	*2.20%*

CPI capped at 2.5% pa	*1.95%*
Mortality base tables	*Males: SAPS S3 male pensioner tables for "middle" pension amounts with a 1.03 multiplier* *Female pensioners: SAPS S3 female pensioner tables with a 1.03 multiplier* *Female dependants: SAPS S3 female dependant tables with a 1.04 multiplier*
Future improvements in longevity	*CMI 2020 core projections model (with nil weight on 2020 data) with a 1.5% pa long term rate (LTR), including the core value of the (period) smoothing parameter (S_κ) of 7.0 and a nil initial addition to mortality improvements.*
Allowance for commutation	*Members are assumed to commute 25% of their pension at retirement (subject to HMRC restrictions), based upon the current commutation factors*
Operational expenses	*0.5% of liabilities*
PPF levy reserve and other costs	*A reserve equal to 9 x the level of expected PPF levies plus a reserve in respect of potential liabilities arising from GMPs which have not been reconciled with HMRC*
GMP equalisation reserve	*0.45% of liabilities*
2021 AV Restoration budget	*Reserve for additional payment due to some members following the 2021 valuation as prescribed in the Framework Agreement*

The next triennial valuation will be performed as at 31 March 2024.

Financial developments of the Scheme

The Financial Statements included in this report for the year to 31 March 2022 are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

The overall fund value decreased from the previous year due to a fall in value of the bond portfolio, partially offset by a recovery in the property portfolio and equities. The asset mix of the Scheme remained consistent with previous years, with under 5% for equities and just over 95% of bonds, cash, property and derivatives. This investment mix is in line with the strategic journey plan set by the Trustee and its advisers.

The contribution from investment income was £297 million net of tax, the majority of which came from the bond portfolios. The purchase of assets across all portfolios was £2,132 million and sales across all portfolios was £2,641 million.

The Trustee employs external valuers to value its real estate holdings on a quarterly basis. Property portfolios' values have been resilient during the year and continue to provide a good cash matching asset to help meet pension payments.

Payments to leavers remained broadly level, whilst benefit payments reduced in line with the fall in the number of pensioners.

A summary of the Scheme's Financial Statements is set out in the table below.

	Year to 31 March 2022	*Year to 31 March 2021*
	£'000	*£'000*
Net payments from dealings with members	***(536,619)***	*(500,704)*
Net return on investments	***71,396***	*201,750*
Net decrease in Scheme	***(465,223)***	*(298,954)*
Net assets at start of year	***10,333,274***	*10,632,228*
Net assets at end of year	***9,868,051***	*10,333,274*

A more detailed analysis of these financial movements over the period can be found in the Notes to the Financial Statements on pages 27 to 41.

Investment management

The Trustee delegates the day-to-day management of investments to Pension Services Limited (***PSL***), its captive in-house investment manager. PSL is a wholly owned subsidiary of the Trustee and regulated by the Financial Conduct Authority (***FCA***). The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Adviser, Investment Consultant, and the Scheme Actuary. The Trustee has in place an investment mandate with its investment managers who implement this strategy.

In October 2021, the Trustee outsourced the Global Duration equities portfolio to Legal and General Investment Management Limited (***LGIM***). LGIM is regulated by Prudential Regulation Authority (***PRA***) and the FCA and is a subsidiary of Legal & General. LGIM's transitions team undertook the reshaping of the portfolio to LGIM Magellan constituents and LGIM assumed the oversight role for the portfolio from 1 December 2021. The value of the portfolio was £447 million as 31 March 2022. At the Scheme year end PSL managed 85% whilst LGIM managed 15% of the total portfolios respectively. Post balance sheet, this investment was fully divested in July 2022.

In line with the Trustee's investment strategy, an inaugural buy-in transaction of approximately £500 million was undertaken with Legal & General Assurance Society Limited (***LGAS***) on 26 November. Liabilities in respect of 2,382 pensioners and 583 beneficiaries are being met within the buy-in policy. The buy-in policy is designed to perfectly match the liabilities covered, thus reducing risk for the scheme. As at 31 March 2022, the Scheme Actuary had valued the buy-in policy at £466 million, which mirrored the change in the underlying liabilities.

The Trustee approved and signed the PSL & LGIM investment management agreements on 25 November 2021, and these were amended to reflect the various investment strategy changes during the year. In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (***SIP***) has been prepared by the Trustee reflecting recent revisions to the investment strategy, a copy of which can be obtained from the Scheme website.

PSL is wholly remunerated by a fee which covers any expenses properly incurred in the provision of the services for its sole client and owner, the Scheme. The performance related remuneration for employees of PSL/BSPS is agreed by the Remuneration Committee of the Trustee in conjunction with the Chief Investment Officer. LGIM is remunerated by investment management fees contained in the LGIM IMA for each portfolio.

The Trustee's Investment Strategy is designed with the goal of generating sufficient returns to meet the benefits payable under the Trust Deed and Rules. The Trustee had previously agreed a Primary Investment Benchmark which reflected the returns of a portfolio of gilts that mirrored the Scheme liability profile (***the Replicating Portfolio***) plus 85 basis points. PSL was given the target of outperforming this Primary Benchmark, whilst maintaining a portfolio of suitable assets with appropriate liquidity. The expectation was that the returns of the portfolio would be maximised, whilst managing investment risk at an appropriate level.

As the funding position of the Scheme improved, the Trustee was able to further refine its investment strategy to more closely reflect its long-term goal of being in a position to buy out 103% of its liabilities with one or more insurers. To better mirror insurer pricing, the Trustee reviewed its investment strategy and concluded it needed to adjust its exposure to interest rate, inflation, swap spreads and credit markets. It was decided that LGIM would be used as the manager for certain mandates, including specific credit portfolios. Over the course of the year, the Tactical De Risking Framework enabled the Scheme to take advantage of market movements and adjust the portfolio accordingly. The adjustments involved increasing its exposure to corporate bonds ("credit") and Liability Driven Investments. At the end of the financial year the Buyout Funding level was estimated to have reached 99% (2021: 93%).

Buy out liabilities	***March 2022***	***March 2021***
	%	*%*
PV01 (interest rate hedge)	***76***	*75*
IE01 (inflation rate hedge)	***68***	*70*
Funding ratio	***99***	*93*

PSL also monitored and managed the interest rate and inflation exposure to ensure it remained within target parameters. The asset allocation, reflecting total Scheme assets were split between two investment managers as shown below:

	2022	***2021***
	%	*%*
PSL mandated portfolios	***85***	*100*
LGIM mandated portfolios	***15***	*-*
Total portfolios	***100***	*100*

The Trustee invests directly into equity and bonds, pooled investment vehicles, property, and derivative contracts. The Trustee has authorised the use of derivatives by PSL for efficient portfolio management purposes and to reduce certain investment risks. The principal investment in derivatives were the legacy inflation rate swaps in the LDI portfolio.

