LV= EMPLOYEE PENSION SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

SCHEME REGISTRATION NUMBER: 10200449

Contents	**Page**

Principal Employer	Liverpool Victoria Financial Services Limited	
Trustee	The LV= Pension Trustee Limited	
Directors of the Trustee	Appointed by the Principal Employer BESTrustees Limited (Independent Trustee Director represented by Huw Evans (Trustee Chair) and supported by Karen Theobald) John Laidlaw Lynzi Harrison (resigned 31 October 2022) Laura Johnston (appointed 25 May 2021) Emma Woodford (appointed 16 June 2022) Selected by active Members David Green Selected by pensioner Members Anthony Antoniou	
Secretary to the Trustee	Michael Jones	
Scheme Actuary	Brian Nimmo of Hymans Robertson LLP (resigned 20 July 2022) Alec Day of Hymans Robertson LLP (appointed 26 August 2022)	
Independent auditor	Crowe U.K. LLP	
Legal advisers	Allen & Overy LLP	
Investment custodians	HSBC Bank Plc	
AVC providers (Defined benefit section)	Utmost Life and Pensions Limited Standard Life Assurance Limited	
Bankers	Barclays Bank plc	
	Defined Benefit	**Defined Contribution**
Administrators	Towers Watson Limited (trading as WTW (was Willis Towers Watson))	Aviva Life & Pensions UK Limited
Investment advisers	Redington Limited Haydon Hill Advisors Limited	Lane Clark & Peacock LLP
Investment managers	Columbia Threadneedle Investment Services Limited Equitix Investment Management Limited BlackRock Investment Management Limited Abrdn plc (was Aberdeen Standard Investments) Federated Hermes Limited (from May 2021) Insight Investment Management Limited (from August 2021)	Aviva Life & Pensions UK Limited

Annuity insurance provider	Phoenix Life Limited
Covenant adviser	Ernst and Young LLP

Introduction

The Trustee presents its annual report for the Scheme together with the investment report, actuarial certificate and financial statements for the year ended 31 March 2022.

The Scheme is an occupational pension scheme for certain fixed term contracts paid through payroll or permanent full and part-time staff and former staff of the Principal Employer and its subsidiary companies in the United Kingdom and contains both non-contributory and contributory Sections.

The Scheme is registered under Chapter 2 of part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. To the Trustee's knowledge there is no reason why this registration should be prejudiced or withdrawn.

The Scheme is established under and governed by the Trust Deed and Rules, which have been approved by the Pensions Schemes Office of HM Revenue and Customs.

The Scheme comprises two sections:

- a Defined Benefit (DB) Section which provides benefits based on a Member's salary and length of service; and
- a Defined Contribution (DC) Section which provides benefits based on a Member's accumulated fund value at retirement.

Before the DB Section closed to future accrual on 30 June 2013, its active Members were contracted-out of the State Second Pension. The DC Section is, and has always been, contracted-in.

Members of the DC Section are able to make AVCs to secure additional benefits; this option was also available to Members of the DB Section until it closed to future accrual.

The Scheme has a corporate trustee, The LV= Pension Trustee Limited, rather than individual trustees.

Management of the Scheme

The Scheme is governed by the Trustee which is required to act in accordance with the Trust Deed and Rules, within the framework of pension and trust law.

The Trustee is responsible for the administration and investment policy of the Scheme. The Trustee has delegated the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on pages 1 and 2 of this report.

Trustee

The names of the current Directors, and others who served as Directors during the year, are included on page 1 of this report.

The Rules and the Articles of Association of the Trustee contain provisions for the appointment and removal of the Directors. The Trustee made some changes to the Member Nominated Directors (MND) policy which took effect from 22 July 2022. All members (including deferred members) are now eligible to nominate themselves as a MND. From the effective date, the Board must consist of at least three MND (the status of the three MND's will be proportionate to the membership at the time) and up to four persons selected by the Principal Employer. If the number of MNDs drops below these minima, any vacancy must be filled in accordance with the procedures outlined in the Rules. Additionally, the Board may co-opt an additional Director, provided that the Principal Employer consents.

When a vacancy arises for a Director selected by the Principal Employer, the vacancy will be filled by the Principal Employer. Directors selected and appointed by the Principal Employer have no fixed term of office.

As part of the MND policy changes, when a vacancy arises for a MND, the Board will arrange for the vacancies to be filled through a selection process. This replaces the election and ballot. A selection panel will select who to take forward to the interview stage from the nominations, and carry out the interview of those selected. The panel will be made up of the Independent Trustee, MNDs and the LV= Pensions Partner. Following the interviews, a recommendation will be put forward to the Board for agreement.

There is currently a MND exercise on-going to fill two vacancies as there is one MND vacancy and David Green wishes to stand down as an MND.

The Pensions Act 2004 and subsequent regulations have put in place requirements for Member Nominated Directors. The Trustee has in place a process to appoint at least one third of the Board as MNDs. MNDs serve for a fixed term of 5 years, but are not precluded from serving further terms of office if re-elected.

The Trustee may be removed at the discretion of the Principal Employer, in its capacity as principal employer, provided that the board of any new trustee company comprises three directors representing the Members, including one director who must be a pensioner and up to a further four directors selected by the Principal Employer.

The full Board met on four occasions. All Directors attended all Board meetings for the Scheme year ending 31 March 2022 (or, if applicable, the date when they left office), except Anthony Antoniou who was unable to attend two meetings, and John Laidlaw, who was unable to attend one meeting. All Directors can pass on their views on agenda items to the Trustee Chair if they are unable to attend any meeting.

The following sub committees also met during the year: the Funding and Investment Sub Committee, the Administration Sub Committee and the Defined Contribution Sub Committee.

Changes to the Scheme Rules

Following a request from LVFS, the death-in-service link to the pension scheme was removed and an amendment to the Scheme rules made in April 2022 to facilitate this. The death-in-service benefits are now covered by a stand-alone policy.

Scheme financial statements and summary of contributions

The financial statements of the Scheme for the year ended 31 March 2022 are set out on pages 28 to 57 and the Trustee's summary of contributions and the independent Auditor's statement about contributions are set out on pages 23 and 24 respectively.

The financial statements have been prepared and audited in compliance with the regulations made under section 41(1) and 41(6) of the Pensions Act 1995.

The net assets of the Scheme decreased by £68.3m over the year giving a Scheme value of £1,819.0m at 31 March 2022.

Change of Actuary

Alec Day of Hymans Robertson LLP was appointed as the Scheme's Actuary on 26 August 2022. Brian Nimmo of Hymans Robertson LLP resigned as the Scheme's Actuary on 20 July 2022 and declared that he knew of no circumstances connected with his resignation which, in his opinion, significantly affect the interests of members, prospective members or beneficiaries of the Scheme.

Other events

Scheme funding

The Trustee, with help from their advisers, continued to monitor the funding of the Scheme throughout the year taking into consideration any factors that may impact the funding of the Scheme.

- The Scheme's triennial actuarial valuation due on 31 March 2021 was completed in May 2022. As a result contributions have continued at £416K per month. The results were issued to members at the end of August 2022. The next triennial valuation is due on 31 March 2024.

  In December 2020, the Liverpool Victoria Financial Services Limited (LVFS) announced that it had reached an agreement for the acquisition of its Savings and Retirement and Protection businesses. The transaction was expected to complete during 2022 subject to legal, regulatory and LVFS member approval. The transaction did not receive the required 75% threshold for the member vote to pass, which meant it did not go ahead. LVFS have since confirmed to the Trustee that they will continue forward as an Independent Mutual. The Trustee continues to work closely with LVFS and will ensure that the Pension Scheme is treated fairly at all times.

Investments

The key event that happened over the Scheme year is:

- The Trustee has appointed two new managers over the reporting year, Federated Hermes Limited and Insight Investment Management Limited. Both are new segregated portfolios for the Scheme and were funded by dis-investing from Columbia Threadneedle and BlackRock respectively.

Governance and Communication

The Governance of the Pension Scheme and Communication are extremely important. Events that have happened over the Scheme year are:

- In June 2021, legislation was published which required trustees of large pension schemes to more closely address climate change risks and opportunities by aligning with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Trustee has been working to align the Pension Scheme to the framework set by the TCFD ahead of the upcoming regulatory deadlines.

- The threat of cyber-crime is a growing and significant risk affecting many aspects of people's lives. During the year, the Trustee has continued liaising with its administrators and advisers to ensure the appropriate policies and procedures are in place to help combat this threat and keep member data safe. This is an area that the Trustee will continue to focus on.

- In April 2022, the Scheme's website 'Pensions Village' was refreshed and the online annual benefits statements simplified.

External

The areas that the Trustee has been working on over the year which have been influenced due to external factors are:

- On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effects of GMP. This judgment followed on from the 26 October 2018 judgement, which has previously been allowed for in accounting disclosures, where the High Court ruled that schemes had a legal obligation to pay benefits allowing for GMP equalisation. The previous judgment had not considered historic transfer values. The issue, referred to as 'GMP equalisation', is likely to take some time to fully resolve but the Trustee continues to closely observe any developments and is working with its advisers to understand what it means for the Scheme. In the meantime, work has continued to ensure that the GMP amounts held by the Scheme are reconciled with the information that is held by HMRC.

Invasion of Ukraine

In 2022, Russia's invasion of Ukraine in late February reinforced investor concerns around rising inflation and tighter monetary policy. The volatility fed through into markets with equities declining and bond yields rising. Commodity prices soared as Russia and Ukraine are key producers of several important commodities including oil, gas, and wheat. This contributed to a further surge in inflation as well as supply chain disruptions.

The Trustee has reviewed the Scheme's investment portfolio and can confirm that the direct exposure to Russia and Ukraine is very minimal. Given current restrictions, it may not be possible to completely remove these assets in the short-term, but the Trustees will continue to monitor the position with their investment advisers. The Scheme's investment strategy is relatively low risk, investing across a wide variety of investments to avoid being overly-reliant on one type of asset or region. The Scheme also has a high level of hedging against interest rate and inflation risks in order to protect the current level of funding against high levels of market volatility as seen over the last 12 months.

Statement of Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

Membership

The changes in membership during the year are as follows:

DB Section

	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 April 2021	–	5,266	3,818	785	**9,869**
Adjustments to prior year*	–	(14)	7	5	**(2)**
New spouses and dependants	–	–	–	56	**56**
Retirements	–	(116)	116	–	**–**
Deaths	–	(6)	(113)	(51)	**(170)**
Entitlements ceasing	–	–	–	(1)	**(1)**
Individual transfers out	–	(33)	–	–	**(33)**
Commutations	–	(12)	(3)	–	**(15)**
At 31 March 2022	–	5,085	3,825	794	**9,704**

DC Section

	Active	Deferred	Pensioners	Beneficiaries	Total
At 1 April 2021	1,335	5,681	–	–	**7,016**
New members	234	–	–	–	**234**
Retirements	(5)	(12)	–	–	**(17)**
Members leaving with deferred benefits	(340)	340	–	–	**–**
Members leaving with refunds/no benefits	(4)	–	–	–	**(4)**
Deaths	–	(6)	–	–	**(6)**
Individual transfers out	(24)	(133)	–	–	**(157)**
At 31 March 2022	1,196	5,870	–	–	**7,066**
Total membership	1,196	10,955	3,825	794	**16,770**

*Adjustments to prior year opening figures are due to late notification of Member movements.

Pension increases

The pension increases that were applied to the Liverpool Victoria and the ex-Frizzell pensioners are as shown below.

The Liverpool Victoria increases were applied from 1 April 2021. These are based on September 2020 RPI of 1.1%, except for the post 5 April 1988 GMP element which is subject to statutory increases based on CPI; which was 0.5%. The pre 6 April 1997 excess element is subject to a minimum increase of 3% and a maximum increase of 5%. The post 6 April 1997 to 30 November 2007 excess element is subject to a maximum increase of 5%. The post 30 November 2007 excess element is subject to a maximum increase of 2.5%. The post 5 April AVCs are subject to a maximum increase of 5%.

The Frizzell increases were applied from 6 July 2021. These are based on the April 2021 RPI of 2.9% except for the pre 6 April 1998 and post 5 April 1988 GMP elements. These are subject to fixed increases of 3%. The pre 6 April 1997 excess element is subject to a minimum increase of 3% and a maximum increase of 5%. The post 6 April 1997 to 30 November 2007 excess element is subject to a maximum increase of 5%. The post 30 November 2007 excess element is subject to a maximum increase of 2.5%. The post 5 April AVCs are subject to a maximum increase of 5%.

	Increase applied	
Pension element	Liverpool Victoria 01-04-2021	Frizzell 06-07-2021
Pre 06/04/1988 GMP	No increase	3.0%
Post 05/04/1988 GMP	0.5%	3.0%
Pre 6/04/1997 excess over GMP	3.0%	3.0%
06/04/1997 to 30/11/2007 excess over GMP	1.1%	2.9%
Post 30/11/2007 excess over GMP	1.1%	2.5%
Pre 06/04/1995 AVCs	No increase	No increase
06/04/1995 to 05/04/2000 AVCs	1.1%	2.9%
Post 05/04/2000 AVCs	1.1%	2.9%

These were implemented correctly and on time.

Deferred pensions are increased as required by legislation and in line with the Rules.

No discretionary payments were made.

Report on Actuarial Liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

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

The most recent scheme funding valuation under section 224 of the Pensions Act 2004 of the Scheme was carried out as at 31 March 2021. The results of that valuation are shown below, along with the interim updated positions at the previous year end.

Valuation date: 31 March	**2021**	**2020**
Value of technical provisions	£1,568.7m	£1,584.8m
Value of assets available to meet technical provisions	£1,630.3m	£1,674.1m
As a percentage of technical provisions	104%	106%

Although there are no current plans to discontinue the Scheme and buy-out liabilities with an insurance company, the Trustee also consider the level of funding relative to the estimated costs of such a buy-out (known as "solvency liabilities") and equivalent information on this basis is provided below:

Valuation date: 31 March	**2021**
Value of solvency liabilities	£1,877.5m
Value of assets available to meet solvency liabilities	£1,593.3m
As a percentage of solvency liabilities	84%

The value of technical provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and pension increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

Method

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

Significant actuarial assumptions

Discount interest rate:

- at the 2021 valuation date: for non-insured liabilities: best estimate of the Scheme's expected return on investments less 0.41% p.a. (defined at the valuation date as full gilt yield curves plus 1.00% p.a.); for insured liabilities: full gilt yield curves.

- at the 2020 valuation date: best estimate of the Scheme's expected return on investments less 0.2%p.a. (defined at the 2020 valuation date as full gilt yield curves plus 1.38% p.a.).

Future Retail Price Inflation: term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

Future Consumer Price Inflation: term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1.0% per annum pre 2030, and no adjustment post 2030, i.e. Retail Price Inflation less 0% post 2030.

Pension increases: where pension increases are linked to inflation these are derived from the term dependent rates for future Retail Price Inflation or Consumer Price Inflation as appropriate, allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.

Mortality: The pre-retirement mortality of future pensioners is assumed to be 100% of the standard S3NMA/S3NFA tables published by the CMI of the actuarial profession and use the same future improvements assumption described below. For the period in retirement, mortality is assumed to be Club Vita base tables based on pooled experience in Club Vita during the period 2016 to 2018 (individual member base tables used). Future improvements are assumed to be in line with the CMI 2020 model, calibrated to Club Vita experience, with no waiting to 2020 data, an initial addition to improvements of 0.5%, increased level of smoothing (Sk=7.0) applied to recent experience, a long term annual rate of improvement of 1.75% p.a., tapering to 0% p.a. over ages 90 to 120 with all other parameters in line with the core parameterisation of the model.

Schedule of contributions

The 31 March 2021 actuarial valuation showed that the Scheme had no funding deficit relative to the Scheme's statutory funding objective and so no recovery plan was prepared as part of the 2021 valuation.

A schedule of contributions was prepared in April 2022 which the Scheme Actuary certified on 1 June 2022. A copy of this certificate is included in this annual report.

Under the current schedule of contributions, the Employer shall pay contributions of £416,667 per month to support the aspiration of being fully funded on a longer-term target basis, until 31 March 2028 or until the target is reached if earlier.

In addition to the Statutory Funding Objective, the Trustee has a longer term objective in which it aspires to achieve full funding on a "self-sufficiency" basis (defined as gilts + 0.25% p.a.) by or around 2028. The Trustee plans to achieve this through a combination of the Scheme's funding and investment strategies, and it is on this self-sufficiency target that the Trustee has focused its objectives in relation to both the funding and investment strategy of the Scheme. The Trustee has set its Statutory Funding Objective to be consistent with its long term aspiration.

Next actuarial valuation

The next triennial valuation is as at 31 March 2024. The Trustee will receive preliminary results of the valuation in the months following this date and expect to finalise the valuation and agree a revised recovery plan (if required) within the statutory timescale by 30 June 2025.

Investment report section

Investment managers

The Scheme's investments are managed by the investment managers appointed by the Trustee, as listed on page 1.

The Trustee delegates the day-to-day management to professional external investment managers. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's investment adviser. The Trustee has put in place investment mandates with its investment managers in order to implement this strategy.

Investment managers are remunerated by fees based on a percentage of funds under management. There are no performance related fee arrangements.

The investment adviser and investment managers are all appropriately authorised under the Financial Services and Markets Act 2000.

The Trustee considers that the Scheme's investments are readily marketable at the year end.

Investment principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (SIP) has been prepared by the Trustee which incorporates the investment strategy. A copy of the SIP dated March 2022 is available on the Pensions Village website.

Employer related investments

There were no employer related investments held during the year or at the year end.