The nature and disposition of Scheme investments are set out below, together with the actual allocation of investments on 31 March 2022, with pooled investment vehicles and derivatives analysed by underlying economic exposure:

2022	***Direct investments***	***Pooled investment vehicles***	***Derivatives***	***Total***	***Percentage***
	£'000	*£'000*	*£'000*	*£'000*	*%*
Fixed Interest and Inflation Swaps	*8,505,892*	*-*	*(29,704)*	*8,476,188*	*86*
Maturity Property	*1,202,269*	*-*	*-*	*1,202,269*	*12*
Equities (UK and Overseas)	*1,558*	*-*	*-*	*1,558*	*0*
Growth Property	*37,275*	*-*	*-*	*37,275*	*0*
Private Equity	*-*	*52,336*	*-*	*52,336*	*2*
Other	*229,780*	*-*	*-*	*229,780*	*2*
Repo	*(1,606,061)*	*-*	*-*	*(1,606,061)*	*(17)*
LGIM Magellan	*447,019*	*115*	*-*	*447,134*	*5*
LGIM US Dollar Credit and Forward FX	*385,774*	*97,246*	*(17)*	*483,003*	*5*
LGIM Global Sub-Investment Grade Credit and Forward FX	*94,655*	*-*	*(24)*	*94,631*	*1*
LGIM Other Balances	*13,765*	*-*	*-*	*13,765*	*-*
LGASL Insurance Policy	*465,901*	*-*	*-*	*465,901*	*5*
	9,777,826	***149,697***	***(29,745)***	***9,897,779***	***100***

2021	***Direct investments***	***Pooled investment vehicles***	***Derivatives***	***Total***	***Percentage***
	£'000	*£'000*	*£'000*	*£'000*	*%*
Fixed Interest and Inflation Swaps	*9,822,993*	*-*	*(95,911)*	*9,727,082*	*94*
Insurance Portfolio II	*-*	*-*	*-*	*-*	*-*
Maturity Property	*1,167,830*	*-*	*-*	*1,167,830*	*11*
Equities (UK and Overseas)	*358,273*	*7,202*	*-*	*365,475*	*4*
Growth Property	*37,485*	*32,087*	*-*	*69,572*	*1*
Private Equity	*-*	*50,055*	*-*	*50,055*	*1*
Repo	*(1,305,078)*	*-*	*-*	*(1,305,078)*	*(13)*
Other	*226,784*	*-*	*-*	*226,784*	*2*
	10,308,287	***89,344***	***(95,911)***	***10,301,720***	***100***

Other than the pooled investment vehicles and OTC (over the counter) derivatives (inflation swaps) and property, all investments described above and managed by PSL are quoted on recognised exchanges. The property portfolios are managed by the Scheme and valued externally by appointed valuers. Property portfolios are valued on an annual basis at each Scheme Year end, with interim updates on a calendar quarterly basis. Valuations are conducted by external valuers JLL LLP and Strutt & Parker LLP. The derivatives are valued mark to market on daily basis and the pooled investment vehicles are priced by the investment manager of those vehicles. The Trustee regards all the investments of the Scheme as readily marketable other than the pooled investment vehicles. All LGIM managed assets are quoted on recognised exchanges.

The Scheme's investment portfolio achieved an annualised return of 0.8% compared to its Primary Benchmark of -0.7% over the one year to 31 March 2022 and over three years to 31 March 2022 of 2.7% p.a. compared to its Benchmark of 1.7% p.a. over the same period. The annualised performance of the investment funds is as follows:

	One year to 31 March 2022	*Three years to 31 March 2022*
Fund	*0.8%*	*2.7%*[2]
Benchmark Replicating portfolio plus 85 bps	*-0.7%*	*1.7%*

Post the end of the Scheme year significant market volatility, notably sudden and sharp increases in interest rates, had a material impact on UK pension funds. Despite a reduction in the value of the Scheme's portfolio to £7.754 billion at the end of September, the Scheme's funding level actually improved during this period of volatility and the Scheme' hedging programme against interest rate and inflation movements remained intact. In common with many schemes, the BSPS was required to post additional collateral to keep its hedging positions in place as interest rates increased, however the Scheme successfully met all obligations on collateral and the Trustee is satisfied that the Scheme has sufficient headroom to meet further such calls should interest rates rise further. In addition, the Trustee has also put in place contingency plans should there be a severe spike in interest rates in the future.

Implementation Statement

Introduction

From 1 October 2020, and on an annual basis, the Trustee is required to make publicly available online a statement (***the Implementation Statement***) which:

- sets out how, and the extent to which, in the opinion of the Trustee, the Scheme's policies on voting and engagement have been followed during the year, and
- describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and state any use of the services of a proxy voter during that year.

This Implementation Statement covers the Scheme year from 1 April 2021 to 31 March 2022 inclusive (referred to herein as ***the Scheme year***). The policies referenced above are set out in paragraphs 26 and 27 of the Scheme's SIP dated 31 March 2021 and are quoted below for ease of reference.

"26. The Trustee recognises *that active ownership (including the exercise of voting rights and engagement) can protect and enhance the value of investments. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to its Manager and to encourage the Manager to exercise those rights. Rights attached to investments, including voting rights, will be exercised for the benefit of the Fund.*

[2] The three-year performance includes one-year combined PSL & LGIM and two years of PSL managed only.

"27. The Trustee will engage with the Manager on a regular basis, and at least annually, to understand how ... its responsibilities with regards to voting and engagement have been discharged."

The Trustee considers that all SIP policies in relation to voting and engagement were adhered to over the Scheme year.

Updates to the SIP

A revised SIP was adopted in November 2021, reflecting the outsourcing of a Global Listed Infrastructure Equity mandate and various credit mandates to Legal & General Investment Management (***LGIM***). This update did not impact the policies referenced above other than to recognise that the Scheme now employs two managers, and the policies apply to both managers. The relevant policies became paragraphs 29 and 30 in the updated SIP as a result of other changes made to the document. Detail on LGIM's voting and engagement approach is further included later in the Statement.

The latest version of the SIP can be found on the Scheme website together with a copy of this Implementation Statement.

Adherence to the Scheme's voting and engagement policy

This section provides commentary on how the Scheme's voting and engagement policies were implemented over the Scheme year, as well as setting out the voting behaviour of PSL (on behalf of the Trustee) and LGIM over the same period.

PSL, through which most of the Scheme's assets were invested during the Scheme year, is directly and wholly owned by the Trustee, and its sole purpose is to provide investment management services to the Trustee/Scheme. Owing to the operational and governance arrangements of the Trustee and PSL, the Scheme benefits from an integrated relationship between the Trustee and PSL. This results in engagement between the Trustee and PSL taking place formally on at least a quarterly basis (at Trustee board meetings), as well as there being multiple additional interactions on both a formal and less formal basis over the course a typical year.

A portion of the Trustee's assets are now managed by LGIM. As at 31 March 2022, the assets that had been outsourced are as follows:

i.) LGIM Global Listed Infrastructure Equities (c4.5%) since Q4 2021

ii.) LGIM US Dollar Credit mandate (c3.9%) since Q1 2022

iii.) LGIM Global Sub-Investment Grade Credit (c1%) since Q1 2022

In addition, the Scheme transacted a buy-in policy in Q4 2021, with Legal & General, covering c5% of the Scheme's liabilities.

The Trustee considered LGIM's approach to voting and engagement as part of their appointment and expects to meet with them annually to discuss how these policies were implemented and any updates within their approach.

The Trustee delegates the responsibility for voting and engagement with relevant parties in relation to the Scheme's underlying investments to LGIM and to PSL. The Trustee discussed voting and engagement matters with PSL at the February 2022 Trustee board meeting. This included a reminder of the approach that is taken by PSL, which in the context of voting, is implemented in accordance with the policy agreed by the Trustee. The policy on voting was formulated taking into account:

- the Scheme's investment strategy, noting that less than 5% of the Scheme's assets are invested in listed equities, and

- the size of assets under management, noting this has an impact on the extent of PSL's ability to engage with companies.

As such, the approach to both voting and engagement is selective, and typically focused on issues that are deemed to have specific financial consequences for the Scheme[3].

A further review of voting and engagement was tabled at the May 2022 Trustee meeting, to review the activity undertaken by PSL over the Scheme year ending 31 March 2022. The Trustee considered the analysis that is summarised later in this Implementation Statement and had the opportunity to discuss this in detail with PSL.

PSL's engagement approach

Over the Scheme year ending 31 March 2022, PSL undertook engagement activity across listed equity and non-listed equity investments, as set out below.

Listed equities

PSL's approach to voting and engagement is selective and will typically be focussed on issues that are deemed to have specific financial consequences for the Scheme. Given the low exposure to equity assets and under the assumption that the Trustee has full confidence in its investee companies' management and strategy,

The Scheme's listed equity holdings were below 5% of the total Fund value and UK equities (relevant for the UK Stewardship Code) represent a much smaller percentage. The Scheme's percentage holdings of individual equities comprise approximately fifty international large cap utilities as at the start of the Scheme Year. ESG considerations were factored into equity investment decisions, in particular the choice of manager for outsourcing.

From October 2021, the Global Listed Infrastructure Equities portfolio was transferred to LGIM for management tracking the Magellan Global Core Listed Infrastructure index. This mandate has been redeemed completely by July 2022 as part of a wider de-risking strategy. The fund now only has £2 million in illiquid listed equities remaining.

Non listed equity investment engagement

i.) Credit

PSL's bond team will meet bilaterally with management of current and potential investees and also attend investor roadshows to help to inform their view regarding the desirability and selection of new issues and also continuing investment. They will engage on consent solicitations, tender offers and other corporate actions. As for listed equities, ESG considerations are factored into our credit investment decisions. These will also include the Credit Mandates outsourced to LGIM from February 2022 which will follow LGIM's engagement policy and also abide to agreements between PSL & LGIM.

[3] Generally, the Trustee did not explicitly take account of non-financial matters in Scheme design or strategy during the Scheme year as set out in the SIP at paragraph 28.

ii.) Alternatives

The Chief Investment Officer of PSL (***the CIO***) is represented on the advisory committee of certain alternative investments and will attend investor meetings of investees. This portfolio is in run off and no new investments are being made. In terms of specific engagement on alternative investments, the CIO has been involved in advisory committee discussions and voted:

a) in favour of resolutions to facilitate transfers of certain investments to a continuation fund for one limited partnership; and,

b) against an initiative to withhold distributions by another limited partnership.

iii.) Property

PSL's property team engages with tenants regarding renegotiation and variations of lease terms, rent reviews, arrears, development opportunities and energy efficiency and general management matters including discussions with retail, hotel and hospitality tenants in sectors with businesses impacted by Covid.

Other engagement

The CIO of PSL is a long serving member of the advisory committee of the UK Pension Fund Investment Forum (***PFIF***). The PFIF has the purpose of improving the quality of information available to pension funds leading to the development of more relevant and efficient processes and eventually, improved performance. PSL's Chief Finance Officer is currently Chairman of the Investment Association's Occupational Pension Scheme Forum. The Investment Association makes representations to the UK government on legislative, regulatory and tax matters. It liaises with UK and European regulators and other relevant organisations and raises public awareness and understanding of investment funds.

LGIM's engagement approach

The Scheme has been subject to LGIM's engagement approach with effect from Q4 2021, after the outsourcing of the Global listed Infrastructure Equities mandate. LGIM's voting and engagement activity is driven by a dedicated Investment Stewardship team. LGIM's voting and engagement policies are formally reviewed on an annual basis considering any feedback received from clients. LGIM seek to engage with clients and other stakeholders on an ongoing basis.

Certain members of the dedicated Investment Stewardship team have specific sectoral and geographical specialisations. The aim is to ensure that the approach is as streamlined as possible by allowing the members of the team that engage with certain corporations to also be responsible for conducting the voting activity.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they have put in place a custom voting policy with specific voting instructions for ISS to follow. LGIM established monitoring controls to ensure that votes are fully and effectively executed by ISS in accordance with the custom voting policy.

Implementation of voting within the Scheme

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to its Managers and to encourage the Managers to exercise those rights. Rights attached to investments, including voting rights, will be exercised for the benefit of the Scheme. LGIM's voting policy also applies with effect from Q4 2021.

PSL's implementation

Given the low exposure to equity assets and under the assumption that the Trustee has full confidence in its investee companies' management and strategy, it is unlikely that PSL will report many votes deemed to be significant in any particular year under review. PSL considers this to be the case in the Scheme year ending 31 March 2022, further recognising that PSL was only responsible for the portfolio for the first half of the year. PSL does not use any proxy voting services.

The table below sets out the significant votes by PSL (exhaustive list of 2 votes) and LGIM over the Scheme year.

Manager	***Date***	***Asset holding***	***Voting Activity***	***PSL Ownership of Equity***	***Meeting Type***	***Outcome of Vote***
PSL	*22 April 2021*	*National Grid Plc*	*Vote in favour of Management resolution*	*1.286m shares*	*EGM*	*N/A*
PSL	*5 May 2021*	*The Renewables Infrastructure Group Ltd*	*Vote in favour of Management resolution*	*4.426m shares*	*AGM*	*N/A*
LGIM	*31 March 2022*	*Atlantia S.P.A.*	*Vote against Resolution 7.3 - Reelect Maurici Lucena Betriu as Director*	*409.5k shares*	*EGM*	*N/A*

LGIM's implementation

LGIM's voting policy applies for the Global Listed Infrastructure Equities mandate from Q4 2021. LGIM used ISS in executing the votes in line with their custom voting policy. The following statistics set out LGIM's voting activity with respect to the Global Listed Infrastructure mandate.

How many meetings were you eligible to vote at over the year to 31/03/2022?	*13*
How many resolutions were you eligible to vote on over the year to 31/03/2022?	*83*
What % of resolutions did you vote on for which you were eligible?	*100.00%*
Of the resolutions on which you voted, what % did you vote with management?	*81.93%*
Of the resolutions on which you voted, what % did you vote against management?	*18.07%*
Of the resolutions on which you voted, what % did you abstain from?	*0.00%*
In what % of meetings, for which you did vote, did you vote at least once against management?	*30.77%*
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	*14.46%*

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management[4].

In terms of significant votes, during the year, LGIM did not actively support the management of Atlantia S.P.A. and voted against the resolution for a Joint Chair/CEO for the following reason: a vote against is applied as LGIM expects the roles of Board Chair and CEO to be separate and not to be recombined once separated. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board. LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

[4] The vote instructions can be found online at: https://vds.issgovernance.com/vds/#/MjU2NQ==/

Summary and conclusions

The Trustee considers that all SIP policies in relation to voting and engagement were adhered to over the Scheme year.

Membership

The membership of the Scheme at the beginning and end of the year to 31 March 2022 (and changes during the year) is set out below.

	Deferred Pensioners	*Pensioners*	*Total*
At 1 April 2021	*13,968*	*57,550*	***71,518***
Retirements	*(666)*	*1,622*	***956***
Commutations	-	*(141)*	***(141)***
Cessation	-	*(13)*	***(13)***
Transfers to other pension arrangements	*(64)*	-	***(64)***
Deaths	*(42)*	*(3,054)*	***(3,096)***
Adjustments	*15*	-	***15***
At 31 March 2022	*13,211*	*55,964*	***69,175***

Pensioners Analysis	
Pensioners	***40,908***
Widow(er)s, civil partners, and dependants	***15,056***
	55,964

Included within the above are 2,462 pensioners and 598 beneficiaries whose benefits are provided by annuities.

Pension increases

In accordance with the Rules, pensions in payment are increased every year in April in line with statutory requirements. The increases granted with effect from 1 April 2022 were as follows:

Pension accrued pre 05/04/1997	-
Pension accrued post 06/04/1997 pre 05/04/2005	*3.1%*
Pension accrued post 06/04/2005	*2.5%*

The pension increases referred to above do not apply to that element of the pensions in payment representing any Guaranteed Minimum Pensions (***GMP***), as these increases are provided in part by the Scheme and in part by the State. GMPs earned after April 1988 will be increased by the Scheme in line with inflation up to a maximum of 3% per annum, as required by legislation. GMPs relate to service accrued from April 1978 to April 1997, when contracting out arrangements were changed and GMP ceased to apply. Contracting out arrangements ceased from 6 April 2016.

Deferred pensions were increased in line with statutory requirements as is required under the Scheme Rules. There were no discretionary increases awarded in the year.

Transfers

All of the transfer values paid during the period were calculated and verified by the Scheme Actuary or calculated in accordance with instructions prepared by him in accordance with statutory regulations. The Trustee has instructed the Scheme Actuary not to take account of discretionary increases in calculating cash equivalents for transfer purposes. No transfers were reduced to less than their cash equivalent value.