Social, environmental and ethical considerations

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustee expects the investment managers to take into account social, environmental and ethical considerations except when these considerations have a bearing on financial return. The Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme. The Trustee does not factor non-financial decisions (such as ethical or moral beliefs) into their investment decision making nor do they appoint investment managers that consider these factors.

Stewardship

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.

The Trustee expects the investment managers to exercise ownership rights and/or undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

When appointing a new investment manager, the Trustee's investment advisers assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments.

When selecting, monitoring and de-selecting investment managers, engagement is factored into the decision making process to the appropriate level for the specific asset class in question.

Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments which are exercised by the investment managers of the Scheme.

Custodial arrangements

Custodian services for the segregated investments are provided by HSBC Bank Plc. In accordance with normal practice, the Scheme's investments are registered in the name of each of the custodian's own nominee companies with designation for the Scheme.

Implementation Statement

The Implementation Statement for the Scheme year, which is part of this Trustee's Report, is included after the Notes to the Financial Statements. It sets out how the SIP has been followed over the year, along with details of any reviews of the SIP and changes that have been made as a result of the reviews.

DB Section

Investment objectives and strategy

In determining and reviewing the Scheme's investment strategy the Trustee adopts a Pensions Risk Management Framework (PRMF). This framework translates the principal goal of paying member benefits into measurable funding objectives and risk constraints, agreed by the Trustee. The PRMF objectives are reviewed and monitored by the Trustee on a quarterly basis.

The Trustee's statutory funding objective is to be fully funded on the Technical Provision basis. The Trustee also has a longer-term objective in which it aspires to achieve full funding on a "Self-Sufficiency" basis (defined as Gilts + 0.25% p.a.) by or around 2028.

The principal objectives are stated below:

1. Target an expected return on assets close to that required to meet the funding objectives within the PRMF;

2. Manage the investment risk including that arising due to mismatch between assets and liabilities by hedging to the DB Section's funding level on a Gilts +0.25% liability valuation basis, as well as limit the total risk on the DB Section below the risk budget set in the PRMF;

3. Maintain suitable liquidity of assets such that the Scheme is not forced to buy and sell investments at particular times to pay member benefits or meet potential collateral calls.

In respect of the four external investment managers, investment management costs are based upon the size of the portfolio under management with the basis being detailed in the formal agreement between the Trustee and the principal investment manager. The estimated aggregate management fee as at 31 March 2022 is calculated as being 0.12% of the total assets (excluding the buy-in).

Asset Managers

The Trustee relies on investment managers for the day-to-day management of the Scheme's assets but retains control over the Trust's investment strategy.

The investment managers manage the Scheme assets in accordance with guidelines agreed with the Trustee, as set out in the Investment Management Agreements ("IMAs") or pooled fund prospectuses. Upon investment, the Trustee and investment managers enter into this legally binding IMA/prospectus which stipulates the Trustee's expectations of their managers; alongside the investment guidelines they are required to operate under, the document lays out the kind of investment that may be held, the balance between different kinds of investments, different risks (including how they must be managed/monitored), the expected return on investment, the realisation of investments and how both financial and non-financial matters are taken into account. When the Trustee decides to invest in pooled investment vehicles, it recognises that due to the collective nature of these investments, there is less scope to directly influence how the asset manager invests. In such instances, the Trustee's investment advisers ensure the investment objectives and guidelines of the manager are consistent with that of the Trustee. The Trustee ensures that these agreements reflect relevant Trustee policies. This therefore incentivises the manager to act in line with Trustee policies.

The investment managers report to the Funding and Investment Sub-Committee ("FISC") regarding their performance on a quarterly basis. Further, the Investment Consultant, on behalf of the Trustee, has a continuous open dialogue with all the investment managers in which the Trust invests, which encourages accountability on the investment managers to invest in line with Trustee polices. Finally, the Trustee can invite the investment managers to quarterly meetings or ad-hoc meetings.

When relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. The Scheme has been invested in the BlackRock LDI portfolio, BlackRock Protected Equities portfolio, Threadneedle Dynamic Real Return fund, Equitix fund II, Threadneedle Alternative Investments fund and Threadneedle Property fund for at least 3 years. The Scheme has been invested in the ASI Life Diversified Growth Fund (DGF) since June 2020 as part of diversifying the Scheme's DGF manager exposure. The Scheme also invested in two new mandates; the Hermes Absolute Return Credit fund in May 2021 and the Insight Global Credit fund in August 2021 as part of an investment strategy review which also involved disinvesting from the Threadneedle UK Investment Grade and US Credit funds. The Trustee currently does not have plans to disinvest from either of these mandates. When assessing a manager's performance, the focus is on longer-term outcomes and is assessed over a medium to longer-term timeframe, subject to a minimum of three years. The Trustee would not expect to terminate a manager's appointment based purely on short-term performance. However, a manager's appointment could be terminated within a shorter timeframe than three years due to other factors such as a significant change in business structure or the investment team.

Before deciding to invest in an investment fund, the Trustee considers the proposed fees, and the expected investment return net of those fees, against the Trustee policies. These fees are prescribed in the IMAs which are reviewed from an investment and legal perspective upon investment. If at that point, the fees were not aligned with the wider market, the Investment Consultant would identify this in their investment review and alert the Trustee. Action would then be taken. The Trustee subsequently reviews the fees annually to confirm they are in line with the wider market. If the fees are outside of expectations, action would be taken to address this. Knowledge of this process of evaluation incentivises the managers to retain fees that are competitive and in line with expectations.

The Investment Consultant, on behalf of the Trustee, monitors managers to confirm that they are meeting the Trustee's requirements with respect to portfolio costs and portfolio turnover as part of their wider manager research process. All portfolio costs are considered when evaluating a fund's expected net of fee return. When investment returns are reported, these are compared to the relevant expected returns and benchmarks. While no set target is in place, if portfolio turnover or portfolio costs were unreasonable and out of line with the wider market, the Investment Consultant would communicate this to the Trustee and action would be taken.

Asset allocation

In Q4 2020 the FISC made the strategic decision to fully disinvest from two Columbia Threadneedle Investment Services Limited investment grade credit mandates (a UK Investment Grade credit fund containing c.£160m and a US Credit fund containing £164m) and to partially disinvest from the Columbia Threadneedle Investment Services Limited Dynamic Real Return Fund. This was due to continued operational issues with the manager and a deterioration of Trustee confidence in their ability to manage assets. The FISC also decided to invest c.£175m in the Hermes Absolute Return Bond Fund in May 2021, funded by excess collateral in the BlackRock LDI portfolio.

The majority (c.£276m) of the redeemed assets from the Columbia Threadneedle Investment Services Limited divestments were invested into the Insight Global Investment Grade Credit Fund in August 2021, with the remaining amount sent to BlackRock to increase the collateral in the LDI Portfolio. Finally, in February 2022 £40m was transferred from the Hermes fund to the BlackRock LDI portfolio to replenish the collateral assets due to market movements over the preceding months.

As of March 2022, the buy-in accounted for 41% of assets, BlackRock Investment Management Limited is the principal investment manager of the Scheme's remaining DB section assets, holding approximately 26% of total assets, with Insight Investment Management Limited holding 17% of total assets. Hermes Investment Management Limited holds 8% of assets, Threadneedle Pensions Limited holding 4%, Aberdeen Standard Investments holding 2%, and Equitix Investment Management Limited holding 2% of total assets.

The assets are invested by the managers for the benefit of the Members to enable pensions to be paid as they fall due. It is the aim of the investment managers to generate the maximum returns whilst staying within the risk and return objectives set by the Trustee.

The allocation of the Scheme's investments, in terms of underlying investments at 31 March 2022 and 31 March 2021 were as follows:

	2022 %	**2022 %**	*2021 %*	*2021 %*
Total assets		**100**		***100***
Return seeking		**7**		***9***
Diversified Growth fund		5		*7*
Infrastructure equity fund		2		*2*
Liability matching		**93**		***91***
LDI portfolio		28		*30*
UK gilts	46		*35*	
Index linked securities	10		*17*	
Repurchase agreements	(33)		*(26)*	
Liquidity, cash and commitments	5		*3*	
Collateral posted for Volatility Controlled Equities**	0		*1*	
Corporate bonds		24		*18*
Cash		-		-
Collateral posted for longevity swap		-		-
Buy-in		41		*43*

* Both 2021 and 2022 Asset Values include AVC assets
** The Volatility Controlled Equity ("VCE") allocation has 2.5-8x leveraged exposure (target 4x). In other words, the Scheme's exposure to equity markets through VCE is 4x greater than the cash position. The synthetic equity exposure gives a weighting >100%.

Review of investment performance

Relative performance

The performance of the Scheme is measured on a monthly basis against its funding and risk objectives.

The following table shows the performance of the Scheme against its historical benchmark. Performance data is sourced from the corresponding asset manager.

Years ending 31st March	LV= Scheme %	Benchmark %
2018	5.7	1.7
2019	5.7	-0.4
2020	6.6	8.2
2021*	0.7	-10.2
2022*	-0.3	-6.0

*LV= Scheme performance now contains the change in the buy-in valuation over the period.

Overall the Scheme has outperformed the benchmark. The Trustee continues to monitor performance on a regular basis.

Calculation of transfer values

All transfer values paid during the year were calculated and verified in accordance with regulations made under the Pension Schemes Act 1993. In accordance with the direction of the Trustee no allowance for discretionary benefits has been made in the calculation of transfer values. No transfers were made at less than their cash equivalent.

The Trustee, after taking actuarial advice, has decided not to accept individual transfers into the DB Section from other pension arrangements.

DC Section

The table below shows the performance against benchmark of each of the DC Section funds for one three and five years ended 31 March 2022.

Annual percentage returns	**1 year %**	**3 years %**	**5 years %**
Global Shares Fund	11.3	11.8	9.7
Benchmark	*14.3*	*14.9*	*11.6*
UK Shares Fund	12.8	5.3	4.7
Benchmark	*13.1*	*5.6*	*4.9*
Pre-Retirement Fund	-7.1	0.2	1.3
Benchmark	*-7.0*	*0.5*	*1.4*
Diversified Growth Fund	5.9	6.4	5.3
Benchmark	*3.6*	*3.8*	*3.9*
Property Fund	23.8	5.3	6.0
Benchmark	*23.1*	*8.1*	*7.8*
Diversified Growth Fund (Active)	0.8	3.0	2.6
Benchmark	*3.7*	*4.0*	*5.3*
Cash Fund	-0.1	0.1	0.2
Benchmark	*0.1*	*0.3*	*0.4*
Approaching Retirement Fund	0.9	n/a	n/a
Benchmark	*2.4*	*n/a*	*n/a*
Balanced Growth Fund	6.2	n/a	n/a
Benchmark	*7.7*	*n/a*	*n/a*
Emerging Markets Equity Fund	-7.3	n/a	n/a
Benchmark	*-7.1*	*n/a*	*n/a*
Ethical Global Equity Fund	18.1	n/a	n/a
Benchmark	*17.2*	*n/a*	*n/a*
Islamic Global Equity Fund	20.1	n/a	n/a
Benchmark	*20.5*	*n/a*	*n/a*
Lump Sum Targeting Fund	-0.9	n/a	n/a
Benchmark	*0.7*	*n/a*	*n/a*

The performance figures for the funds are net of fees.

There are no performance v benchmark figures for 3 and 5 years ended 31 March 2022 for the Approaching Retirement Fund, Balanced Growth Fund, Emerging Markets Equity Fund, Ethical Global Equity Fund, Islamic Global Equity Fund and Lump Sum Targeting Fund as these funds where purchased during the year ended 31 March 2020.

The reasons for the under-performance of the following funds during the year were:

Diversified Growth Fund (Active): despite its name this is also a passively managed fund. Its underlying fund is the Baillie Gifford Multi Asset Growth fund which invests in a mix of equities, bonds, property and other assets. The Diversified Growth Fund (Active) chosen benchmark is the Bank of England Bank Rate +3.5%. It is therefore likely to perform very differently from an interest rate index benchmark and depending on market conditions, the fund may significantly out-perform or under-perform its benchmark.

The Approaching Retirement Fund is a passively managed fund, not a tracker. The fund invests in four underlying funds: 25% Av Baillie Gifford Multi Asset Growth; 25% Av BlackRock Sterling Liquidity; 25% Av BNY Mellon Global Dynamic Bond; 25% Av LGIM Diversified. These funds invest in a wide range of equities, bonds, property, cash/money market instruments and other assets. It is therefore likely to perform very differently from an interest rate index benchmark and depending on market conditions, the fund may significantly out-perform or under-perform its benchmark.

Monitoring the investment managers within the DC section

The manner in which the Trustee monitors the investment managers in the DB section also apply to the DC Section. However, the DC Section assets are predominantly held in pooled funds and the Trustee recognises that managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy.

As such, the Trustee recognises its responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies.

The Trustee is not involved in the investment manager's day-to-day operation and therefore cannot directly influence the performance target. However, it will assess the performance and review the continued use of each fund and will obtain and consider advice on retained investments where appropriate. The Trustee's investment adviser provides regular advice on the suitability of the fund range and default strategy as well as monitoring how material changes to the legislation or the membership may impact this. The investment advisor will also advise the Trustee on selection and review of investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and ESG considerations).

A set of objectives have been provided by the underlying fund manager and are consistent with their benchmark and investment approach (these are, of course, simply objectives and the rate of return can obviously not be guaranteed).

The benchmark for each fund is set by the underlying fund manager, however it should be noted that as Aviva provides 'wrapped' versions of the underlying funds in which it invests the wrapped version will not exactly match the performance of the underlying fund.

The Trustee accepts that the discrepancy between the performance achieved by a wrapped fund and that of the underlying fund in which it invests is unavoidable. However, Aviva should take steps to reduce this to an absolute minimum and the Trustee will monitor accordingly.

The Pension Tracing Service, the MoneyHelper, the Pensions Ombudsman and The Pensions Regulator

In accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended, members are advised that:

- if they have general requests for information or guidance concerning pension arrangements contact MoneyHelper:

Address:	Holborn Centre, 120 Holborn, London EC1N 2TD
Telephone:	0800 011 3797
Website:	www.moneyhelper.org.uk

- if they have a complaint or dispute concerning a workplace or personal pension arrangement, they have the right to contact The Pensions Ombudsman free of charge:

Address:	10 South Colonnade, Canary Wharf, E14 4PU
Telephone:	0800 917 4487
Website:	www.pensions-ombudsman.org.uk
Email:	enquiries@pensions-ombudsman.org.uk

In addition to the above The Pensions Regulator may intervene in the running of pension schemes where trustees, managers, employees or professional advisers have failed in their duties:

Address:	Napier House, Trafalgar Place, Brighton, BN1 4DW
Email:	customersupport@tpr.gov.uk

It has wide ranging powers which include the power to:

- suspend, disqualify and remove a trustee, or director of a trustee company, for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

Information regarding the Scheme has been given to the Pension Tracing Service. You can trace your pension by contacting the Pension Tracing Service:

Telephone:	0800 713 0193
Website:	www.gov.uk/find-pension-contact-details

The auditor and actuary have a statutory duty to make an immediate written report to The Pensions Regulator if they believe that legal duties concerned with the running of the Scheme are not being carried out.

Internal disputes resolution procedure

The Scheme operates an internal dispute procedure to enable any disputes to be settled fairly and quickly. A dispute may be raised by Members, spouses, or dependants of deceased Members or prospective Members.

In the first instance complaints should be in writing and addressed to the Pensions Partner, LV= Employee Pension Scheme, County Gates, Bournemouth BH1 2NF or e-mailed to mypension@lv.com with a subject that starts 'Complaint'. If the complainant is dissatisfied with the reply the complainant may refer the case to the Secretary of the Trustee at the same address.

In the event that the problem is still not rectified a Member can refer the complaint to the Pensions Ombudsman whose address is shown above.

Contact for further information

Further information about the Scheme is available on its website at www.lvpensionsvillage.co.uk

Any queries or complaints about the DB Section of the Scheme, including requests from individuals for information about their benefits or for a copy of Scheme documentation, should be sent to:

DB Section

LV= Employee Pension Scheme
WTW
PO Box 545
Redhill
RH1 1YX

Email address: lv@willistowerswatson.com
Tel: 01737 788102

DC Section

LV= Employee Pension Scheme
Aviva Client Services
PO Box 1550
Salisbury
SP1 2TW

Email address: GM-LVPensionPlanEnquiries@aviva.com
Tel: 0345 072 7201

Signed for and on behalf of the Trustee of the LV= Employee Pension Scheme by:

Director Huw Evans

Date 29/10/2022

Director Mark Laidlaw

Date 31/10/2022

LV= Employee Pension Scheme

Schedule of Contributions - Actuarial Certificate

Adequacy of contributions
In my opinion, the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

The contributions shown in this schedule are not lower than I would have set had I had responsibility for setting the schedule, the statement of funding principles and any recovery plan.

Consistency with statement of funding principles
In my opinion, this schedule of contributions is consistent with the statement of funding principles dated May 2022.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Signature	Brian Nimmo
Date	1 June 2022
Name	Brian Nimmo
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	One London Wall, London, EC2Y 5EA

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Statement of Trustee's responsibilities in respect of contributions
(forming part of the Trustee's Report)

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active Members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active Member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the Members.

Trustee's summary of contributions

This summary of contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and Member contributions payable to the Scheme under the Schedule of Contributions certified by the 20 December 2018 in respect of the Scheme year ended 31 March 2022. The Scheme auditor reports on contributions payable under the Schedule in their auditor's statement about contributions.