Guaranteed Minimum Pensions

Before 1997, contracted-out defined benefit schemes, such as the OBSPS, were required to provide Guaranteed Minimum Pensions in respect of contracted-out service. Although contracting-out in defined benefit schemes ceased in April 2016, rights earned at that date were retained and the Scheme is responsible for paying the contracted-out element of benefits payable to members who transferred from the OBSPS.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to GMPs. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. A further High Court ruling in November 2020 extended this requirement to the calculation of historic transfer value payments.

The Trustee has delegated consideration of the implications for the Scheme of GMP equalisation to the Data Working Group which met several times during the year. The Trustee does not believe the Scheme's liability in relation to GMP equalisation is material and will record the expense when it s known.

A contingent GMP liability was retained by the Scheme in relation to as yet unidentified GMP liabilities, which might arise in the future. As GMP accrual ceased in 1997 any such new liabilities would properly reside with the OBSPS and, under the terms by which the OBSPS was split and the Scheme created in 2018, the Scheme retained the obligation to compensate the OBSPS for such liabilities. Agreement between the scheme was reached in 2022 and the liability discharged by means of a payment from the Scheme to the OBSPS, detail of which are contained in Note 26.

Governance and risk management

The Trustee board operates a governance framework intended to provide reassurance that the Scheme is well run and as a means of monitoring the effectiveness of the arrangements put in place to manage the Scheme. The governance arrangements for the Scheme take account of the recommendations and Codes of Practice of the Pensions Regulator and best practice and are kept under continuous review.

The Trustee has agreed a business plan to support their governance arrangements. This includes periodic review of registers of risks and conflicts to ensure that appropriate internal controls are put in place and remain effective.

A key part of the Scheme's governance framework is the Integrated Risk Management (***IRM***) framework which is used by the board to facilitate consideration of the risks that may affect the Scheme, in particular how they might interact and how they can best be managed should the risks materialise. The IRM framework is reviewed quarterly at each scheduled meeting of the board to identify, manage and monitor the factors which could impact the prospects of the Scheme achieving its funding objectives and to assist the Trustee to identify when opportunities arise to reduce Scheme risk.

During the year the Trustee considered the results of a review of the Scheme's main professional advisers and a review of the performance of the Scheme's investment consultants against their strategic objectives. Whilst the Trustee directors were generally satisfied with the standards of service provided by their advisers, they determined to appoint Deloitte LLP to the role of Scheme Auditor, replacing KPMG LLP. All other Scheme advisers were reappointed.

The current uncertainty in Ukraine, and the associated sanctions against Russia and Russian individuals, has led to volatility in investment markets. How those events might develop, the scale of those developments and the wider impacts are hard to predict, though a period of heightened uncertainty seems inevitable. The amount of exposure to Russia is regarded as trivial to the Scheme. The Trustee has not identified any further material risks to the Scheme or employer covenant because of Russian Sanctions although the Trustee will continue to closely monitor the situation.

Trustee knowledge and understanding

The Pensions Act 2004 requires individual trustee directors to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets and to be conversant with the Scheme's governing documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter. The Trustees have agreed a training plan to enable them to meet these requirements.

During the year the Trustee board received training on a range of matters. These included governance matters such as risk management, internal controls, the Pensions Act 2021, ESG related financial disclosures and metrics, and GMP reconciliation and equalisation developments. Investment training was also received covering matters such as liquidity, leverage and Z-spreads. There was also training in connection with Scheme specific developments during the year including the actuarial valuation, restoration payments, and the purchase of the buy-in policy.

Data Protection

The General Data Protection Regulation (***GDPR***) imposes obligations on those who hold and process personal data and provides data subjects with certain rights. The Trustee is a data controller for the Scheme and is required to hold personal data relating to Scheme members, who are data subjects, in order to administer and pay benefits. The GDPR applies to the Trustee in respect of such data.

The Trustee is committed to protecting and respecting the privacy of members' personal data and has put in place agreements with relevant third parties to ensure that data is protected and used properly. The Trustee will only share the information necessary to administer and operate the Scheme or if required to do so by law.

A Privacy Statement, which describes how the Scheme obtains, holds, and uses personal data can be found on the scheme website. The Privacy Statement was reviewed and updated during the year. The buy-in policy effected during the year by the Trustee means that Legal & General is now a data controller in relation to the Scheme and L&G's Privacy Statement can also be found on the Scheme website.

Statement of Trustee's responsibilities

The audited financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, 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:

iv.) 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 the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

v.) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is also responsible for the maintenance and integrity of the www.bspspensions.com website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Company and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the Schedule.

The most recent actuarial valuation of the Scheme was carried out as at 31 March 2021 and a Schedule of Contributions was thereafter agreed between the Trustee and the Company and certified by the Scheme Actuary on 21 January 2022. No contributions were payable during the Year. A copy of the Scheme Actuary's certificate in respect of the Schedule of Contributions is included on page 44 of this annual report.

Further information

The Scheme operates an Internal Dispute Resolution Procedure (***IDRP***) and members should raise any disputes with the Trustee in the first instance. Details of the IDRP can be found on the scheme website.

The Money and Pensions Service (***MAPS***) is an independent voluntary organisation that provides free, impartial guidance to members and beneficiaries of pension schemes. MAPS can be contacted at 120 Holborn London EC1N 2TD.

The Pensions Ombudsman (***TPO***) can investigate and determine any complaint or dispute of fact or law in relation to occupational pension schemes. TPO can be contacted at 10 South Colonnade Canary Wharf London E14 4PU.

The Pension tracing Service has been established to help individuals to keep track of benefits they may have as a result of service with former employers. The Pension Tracing Service can be contacted at The Pension Service 9 Mail Handling Site A Wolverhampton WV98 1LU.

The Pensions Regulator (***tPR***) is responsible for the regulation of UK workplace pension schemes. In accordance with regulatory requirements the Scheme submits an annual scheme return to tPR. The Trustee is also required to provide certain information to tPR for the purposes of maintaining a record of the addresses and other basic details of all UK occupational pension plans in operation. TPR can be contacted at Napier House, Trafalgar Place, Brighton BN1 4DW

General enquiries about the Scheme, or about an individual's entitlement to benefits, should be addressed to the Administrator. Alternatively, enquiries may be made by e-mail to pension.enquiries@bspspensions.com or via the Scheme website (*www.bspspensions.com*) or by telephone on 0330 440 0844.

Signed for and on behalf of the Trustee of the British Steel Pension Scheme on 27 October 2022.

K Greenfield
Chairman

Independent Auditor’s report to the Trustee of the British Steel Pension Scheme

Opinion

In our opinion the financial statements of British Steel Pension Scheme (***the Scheme***):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 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, including Financial Reporting Standard 102 “*The Financial Reporting Standard applicable in the UK and Republic of Ireland*”; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets available for benefits; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “*The Financial Reporting Standard applicable in the UK and Republic of Ireland*” (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council’s (***the FRC’s***) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Trustees are 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.

Responsibilities of Trustee

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

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

Auditor’s responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor’s report.

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

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

We considered the nature of the Scheme’s industry and its control environment and reviewed the Scheme’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee about its own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pension Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included the Scheme's regulatory requirements.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee meetings.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it 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's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor

Reading

United Kingdom

27 October 2022

BRITISH STEEL PENSION SCHEME

Independent Auditor’s Statement about Contributions to the Trustee

We have examined the Summary of Contributions to the British Steel Pension Scheme (***the Scheme***) in respect of the Scheme year ended 31 March 2022 which is set out on page 42.

In our opinion, contributions for the Scheme year ended 31 March 2022, as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid for the period 1 April 2021 to 20 January 2022 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 11 April 2019 and for the period from 21 January 2022 to 31 March 2022 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 21 January 2022.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes 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 Schedules of Contributions.

Respective responsibilities of the Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 19, the Scheme’s Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions 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 Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor

Reading, United Kingdom

27 October 2022

BRITISH STEEL PENSION SCHEME

Fund Account for the year ended 31 March 2022

	Notes	**Total Year to 31 March 2022 £'000**	*Total Year to 31 March 2021 £'000*
Contributions and Benefits			
Contributions		**-**	-
Benefits payable	4	**(512,733)**	(472,796)
Payments to and on account of leavers	5	**(12,354)**	(13,396)
Administrative expenses	6	**(5,039)**	(3,180)
Strategy and Risk Management expenses	7	**(3,564)**	(3,504)
Governance expenses	8	**(738)**	(587)
Levies	9	**(2,191)**	(7,240)
Net payments from dealings with members		**(536,619)**	(500,703)
Return on Investments			
Investment income less taxation	10	**296,792**	301,839
Change in market value of investments	15	**(204,489)**	(85,673)
Interest payable	12	**(3,221)**	(5,579)
Transaction costs LGIM	16	**(9,205)**	-
Investment management and administration expenses	19	**(8,024)**	(8,837)
Investment management and administration costs LGIM	19	**(457)**	-
Net return on investments		**71,396**	201,750
Net decrease in the fund during the year		**(465,223)**	(298,954)
Net Assets of the Scheme			
At beginning of year		**10,333,274**	10,632,228
At end of year		**9,868,051**	10,333,274

The notes on pages 27 to 41 form part of these financial statements.

BRITISH STEEL PENSION SCHEME

Statement of Net Assets (available for benefits) as at 31 March 2022

	Notes	**Total Year to 31 March 2022 £'000**	*Total Year to 31 March 2021 £'000*
Investment assets	*15*		
Equities		***448,577***	*358,273*
Bonds		***8,986,321***	*9,822,993*
Properties		***1,239,544***	*1,205,315*
Pooled investment vehicles	*13*	***149,697***	*89,344*
LGAS buy-in		***465,900***	*-*
Derivatives	*14*	***8,619***	*-*
Other investments		***11***	*11*
Cash and cash equivalents		***144,165***	*116,968*
Other investment balances		***112,225***	*112,973*
		11,555,059	*11,705,877*
Investment liabilities			
Derivatives	*14*	***(38,364)***	*(95,911)*
Repo		***(1,606,061)***	*(1,305,078)*
Other investment balances		***(12,856)***	*(3,168)*
		(1,657,281)	*(1,404,157)*
Total net investments		***9,897,778***	*10,301,720*
Current assets	*21*	***47,882***	*49,910*
Current liabilities	*22*	***(19,609)***	*(18,356)*
		28,273	*(31,554)*
Provisions for liabilities	*23*	***(58,000)***	*-*
Net Assets of the Scheme		***9,868,051***	*10,333,274*

The notes on pages 27 to 41 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 period.

Signed for and on behalf of the Trustee of the British Steel Pension Scheme on 27 October 2022.

K Greenfield
Chairman

C Claydon
Director

1. General information

The British Steel Pension Scheme (***the Scheme***) is an occupational pension scheme established under trust. The Scheme was established to provide retirement benefits to former members of the Old British Steel Pension Scheme who elected to switch into the Scheme in preference to entering a Pension Protection Fund assessment period. The scheme is not open to new members.

The address of the Scheme's principal office is 125 Old Broad Street, London, EC2N 1AR. B.S. Pension Fund Trustee Limited is the corporate managing trustee and its six directors are the owners of the company shares on equal basis and they hold these shares on trust for the membership.

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that income and capital gains earned by the Scheme receive preferential tax treatment.

2. Basis of Preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (Revised November 2014). The Financial Statements have been prepared on a going concern basis.

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustee has taken into account the impact on investments, portfolio liquidity, cashflow requirements and the employer covenant. This assessment, together with income and capital growth from its assets, gives the Trustee confidence to prepare the financial statements on a going concern basis.

3. Accounting policies

a) Investments

The principal accounting policies of the Scheme are as follows:

i. Investments are included at fair value.

ii. Most listed investments are stated at bid price at the date of the Statement of Net Assets.

iii. Accrued income is accounted for within investment income. Where applicable, fixed interest and index linked securities have their respective sinking factors and indexation factors applied to the valuation.

iv. Unquoted securities are included at fair value estimated by the Trustees based on advice from the investment manager.

v. The private equity portfolio, infrastructure funds and the high return fixed interest funds have been valued using the latest company or limited partnership financial statements available as at 31 March 2022, or at fair value if lower, as determined by the Trustee Board on behalf of the Trustee, based on advice from the investment manager.

vi. Maturity properties portfolio tend to share certain characteristics, namely long lease terms, good tenant covenants and rent reviews subject to inflation linked or fixed uplifts. These properties are valued on the same basis as the properties held in the Growth portfolio to Fair value as defined by the RICS Red Book.

vii. The net income related to the properties has been separately disclosed. The Scheme holds income strip assets amounting to £97 million (2021: £115 million). These valuations are provided by JLL and have great regard to the Initial Yield long dated income. The overall valuation takes into account various attributes including, the property location, property use, property condition, tenant covenant, property tenure, rent passing, lease breaks, lease expiries and underlying residual value of the property.

viii. Property development costs are valued as per the contractual agreement at the balance sheet date and are held at cost until completion.

ix. The buy-in policy purchased with Legal & General Assurance Society Limited has been included in the accounts at the valuation provided by the Scheme actuary.

x. All other annuities purchased in the name of the Trustee have been included at nil value in the Financial Statements on the grounds of materiality.

xi. Derivatives are stated at fair value as at 31 March 2022.

- Exchange traded derivatives are stated at fair value determined by using market quoted prices.
- Swaps are valued taking the current value of future cash flows arising from the swap determined by using discounted cash flow models and market data on 31 March 2022.
- All gains and losses arising on derivative contracts are reported within "Change in Market Value".
- Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

xii. Repurchase and Reverse Repurchase arrangement.

Under repurchase (repo) arrangements, the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability.

Under reverse repurchase (reverse repo) arrangements, the Scheme does not recognise the collateral securities received as assets in its Financial Statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in Financial Statements.

b) Investment income

i. Dividends from quoted securities are accounted for when the security is declared ex-dividend.

ii. Fixed interest income and index linked interest income have indexation and sinking factors applied to the income receivable where applicable.

iii. Interest is accrued daily.

iv. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

v. Rents from properties are recognised in accordance with the terms of the underlying leases and stated net of expenses.

vi. Income from reverse repurchase agreements is accrued daily dependent on the market rate prevailing on the day.

vii. Receipts from annuity policies held by the Trustees to fund benefits payable to Scheme members are included within investment income on an accruals basis.

c) Foreign currencies

The functional and presentational currency of the Scheme is sterling. Balances denominated in foreign currencies are translated into sterling at the rate prevailing on 31 March 2022. Asset and liability balances are translated at the bid and offer rates, respectively. Transactions denominated in foreign currencies are translated at the rate ruling on the date of the transaction. Differences arising on investment balance translation are accounted for in "Change of market value" in the Fund Account.

d) Contributions

There is no further accrual of benefits in the Scheme and no ordinary contributions from employees or employer are payable. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are being paid.

e) Payments to members

Benefits are accounted for in the year in which they fall due for payment. Where there is a choice, benefits are accounted for in the year in which the member notifies the Trustees of their decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving. Pensions in payment are accounted for in the period to which they relate.

Individual transfers out are accounted for when paid which is normally when member liability is discharged. Group transfers are accounted for in accordance with the terms of the transfer agreement.

f) Expenses

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

g) Provisions

Provisions are recognised when the Scheme has a present obligation (legal or constructive) as a result of a past event, it is probable that the Scheme will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

4. Benefits payable

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Pensions	***(439,279)***	*(458,831)*
Commutations	***(1,035)***	*(1,184)*
Lump sum retirement benefits	***(13,732)***	*(12,032)*
Lump sum death benefits	***(655)***	*(630)*
Taxation	***(32)***	*(119)*
Restoration payments due	***(58,000)***	-
	(512,733)	*(472,796)*

Restoration payments due relate to the settlement of restoration payments due to qualifying members who have some pre-6 April 1997 pension in payment on 31 March 2021 which have been provided for in Note 23.