Contributions payable under the Schedule in respect of the Scheme year		**2022 £000**
Employer		
	Normal DC contributions	9,331
	Deficit	5,000
	For expenses	2,382
		-
Contributions payable under the Schedule (as reported on by the Scheme auditor) and reported in the financial statements		16,713
		-

Signed for and on behalf of the Trustee of the LV= Employee Pension Scheme by:

Director Huw Evans

Director Mark Laidlaw

Date 29/10/2022

Date 31/10/2022

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE

Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions payable to the LV= Employee Pension Scheme, for the Scheme year ended 31 March 2022 which is set out on page 23.

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 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 20 December 2018.

Basis of opinion

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

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active Members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active Members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

Auditor's responsibilities for the statement about contributions

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

Use of our report

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

Crowe U.K. LLP
Statutory Auditor
Reading

Date 31 October 2022

Opinion

We have audited the financial statements of the LV= Employee Pension Scheme for the year ended 31 March 2022 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The Trustee is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 the Trustee

As explained more fully in the statement of Trustee's responsibilities set out on page 7, the Trustee is responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Trustee is responsible for assessing the 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 wind up the Scheme 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.

- Misappropriation of investment assets owned by the Scheme. This is addressed by obtaining direct confirmation from the investment managers of investments held at the Statement of Net Assets date.

- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions. In respect of the annuity policy this is addressed by ensuring that the income received on the policy is received in line with the agreement.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

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.

Crowe U.K. LLP
Statutory Auditor
Reading

Date 31 October 2022

FUND ACCOUNT

YEAR ENDED 31 MARCH 2022

	Note	DB Section 2022 £000	DC Section 2022 £000	**Total 2022 £000**	*Total 2021 £000*
Contributions and benefits					
Employer contributions		7,382	9,331	**16,713**	*17,259*
Total contributions	**5**	7,382	9,331	**16,713**	*17,259*
Transfers in	**6**	–	38	**38**	*457*
Other income	**7**	672	–	**672**	*7*
		8,054	9,369	**17,423**	*17,723*
Benefits	**8**	(41,372)	(450)	**(41,822)**	*(41,363)*
Payments to and on account of leavers	**9**	(12,566)	(8,868)	**(21,434)**	*(21,913)*
Administrative expenses	**10**	(2,606)	–	**(2,606)**	*(2,971)*
Other payments	**11**	–	–	**–**	*(450)*
		(56,544)	(9,318)	**(65,862)**	*(66,697)*
Net withdrawals from dealings with members		(48,490)	51	**(48,439)**	*(48,974)*
Returns on investments					
Investment income	**12**	38,660	–	**38,660**	*26,344*
Change in market value of investments	**13**	(79,231)	23,256	**(55,975)**	*127,522*
Investment management expenses	**14**	(1,637)	(865)	**(2,502)**	*(1,574)*
Net returns on investments		(42,208)	22,391	**(19,817)**	*152,292*
Net (decrease) /increase in the fund during the year		(90,698)	22,442	**(68,256)**	*103,318*
Transfers between sections	**16**	57	(57)	**–**	*–*
Net assets of the Scheme					
At 1 April		1,658,825	228,404	**1,887,229**	*1,783,911*
At 31 March		1,568,184	250,789	**1,818,973**	*1,887,229*

The notes on pages 31 to 57 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AS AT 31 MARCH 2022

	Note	2022 £000	*2021 £000*
DB Section			
Investment assets	**13**		
Bonds		**1,244,033**	*1,183,794*
Pooled investment vehicles	**17**	**186,920**	*179,775*
Derivatives	**18**	**42,134**	*44,638*
Insurance policies	**19**	**651,156**	*720,118*
AVC investments	**20**	**112**	*117*
Cash and cash equivalent	**21**	**12,236**	*12,631*
Other investment balances	**22**	**10,536**	*103,913*
		2,147,127	*2,244,986*
Investment liabilities	**13**		
Derivatives	**18**	**(31,313)**	*(16,098)*
Cash and cash equivalents	**21**	**(15,212)**	*(17,021)*
Other investment balances	**22**	**(535,101)**	*(554,619)*
		(581,626)	*(587,738)*
Total net investments		**1,565,501**	*1,657,248*
Current assets	**28**	**6,868**	*5,912*
Current liabilities	**29**	**(4,185)**	*(4,335)*
Net assets at 31 March		**1,568,184**	*1,658,825*
DC Section			
Investment assets	**13**		
Pooled investment vehicles	**17**	**250,062**	*228,404*
Current assets	**28**	**727**	*–*
Net assets at 31 March		**250,789**	*228,404*
Net assets of the Scheme at 31 March		**1,818,973**	*1,887,229*

The notes on pages 31 to 57 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) *(continued)*

AS AT 31 MARCH 2022

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes account of such obligations, is dealt with in the Report on Actuarial Liabilities in the Trustee's report on pages 10 to 11 and these financial statements should be read in conjunction with this report.

Signed for and on behalf of the Trustee of the LV= Employee Pension Scheme by:

Director Huw Evans

Date 29/10/2022

Director Mark Laidlaw

Date 31/10/2022

The notes on pages 31 to 57 form part of these financial statements.

1. General information

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's report.

2. Basis of preparation

The individual financial statements of the LV= Employee Pension Scheme have been prepared on a going concern basis in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) ("the SORP").

3. Comparative fund account

	Note	DB Section 2021 £000	DC Section 2021 £000	**Total 2021 £000**
Contributions and benefits				
Employer contributions		7,319	9,940	**17,259**
Total contributions	**5**	7,319	9,940	**17,259**
Transfers in	**6**	–	457	**457**
Other income	**7**	7	–	**7**
		7,326	10,397	**17,723**
Benefits	**8**	(40,767)	(596)	**(41,363)**
Payments to and on account of leavers	**9**	(12,482)	(9,431)	**(21,913)**
Administrative expenses	**10**	(2,971)	–	**(2,971)**
Other payments	**11**	–	(450)	**(450)**
		(56,220)	(10,477)	**(66,697)**
Net withdrawals from dealings with members		(48,894)	(80)	**(48,974)**
Returns on investments				
Investment income	**12**	26,344	–	**26,344**
Change in market value of investments		62,063	65,459	**127,522**
Investment management expenses	**14**	(852)	(722)	**(1,574)**
Net returns on investments		87,555	64,737	**152,292**
Net increase in the fund during the year		38,661	64,657	**103,318**
Transfers between sections	**16**	279	(279)	**–**
Net assets of the Scheme				
At 1 April		1,619,885	164,026	**1,783,911**
At 31 March		1,658,825	228,404	**1,887,229**

4. Accounting policies

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

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

Contributions

Member contributions including AVCs are accounted for as they are deducted from pay. Employer's normal, deficit and expenses contributions are accounted for as they fall due in accordance with the Schedule of Contributions.

4. Accounting policies ***(continued)***

Transfers to and from other schemes

Individual transfers in or out are accounted for when paid or received which is normally when Member liability is accepted/discharged.

Benefits

Pensions payable in respect of the Scheme year are accounted for by reference to the year to which they relate. Other benefits are accounted for in the year in which the Member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no Member choice, on the date of retirement or leaving.

Expenses

Expenses are accounted for by reference to the year to which they relate.

Investment income

Pooled investment vehicle income, other investment income and interest on cash deposits and bonds is accounted for by reference to the year to which it relates. Investment income is shown net of any tax withheld whilst any tax recoverable is included with the appropriate income.

Investment income arising from the underlying investments of the pooled investment vehicles which is reinvested within the pooled investment vehicles and reflected in the unit price is reported within 'Change in Market Value'.

Investments

Securities
Bonds are stated at their clean prices and accrued income is accounted for within investment income. Pooled investment vehicles are valued at the bid price or single price where there are no bid/offer spreads as provided by the investment manager. The fees and costs of acquiring and disposing of investments are included in their purchase and sale price. Infrastructure and private equity funds are valued by the fund managers or their third party agents, where the underlying investments held within those funds are valued at their fair value. Where valuations from third parties are not available at the year end, the Trustee has established fair value by reference to recent arm's length transactions or other investments that are substantially the same.

Change in market value of investments includes realised gains, unrealised gains and changes in the sterling value of assets (including cash) caused by exchange rates.

Repurchase and reverse repurchase agreements
Securities sold subject to repurchase agreements are included in the financial statements as assets of the Scheme at their year-end market value. The cash received is recognised as an asset of the Scheme and the obligation to pay it back is recognised as a payable amount and it is included under repurchase agreements in other investment liabilities.

4. Accounting policies ***(continued)***

The Scheme does not recognise as assets of the Scheme the securities received as collateral when it enters into reverse repurchase agreements. The Scheme does however recognise the cash delivered to the counterparty as receivable in these financial statements and it is included under reverse repurchase agreements in other investment assets.

Derivatives
Derivatives are stated at fair value.

Exchange traded derivatives are stated at fair value determined using market quoted prices. For exchange traded derivative contracts which are assets, fair value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, fair value is based on quoted offer prices.

OTC derivatives are stated at fair value using pricing models and relevant market data as at the year-end date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Investments are included at fair value, however because of the inherent uncertainty associated with the valuation of some of these investments due to the absence of a liquid market, these fair values may differ from their realisable value.

Annuity insurance policies
Annuity insurance policies with Standard Life Assurance Limited for 38 members (2021: 44 members) were valued by the actuary at the year-end using the same actuarial assumptions adopted for on-going purposes in the triennial valuation of the Scheme. The annuity income is used to pay pensions of these members.

The valuation of the bulk annuity insurance policy with Phoenix Life Limited, which covers 3,906 members, is based on the actuarial assumptions adopted for the ongoing purposes in the 31 March 2021 triennial valuation of the Scheme with the exception of the discount rate. The discount rate used was the discount rate of the gilt yield curve as at 31 March 2022 to reflect the risk-free nature of the insurance policy. The membership data used in the valuation is as at 31 March 2021.

AVCs
AVC investments are included at the values provided by the AVC providers.

Foreign currency conversion

Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

5. Contributions

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Employer contributions			
Normal	–	9,331	**9,331**
Deficit funding	5,000	–	**5,000**
For expenses	2,382	–	**2,382**
	7,382	9,331	**16,713**

		2021	
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Employer contributions			
Normal	–	9,940	*9,940*
Deficit funding	5,000	–	*5,000*
For expenses	2,319	–	*2,319*
	7,319	9,940	*17,259*

With effect from 1 February 2008 employee contributions are included with Employers contributions via a salary sacrifice scheme.

The Employer has paid the above contributions to the DB Section towards the deficit and costs of administration.

The deficit contributions of £416,667 per month are receivable to 31 March 2028 in accordance with the Schedule of Contributions certified by the actuary on 1 June 2022.

6. Transfers in

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Individual transfers in from other schemes	–	38	**38**

		2021	
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Individual transfers in from other schemes	–	457	*457*

7. Other income

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Claims on insurance policies	672	–	**672**
Other income	–	–	**–**
	672	–	**672**

7. Other income *(continued)*

	2021		
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Claims on insurance policies	–	–	*–*
Other income	7	–	*7*
	7	–	*7*

8. Benefits

	2022		
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Pensions	36,914	–	**36,914**
Commutations and retirement lump sums	3,588	235	**3,823**
Purchase of annuities	13	–	**13**
Lump sum death benefits	857	215	**1,072**
	41,372	450	**41,822**

	2021		
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Pensions	36,538	–	*36,538*
Commutations and retirement lump sums	4,094	518	*4,612*
Purchase of annuities	7	42	*49*
Lump sum death benefits	128	36	*164*
	40,767	596	*41,363*

9. Payments to and on account of leavers

	2022		
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Individual transfers out	12,566	8,868	**21,434**

	2021		
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Individual transfers out	12,482	9,431	*21,913*

10. Administrative expenses

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Administration fees	417	–	**417**
Legal and other fees	926	–	**926**
Actuarial and consultancy fees	1,178	–	**1,178**
Audit fee	85	–	**85**
	2,606	–	**2,606**

		2021	
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Administration fees	423	–	*423*
Legal and other fees	1,156	–	*1,156*
Actuarial and consultancy fees	1,320	–	*1,320*
Audit fee	72	–	*72*
	2,971	–	*2,971*

11. Other payments

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Other payments	–	–	**–**

		2021	
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Other payments	–	450	*450*

The other payment of £450,000 during the year ended 31 March 2021 was from the Scheme's unallocated investments held by Aviva Life & Pensions UK Limited to the Principal Employer.

12. Investment income

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Net rents from properties	123	–	**123**
Income from bonds	39,509	–	**39,509**
Income from pooled investment vehicles	210	–	**210**
Interest paid on repurchase transactions	(1,146)	–	**(1,146)**
Interest/(charges) on cash deposits	(36)	–	**(36)**
	38,660	–	**38,660**

12. Investment income *(continued)*

		2021	
	DB Section £000	DC Section £000	*Total £000*
Net rents from properties	–	–	*–*
Income from bonds	28,013	–	*28,013*
Income from pooled investment vehicles	190	–	*190*
Interest paid on repurchase transactions	(1,882)	–	*(1,882)*
Interest/(charges) on cash deposits	23	–	*23*
	26,344	–	*26,344*

Annuity income is reflected through investments.

Swap income is included in change in market value in Note 13.

13. Investments

DB Section

	Value at 1 April 2021 £000	**Purchases at cost and derivative payments** £000	**Sales proceeds and derivative receipts** £000	**Change in market value** £000	**Value at 31 March 2022** **£000**
Bonds	1,183,794	1,255,841	(1,149,711)	(45,891)	**1,244,033**
Pooled investment vehicles	179,775	424,912	(421,897)	4,130	**186,920**
Derivatives	28,540	2,468,957	(2,482,664)	(4,012)	**10,821**
Insurance policies	720,118	–	(33,132)	(35,830)	**651,156**
AVC investments	117	–	(10)	5	**112**
	2,112,344	4,149,710	(4,087,414)	(81,598)	**2,093,042**
Cash and cash equivalents	(4,390)			2,371	**(2,976)**
Other investment balances	(450,706)			(4)	**(524,565)**
	1,657,248			(79,231)	**1,565,501**

DC Section

	Value at 1 April 2021 £000	**Purchases at cost** £000	**Sales proceeds** £000	**Change in market value** £000	**Value at 31 March 2022** **£000**
Pooled investment vehicles	228,404	8,649	(10,247)	23,256	**250,062**

The DB section purchases and sales include £175m transferred to Hermes in May 2021. This was funded from Columbia Threadneedle and BlackRock. Additionally, in August 2021 £325m was dis-invested from Columbia Threadneedle. £275m was invested with Insight and £49m transferred to BlackRock.

13. Investments *(continued)*

Transaction costs

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

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.

14. Investment management expenses

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Administration, management and custody fees	1,637	865	**2,502**

		2021	
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Administration, management and custody fees	852	722	*1,574*

The DB Section fees for the year ended 31 March 2022 include investment manager and custodian fees of £2,083,000 (2021: £1,485,000) less OEIC fee rebates of £446,000 (2021: £633,000).

15. Taxation

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

16. Transfers between sections

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Transfers between sections	57	(57)	**–**

		2021	
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Transfers between sections	279	(279)	–

The transfers between sections for the year ended 31 March 2022 include £57,000 (2021: £279,000) which relate to DB Section members who have investments in the DC Section which are being used to pay lump sums on retirement or transfers out from the DB Section.

17. Pooled investment vehicles

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

		2022	
	DB Section	DC Section	**Total**
	£000	£000	**£000**
Equities	–	208,306	**208,306**
Bonds	–	64	**64**
Diversified growth	33,076	2,255	**35,331**
Property	29	719	**748**
Cash	71,818	962	**72,780**
Venture capital trusts	2,543	–	**2,543**
Infrastructure fund	28,354	–	**28,354**
Multi asset	51,100	37,756	**88,856**
	186,920	250,062	**436,982**

		2021	
	DB Section	DC Section	*Total*
	£000	£000	*£000*
Equities	–	191,648	*191,648*
Bonds	–	70	*70*
Diversified growth	10,973	2,711	*13,684*
Property	2,078	616	*2,694*
Cash	25,403	1,506	*26,909*
Venture capital trusts	3,162	–	*3,162*
Infrastructure fund	32,175	–	*32,175*
Multi asset	105,984	31,853	*137,837*
	179,775	228,404	*408,179*

The DB Section multi asset fund invests in bonds, equities, property, commodity funds, derivatives and cash.

The DB Section diversified growth fund invests in equities, infrastructure funds, asset-backed securities, emerging market bonds, special opportunities funds, property funds, private equity and cash.

The DC Section Multi asset funds are the Aviva My Approaching Retirement Fund, the Aviva My Balanced Growth Fund and the Aviva My Lump Sum Targeting Fund. The Aviva My Approaching Retirement Fund invests in fixed interest, derivatives, high yield bonds, reinsured funds and emerging markets. The Aviva My Balanced Growth Fund invests in fixed interest, derivatives, high yield bonds, reinsured funds and emerging markets. The Aviva My Lump Sum Targeting Fund invests in fixed interest, derivatives and cash/money market funds.

The DC Section diversified growth funds are the Aviva My Diversified Growth XE Fund and the Aviva My Diversified Growth (Active) XE Fund. The Aviva My Diversified Growth XE Fund invests in bonds, equities, property, commodities and the shares of infrastructure companies. The Aviva My Diversified Growth (Active) XE Fund invests in bonds, equities, transferable securities, derivatives, cash, deposits, collective investment schemes, warrants and money market instruments.

18. Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme. At the year-end the Scheme had the following derivatives:

	DB Section £000	2022 DC Section £000	Total £000
Derivative assets			
Futures	1,051	–	**1,051**
Options	1,462	–	**1,462**
Swaps	37,553	–	**37,553**
Forward FX contracts	2,068	–	**2,068**
	42,134	–	**42,134**
Derivative liabilities			
Futures	(725)	–	**(725)**
Options	(35)	–	**(35)**
Swaps	(22,151)	–	**(22,151)**
Forward FX contracts	(8,402)	–	**(8,402)**
	(31,313)	–	**(31,313)**
	10,821	–	**10,821**

	DB Section £000	*2021* DC Section £000	*Total £000*
Derivative assets			
Futures	855	–	*855*
Options	1,053	–	*1,053*
Swaps	42,628	–	*42,628*
Forward FX contracts	102	–	*102*
	44,638	–	*44,638*
Derivative liabilities			
Futures	(1,096)	–	*(1,096)*
Options	–	–	–
Swaps	(13,599)	–	*(13,599)*
Forward FX contracts	(1,403)	–	*(1,403)*
	(16,098)	–	*(16,098)*
	28,540	–	*28,540*

18. Derivatives ***(continued)***

Objectives and policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme. The main objectives for the use of derivatives are to facilitate efficient portfolio management and/or for risk management purposes. Futures, options, swaps and forward contracts are all permitted for these purposes. The investment guidelines for each manager has appropriate restrictions regarding the use of derivatives.

Futures

The Scheme had outstanding exchange traded futures at the year-end as follows:

DB Section

Nature	No. of contracts	Economic exposure £000	Expires	Asset value £000	Liability value £000
EUX EURO-BUND Future	1	33	June 2022	259	–
CBT US 10Yr Note Future	1	127	June 2022	384	–
CBT ULT Bonds	1	7	June 2022	43	–
Australia 10Yr Bond Future	1	42	June 2022	–	(28)
Canada 10 Yr Bond Future	1	66	June 2022	53	–
EURO-SCHATZ Bond Future	1	503	June 2022	–	(300)
EURO BOBL Future	1	48	June 2022	–	(10)
EURO BUND Future	1	16	June 2022	–	(30)
EURO BUXL 30YR Bond Future	1	23	June 2022	–	(187)
Japan 10YR BOND Future	1	1	June 2022	–	(57)
UK Long Gilt Future	1	20	June 2022	–	(32)
US 5YR Note Future	1	34	June 2022	–	(3)
US 2YR Note Future	1	89	June 2022	281	–
US 10YR Note Future	1	49	June 2022	–	(78)
US Long Bond Future	1	40	June 2022	20	–
US 10YR Ultra Future	1	113	June 2022	5	–
US Ultra Treasury Bond Future	1	4	June 2022	6	–
Total 2022		1,215		1,051	(725)
Total 2021		513		855	(1,096)

18. Derivatives ***(continued)***

Options

The Scheme had outstanding options at the year-end as follows:

DB Section

Nature	No. of contracts	Notional principal £000	Expires	Asset value £000	Liability value £000
European volatility index	1	674	Jul 2022	75	–
European volatility index	1	674	Mar 2023	885	–
European volatility index	1	674	Nov 2022	372	–
European CDS index	1	15,000	May 2022	55	–
European CDS index	1	7,000	May 2022	–	(16)
European CDS index	1	12,000	May 2022	44	–
European CDS index	1	8,000	May 2022	–	(19)
US CDS index	1	10,000	April 2022	5	–
US CDS index	1	10,000	May 2022	13	–
US CDS index	1	10,000	May 2022	13	–
Total 2022		74,022		1,462	(35)
Total 2021		2,022		1,053	–

Swaps

The Scheme had derivative swap contracts outstanding at the year-end relating to its fixed interest investment portfolio. These contracts are traded over the counter (OTC). The details are:

DB Section

Nature	No. of contracts	Notional amounts £000	Expires	Asset _value £000	Liability value £000
Interest rate swaps	64	508,436	2022-2070	16,161	(12,175)
Inflation rate swaps	5	65,093	2024-2035	9,667	(2,288)
Total return swaps	4	21,947	To Mar 2023	6,250	(2,988)
Credit Default swaps	71	262,277	2024-2031	5,475	(4,700)
Total 2022		857,753		37,553	(22,151)
Total 2021		546,589		42,628	(13,599)

The Scheme held collateral of £11,206,000 and pledged collateral of £35,553,000 in the form of UK gilts, UK index-linked gilts and cash at the 31 March 2022 (2021: held £44,104,000 and pledged £54,662,000).

18. Derivatives *(continued)*

Forward foreign exchange

The Scheme had open forward foreign exchange contracts at the year-end as follows:

DB Section

Contract	No. of contracts	Currency bought '000	Currency sold '000	Asset value £000	Liability value £000
Apr-Jun 2022	10	EUR 12,395	GBP 10,417	79	–
Apr- May 2022	6	EUR 6,743	USD 7,484	47	(30)
Apr-Jun 2022	19	GBP 155,635	EUR 184,944	3	(935)
Apr-Jun 2022	26	GBP 270,589	USD 362,836	573	(5,624)
Apr 2022	4	NOK 9,572	NZD 1,596	34	(46)
Apr 2022	1	NZD 803	NOK 4,826	26	(21)
Apr 2022	5	USD 5,113	EUR 4,623	5	(30)
Apr-Jun 2022	13	USD 113,841	GBP 86,462	457	(448)
Apr-May 2022	27	GBP 13,561	Others 348,927	37	(584)
Apr-May 2022	43	USD 14,450	Others 5,452,501	97	(334)
Apr 2022	1	EUR 786	Others 1,252	10	(7)
Apr 2022	4	Others 6,377	EUR 1,931	24	(27)
Apr-May 2022	10	Others 6,550	GBP 775	37	(1)
Apr-May 2022	50	Others 5,825,858	USD 31,747	639	(315)
Total 2022				2,068	(8,402)
Total 2021				102	(1,403)

19. Insurance policies

	2022 DB Section £000	DC Section £000	**Total £000**
Annuities	651,156	–	**651,156**

	2021 DB Section £000	DC Section £000	*Total £000*
Annuities	720,118	–	*720,118*

On 29 May 2020, the longevity insurance agreement was converted to a bulk annuity insurance policy with Phoenix Life Limited providing benefit payments to the Scheme for the same members who were covered by the longevity insurance agreement. The insurance contract provided benefit payments to the Scheme in respect of all deferred pensioners age 55 and over at 31 December 2011 together with benefit payments in respect of all covered pensioners at the same date together with contingent benefits (but excluding children).

The bulk annuity insurance policy with Phoenix Life Limited was valued by Hymans Robertson LLP using a GILTs based discount rate at £649,300,000 at 31 March 2022 (2021: £717,900,000) as disclosed in the accounting policies (see Note 4).

20. AVC investments

		2022	
	DB Section £000	DC Section £000	**Total £000**
Utmost Life and Pensions Limited	104	–	**104**
Standard Life Assurance Limited	8	–	**8**
	112	–	**112**

		2021	
	DB Section £000	DC Section £000	*Total £000*
Utmost Life and Pensions Limited	109	–	*109*
Standard Life Assurance Limited	8	–	*8*
	117	–	*117*

The Trustee holds assets invested separately from the main fund in the form of insurance policies, which secure additional benefits on a money purchase basis for those Members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amounts held on their behalf and the movements in the year. The aggregate amounts of AVC investments are shown above.

In addition, there are AVCs of £2,867,000 (2021: £2,974,000) held within the core DB Section investments, and 29 DB Section Members (2021: 32 Members) have AVC investments in the DC Section investments managed by Aviva.

21. Cash and cash equivalents

		2022	
	DB Section £000	DC Section £000	**Total £000**
Cash assets			
Sterling	8,230	–	**8,230**
Foreign currency	4,006	–	**4,006**
	12,236	–	**12,236**
Cash liabilities			
Sterling	(3,071)	–	**(3,071)**
Foreign currency	(12,141)	–	**(12,141)**
	(15,212)	–	**(15,212)**
	(2,976)	–	**(2,976)**

21. Cash and cash equivalents ***(continued)***

	2021 DB Section £000	DC Section £000	*Total £000*
Cash assets			
Sterling	4,197	–	*4,197*
Foreign currency	8,434	–	*8,434*
	12,631	–	*12,631*
Cash liabilities			
Sterling	(6,679)	–	*(6,679)*
Foreign currency	(10,342)	–	*(10,342)*
	(17,021)	–	*(17,021)*
	(4,390)	–	*(4,390)*

22. Other investment balances

	2022 DB Section £000	DC Section £000	**Total £000**
Other investment balances assets			
Tax recoverable	250	–	**250**
Accrued income	4,293	–	**4,293**
Securities under reverse repurchase agreements	–	–	**–**
Outstanding trade sales	5,993	–	**5,993**
	10,536	–	**10,536**
Other investment balances liabilities			
Securities under repurchase agreements	(521,362)	–	**(521,362)**
Outstanding trade purchases	(13,739)	–	**(13,739)**
	(535,101)	–	**(535,101)**
	(524,565)	–	**(524,565)**

22. Other investment balances ***(continued)***

	DB Section	*2021* DC Section	*Total*
	£000	£000	*£000*
Other investment balances assets			
Tax recoverable	181	–	*181*
Accrued income	4,846	–	*4,846*
Securities under reverse repurchase agreements	98,235	–	*98,235*
Outstanding trade sales	651	–	*651*
	103,913	–	*103,913*
Other investment balances liabilities			
Securities under repurchase agreements	(536,082)	–	*(536,082)*
Outstanding trade purchases	(18,537)	–	*(18,537)*
	(554,619)	–	*(554,619)*
	(450,706)	–	*(450,706)*

Securities under repurchase agreements

Since March 2015 as part of its change in investment portfolio and the introduction of an LDI portfolio the Scheme has entered into repurchase agreements using its UK government conventional and index linked gilts as the underlying security. The Scheme retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date. Cash received from counterparties in respect of the securities that have been sold has been used by the Scheme to increase its bond portfolio.

The securities are included in the financial statements as assets of the Scheme at their market value. At 31 March 2022 the market value of securities sold under repurchase agreements was £507.7m (31 March 2021: £399.6m).

Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Scheme's financial statements under investment liabilities. At 31 March 2022 this amounted to £521.4m (31 March 2021: £536.1m).

In the prior year the Scheme has also entered into reverse repurchase agreements. Amounts receivable from counterparties under reverse repurchase agreements are disclosed as assets in the Scheme's financial statements under investment assets. At 31 March 2022 this amounted to £Nil (31 March 2021: £98.2).

23. Defined contribution assets

Defined contribution section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf the contributions are paid.

Defined contribution investment assets are allocated as follows:

	2022 £000	2021 £000
Allocated to Members	**249,794**	*228,135*
Trustee's unallocated account	**268**	*269*
	250,062	*228,404*

24. Fair value determination

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

- Level 1 – the unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	At 31 March 2022			
	Level 1 £000	Level 2 £000	Level 3 £000	**Total £000**
DB Section				
Bonds	953,675	290,358	–	**1,244,033**
Pooled investment vehicles	–	158,536	28,384	**186,920**
Derivatives	326	10,495	–	**10,821**
Insurance policies	–	–	651,156	**651,156**
AVC investments	–	104	8	**112**
Cash and cash equivalents	(2,976)	–	–	**(2,976)**
Other investment balances	(3,203)	(521,362)	–	**(524,565)**
	947,822	(61,869)	679,548	**1,565,501**
DC Section				
Pooled investment vehicles	–	250,062	–	**250,062**
	947,822	188,193	679,548	**1,815,563**

24. Fair value determination ***(continued)***

	At 31 March 2021			
	Level 1	Level 2	Level 3	*Total*
	£000	£000	£000	*£000*
DB Section				
Bonds	896,232	287,562	–	*1,183,794*
Pooled investment vehicles	–	145,522	34,253	*179,775*
Derivatives	(241)	28,781	–	*28,540*
Insurance policies	–	–	720,118	*720,118*
AVC investments	–	109	8	*117*
Cash and cash equivalents	(4,390)	–	–	*(4,390)*
Other investment balances	(12,859)	(437,847)	–	*(450,706)*
	878,742	24,127	754,379	*1,657,248*
DC Section				
Pooled investment vehicles	–	228,404	–	*228,404*
	878,742	252,531	754,379	*1,885,652*

25. Investment risk disclosures

Investment risks

FRS 102 requires disclosure of information on certain investment risks to which the Scheme is exposed. These are:

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

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

The Trustee determines their investment strategy after taking advice from the investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

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

25. Investment risk disclosures *(continued)*

DB Section

Investment strategy

The investment objective of the Defined Benefit Section ("DB Section") is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB section payable under the trust deed and rules as they fall due. This is combined with an objective of achieving returns in excess of the growth of liabilities.

The Trustee sets the investment strategy for the DB Section taking into account considerations such as the strength of the employer covenant, the long term liabilities of the DB Section and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

Further information on the DB Section investment strategy can be found in the Trustee's Report under 'Investment objectives and strategy'.

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

Type	Direct credit risk	Indirect credit risk	**Market risk** Currency risk	Interest rate risk	Other price risk	2022 £'000	2021 £'000
Bonds	●	○	●	●	○	1,244,033	1,183,794
Pooled investment vehicles							
Diversified growth funds	●	◉	◉	◉	◉	33,076	10,973
Property funds	○	○	○	○	●	29	2,078
Cash funds	○	●	○	●	○	71,818	25,403
Venture capital trusts	●	◉	◉	○	◉	2,543	3,162
Infrastructure funds	○	○	○	◉	●	28,354	32,175
Multi asset funds	●	◉	◉	◉	◉	51,100	105,984
Derivatives							
Futures	○	○	●	●	●	326	(241)
OTC Options	○	○	●	○	●	1,427	1,053
OTC Swaps	○	○	●	◉	●	15,402	29,029
OTC Forward FX contracts	○	○	●	○	○	(6,334)	(1,301)
Phoenix Life bulk annuity insurance policy	○	●	○	●	●	649,300	717,900
Cash deposits	○	○	○	○	○	(2,976)	(4,390)
Other investment balances	○	○	○	◉	○	(524,565)	(450,706)
Total						1,563,533	1,654,913

In the above table, the risk noted affects the asset class (●) significantly, (◉) partially or (○) hardly/ not at all and relate to both the current and preceding year end. Please note that the Phoenix Life bulk annuity insurance policy risk sits with the insurer.

25. Investment risk disclosures ***(continued)***

(i) Credit risk

The DB Section is subject to direct credit risk as there is direct investments in bonds, derivatives (over the counter options, swaps and forward FX contracts), the annuity policy and cash deposits and other investment balances.

Over the counter derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. This is mitigated by daily collateralisation, by diversifying exposure across a number of counterparties and by the manager's ongoing assessment of the creditworthiness of each counterparty. Further details are provided in Note 18.

Credit risk on other investment balances (repurchase agreements) is mitigated through the use of a range of collateral arrangements as disclosed in Note 22.

Prior to the purchase of the annuity policy with Phoenix Life a due diligence exercise was undertaken to mitigate credit risk.

Cash is held within financial institutions which are at least investment grade credit rated.

Pooled funds are generally unrated due to the nature of the investment. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager and the regulatory environments in which the pooled managers operate. The Trustee or their advisers carry out due diligence checks prior to the appointment of new pooled investment managers and monitor any changes to the operating environment of the pooled manager.

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

	2022	2021
	£000	£000
Open-Ended Investment Company (OEIC)	51,100	105,984
UCITS Mutual Fund	71,818	25,403
Limited Partnerships	30,926	37,415
Unit Trust	33,076	10,973
Total	186,920	179,775

The Scheme is also subject to indirect credit risk in relation to underlying investments held in the OEIC (Multi Asset Fund), UCITS Mutual Fund (Cash Funds), Limited Partnerships (which includes the Venture Capital Trust, Property Fund and the Infrastructure Fund), and Unit Trusts (Diversified Growth Fund) as shown in the table above, although the proportion subject to credit risk will depend on the investment held at the time. The investment managers will consider the risk and expected reward when determining which investments to invest in. This was the case at the current and preceding year end.

25. Investment risk disclosures ***(continued)***

(ii) Currency risk

The Scheme is subject to direct currency risk on the Bonds, Futures and OTC options. The Scheme is also subject to currency risk indirectly because a proportion of the multi asset funds underlying investments are held in overseas markets although the proportion is dependent on the investments held at the time. The currency risk arising from the Scheme's USD and EUR Corporate Bonds with Insight are fully hedged by the currency hedging mandate with BlackRock (the currency hedging mandate is held with a different manager to improve collateral efficiency as BlackRock holds the majority of the Scheme's other derivatives). Columbia Threadneedle are responsible for managing currency risk in the multi asset fund through the Scheme's pooled fund arrangement. Hermes also manages the currency risk within the Absolute Return Credit fund.

(iii) Interest rate risk

The Scheme is subject to interest rate risk because some of its investments are held in bonds, OTC swaps and other investment balances which consists of repurchase agreements. These investments are used to hedge interest rate risk arising from the Scheme's liabilities. Under this strategy, if interest rates fall, the value of liability driven investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the liability driven investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The Scheme's cash and bonds and a proportion of the multi asset and diversified growth funds as detailed in the table above are also subject to interest rate risk although this will vary depending on the investments held at the time. The interest rate exposure is taken by the investment manager as part of their investment strategies to add value and manage risk.

The Phoenix Life bulk annuity insurance policy is also sensitive to interest rates due to the value of the annuity policy depending on the present value of the insured cash flows.

(iv) Other price risk

Other price risk arises from the Scheme's property, equity and infrastructure funds, as well as a proportion of the diversified growth fund, although this will vary depending on the investments held at the time. The managers manage this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and this was the case at the current and preceding year end.