5. Payments to and on account of leavers

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Transfers to other pension schemes	***(402)***	*(121)*
Transfers to personal pensions	***(11,952)***	*(13,275)*
	(12,354)	*(13,396)*

6. Administrative expenses

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Staff costs	***(854)***	*(908)*
Establishment costs	***(949)***	*(470)*
Professional fees	***(2,196)***	*(1,152)*
Computer system costs	***(625)***	*(443)*
Communication costs	***(276)***	*(120)*
Other costs	***(139)***	*(87)*
	(5,039)	*(3,180)*

7. Strategy and risk management expenses

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Professional fees	***(3,564)***	*(3,504)*
	(3,564)	*(3,504)*

8. Governance expenses

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Professional fees	***(608)***	*(333)*
Directors' fees	***(117)***	*(111)*
Trade subscriptions	***(13)***	*(10)*
Insurances	***-***	*(133)*
	(738)	*(587)*

9. Levies

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
PPF levy	***(2,191)***	*(7,240)*
	(2,191)	*(7,240)*

10. Investment income

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Net dividends from equities	***8,444***	*15,102*
Income-from LGIM	***12,633***	*-*
Net income from bonds	***206,537***	*225,469*
Net rental income	***57,899***	*58,939*
Income from PIVs	***1,968***	*2,482*
Net income from class actions	***87***	*38*
Income from annuities	***9,615***	*50*
Income from reverse repo	***113***	*37*
Income from cash	***10***	*5*
Income before taxation	***297,306***	*302,122*
Taxation	***(514)***	*(283)*
Net income	***296,792***	*301,839*

11. Taxes on investment income

The British Steel Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

12. Interest payable

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Cash deposits – foreign currency	***(34)***	*(12)*
Interest payable on repurchase agreements	***(3,187)***	*(5,567)*
	(3,221)	*(5,579)*

Interest payable is due to interest charges for holding foreign currencies and interest payable on repo agreements accruing daily on borrowings of £1,606,061,000 (31 March 2021: £1,305,078,000).

13. Pooled Investment Vehicles (PIVs)

The Scheme's holdings of PIVs are analysed below:

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
UK equity funds	***-***	*4,920*
Global equity funds	***-***	*2,282*
Global property funds	***-***	*32,087*
UK private equity funds	***27,517***	*26,877*
Global private equity funds	***17,236***	*23,178*
Cash funds	***104,944***	*-*
	149,697	*89,344*

14. Derivatives

Objectives and policies

The Trustee has authorised the use of derivatives in a controlled manner to facilitate the timely implementation of significant asset allocation moves, for the purpose of efficient portfolio management, to reduce investment risk and to facilitate closer asset/liability management. The use of derivative contracts for such purposes is subject to prior approval by the Trustee Board.

Swaps

The Trustee's aim is to match, as far as possible, the fixed income portfolio to the Scheme's long-term liabilities, particularly in relation to their sensitivities to inflation rate movements.

Inflation swaps are used as "overlays" in conjunction with the increased non-government fixed interest bond holdings to match liabilities and to improve potential returns. The Scheme has inflation swap contracts outstanding as at 31 March 2022 relating to its fixed interest investment portfolio and these contracts are traded Over The Counter (***OTC***). The details are:

	Year to 31 March 2022		*Year to 31 March 2021*	
	Assets	***Liabilities***	*Assets*	*Liabilities*
	£'000	***£'000***	*£'000*	*£'000*
Swaps – inflation	***8,619***	***(38,323)***	-	*(95,911)*
	8,619	***(38,323)***	-	*(95,911)*

Under the OTC contracts for inflation rate contracts, the Scheme had deposited £76,323,000 and received £Nil of Gilts as collateral for the fair value with the various market counterparties as at 31 March 2022. The Scheme held collateral against the contracts showing unrealised gains and posted collateral for unrealised losses. The deposited collateral is reported within the Scheme's net assets.

Type of swap	***Number of contracts***	***Expiration***	***Nature of swap***	***Notional amount of outstanding contracts***	***Aggregate assets***	***Aggregate liabilities***
				£'000 / $'000	***£'000***	***£'000***
Within 5 years						
Inflation swap	*1*	*February 2024*	*Pay 2.35% for US CPI*	*0 / 50,000*	***811***	-
Within 5 to 10 years						
Inflation swap	*12*	*June 2028 – January 2029*	*Pay 1.95% - 2.89% for US CPI*	*0 / 50,000*	***5,688***	*(38,32)*
Within 40 years						
Inflation swap	*1*	*January 2059*	*Pay 3.33% for UK RPI*	*10,000 / 0*	***2,120***	-
					8,619	***(38,323)***

During the year there were no redemptions of inflation rate swaps.

Forward foreign exchange

The Scheme is subject to currency risk because of the Scheme's investments are held in overseas markets and therefore the fair value or future cash flows of these overseas investments fluctuate due to changes in foreign exchange rates.

The Trustee through LGIM have put in place a currency hedging arrangement using forward foreign exchange contracts. The objective of the arrangement is to reduce the currency risk in the portfolio from gross exposure to a net exposure. The Scheme's total net exposure to fluctuations in foreign currency exchange rates by major currency exposure at the balance sheet date was as follows:

Type of Contract	*Spot Settlement*	*Currency Bought*	*Currency Sold*	*Adjustment to Currency Value*	*GBP*
		'000	*'000*	*'000*	***£'000***
Forward OTC	*Within 1 month*	*£398,507*	*$522,090*	*(23)*	***(17)***
Forward OTC	*Within 1 month*	*£72,464*	*$94,705*	*(6)*	*(6)*
Forward OTC	*Within 1 month*	*£21,768*	*€18,639*	*(18)*	*(18)*
				(47)	***(41)***

The Scheme's in-house investment manager does not hedge currency risks in line with Trustee agreement.

15. Investments reconciliation

Reconciliation of investments held at the beginning and the end of the year.

	Opening Value	*Reclassification of Cash and Cash Equivalents to PIVs*	*Purchase Costs*	*Sale Proceeds*	*Transfers*	*Change in Market Value*	*Closing Value*
	£'000		***£'000***	***£'000***	***£'000***	***£'000***	***£'000***
Equities	***358,273***	*-*	*371,751*	*(387,206)*	*42,854*	*62,905*	***448,577***
Bonds	***9,822,993***	*-*	*1,509,381*	*(1,952,625)*	*-*	*(393,428)*	***8,986,321***
Properties	***1,205,315***	*-*	*181*	*(51,056)*	*-*	*85,104*	***1,239,544***
Pooled Investment Vehicles[5]	***89,344***	*88,022*	*1,974,141*	*(1,965,450)*	*(42,854)*	*6,492*	***149,697***
Derivatives	***(95,911)***	*-*	*-*	*(41)*	*-*	*66,207*	***(29,745)***
Other investments[6]	***11***	*-*	*-*	*-*	*-*	*-*	***11***
LGAS Insurance buy-in	*-*	*-*	*497,671*	*-*	*-*	*(31,770)*	***465,900***
	11,380,025	*88,022*	*4,353,125*	*(4,356,378)*	*-*	*(204,490)*	***11,260,305***
Cash deposits[5]	***116,968***	*(88,022)*	*-*	*-*	*-*	*-*	***144,165***
Other investments balances	***112,973***	*-*	*-*	*-*	*-*	*-*	***112,225***
Repo	***(1,305,078)***	*-*	*-*	*-*	*-*	*-*	***(1,606,061)***
Other investment balances	***(3,168)***	*-*	*-*	*-*	*-*	*-*	***(12,856)***
Net current investments	***31,554***	*-*	*-*	*-*	*-*	*-*	***28,273***
Total net investment assets	***10,333,274***	***-***	***-***	***-***	***-***	***-***	***9,926,051***

[5] Cash and cash equivalents from previous years have been reclassified as PIVs and are included in the reclassification column of the table.
[6] Federated Property Services Limited was voluntarily struck off on 17 July 2022; the investment in subsidiary was reduced by £10,000.