The Scheme obtains equity exposure via a volatility-controlled approach. The strategy has a 10% volatility target, and the amount of equity exposure is adjusted to achieve this target. In less volatile markets, the equity holding is increased and in more volatile markets, the equity exposure is reduced. This strategy is implemented with OTC options and a total return swap as detailed in Note 18 which provide downside protection against a sudden fall in equity markets. During the year, the Scheme reduced their exposure to this strategy by half by deciding not to roll one of the contracts and terminate two other contracts.

The Phoenix Life bulk annuity insurance policy is also exposed to other price risk due to the value of the annuity policy being sensitive to inflation risk.

(v) Longevity risk

The Scheme transacted a buy-in with Phoenix Life Limited in June 2020 in order to manage a proportion of the Scheme's longevity risk.

25. Investment risk disclosures ***(continued)***

DC Section

Investment strategy

The Trustee's objective is to make available to members of the Defined Contribution Section ("DC Section") an appropriate range of investment options designed to generate income and capital growth in order to provide a retirement amount with which the member can buy a pension when they retire (annuity), take their pension as a cash lump sum, leave it invested and take it out over time (drawdown) or do a combination of all three. Further details are provided in the Trustee's Report under 'Investment Objectives and Strategy".

The day to day management of the underlying investments of the funds is the responsibility of the investment managers, including the direct management of credit and market risks.

The Trustee monitors the underlying risks by regular investment reviews of performance.

The risks disclosed relate to the DC Section's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustee, and therefore, may face a different profile of risks from their individual choices compared with the DC Section as a whole.
The following table summarises the extent to which various classes of investments are affected by financial risks:

Type	Indirect Credit risk	**Market risk** Currency risk	Interest rate risk	Other price risk	2022 £'000	2021 £'000
Pooled investment vehicles						
My Global Shares Fund	○	◉	○	●	206,518	190,421
My UK Shares Fund	○	○	○	●	1,058	847
My Diversified Growth Fund	◉	◉	◉	◉	1,556	1,915
My Diversified Growth (Active) Fund	◉	◉	◉	◉	699	796
My Property Fund	○	○	○	●	719	616
My Pre-retirement (Annuity focused) Fund	◉	○	●	◉	64	70
My Cash fund	◉	○	○	○	962	1,506
My Approaching Retirement Fund	◉	◉	◉	◉	2,818	2,212
My Balanced Growth Fund	◉	◉	◉	◉	32,495	27,604
My Emerging Market Equity Fund	○	●	○	●	282	165
My Ethical Global Equity Fund	○	●	○	●	319	141
My Islamic Global Equity Fund	○	●	○	●	129	74
My Lump Sum Targeting Fund	●	◉	◉	●	2,443	2,037
Total					250,062	228,404

In the above table, the risk noted affects the asset class (●) significantly, (◉) partially or (○) hardly/ not at all and relate to both the current and preceding year end.

25. Investment risk disclosures ***(continued)***

Direct credit risk

All DC Section investments held in Aviva's insured funds are subject to a direct credit risk in relation to Aviva. This is because Aviva provide the funds via a life insurance policy and so members hold units in an Aviva Life Fund, which itself holds units in the underlying fund. As such, there is direct credit risk with Aviva. However, members would have Financial Services Compensation Scheme protection for up to 100% of assets lost in the event Aviva became insolvent.

Aviva is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of Aviva on a regular basis. Aviva invests all the Scheme's funds in its own investment unit linked funds and it does not use other investment funds or reinsurance arrangements. In the event of default by Aviva the members may be entitled to limited compensation from the Financial Services Compensation Scheme.

Indirect credit and market risk

The DC Section is also subject to indirect credit and market risk arising from the underlying investments held in the unit linked funds as detailed in the table above. Member level risk exposures will be dependent on the funds invested by members. The Scheme manages these exposures by regularly monitoring the performance of the funds and allowing individual a diverse choice of investments across various markets.

26. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Scheme:

	2022		*2021*	
	£000	**%**	*£000*	*%*
Phoenix Life Limited bulk annuity insurance policy	**649,300**	**35.7**	*717,900*	*38.0*
Aviva My LV= Pension Plan				
Global Shares Fund XE	**206,518**	**11.4**	*190,421*	*10.1*
UK I/L Gilt 0.125 22/3/2068	**116,803**	**6.4**	*110,671*	*5.9*
UK Conventional Gilt 2.50 22/07/2065	**n/a**	**n/a**	*113,469*	*6.0*
Threadneedle Oppor Invest Dynamic Real Fund Acc	**n/a**	**n/a**	*105,984*	*5.6*
UK Conventional Gilt 3.50 22/07/2068	**n/a**	**n/a**	*95,806*	*5.1*
UK Conventional Gilt 3.75 22/07/2052	**n/a**	**n/a**	*94,083*	*5.0*

Items marked with n/a had holdings of less than 5%.

27. Employer related investments

There were no employer related investments held during the year or at the year end.

28. Current assets

	DB Section £000	2022 DC Section £000	**Total £000**
Contributions due in respect of:			
Employers	615	727	**1,342**
Other debtors and prepayments	343	–	**343**
Cash balances	5,910	–	**5,910**
	6,868	727	**7,595**

	DB Section £000	*2021* DC Section £000	*Total £000*
Contributions due in respect of:			
Employers	610	–	*610*
Other debtors and prepayments	345	–	*345*
Cash balances	4,957	–	*4,957*
	5,912	–	*5,912*

The contributions due at the year-end have been paid to the Scheme subsequent to the year end in accordance with the Schedule of Contributions.

The DC Section current assets at 31 March 2022 were allocated to members.

29. Current liabilities

	DB Section £000	2022 DC Section £000	**Total £000**
Unpaid benefits	307	–	**307**
Other creditors and accruals	3,878	–	**3,878**
	4,185	–	**4,185**

	DB Section £000	*2021* DC Section £000	*Total £000*
Unpaid benefits	179	–	*179*
Other creditors and accruals	4,156	–	*4,156*
	4,335	–	*4,335*

30. Related party transactions

The Scheme has received contributions and paid benefits in respect of certain Directors who are Members of the Scheme.

Administrative expenses for the year ended 31 March 2022 of £193,000 (2021: £159,000) were charged by the Principal Employer.

As at 31 March 2022 the Scheme owed £8,300 (2021: £8,300) to the Principal Employer in respect of its administrative expenses.

The Principal Employer paid the PPF levies of £77,448 (2021: £66,468) and the group life assurance premium of £254,845 (2021: £272,313) for the year ended 31 March 2022.

BESTrustees Limited, the independent Director represented by H Evans and K Theobald was paid £47,422 for its services during the year (2021: £54,973). As at 31 March 2022 the Scheme owed £14,637 (2021: £13,985) in respect of these fees. The other Directors nominated by the employer, Members and pensioners do not receive any remuneration for performing their duties.

All of the above transactions were made in accordance with the Scheme Rules.

31. Contingent liabilities and contractual commitments

Approved future capital expenditure and commitments for which no provision has been made in the accounts are as follows:

	2022	*2021*
	£000	*£000*
Venture capital trusts commitments	**235**	*902*
Equitix infrastructure fund commitment	**18**	*216*
	253	*1,118*

In the opinion of the Trustee the Scheme had no contingent liabilities or contractual commitments as at 31 March 2022 (31 March 2021 - Nil).

32. GMP equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that benefits should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits which were earned by men and women between May 1990 and April 1997. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. A ruling on 20 November 2020 confirmed that all previous transfers out dating back to 1990 will need to be revisited to assess whether a GMP equalisation uplift is required. The Trustee is now reviewing, with its advisers, the implication of this ruling on the Scheme in the context of the rules of the Scheme and the value of any liability. The estimated total past costs only relating to both rulings is estimated to be £0.6m on an accounting basis.

LV= Employee Pension Scheme

DC Governance statement, covering the period from 1 April 2021 to 31 March 2022

1. Introduction

The Trustee of the LV= Employee Pension Scheme (DC Section) (the "Scheme") welcomes this opportunity to explain to members what it does to ensure that the Scheme operates as effectively as possible. The key points that the Trustee would like members reading this Statement to take away are as follows:

- The Trustee regularly monitors the Scheme's fund range and is satisfied that the defaults and other investment options remain suitable for the membership;
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the period 1 April 2021 to 31 March 2022 (the "Scheme year"). The Trustee is satisfied with the administrator's performance over this period;
- Fees can have a material impact on the value of your pension savings. That impact increases over time because money used to pay fees is not then available to earn future investment returns;
- Fees for the Scheme's investment options are set out in this Statement. The Trustee remains comfortable that these fees are reasonable, given the circumstances of the Scheme, and represent good value for the benefits members obtain; and
- Net returns of the Scheme's investment options are also set out in this Statement. The Trustee is comfortable that returns have been in line with expectations over the periods shown.

If you have any questions or comments about anything in this Statement, please contact mypension@lv.com in the first instance.

2. Default arrangements

The Scheme is used as a Qualifying Scheme for automatic enrolment purposes.

The Trustee offers a range of investment options in the Scheme for members. Members who join the Scheme and who do not choose an investment option are placed into the default investment arrangement. For the period covered by this Statement, this is the Universal Lifetime Strategy (the "Default Lifetime"). It is considered by the Trustee to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meet the Trustee's views of the needs and circumstances of the majority of the membership.

The Trustee recognises that most members do not make active investment decisions and instead invest in the Default Lifetime. After taking advice, the Trustee decided to make the Default Lifetime a 'lifestyle' strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

The Scheme's My Cash Fund also satisfies the criteria that define a default option. This is because the Trustee decided to redirect contributions originally intended for investment in the My Property Fund into the My Cash Fund while the My Property Fund was suspended from March 2020 until September 2020. This situation arose because it was not possible to source reliable property valuations during the Covid 19 pandemic. Because the members' contributions were redirected without their involvement and some remain invested, the My Cash Fund also has to be treated as an additional default for the Scheme for the purpose of fulfilling legislative requirements.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the Trustee's objectives and policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The elements of that SIP that cover these defaults are attached as an appendix to this document. Three times a year the Trustee's DC

Sub-committee checks that the risk and return of the defaults, and their underlying funds, are as expected, using performance monitoring reports produced by its advisers. There is a formal review of the performance and the strategy at least every three years and following any significant change in investment policy or the Scheme's member profile.

The Trustee reviewed the Default Lifetime strategy outside of the period covered by this Statement on 4 March 2021, with the help of the Scheme's investment adviser. This process included a review of the demographics of the Scheme's membership (using their projected pot sizes to understand how members are likely to access their benefits) and a review of the performance. The Trustee concluded that performance had been broadly in line with the stated aims and objectives as expected and that the design of the Default Lifetime remains appropriate, given the Scheme's risk profiles and membership.

The Trustee decided to make a change to one of the underlying funds used within the 'My Global Shares Fund' and the 'My Balanced Fund', which are both used in the Default Lifetime and alternative lifetime strategies.

The next formal review of the Default Lifetime strategy is scheduled before 4 March 2024 or, as stated above, immediately following any significant change in investment policy or the Scheme's member profile.

The My Cash Fund became a default and the fund was confirmed as suitable for contributions to be diverted into it in April 2020. The Trustee was also comfortable that the design of the My Cash Fund was appropriate, given the Scheme's risk profiles and membership. The next review is scheduled to take place before April 2023.

The Trustee reviewed the self-select fund range and decided to change one of the funds used as part of the self-select fund range.

The Trustee is currently considering when to implement the agreed changes.

3. Requirements for processing core financial transactions

Aviva administers the Scheme's DC pension arrangements for the Trustee and is responsible for processing core financial transactions, such as the investment of contributions, processing transfers in and out of the Scheme, transferring assets between different investments within the Scheme, and payments to members and beneficiaries.

The Trustee recognises that administrative delays and errors can cause significant issues for members, which in turn might cause members to lose faith in the Scheme thus reducing their propensity to save and impairing future retirement outcomes. Aviva has provided the Trustee with its AAF 01/06 report and this report satisfied the Trustee that Aviva has adequate internal controls to ensure that core financial transactions for the Scheme are processed promptly and accurately.

The Scheme has a service level agreement ("SLA") in place with Aviva that defines the standard of accuracy and timeliness of all core financial transactions agreed with the Trustee.

The SLA sets out the Trustee's expectations for the promptness and accuracy of processing core financial transactions and commits Aviva to report regularly on its performance against the agreed service standards, including quality of service and speed of service measures. Any mistakes or delays are investigated and corrected as quickly as possible. The Trustee continues to work with the Pensions Team, its investment advisers and Aviva to ensure that the agreed standards are met.

The key processes undertaken by Aviva are:

- Contributions and Single Payments
- Transfers In
- Fund Switches
- Customer Amendments

- New Entrants / Joiners
- Transfer Out Process
- Leaver Process
- Retirement Quotes
- Quotes
- Retirement Payments
- Death Claim Process
- General Administration
- Withdrawals/Payments Out

The Scheme's SLA gives Aviva a target of completing 95% of all items within the agreed service level in any given period. For most transactions the target turn-around time is 5 working days: for death claims, it is 3 working days.

In addition, Aviva monitors the time taken to complete all elements of a request starting from when the member first makes contact. (the SLA reporting does not do this: it measures the time taken for each stage and does not include periods during which the request may be 'open' while, for example, Aviva are waiting for information.) This "end-to-end" measure is part of a more holistic service monitoring approach that gives the Trustee an even stronger understanding of the administrative service experienced by members in the Scheme.

Aviva employs the following measures to meet the SLA:

- They use a customer management tool to support the allocation and control/ measurement of work;
- They monitor the speed of service to members;
- They monitor the quality of service (splitting the 'value' and 'non-value' demands that members make) – see below:
    - a 'value' demand is something that the Trustee would expect members to want to contact Aviva about;
    - a 'non-value' demand reflects a situation where a member should not have to make contact with Aviva, such as:
        - a member not receiving what they expected; a member not understanding what they have received; or
        - a member making contact to understand the position with their previously submitted request, due to a lack of an update being provided.

    Aviva aims to identify non-value demands so that it and the Trustee can understand how Aviva can improve the service to members.

The Trustee has monitored Aviva's performance by:

- reviewing Aviva's quarterly governance reports; and
- instructing the Pensions Team to monitor Aviva's performance and to report any concerns to the Trustee. The Team does this by having regular calls with Aviva and making changes, as required.

Any issues identified as part of these review processes are raised with Aviva immediately and steps are taken to resolve them.

Aviva reported service levels of 97% for the year to 31 March 2022, exceeding its agreed target of 95%. This reflects an improvement on last years' service level performance of 94%.

In addition, on average, Aviva took 2.6 days to complete tasks and 91.8% of member cases were completed within 5 days.

In its role as the Scheme's administrator and platform provider, Aviva implemented changes to the default and self-select range on 9 July 2019. In doing so, it made some errors in the process. These errors affected a small number of Scheme members.

With one exception, the errors were rectified in November 2021 and members who were had been adversely affected were fully compensated. The Trustee continues to liaise with Aviva to get the final remaining issue resolved and Aviva has confirmed that it has reviewed and updated its processes to avoid such errors in future. The Trustee had these updated processes audited by an external party during the Scheme year and concluded that it is satisfied with the process improvements that Aviva made and that members had been appropriately compensated.

Additional Voluntary Contributions ("AVCs")

<u>Standard Life</u>

Standard Life has confirmed that all core financial transactions were dealt with promptly and accurately over the period covered by this Statement. There is a standard Service Level Agreement ("SLA") covering the accuracy and timeliness of all core transactions that targets 10 working days for core financial transactions and has an internal controls statement that outlines information about processing of these core financial transactions.

Governance and oversight arrangements are in place to monitor performance against the agreed service levels and risk standards. Authorising and processing transactions and achieving the agreed service standards is managed through controlled systems including, but not limited to, the following actions:

- Automated systems are designed to ensure consistent, timely and accurate receipt and allocation to the correct funds for regular and single payments;
- Regular monitoring of process and people performance, including control self-assessment reviews;
- Reconciliations are carried out between Finance and Customer Operations to ensure contributions are accurately recorded;
- Documented business procedures are in place for contributions processed. These procedures form the basis for their staff training programmes and are regularly reviewed;
- Compliance with processes is supported by an automated workflow system that ensures work is enabled, tracked and managed;
- A dedicated control team actively manages manual payments (including automation failures) and the reporting of missed contributions to the Pensions Regulator;
- An automated quotes system, which ensures the consistent application of calculations;
- Scheme rules and policy provisions are coded within automated systems that have been built and tested to establish project management practices; and
- A quality assurance framework is in place to ensure that payments are processed in line with the defined processes and service levels.
- Standard Life has confirmed that it aims to complete 90% of all requests within 10 working days. It confirmed that 75% of requests (6 out of 8), that included providing Scheme/members' information, were completed within this timeframe over the Scheme year. This means that the service standards have been below the service standards agreed with the Trustee.
- However, as the number of cases in question were low, if one case falls outside of SLA measurements, this leads to significant a higher proportional reduction in the overall average percentage. Taking this into account, the Trustee remains broadly comfortable with Standard Life's performance against its SLA target but will continue to work with Standard Life to improve these levels going forward.

<u>Utmost</u>

Utmost was only able to provide information relating to core financial transactions for the period from 1 January 2021 to 31 December 2021 (so, only part of this Scheme year). Utmost has confirmed that 96% of payments, 84% of illustrations and 90% of general servicing were completed within their stated service level targets over the year to 31 December 2021.

The Trustee will continue to follow-up with Utmost to obtain this information for the full Scheme year. The Trustee does not have an individual SLA in place with Utmost as they do not provide specific SLAs. However, Utmost has confirmed that it has its own, internal service level standards which cover the accuracy and timeliness of all core transactions. Utmost has confirmed SLAs were measured as follows for the period from 1 January 2021 to 31 December 2021:

- 95% of payments out made within 5 days;
- 95% of benefit illustrations within 10 days; and
- 90% of all general servicing within 10 days.

In addition, Utmost has produced a detailed statement that confirms that it has a system of internal controls for ensuring its effectiveness. Although the system is designed to manage (rather than eliminate) the risk of failure, it provides reasonable assurance to the Trustee against material loss or misstatement.

The key processes adopted by Utmost to help it meet its internal service standards are as follows:

- Utmost has internal standards that ensure that staff are properly trained, qualified, supervised and monitored;
- Staff are encouraged to enhance their skills and knowledge by also attending external training courses where appropriate;
- Administration procedure manuals are regularly reviewed and updated;
- Both automated and manual processes and work are subject to checking and/or regular quality sampling;
- Utmost conducts a data review exercise on an annual basis. It also updates its data when it receives new information from the Trustee.

The Trustee receives the members' annual benefit statements and reporting on the Scheme information, including details of the members, any transactions and fund values. These reports from Utmost include annual updates of upcoming retirements during the Scheme year. All transaction correspondence, such as retirement quotations and transfer quotations are sent by Utmost to the Trustee to send on to members. This allows the Trustee to monitor the accuracy of the transactions and check they were completed within the agreed target turnaround performance standards for different activities specified under Utmost's internal service level standards.

Overall

The Trustee is satisfied that over the period covered by this Statement:

- Both Aviva and the AVC providers were operating appropriate procedures, checks and controls, and operating within the agreed SLAs;
- there have been no material administration issues in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year by Aviva and, to the extent notified (see above), the AVC providers.

4. Member-borne charges and transaction costs

The charges incurred by Scheme members over the period covered by this Statement are set out in the tables below. The total expense ratio (TER) column shows the annual fund management charges and additional fund expenses, such as custody costs but excluding transaction costs. The TER represents charges paid by Scheme members and is reflected in the unit price of the funds.

The TERs are shown as a per annum (p.a.) figure and includes any costs such as administration and investment borne by the members other than the transaction costs.

The transaction costs shown arise when the Scheme's fund managers buy and sell assets within investment funds. They do not include costs incurred when members invest in and switch between funds (these are borne by members).

The charges and transaction costs have been supplied by Aviva, the Scheme's platform provider, as well as Standard Life and Utmost for the AVCs.

When preparing this section of the Statement, the Trustee has taken account of the relevant statutory guidance. The method for calculating transaction costs can sometimes produce a negative cost, where market movements are favourable between the time a trade is placed and it is executed. The Trustee has shown any negative figures in the tables for the Scheme year as provided, but for the costs and charges illustrations it has used zero, where a transaction cost is negative, as this is not an appropriate guide to what the members are likely to experience in future (i.e. we would not expect transaction costs to be negative over the long term).

Default arrangements

As explained above, the default for the Scheme is the Default Lifetime and there is also an additional default arrangement called the My Cash Fund.

The Default Lifetime has been set up using a lifestyle approach, which means that members' assets are automatically moved between different funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on (i) how close members are to their target retirement age, and (ii) the funds in which they are invested over the period.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

Universal Lifetime Strategy (also known as the Default Lifetime) - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (% pa)
15 years to retirement	0.34	0.00
10 years to retirement	0.45	0.06
5 years to retirement	0.56	0.12
At retirement	0.58	0.16

The My Cash Fund is also considered to be a default for the Scheme year: the charges and transaction costs for this fund are outlined in the table on the next page.

Alternative Lifetime Strategies

In addition to the Default Lifetime, members also have the option to invest in three other lifetime strategies, targeting drawdown, annuity purchase and cash withdrawal. The annual charges for these strategies during the period covered by this Statement are set out in the tables below.

Annuity Focused Lifetime Strategy - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (% pa)
15 years to retirement	0.34	0.00
10 years to retirement	0.45	0.06
5 years to retirement	0.56	0.12
At retirement	0.29	0.02

Drawdown Focused Lifetime Strategy - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (% pa)
15 years to retirement	0.34	0.00
10 years to retirement	0.45	0.06
5 years to retirement	0.56	0.12
At retirement	0.49	0.10

Cash Focused Lifetime Strategy - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (% pa)
15 years to retirement	0.34	0.00
10 years to retirement	0.45	0.06
5 years to retirement	0.56	0.12
At retirement	0.44	0.06

Self-select funds

Members can also choose between a number of self-select investment options. The charges for these funds and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Defaults are shown in **bold,** as is the My Cash Fund (which is also a default fund).

Owing to some errors, a small cohort of members are invested in the blended funds used in the Lifetime strategies. As such, the funds marked with * were not offered on a self-select basis other than in exceptional cases that were specifically agreed.

Self-select fund charges and transaction costs

Fund name	TER (% pa)	Transaction costs (% pa)
My Global Shares Fund	**0.34**	**0.00**
My Balanced Growth Fund *	**0.56**	**0.12**
My Approaching Retirement Fund *	**0.58**	**0.16**
My Lump Sum Targeting Fund *	0.44	0.06

Fund name	TER (% pa)	Transaction costs (% pa)
My Pre-Retirement (Annuity Focused) Fund	0.30	0.03
My Cash Fund	**0.26**	**0.02**
My Diversified Growth Fund	0.47	0.00
My Diversified Growth (Active) Fund	0.54	0.44
My Property Fund	0.91	0.37
My UK Shares Fund	0.26	0.18
My Ethical Global Equity Fund	0.51	0.00
My Emerging Markets Equity Fund	0.60	0.00
My Islamic Global Equity Fund	0.66	0.00

AVC assets

The Trustee has a policy with Standard Life and over the period covered by this Statement, the following funds had member assets invested in them:

Fund name	TER (% pa)	Transaction costs (% pa)
Standard Life Pension Millennium With Profits Fund	1.15	0.15
Standard Life Pension With Profits Fund	1.75	0.11

The charges for each Utmost AVC fund in which members are invested over the period covered by this Statement are set out in the following table.

Utmost Life & Pensions

Fund name	TER (% pa)	Transaction costs (% pa)
Managed Pension Fund	0.75	0.08
UK Equity Fund	0.75	0.26
UK FTSE All Share Tracker Fund	0.50	0.06
US Equity Fund	0.75	0.07
Global Equity Fund	0.75	0.10
Multi-Asset Moderate	0.75	0.18
Multi-Asset Cautious	0.75	0.13

Illustration of charges and transaction costs

The table below illustrates the impact of charges and transaction costs on the projection of an example DC Section member's pension savings. In preparing this illustration, the Trustee had regard to the relevant statutory guidance. In order to provide this example, the Trustee has to make a number of assumptions, which are explained below:

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past four years (where available), subject to a floor of zero (so the projection does not assume a negative cost over the long term). The Trustee has used the average annualised transaction costs over the past four years for the My Cash Fund, the My Property Fund and the My Pre-retirement Fund as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the latest Scheme year.
- For the My Universal Lifetime Strategy, the Trustee has used three-year transaction costs figures as this is the longest period over which figures were available due to when the fund was added to the Scheme.
- The illustration is shown for:
    - the Default Lifetime, since this is the arrangement in which most members are invested, as well as three funds from the Scheme's self-select fund range. The three self-select funds shown in the illustration are:
        - the My Cash Fund, because it is considered a default arrangement for legislative purposes (as explained above.)
        - the My Property Fund, because it is the self-select fund with highest annual member-borne costs.
        - the My Cash Fund has the lowest member-borne charges. However, as this fund is already being shown in this illustration, the My Pre-retirement Fund has been included as this fund has the second lowest member-borne charges, after the My Cash Fund.

Projected pension pot in today's money

	Universal Lifetime Strategy		My Cash Fund		My Property Fund		My Pre-retirement Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£16,700	£16,600	£15,900	£15,900	£16,500	£16,300	£16,000	£15,900
3	£22,200	£22,000	£19,700	£19,600	£21,500	£21,000	£19,900	£19,700
5	£28,100	£27,600	£23,400	£23,100	£26,800	£25,700	£23,600	£23,300
10	£44,200	£43,000	£31,800	£31,200	£40,500	£37,600	£32,400	£31,700
15	£62,700	£60,200	£39,500	£38,500	£55,300	£49,900	£40,400	£39,200
20	£83,800	£79,500	£46,400	£44,900	£71,300	£62,300	£47,700	£46,100
25	£108,100	£101,200	£52,600	£50,700	£88,500	£75,100	£54,500	£52,200
30	£133,900	£123,300	£58,300	£55,800	£107,000	£88,200	£60,600	£57,700
35	£159,300	£143,000	£63,400	£60,300	£126,900	£101,500	£66,300	£62,700
40	£176,300	£153,800	£68,000	£64,400	£148,400	£115,200	£71,500	£67,200

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.
- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.

- The starting pot size used is £14,000. This is the approximate average (median) pot size for active members aged below or equal to the active median age of 38 years (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection).
- The starting salary is assumed to be £25,000. This is the approximate median salary for active members aged below or equal to the active median age of 38 years.
- Total contributions (employee plus employer) are assumed to be 9.0% of salary per year.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The projection is for 40 years, being the approximate duration that the youngest Scheme member has until they reach the Scheme's Normal Pension Age.
- The projected annual returns[1] used are as follows:
    - Default option: 2.75% above inflation for the initial years, gradually reducing to a return of 0.00% at the ending point of the lifetime.
    - My Cash Fund: 2.00% below inflation (also a default for regulatory purposes).
    - My Property Fund: 1.50% above inflation.
    - My Pre-retirement Fund: 1.75% below inflation.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options that members can select or could select during the Scheme year, and in which assets relating to members were invested during the Scheme year. When preparing this section of the Statement, the Trustee has taken account of the relevant statutory guidance.

For the arrangements where returns vary with age, such as for the Default Lifetime, returns are shown over the Scheme Year for a member aged 25, 45 and 55 at the start of the period the returns are shown over[2].

Universal lifetime strategy net returns over the Scheme year

Age of member at the start of the period	1 year (%)
25	11.3
45	11.3
55	8.8

Drawdown lifetime strategy net returns over the Scheme year

Age of member at the start of the period	1 year (%)
25	11.3
45	11.3
55	8.8

[1] No allowance for active management outperformance has been made.
[2] The returns are shown over one year as the inception date of the strategies is June 2019 and so performance over five years is not available.

Annuity lifetime strategy net returns over the Scheme year

Age of member at the start of the period	1 year (%)
25	11.3
45	11.3
55	8.8

Cash lifetime strategy net returns over the Scheme year

Age of member at the start of the period	1 year (%)
25	11.3
45	11.3
55	8.8

Self-select fund net returns over the Scheme year

Fund name	1 year (%)
My Global Shares Fund	11.3
My Balanced Growth Fund	6.2
My Approaching Retirement Fund	0.9
My Lump Sum Targeting Fund	-0.9
My Pre-Retirement (Annuity Focused) Fund	-7.1
My Cash Fund	-0.1
My Diversified Growth Fund	5.9
My Diversified Growth (Active) Fund	0.8
My Property Fund	23.8
My UK Shares Fund	12.8
My Ethical Global Equity Fund	18.1
My Emerging Markets Equity Fund	-7.3
My Islamic Global Equity Fund	20.1

Standard Life net returns over the Scheme year

Fund name	1 year (%)
Standard Life Pension Millennium With Profits Fund	8.5
Standard Life Pension With Profits Fund	-1.1

Utmost Life & Pensions net returns over the Scheme year

Fund name	1 year (%)
Managed Pension Fund	8.5
UK Equity Fund	12.4
UK FTSE All Share Fund	12.5
US Equity Fund	23.6
Global Equity Fund	17.0
Multi-Asset Moderate	5.6
Multi-Asset Cautious	0.4

6. Value for members assessment

The Trustee has worked closely with its advisers, Lane Clark & Peacock LLP, to conduct a detailed assessment of the extent to which all key elements of the Scheme represent value for money over the Scheme Year ending
31 March 2022.

The Trustee reviews all member-borne charges (including transaction costs where available) annually; with the aim of ensuring that members are obtaining value for money, given the circumstances of the Scheme. The date of the last review which covered the Scheme Year was 26 July 2022. For the prior Scheme Year, the value for members assessment was undertaken on 7 July 2021.

There is no legal definition of 'good value', which means that determining this is subjective. The Trustee notes that value for money does not necessarily mean the lowest fee: and also considers the overall quality of the service received. The Trustee has rated the Scheme against eight criteria. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustee continues to use ratings from 'poor' to 'very good' to facilitate comparisons with previous Scheme years. Where relevant, the rating also incorporates a comparison with other UK pension schemes.

1. **Charges** – Good – the costs borne by members offer good value, given the size of the Scheme. Relative to other similar sized schemes, the fees are broadly competitive. The Trustee actively monitors fees on a regular basis.

2. **Administration** – Fair – Overall, Aviva achieved its SLA target over the year. The Trustee, working with its investment advisers and Aviva, successfully resolved the vast majority of errors that occurred when implementing the July 2019 investment strategy changes. Aviva has since updated its processes to prevent issues of this type happening again and has compensated all members who were detrimentally impacted as a result. The Trustee undertook an audit of Aviva's updated processes with an external party during the Scheme year and concluded that it is comfortable with the improvements that Aviva has made and that members who were detrimentally impacted due to the errors were compensated accurately.

The Trustee continues to work with its investment advisers and Aviva to resolve the final outstanding issue.

3. **Governance** – Very good – the Trustee is very committed to the Scheme and how it is run.

4. **Communications** – Very good – communications are clear, tailored and informative. Improvements were made to the Scheme website and member Annual Benefit Statements during the Scheme year.

5. **Default investment arrangement** – Very good – the Scheme's 'Universal' default investment strategy (implemented in July 2019), was reviewed during the prior Scheme year and remains appropriate for the majority of members by targeting all three retirement outcomes, although this is currently under review. One fund change was agreed to the underlying equity allocation within the 'My Global Shares' and 'My Balanced Growth' funds during the previous review, the implementation of which is being considered by the Trustee.

6. **Self-select investment range** – Very good – the Scheme offers three alternative lifetime strategies which target the three main retirement choices. The self-select fund range is concise, offers good value and covers all major asset classes. All of the alternative lifetime strategies and the self-select range were reviewed over the previous Scheme year and the Trustee agreed to make a change to replace the underlying fund used in the My Ethical Global Equity Fund as well as the same fund change agreed for the Default Lifetime would also be made to the alternative lifetime strategies. The implementation of these changes is being considered by the Trustee.

7. **At - retirement services** – Good – members have access to the full range of investment options, paid-for advice in respect of annuity options and support when making decisions. The Trustee has agreed to review the Scheme's current post-retirement investment offering, should there be sufficient member demand.

8. **Scheme design** – Very good – the Company's and Trustee's commitment to the Scheme is strong and demonstrated by the design and contributions.

Overall, the Trustee believes that members of the Scheme are receiving good value for money for the charges and costs that they incur. The Trustee believes this for the following reasons:

- The costs and charges deducted from members provide good value in relation to the benefits and services they receive, when compared to other options available in the market.
- The charges for the default investment funds are below the charge cap (0.75% p.a.).
- The Scheme offers a wide range of services to ensure members receive a quality service.
- The Trustee conducts regular strategic reviews (for example benchmarking the fees members pay and the fund range available against other UK Pension Schemes) to monitor whether the Scheme provides good value for members on an on-going basis.
- The Trustee includes 'assessing value for members' on the Scheme's risk register.
- A good fund range is offered to members across the risk/return spectrum to cater for a range of member needs.

7. Trustee knowledge and understanding

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

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. There are at least two dedicated training sessions each year. The Trustee's advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee and DC Sub-committee ("DCSC") meetings if they are material.

Additionally, the Trustee receives quarterly updates on topical pension issues from its investment advisers and legal advisers.

All Trustee Directors are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out the Trustee's policies, including the Trust Deed & Rules and Statement of Investment Principles (which sets out the Trustee's policies on investment matters). The Trustee Directors believe that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

All new Trustee Directors must complete an induction plan within the first six months of appointment. This covers the following:

- Overview of the Scheme;
- Introduction to Trustee role;
- Overview of a DC scheme;
- Pension scheme funding training;
- Pension scheme investment training;
- UK General Data Protection Regulation training; and

Completion of the trustee toolkit (which is an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law).

All Trustee Directors are required to commit to complete the training, either at the relevant meetings or by personal study. The Trustee's DC adviser provided a training session for a new Trustee on 28 June 2021 to cover much of the Scheme-specific DC training.

Regular training is provided on aspects of the Trustee Knowledge and Understanding ("TKU") requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

There is a Training and Development Framework in place. This was last reviewed and updated in March 2019. It documents how gaps in the Trustee Directors' knowledge will be identified using self-assessment questionnaires. The questionnaires are completed each year and are reviewed at least every two years or more frequently if there is a significant change to the Pensions Regulator's expectations of trustees. Any gaps are discussed individually with the Chair of the Trustee Board to agree individual training and development activities.

A training log is maintained and updated on a quarterly basis in line with best practice. Progress against the agreed plan will be discussed at the following year's review sessions.

The Trustee's approach to meeting the TKU requirements includes:

- a rolling programme of bespoke Trustee training delivered as separate training sessions or during Trustee and DCSC meetings as appropriate;
- recording all training and attendance at appropriate seminars in the Trustee training log in order to support the Chair's Statement;
- circulating to each Trustee Director "hot topics" and general updates from its advisers about DC and legal matters;

- reviewing the training programme annually following an assessment of Trustee knowledge, understanding and skills; and
- conducting an effectiveness self-assessment from time to time.