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

As at 31 March 2022, the borrowings on the Repurchase Agreement were £1,606,061,000 (31 March 2021: £1,305,078,000) plus an interest payable of £3,187,000 (31 March 2021: £5,567,000) as shown in Note 12. The borrowings were collateralised with initial margin of £1,480,578,000 (31 March 2021: £1,196,46,000) from the Scheme and net variation margin posted to Repo counterparties of £169,098,000 (31 March 2021: £116,402,000). As of 31 March 2022, the collateral posted on Reverse Repo was £92,153,265 (31 March 2021: £Nil).

16. Transaction costs

PSL mandate

Included within the Scheme purchases, and sales are direct transaction costs of £283,000 (2021: £469,000) comprising fees, commissions and stamp duty. These costs are attributable to the key asset classes as follows:

	Fees	***Commissions***	***Stamp duty***	***Total 2022***
	£'000	***£'000***	***£'000***	***£'000***
Equities	***-***	***25***	***-***	***25***
Direct research costs	***192***	***-***	***-***	***192***
Legal fees on Repo	***44***	***-***	***-***	***44***
Property	***22***	***-***	***-***	***22***
	258	***25***	***-***	***283***

	Fees	*Commissions*	*Stamp duty*	*Total 2021*
	£'000	*£'000*	*£'000*	*£'000*
Equities	*1*	*49*	*4*	*54*
Direct research costs	*187*	*-*	*-*	*187*
Legal fees on Repo	*79*	*-*	*-*	*79*
Property	*149*	*-*	*-*	*149*
	416	*49*	*4*	*469*

Since the introduction of MiFID II (Markets in Financial Instrument Directive) II on 3 January 2018, direct Research Costs have been separately disclosed £192,000 (2021: £187,000). Transaction costs are borne by the Scheme in relation to transactions in pooled investments vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

LGIM Mandate

LGIM costs are wholly inclusive of all costs incurred by them in managing the portfolio.

	Fees	***Commissions***	***Stamp duty***	***Other Costs***	***Total 2022***
	£'000	***£'000***	***£'000***	***£'000***	***£'000***
Transaction Taxes	***-***	***-***	***306***	***-***	***306***
Fund & Investment Management fees	***-***	***91***	***-***	***-***	***91***
Other Costs	***-***	***-***	***-***	***3***	***3***
Implicit Costs	***8,650***	***-***	***-***	***-***	***8,650***
Indirect fees and charges	***5***	***-***	***-***	***-***	***5***
Transition Management fees	***150***	***-***	***-***	***-***	***150***
	8,805	***91***	***306***	***3***	***9,205***

17. Investment fair value hierarchy

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

Level 1: The unadjusted quoted price in active market for an 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 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.

For the purpose of this analysis, daily priced funds have been included in Level 1, weekly priced funds in Level 2 and monthly and quarterly net asset values for Private Equity funds and Limited Liability Partnerships in Level 3.

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

As at 31 March 2022	***Level 1 £'000***	***Level 2 £'000***	***Level 3 £'000***	***Total £'000***
Equities	***447,019***	***-***	***1,558***	***448,577***
Bonds	***1,229,580***	***7,693,117***	***63,624***	***8,986,321***
Pooled investment vehicles	***-***	***104,944***	***44,753***	***149,697***
Derivatives	***-***	***(29,745)***	***-***	***(29,745)***
Properties	***-***	***-***	***1,239,544***	***1,239,544***
Investment in subsidiaries	***-***	***-***	***11***	***11***
Cash	***57,165***	***-***	***-***	***57,165***
Reverse Repo	***87,000***	***-***	***-***	***87,000***
Repo	***(1,606,061)***	***-***	***-***	***(1,606,061)***
Other investment balances	***99,369***	***-***	***-***	***99,369***
LGAS Insurance buy-in	***-***	***-***	***465,900***	***465,900***
	314,072	***7,768,316***	***1,815,390***	***9,897,778***

As at 31 March 2021	*Level 1 £'000*	*Level 2 £'000*	*Level 3 £'000*	*Total £'000*
Equities	*358,273*	*-*	*-*	*358,273*
Bonds	*4,075,671*	*5,747,322*	*-*	*9,822,993*
Pooled investment vehicles	*39,274*	*-*	*50,060*	*89,334*
Swaps	*-*	*(95,911)*	*-*	*(95,911)*
Properties	*-*	*-*	*1,205,315*	*1,205,315*
Investment in subsidiaries	*-*	*-*	*11*	*11*
Cash	*116,968*	*-*	*-*	*116,968*
Repo Insurance Portfolio II	*(1,305,078)*	*-*	*-*	*(1,305,078)*
Other investment balances	*109,805*	*-*	*-*	*109,805*
	3,394,913	*5,651,411*	*1,255,386*	*10,301,710*

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

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

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

Credit risk

The Scheme is subject to credit risk as it invests in bonds, OTC derivatives, has cash balances, and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

Year to 31 March 2022	*Investment grade*	*Non-investment grade*	*Unrated*	*Total*
	£'000	***£'000***	***£'000***	***£'000***
Bonds[7]	***8,403,408***	***38,820***	***63,664***	***8,505,892***
Pooled investment vehicles	***-***	***104,944***	***44,753***	***149,697***
Swaps	***(29,704)***	***-***	***-***	***(29,704)***
Reverse Repo	***87,000***	***-***	***-***	***87,000***
Forward FX	***(41)***	***-***	***-***	***(41)***
Cash and cash equivalents	***57,165***	***-***	***-***	***57,165***
	8,517,828	***143,764***	***108,417***	***8,770,009***

[7] LGIM bonds have not been included in the bonds figure due to a lack of information to grade these.

Year to 31 March 2021	*Investment grade*	*Non-investment grade*	*Unrated*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Bonds	*9,742,585*	*41,322*	*39,086*	*9,822,993*
Pooled investment vehicles	*-*	*-*	*89,344*	*89,344*
Swaps	*(95,911)*	*-*	*-*	*(95,911)*
Cash	*116,968*	*-*	*-*	*116,968*
	9,763,642	*41,322*	*128,430*	*9,933,394*

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.

Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have at least investment grade credit rating. This is the position at the period end.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see Note 14).

Cash is held within financial institutions which are at least investment grade credit rated. The Scheme engaged in a Reverse Repurchase agreement during the period, and on 31 March 2022, received £92 million in collateral from the market counterparty.

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

A summary of pooled investment vehicles by type of arrangement is as follows:

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Authorised unit trusts	***-***	*34,369*
Limited liability partnerships	***2,112***	*6,384*
Closed ended funds	***42,641***	*48,591*
Cash funds	***104,944***	*-*
	149,697	*89,344*

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 limits overseas currency exposures through a selective currency hedging policy.

The Scheme's total net unhedged exposure by major currency at the year end was as follows:

	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
US Dollar	**-**	*197,728*
Euro	***5,067***	*20,622*
Japanese Yen	***278***	*24,565*
Canadian Dollar	***285***	*59,092*
Hong Kong Dollar	**-**	*14,251*
Australian Dollar	**-**	*2,272*
Other	***1***	*11*
	5,631	*318,541*

Interest rate risk

The Scheme is subject to interest rate risk on the investments comprising bonds held directly or through pooled investment vehicles and cash. Interest rate risks are mitigated by the Trustee's hedging policy. At the year end the portfolio comprised of:

	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Bonds	***8,986,321***	*9,822,993*
Swaps	***(29,704)***	*(95,911)*
Forward FX	***(41)***	-
	8,956,576	*9,727,082*

Other price risk

Other price risk arises principally in relation to the Scheme's growth portfolio which includes directly held equities, equities held in pooled vehicles, hedge funds, and private equity and investment properties. The Scheme manages this exposure to other price risk 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:

	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Direct		
Equities	***448,577***	*358,273*
Investment properties	***1,239,544***	*1,205,315*
	1,688,121	*1,563,588*
Indirect		
Equity PIVs	**-**	*7,202*
Property PIVs	**-**	*32,087*
Private Equity PIVs	***44,753***	*50,055*
Cash PIVs	***104,944***	-
	149,697	*89,344*

Other risks

The Scheme's longevity risk is currently borne by means of a prudent financial buffer, which can act to offset any rise in longevity. The purchase of insurance policies with L&G during and after the year under review mean that a significant portion of the Scheme's longevity risk has now been mitigated. The Trustee is considering whether and how best to mitigate the remaining longevity risk. The risk that the employer may become insolvent, thus putting the Scheme into a PPF assessment period, or may be unable to meet future financial obligations to the Scheme, is measured by receiving regular financial updates from the Company and by carrying out periodic independent covenant assessments.