Over the Scheme year, the Trustee Directors received training on the following:

- DC Developments (Net pay resolution, removal of performance based fees from DC charge cap, Simplified Annual Benefit Statements, Stronger nudge rules, Pension Dashboard, Long term asset funds, and DC flat fee charges);
- Environmental, Social and Governance developments;
- Climate change related duties and risks;
- Managing conflicts of interest;
- Pension scams;
- Master Trusts;
- Task Force on Climate-Related Financial Disclosures requirements;
- TPR's Single code of practice consultation; and
- Pension Schemes Act 2021 – changes to TPR powers.

The knowledge and experience of the Trustee Board includes:

- The Trustee Board is conversant with the Scheme's Trust Deed and Rules, SIP and other key administrative documents, and has appropriate knowledge of pensions and trust law and matters relating to scheme funding and investment.
- The Chair of the Trustee Board and the Chair of the DCSC are professional trustees with many years' experience acting as pension scheme trustees for a number of different schemes.
- The Trustee Board's specialist legal, actuarial and DC advisers attend DCSC and Trustee meetings as appropriate to advise on specific matters on the agenda.
- The combined experience of the Trustee Board includes expertise on a broad range of business disciplines and commercial expertise.

Considering the knowledge and experience of the Trustee Directors and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers, the Trustee believes it is well-placed to exercise its functions properly and effectively.

Huw Evans

Signed by the Chair of the Trustee Board of the LV= Pension Scheme Trustee

29/10/2022

Date

Appendix to Chair's Statement:

Statement of Investment Principles – Extracts covering DC default fund

B. Defined Contribution Section – "DC Section"

Investment Objectives

The Trustee's primary objective for the DC section of the Scheme is to provide members with access to;

- an appropriate range of investment options, reflecting the membership profile and which will enable members to accumulate a fund to provide suitable benefits at retirement.
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

Investment Policy

The Trustee's policy to achieve this objective is to provide a range of funds and lifestyle funds which offer a suitable mixture of real and other assets and a default investment strategy appropriately targeted for the membership. It recognises that the returns on return-seeking assets, while expected to be greater over the long-term than those on other assets, are likely to be more volatile. The range of funds utilised to meet the DC Section's objectives are set out in Appendix A.

Risks

When deciding how to invest the Scheme's assets, the Trustee has considered several investment risks in the DC Section, including, but not limited to, those set out below:

- *Risk of inadequate returns* - in the DC Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifetime" strategy.

- *Risk from lack of diversification* - This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect members' assets. The Trustee believes that the Scheme's DC default strategy is adequately diversified between different asset classes and within each asset class and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Scheme's investment arrangements and is monitored by the Trustee on a regular basis.

- *Credit risk* - This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Scheme's DC Section is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.

- *Currency risk* - Whilst the majority of the currency exposure of the Scheme's DC Section assets is to Sterling, the DC Section is subject to currency risk because some of the DC Section investments are held in overseas markets. For the DC Section's lifetime strategies, the Trustee believes that the currency exposure is managed in an appropriate manner given the objective of each of those strategies. Within the DC Section's self-select fund range some funds will be subject to currency risk where the underlying investments are held in overseas markets which the Trustee considers reasonable.

- *Manager risk* – the risk that the chosen investment manager underperforms its benchmark. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

- *Illiquidity risk* - this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

- *Valuation risk* is the risk that it is not possible to value accurately some, or all of the underlying assets held within a fund due to market specific circumstances. This may mean that a sufficiently reliable fund unit price cannot be established. The Trustee seeks to appoint investment managers who will manage this risk appropriately should such circumstances occur by, for example, suspending dealing in any affected fund where this is in investors' best interests. The Trustee reviews this risk from time to time and in particular during periods of adverse or unusual market conditions.

- *Risk from excessive charges* - If the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the DC Section are in line with market practice and assess regularly whether these represent good value for members.

- *Environmental, social and governance (ESG) risks* – Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and regularly reviews how these risks are being managed in practice.

The funds and lifetime options offered through the DC Section have been chosen to help members mitigate these risks through appropriate fund selection and, in addition, to allow members to achieve an adequate level of diversification. These considerations feature in the selection criteria for new managers and monitoring process for ongoing managers.

Suitability

The Trustee has taken advice from its investment consultant to ensure the fund range and default strategy remain suitable, accommodate a broad range of asset classes covering the needs of members' in terms of their attitude to investment risk.

Liquidity

The funds are offered through a life insurance policy and as such are in normal circumstances intended to be realisable to provide pension benefits on retirement, or earlier on death or transfer to another pension arrangement.

Investment arrangements

The Trustee has entered into a contract with a platform provider, Aviva, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

Responsibility for the day-to-day management is effectively delegated to individual investment managers. The current managers are shown in Appendix A.

Charges, transaction costs and value for money

The Trustee is committed to ensuring that DC Section members get value for money (i.e. that the costs and charges deducted from DC Section members' pension accounts or contributions provide good value in relation to the benefits and services provided) and keeps value for money in mind on an on-going basis, including it as an item on the Scheme's risk register. The Trustee undertakes an annual value for money assessment with support from its advisers. The Trustee is mindful of providing value for money to members.

The charges for all four lifetime strategies are below the charge cap (0.75%).

Default investment strategy

The Trustee offers the lifetime strategy "Universal" as the default strategy as it is believed to be reasonable for those members who do not wish, or have not elected to select a preferred investment choice for their pension investments themselves. It is designed to be appropriate for members who take an annuity, cash or drawdown at retirement. It is considered by the Trustee to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meet the Trustee's view of the needs and circumstances of the majority of the membership.

The objective of the default strategy is to generate long term investment growth in excess of inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement. With that in mind, the Universal Lifetime Strategy initially invests in equities in the accumulation phase and then starts to move into a multi-asset fund 15 years before the member's selected retirement age. Further switching, which is designed to strike an appropriate balance between risk and return for members approaching retirement, then results in an asset allocation of 50% diversified growths, 25% absolute return bonds and 25% cash by selected retirement age. While the Trustee recognises the need for a default investment strategy, it believes that members should be encouraged to regularly review their personal circumstances and to make positive selections rather than to rely on the default strategy. This will help the member better understand their individual position and ensure corrective action is taken if required.

The Trustee will monitor the choices members make at retirement to check whether assumptions made about how members will access their benefits are borne out in practice.

One of the self-select options the Trustee offers members is the 'My Property Fund'. Following a decision to temporarily close the 'My Property Fund' from March to September 2020 (due to the suspension of trading by the underlying manager Threadneedle) contributions were redirected into the 'My Cash Fund' until such time as the Property Fund could reopen. As members' contributions were directed into the 'My Cash Fund' without them making an active selection, this fund will be treated as a default for the purpose of fulfilling legislative requirements and will be captured as a default in the Scheme's Chair's Statement. Due to the nature of property fund investments, the My Property Fund could suspend again in difficult market conditions. As such, the Trustee may again use the My Cash Fund to redirect member contributions should this occur.

Details of the Universal Lifetime Strategy are set out in Appendix A.

Monitoring

The manner in which the Trustee monitors the investment managers in the DB section of the SIP also apply to the DC Section. However, in relation to DC, assets are predominantly held in pooled funds and they recognise that managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy.

As such, the Trustee recognises its responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies.

The Trustee is not involved in the investment manager's day-to-day operation and therefore cannot directly influence the performance target. However, it will assess the performance and review the continued use of each fund and will obtain and consider advice on retained investments where appropriate. The Trustee's investment adviser provides regular advice on the suitability of the fund range and default strategy as well as monitoring how material changes to the legislation or the membership may impact this. The investment advisor will also advise the Trustee on selection and review of investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and ESG considerations).

A set of objectives have been provided by the underlying fund manager and are consistent with their benchmark and investment approach (these are, of course, simply objectives and the rate of return can obviously not be guaranteed).

The benchmark for each fund is set by the underlying fund manager, however it should be noted that as Aviva provides 'wrapped' versions of the underlying funds in which it invests the wrapped version will not exactly match the performance of the underlying fund.

The Trustee accepts that the discrepancy between the performance achieved by a wrapped fund and that of the underlying fund in which it invests is unavoidable. However, Aviva should take steps to reduce this to an absolute minimum and the Trustee will monitor accordingly.

The platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.
- Administering member assets.

The Trustee reviews the performance of the platform provider on a regular basis.

C. Responsible Investment

These considerations apply to both the DB and DC Sections of the Scheme.

Environmental, Social and Governance Factors

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.

The Trustee is currently working towards integrating climate-related risks and opportunities within the Scheme's risk management process. These include ensuring compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 based upon disclosures in line with the current recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

The Trustee does not factor non-financial decisions (such as ethical or moral beliefs) into their investment decision making nor do they appoint investment managers that consider these factors.

Governance and Responsibilities

The processes for identifying, assessing and managing climate-related risks are in line with the Scheme's wider Risk Management Framework. The ultimate responsibility for identifying, assessing, and monitoring climate-related risks and opportunities sits with the Trustee; however, the Trustee has delegated the day-to-day responsibilities to the Funding and Investment Sub Committee ("FISC") for the DB Section and to the Defined Contribution Sub Committee ("DCSC") for the DC Section.

In order to effectively carry out this responsibility, the FISC and DCSC (and separately the Trustee) receive sufficient training, from the relevant advisors, on an ongoing basis in respect of climate-related risks and opportunities. The FISC and DCSC monitor ESG reporting provided to them on an annual basis by their DB Investment Advisor, Redington, and annually by their DC Investment Advisor, LCP. Both the FISC and DCSC are also working to obtain relevant climate metrics as set out under DWP's adoption of the recommendations of the TCFD (the results of which will be disclosed in the Scheme's annual TCFD report). As part of this ongoing monitoring the FISC and DCSC will consider whether to retain or replace any targets set in relation to these metrics.

The FISC and DCSC also rely on the manager research and internal modelling capabilities of their Investment Advisors to effectively assess climate-related risks and opportunities, this includes, for example, carrying out climate change scenario analysis. This analysis is performed in relation to the Scheme's assets, liabilities, and covenant by the Trustee's advisors. Specifically:

- the DC asset analysis is performed by LCP, the DC Investment Advisor;
- the DB asset and liability analysis is performed by Hymans, the Scheme actuary;
- and the covenant analysis by EY Parthenon, the Scheme's Covenant advisor.

This analysis will be performed triennially; interim updates may be performed, for example if there are material changes to the Scheme's strategy, member demographics or if there are significant changes to the methodology and industry practice relating to the analysis. To this end, the Trustee will consider annually whether a refresh of the analysis is required. The results of these climate scenarios are aligned where possible to ensure a consistent approach is taken across the Scheme's entire funding strategy.

The FISC meet four times during the year. Its role includes consideration and advice to the Trustee Board on investment strategy and risks associated with the DB Section of the Scheme, this includes risks associated with climate change. The FISC also monitors investment performance, along with the Trustee Board, and is responsible for reviewing investment items on the Scheme risk register and reporting its findings to the Board. The DCSC meet three times during the year. Its purpose is to consider and advise the Board on all DC-related matters, including that effective governance processes are in place for the DC Section. The DCSC also monitors DC investment performance, ensure that the DC Section is being operated in line with the Scheme's rules and guidance and in line with required regulation. The DCSC will report compliance to the Trustee Board as appropriate.

Finally, active engagement with companies in which the Scheme is invested, specifically relating to climate-related risks and opportunities, is delegated to the Scheme's investment managers. To monitor this the FISC meet with each of their investment managers at least once every 18 months to receive an update of their climate-related reporting and to discuss any areas for improvement. The FISC and DCSC delegate the monitoring of climate related risks and opportunities in the first instance to their investment advisors, who provide at least an annual update on how each manager incorporates climate change considerations into their investment process. In the interim the Scheme's Investment Advisors raise points to note as appropriate and any key takeaways from this day-to-day monitoring are reported back to the Trustee. Meetings between the Trustee, FISC, and its DB Investment Advisor take place quarterly. Meetings between the DCSC and its Investment Advisors take place tri-annually. At the Trustee Board meetings, the relevant work the FISC and DCSC has undertaken over the period since the last meeting is relayed back to the Trustee.

Stewardship

The Trustee recognises that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights are important as they help preserve and enhance asset owner value over the long term.

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.

The Trustee expects their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

The Trustee's investment advisers assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments, and reports to the Trustee on a regular basis.

When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments which are exercised by the asset managers of the Scheme. The Trustee monitors and discloses the voting records of its managers on an annual basis.

Monitoring climate-related risks and opportunities

The Trustee believes that climate change is likely to be a financial risk affecting the Scheme's investments to some degree. The Trustee will monitor appropriate climate risk metrics related to the Scheme and considers these when making investment decisions.

The Trustee believes that climate-related factors may create investment opportunities that the Scheme should do its best to take advantage of, where it is appropriate as part of the wider strategic objectives and/or its fiduciary responsibilities.

The Trustee believes that although markets are likely to partially price in climate related risks, it cannot rely solely on markets to react quickly or accurately enough. The risks arising from climate change should therefore be actively managed where this is possible, appropriate and consistent with the Scheme's wider investment strategy.

The Trustee believes that climate-change risk needs to be considered alongside and balanced against the other relevant investment risks and considerations when evaluating investments. The Trustee therefore acknowledges that it may not always be able to minimise climate-related risk if doing so would be to the detriment of wider strategic objectives and/or its fiduciary responsibilities.

Engagement

The Trustee believes that engagement (including the exercise of voting rights) is a potential means of helping to manage the Scheme's climate-related risks. However, its efficacy can be limited, and other actions should be considered alongside engagement. Engagement with underlying companies (as well as other relevant organisations) is carried out primarily by investment managers on behalf of the Trustee.

The Trustee may look to disinvest from investments or asset managers which are inadequately managing their climate-related risks if attempts to engage with these parties to address this are not successful, subject to legal advice on any Trustee divestment decision or framework.

The FISC will work collaboratively with managers and relevant industry stakeholders to set Scheme-wide objectives for the engagement activities that are carried out on the Trustee's behalf. This will be disclosed in the annual TCFD report.

Appendix A - Defined Contribution Section

The primary default option is a lifetime strategy, the Universal Lifetime Focused strategy. In addition, the My Cash Fund is also classified as a default for the purpose of fulfilling legislative requirements due to the My Property Fund being temporarily suspended from March to September 2020.

Details of the funds underlying the Universal Lifetime Focused strategy and the My Cash Fund, a standalone default fund, are set out below. Members are provided with clear information on the investment options and their characteristics that will allow them to make an informed choice.

The fund options are provided to members via an investment only platform arrangement with Aviva. The funds are all white-labelled, open ended and are priced daily. The funds shown below are building blocks of the default lifetime strategies as well as the My Cash Fund.

White label fund name	Underlying fund name	Benchmark	Objective
My Balanced Growth Fund*	10% Newton Global Dynamic Bond Fund 20% BlackRock World Equity Index Fund 20% LGIM Diversified Equity Factor Fund 25% Baillie Gifford Multi Asset Growth Fund 25% LGIM Diversified Fund	10% 1 month £ LIBOR + 2% pa 20% FTSE All World Developed Index 10% MSCI World 10% MSCI World (100% GBP Hedged) 25% BoE Base Rate + 3.5% pa 25% 3-month LIBOR + 3.5% pa	This fund invests in a mix of asset classes including equities, property and bonds, aiming to provide long-term investment growth in excess of inflation. Currently this fund cannot be accessed on a self-select basis.
My Approaching Retirement Fund*	25% Newton Global Dynamic Bond Fund 25% Baillie Gifford Multi Asset Growth Fund 25% LGIM Diversified Fund 25% BlackRock Cash Fund	25% 1 month £ LIBOR + 2% pa 25% BoE Base Rate + 3.5% pa 25% 3-month LIBOR + 3.5% pa 25% 7-day LIBID	This fund invests in a mix of asset classes including equities, property and bonds and is designed to contain an appropriate balance between risk and return for members approaching retirement. Currently this fund cannot be accessed on a self-select basis.
My Cash Fund	BlackRock Cash Fund	7-Day Sterling LIBID	This fund mostly invests in cash. It aims for returns in line with short-term interest rates on the financial markets.
My Global Shares fund	50% BlackRock Aquila World Index Fund 50% LGIM Diversified Equity Factor Fund	50% FTSE All World Developed Index 25% MSCI World 25% MSCI World (100% GBP Hedged)	This fund invests in a mix of UK, overseas, and emerging market equities. It aims for returns in line with a broad equity benchmark.

The default “Universal Lifetime Focused” strategy, the way in which the investments change over time until members reach their selected retirement age is set out on the pages that follow.

Universal Lifetime Strategy			
Years to selected retirement age	My Global Shares	My Balanced Growth	My Approaching Retirement
15+	100%	0%	0%
14	90%	10%	0%
13	80%	20%	0%
12	70%	30%	0%
11	60%	40%	0%
10	50%	50%	0%
9	40%	60%	0%
8	30%	70%	0%
7	20%	80%	0%
6	10%	90%	0%
5	0%	100%	0%
4	0%	80%	20%
3	0%	60%	40%
2	0%	40%	60%
1	0%	20%	80%
0	0%	0%	100%

LV= Employee Pension Scheme
Statement of Investment Principles ("SIP") Implementation Statement

1. Introduction

This SIP Implementation Statement ("the Statement") has been prepared by The LV= Pension Trustee Limited ("the Trustee") in relation to the LV= Employee Pension Scheme ("the Scheme").

This is the second Statement produced by the Trustee as required by changes in legislation and is expected to evolve over time. This Statement:

	Section
• describes any review of the SIP undertaken during the year;	2
• explains any changes made to the SIP during the year and the reasons for the changes;	2
• sets out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year; and	3, 4, 5 & 6
• 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 states any use of the services of a proxy voter during that year.	7, 8 & 9

This Implementation Statement covers the period 1 April 2021 to 31 March 2022, the Scheme's reporting year, in line with the regulations that came into force in October 2019.