19. Investment management and administration expenses

PSL Mandate

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Staff costs	***(4,243)***	*(4,723)*
Establishment costs	***(605)***	*(270)*
Utilities	***(101)***	*(121)*
IT costs	***(1,292)***	*(1,218)*
IT data costs	***(516)***	*(939)*
Legal and professional fees	***(549)***	*(786)*
Fees paid to custodian	***(283)***	*(297)*
Fees paid to adviser	***(18)***	*(19)*
Audit fees	***(50)***	*(32)*
Other expenses	***(21)***	*(29)*
Non-recoverable VAT	***(346)***	*(403)*
	(8,024)	*(8,837)*

Pension Services Limited is an in-house investment manager with sole responsibility for managing Scheme investments. The legal fees incurred for Repo were £44,000 (31 March 2021: £79,000).

LGIM Mandate

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Asset Management Fees Liability Hedging	***(14)***	-
Asset Management Fees Magellan	***(400)***	-
Asset Management Fees Global Sub Investment Grade	***(10)***	-
Asset Management Fees USD Credit	***(8)***	-
Custody Fees	***(25)***	-
	(457)	-

20. Outstanding capital commitments

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Properties		
Commitments in Maturity properties	***150***	*150*
Commitments in Growth properties	***47***	*47*
	197	*197*
Other		
Commitments in infrastructure and alternative investments	***6,538***	*6,915*
	6,538	*6,915*
	6,735	*7,112*

21. Current Assets

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
UK Cash	***1,639***	*3,032*
Pre-paid pensions	***31,090***	*30,396*
Other	***15,153***	*16,482*
	47,882	*49,910*

22. Current liabilities

	Year to 31 March 2022 £'000	*Year to 31 March 2021 £'000*
Other	***(19,609)***	*(18,356)*
Net current assets	***28,273***	*31,554*

23. Provision for Liabilities

	Restoration Payments £'000
At 1 April 2021	-
Restoration payments due	***58,000***
At 31 March 2022	***58,000***

The provision is for the settlement of restoration payments due to qualifying members who have some pre-6 April 1997 pension in payment on 31 March 2021. This provision has fallen due following an "unexpected surplus" arising upon completion of the 31 March 2021 triennial valuation and the amount provided represents the budget as calculated by the Scheme actuary based on final valuation figures. The provision represents management's best estimate of the liabilities due as at the year end, based on most recent evidence at the date of approval of the financial statements and member claims made to date. Settlement of this liability is scheduled to be completed across three intervals with £53.5m paid in October 2022 and subsequent settlements planned for December 2022 and February 2023.

24. Related party transactions

At 31 March 2022, the two independent directors were not members of the pension scheme. Of the remaining four directors of the Trustee, three were members of the Scheme and one had transferred their benefit to an external pension provider. The three directors who are Scheme members receive benefits on the same basis as other members of the Scheme. Four Trustee directors received remuneration of £117,000 (2021: four directors - £124,000).

The Scheme bears all costs of administration in the Glasgow and London offices.

25. Employer related investments

The Scheme holds a stake in Tata Steel UK Limited which was granted as a condition of the Regulated Apportionment Arrangement entered into by the Company and the Trustee of the OBSPS in 2018. This stake was apportioned in relation to the asset split in March 2018 and was subsequently reduced to less than 1%. The Trustee values this stake to be £Nil (2021: £Nil).

26. Contingent Liabilities

The Trustee had a commitment to pay Open Trustees Limited £14.4 million (2021: £Nil) in respect of potential future claimants of GMP liabilities in the OBSPS. This amount was paid in September 2022.

27. Post Year-end events

In May of 2022, the Trustee concluded a second buy-in policy with Legal & General, under which around a further 25% of liabilities were insured (bringing the total insured to just under 30%). Recognising that the total of assets under the management of Pension Services Limited had decreased to c£6 billion as a result of the two insurance transactions completed during 2021-22, and in light of the fact that this was expected to decrease further as the Trustee pursued its strategy to secure liabilities in full with one or more insurers, the Trustee also reached agreement with Legal & General Investment Management (***LGIM***) that it (LGIM) should be appointed to manage the combined assets of the Scheme. The transition of assets and supporting staff is expected to be concluded before the end of 2022.

Market volatility at the end of September and early October 2022, saw liquidity tighten considerably where additional collateral in the form of gilts failed to be returned by the market counterparties. Government intervention of £60 billion in buying long dated gilts eased market nervousness and stability was restored. Despite a reduction in the value of the Scheme's portfolio to £7.754 billion at the end of September, the Scheme's funding level actually improved during this period of volatility and the Scheme' hedging programme against interest rate and inflation movements remained intact. In common with many schemes, the BSPS was required to post additional collateral to keep its hedging positions in place as interest rates increased, however the Scheme successfully met all obligations on collateral and the Trustee is satisfied that the Scheme has sufficient headroom to meet further such calls should interest rates rise further. In addition, the Trustee has also put in place contingency plans should there be a severe spike in interest rates in the future.

BRITISH STEEL PENSION SCHEME

Summary of Contributions

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 31 March 2022

This Summary of Contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the Employer and Member contributions payable to the Scheme in respect of the Scheme year ended 31 March 2022. The Scheme Auditor reports separately on contributions in the Auditors' Statement about Contributions on page 24.

Contributions payable in respect of the Scheme Year	***£'000***
Employer	-
Members	-
Contributions payable (as reported on by the Scheme Auditor)	-

Reconciliation of Contributions Payable to Total Contributions reported in the Financial Statements

	£'000
Contributions payable (as above)	-
Member Additional Voluntary Contributions	-
Total contributions reported in the Financial Statements	-

BRITISH STEEL PENSION SCHEME

Climate Change Report

Climate change presents one of the biggest economic and political challenges of the 21st century. The Trustee board believes that it is incumbent upon asset owners to take the necessary steps to ensure climate-related risks and opportunities are properly considered when investing the assets over which they provide stewardship. Not only will this lead to positive impacts for the planet and wider society, but it will drive better financial outcomes and enhance the ability of the Scheme to deliver the benefits promised to members. The Trustee board has devoted significant time and attention over the past 18 months to understanding this subject matter and the new obligations placed on it by pension scheme regulations.

The Scheme is required to produce formal Climate Change disclosures annually in line with the recommendations of the Task Force on Climate-related Financial Disclosures (***TCFD***). The Scheme is subject to these requirements with effect from 1 October 2021, and the Scheme's first Climate Change Report, covering the period to the Scheme year end date of 31 March 2022, is available on the Scheme website.

The Climate Change Report provides information about how the Trustee board has considered climate-related risks and opportunities and how these will be managed as part of delivering its ultimate objective of securing member benefits. The Climate Change Report does not form part of the Scheme's Annual Report as at 31 March 2022. It can be found at: www.bspspensions.com/library/17/climate-change-report/.

BRITISH STEEL PENSION SCHEME

Actuary's Certification of Schedule of Contributions

1. Adequacy of rates of contributions

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 expected on 31 March 2021 to continue to be met for the period for which the Schedule is to be in force.

2. Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 21 January 2022.

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

21 January 2022

G M Oxtoby
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