2. SIP Updates

The SIP (covering both the DB and DC sections) that is most relevant for this reporting period is the document last updated on 31 March 2022.

The Trustee has, in its opinion, followed the measures set out in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it did this.

The SIP was reviewed and updated on 31 March 2022 in response to changes in the Scheme's Strategic Asset Allocation ("SAA") which began in April 2021 (see further details below), funding objectives and to incorporate new responsible investment beliefs. The update outlined how the overall benchmark allocation of the DB Section's assets between the major asset classes was updated by the Trustee and when this strategic change occurred (completed in August 2021). It also updated the Scheme's primary funding objective to a solvency target, reflecting expected changes to the sponsor.

The Responsible Investment updates within the SIP included how the Trustee is working towards integrating climate-related risks and opportunities within the Scheme's risk management process to adhere to the requirements of the Taskforce on Climate Related Financial Disclosures (TCFD). Also, a "Monitoring climate-related risks and opportunities" section was added which outlines the Trustee's climate beliefs and includes how these risks and opportunities will be monitored. Finally, an "Engagement" section was also added to cover the Trustee's attitudes towards Investment Manager engagement and divestment from inadequate management of climate-related risks.

3. Overview of Trustee's Actions – Defined Benefit ("DB Section")

Investment Objectives and Strategy

During the reporting period there was no change to the DB Section's primary funding objective to reach full funding on the Technical Provisions basis, with a long term target of achieving full funding on a Gilts +0.25% liability valuation basis by 2028. The Trustee keeps these objectives in mind when deciding whether to change the investment strategy.

There were a number of significant changes to the SAA over the reporting period following a full review by the Trustee in October 2020. These changes began in April 2021 and were completed in August 2021. They were undertaken primarily to improve the expected return and collateral position of the Scheme.

The changes to the SAA included full disinvestments from Columbia Threadneedle Investment's ("CTI") UK & US Credit funds (c. £325m), partial disinvestments from CTI Dynamic Real Return Fund (c. £38m), additional investment in Aberdeen Standard Investment Diversified Growth Fund (c. £20m) and new segregated investments into Federated Hermes Absolute Return Bond Fund (c. £175m) and Insight Global IG Credit Fund (c. £276m). The Scheme's segregated BlackRock LDI Fund was used to facilitate and partially fund a number of the transitions that took place.

In February 2022 £40m was transferred from the Federated Hermes Absolute Return Bond Fund to the Blackrock LDI mandate to replenish the collateral position. This switch did not, however, represent a change to the overall strategy.

Overall, the DB Section's agreed SAA reflects the Trustee's view of the most appropriate investments and balance different funds' risk/reward characteristics to support the funding objective.

Trustee's policies for investment managers

The Trustee relies on Investment Managers for the day-to-day management of the Scheme's assets but retains control over the Scheme's investment strategy.

The Investment Managers are responsible for the day-to-day management of the Scheme's assets in accordance with guidelines agreed with the Trustee, as set out in the Investment Management Agreements ("IMAs") or pooled fund prospectuses. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. Each of the Investment Managers' fees are related to the amount of assets managed within their portfolios. Minimum fees may also apply in some cases.

Trustee's policies on Responsible Investment

The Trustee believes that it should act as a responsible steward of the assets in which the Scheme invests as this can improve the longer-term returns of its investments. The Trustee notes that sustainable financial outcomes are better leveraged when supported by good governing practices, such as board accountability. For a review of the Responsible Investment policies, please see section 6.

4. Review of DB SIP Policies

4.1. DB Section Objectives

The Trustee considers and monitors multiple metrics to ensure progress towards objectives (outlined below), including its primary responsibility which is to manage the DB Section so that members receive their benefits as and when they fall due. This objective was met during the reporting period. The Trustee engaged with the employer regarding its financial strength and the likelihood of further contributions. The Trustee also obtained guidance and written advice from its Investment Consultant, Redington, as appropriate. The majority of the advice was provided at Funding and Investment Sub-Committee ("FISC") meetings, where papers were submitted in advance and then discussed at the meeting.

4.2. Investment Strategy

The Trustee uses the Pensions Risk Management Framework ("PRMF") as provided by the Scheme's investment advisor to monitor progress towards its objectives. The PRMF sets out the return target, risk tolerance, climate-related metrics, hedging levels and collateral requirements for the investment strategy. It was reviewed monthly in between meetings until August 2021 when it was agreed these would be reviewed quarterly by the Trustee at FISC meetings, with clear written advice provided by the Investment Consultant when any of the metrics used to measure the objectives fell outside the pre-agreed constraints.

4.3. Strategic Asset Allocation (SAA)

The Trustee reviews the SAA regularly when appropriate to ensure that the portfolio maintains its suitability in relation to the Scheme's objectives. If issues arise outside of the Trustee's annual review, these would be flagged at the quarterly FISC meetings and discussed. The Investment Consultant communicates this to the FISC, with any advice that may be required. No such issues arose during the reporting period.

The most recent review of the SAA was undertaken in October 2020 following the Scheme entering into a buy-in contract on the 2nd of June 2020. The resultant asset allocation changes are detailed above in section "3. Investment Objectives and Strategy". The next SAA review is scheduled for May 2022.

4.4. Balance between different kinds of investments

The DB Section holds a wide variety of different investments, including a buy-in contract. The assets that do not relate to the buy-in are diversified across major markets to ensure that the overall portfolio is well diversified. The buy-in provides the vast majority of the Scheme's cashflow needs, and other expenses are typically met from the most liquid asset class (cash within the LDI portfolio).

4.5. Kinds of investments to be held

The Trustee maintains a list of investments currently permitted and seeks guidance and written advice from its Investment Consultant as appropriate. Over the year the Scheme was only invested in permitted assets.

4.6. Choosing investments

The Trustee delegates all day-to-day DB Section investment duties to the DB Section's Investment Managers. The Scheme holds investments in both segregated and pooled arrangements. For the segregated arrangements, the long-term relationships between the Trustee and its managers are set out in separate IMAs that document the investment guidelines within which they must operate.

For pooled arrangements, the Scheme's investments are managed according to standardised fund terms.

These terms are reviewed by the Scheme's legal advisors and Investment Consultant at the point of investment to ensure that they are aligned with the Scheme's long-term investment strategy and market best practice.

4.7. Risks

The SIP lists a number of risk factors that the Trustee believes may result in a failure to meet the agreed objectives. The Trustee monitored and managed these risks through measures specific to each risk on a quarterly basis. It sought guidance and written advice from its Investment Consultant as appropriate. One example of this was replenishing the Scheme's collateral position, following a quarterly review, in February 2022.

4.8. Custody

HSBC is the Scheme's appointed custodian. Their primary role is the administration of the Scheme's funds held in the segregated arrangements. The Scheme's pooled fund assets have their own dedicated custodian.

4.9. Monitoring

Investment Manager performance was reviewed quarterly through the use of the Manager Monitoring Report over both a short and long-term investment horizon.

Long-term investment manager suitability is typically reviewed every three years. The Trustee seeks guidance and written advice from its Investment Consultant as appropriate.

The Trustee, with help from Redington, reviews the fees, transaction costs and turnover requirements annually to confirm they remain reasonable. These reviews are done annually and the latest review, completed in May 2021, showed that all manager fees were in line or better than that available in the market. If any of these had become unreasonable, this would have been communicated to the Trustee and action would have been taken.

4.10. Rights attaching to investments

Evidence of voting rights during the reporting period are outlined on in Section 7 of this statement.

4.11. Additional Assets

As additional voluntary contributions (AVCs) are invested with the main DB Section's assets the comments in sections 4.1-4.10 apply. The Trustee has not made any changes to the manager arrangements during the period covered by this document. It seeks guidance and written advice from its Investment Consultant as appropriate.

5. Review of DC SIP Policies

5.1. Investment Objectives, Investment Policy and Default investment strategy

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, conducted a formal review of the strategy and performance of the default arrangements, alternative lifetime strategies and self-select range in March 2021. The Trustee considered the DC Section's membership demographics and the variety of ways that members may draw their benefits in retirement from the DC Section as part of this review.

Based on the outcome of this analysis, the Trustee concluded that the main default arrangement, the Universal Lifetime Strategy, has been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members. As part of the formal strategy review, the Trustee agreed to introduce an allocation to a climate-tilted equity fund in the lifetime strategies. The Trustee is currently considering the implementation of these changes.

In addition to the above, there was a small cohort of members who, at the time of the previous strategy review that concluded in March 2018:

- had both DC and DB pension entitlements within the Scheme;
- were invested in the Cash Focused Lifetime Strategy; and,
- were less than 10 years from their target retirement dates.

At the time of the implementation of investment changes in July 2019, these members – together with the rest of the DC Section membership – were given the option to change their investment options. If they did not make an investment choice, they remained invested in Cash Focused Lifetime Strategy. The Trustee reviewed the demographics of this cohort of members as part of the March 2021 formal strategy review and concluded that the Cash Focused Lifetime Strategy continued to be appropriate for these members.

In addition to the main default arrangement, the suspension of the My Property Fund in March 2020 due to the Covid-19 pandemic resulted in the My Cash Fund being classified as a default arrangement for governance purposes. The Trustee reviewed the My Cash Fund, along with the rest of the investment arrangements as part of the strategy review and concluded that it remained appropriate.

The Trustee also provides members with access to a range of investment options which it believes are suitable for members to self-select and enable appropriate diversification based on members' attitudes to investment risk. The Trustee has made available to members alternative lifetime strategies which target different retirement outcomes as well as a self-select fund range covering all major assets classes as set out in Appendix A of the SIP.

The Trustee regularly monitors the take up of the alternative lifetime strategies and self-select fund range and recognises that the take up is limited.

During the Scheme year, the benchmark of four funds available to members changed as a result of the London Inter Bank Offer Rate ("LIBOR"), and related London Interbank Bid Rate ("LIBID"), being phased out towards the end of 2021. As a replacement, the Sterling Overnight Index Average ("SONIA") was adopted. The funds that saw at least a portion of their benchmarks change from LIBOR/LIBID to SONIA were the My Diversified Growth Fund, My Cash Fund, My Approaching Retirement Fund and the My Lump Sum Targeting Fund. The Trustee received advice on the switch to SONIA and were comfortable that the switch will not have a material impact on the funds' performance targets.

5.2. Risks

Risks are monitored on an ongoing basis with the help of the investment adviser. In the SIP, the Trustee has stated its policy in relation to specific risks together with how these risks are managed by the Trustee.

The Trustee addresses the risk of inadequate returns by making use of equity and equity-based funds that are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default and alternative lifetime strategies, and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term. The Trustee also addresses valuation risk by appointing investment managers that are expected to manage this risk appropriately.

The Trustee manages credit risk by continuing to invest in bonds via pooled funds. In addition, the bond funds invest in predominantly investment grade credit and government debt to mitigate the risk of default. Currency risk is addressed by the Trustee through the hedging approaches of funds used in the default lifetimes. Two of the lifetime funds, namely the My Balanced Growth Fund and My Approaching Retirement Fund, hedge a portion of the developed market, overseas currency risk.

Section 5.1 above covers risks in relation to lack of diversification. Manager risk is covered in Section 5.7. The risk of excessive charges is covered under Section 5.5. Illiquidity risk is covered under Section 5.4. ESG risks are covered in Section 6.1.

As part of the formal strategy review in March 2021, the Trustee considered the investment risks set out in the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee concluded that the performance has been broadly as expected and was in line with the stated aims and objectives and that the design of the Default Lifetime remains appropriate given the Scheme's risk profiles and membership.

The Trustee maintains a risk register which is discussed at quarterly meetings, over the Scheme year. The Trustee is happy that Scheme risks have been monitored and managed appropriately and changes to these risks have been appropriately captured.

5.3. Suitability

The Trustee's policy in the SIP covering Suitability and how this was addressed during the Scheme year is covered in Section 5.1 and 5.2.

5.4. Liquidity

It is the Trustee's policy to invest in funds that offer regular dealing to enable members to readily realise and change their investments. All the DC Section funds which the Trustee offers are open-ended and daily priced.

5.5. Charges, transaction costs and value for money

The Trustee undertook a value for members' assessment on 26 July 2022. This covered the Scheme year, including the fees payable to managers in respect of the DC Section. These were found to be competitive when compared against schemes of similar sizes. As part of the value for members assessment, the Trustee evaluated the long-term transaction costs incurred by members to ensure that they are appropriate and enable it to query any transaction costs considered to be higher than expected with the relevant investment managers.

Value for members is also included on the Scheme's risk register, which was discussed at triennial DCSC meetings. Overall, the Trustee concluded that the investment managers provide good value for members.

5.6. Default investment strategy and other investment options

Details relating to the review of the default arrangements, alternative lifetime strategies and self-select range are covered in Section 5.1.

5.7. *Monitoring*

The Trustee has entered into a contract with a platform provider, Aviva, who makes available the range of investment options to members. As all the funds are accessed via an agreement with the Scheme's platform provider, there is no direct legal relationship between the Trustee and the underlying investment managers of the DC Section investment funds. Nevertheless, the Trustee is responsible for appointing and providing governance oversight of the managers which the Scheme accesses via the Aviva arrangement. The Trustee delegates the monitoring of Aviva's performance to the Defined Contribution Sub-Committee ("DCSC"). The DCSC reviews Aviva's performance on an annual basis and the service Aviva provides members on an annual basis as part of the Value for Members' assessment.

The DC section's investment adviser, LCP, monitors the managers on an ongoing basis, through regular research meetings. LCP also monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the DC Section's managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the DC Section invests in, or any material change in the level of diversification in the fund. As part of quarterly performance reporting, LCP includes updates to any research views of the DC Section's manager arrangements.

As part of its advice on the selection and ongoing review of the investment managers LCP incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement. In March 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the existing managers and funds, details of which are covered in Section 6.1.

The Trustee was comfortable with all its investment manager arrangements based on LCP's monitoring of the arrangements in the quarterly performance reports and the findings of the RI survey. Therefore, no changes were made to the manager arrangements over the Scheme Year.

The Trustee monitors the performance of the DC Section's investment managers at triannual Trustee meetings, using the quarterly performance monitoring reports. The reports show the performance of each manager over the quarter, one, three and five years, where performance data is available. Performance is considered in the context of the manager's benchmark and objectives.

The most recent quarterly performance monitoring report shows that all managers have performed broadly in line with expectations over the long-term except the My Diversified Growth (Active) Fund. The underlying allocation of the My Diversified Growth (Active) Fund was changed on 9 July 2019 and historic (under)performance over five years relates to the Fund's former underlying manager. However, the My Diversified Growth (Active) Fund has also underperformed its benchmark over all other periods under the current manager. The Trustee will continue to monitor this fund and will act if appropriate.

The Trustee's monitoring of manager fees is covered under Section 5.5.

6. Review of Responsible Investment Policies (applies to both DB and DC Sections)

6.1. Environmental, Social and Governance Factors and Stewardship

Environmental, Social and Governance ("ESG") factors were considered in all selection and monitoring processes over the reporting period, including the choice of new managers, namely Federated Hermes and Insight Investment. All of the Scheme's DB Investment Managers are signatories of the UN PRI ("The United Nations Principles for Responsible Investment").

For the DB Section, the Trustee has delegated Investment Managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations. The investment advisor considers ESG risks when making recommendations to the Trustee and the Trustee considers ESG risks when making investment decisions. Managers' approaches to ESG are one of several key factors that are assessed by the Trustee's investment advisor when making manager recommendations to the Trustee, and these are monitored by the investment advisors on an ongoing basis after appointment. In addition, the UN PRI ESG ratings are included in the quarterly manager monitoring reports received by the Trustee and discussed at FISC meetings.

For the DC Section, as part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement. In March 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022. The highest score available is 4 (strong) and the lowest is 1 (weak). The DC Section managers and funds received above average scores (either 3 or 4) for all but one of the funds, the My Property Fund which received a score of 2. This was because other property funds were improving their approaches to RI whereas the survey responses indicated that the fund has not kept pace with the market. Overall, the Trustee was satisfied with the results of the review and will continue to monitor the managers on an ongoing basis.

As part of the formal strategy review of the DC Section conducted in March 2021, the Trustee agreed to introduce an allocation to a climate-tilted equity fund in the lifetime strategies and a replacement fund underlying the My Ethical Fund. As noted under Section 5.6, the Trustee is currently considering the implementation of these changes.

The Trustee requires its managers to practise good stewardship on its behalf to promote the long-term success of the Trustee's investments. The Trustee discloses manager voting records to members annually in this Statement. The manager voting records are included in Section 8.

7. Voting behaviour

All the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its Investment Managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. A description of the Scheme's managers' use of proxy voting services has been included in sections 8 and 9.

In this Implementation Statement we have included voting data on the Scheme's funds that hold equities as follows:

DB Section

- Threadneedle Dynamic Real Return Fund
- Aberdeen Standard Investments Life Diversified Growth Fund

DC Section

- BlackRock Aquila World Equity Index Fund *(underlying fund of the My Global Shares Fund and My Balanced Growth Fund)*
- LGIM Diversified Equity Factor Fund *(underlying fund of the My Global Shares Fund and My Balanced Growth Fund)*
- LGIM Diversified Fund *(underlying fund of the My Balanced Growth Fund and the My Approaching Retirement Fund)*
- Baillie Gifford Multi Asset Growth Fund *(underlying fund of the My Balanced Growth Fund and the My Approaching Retirement Fund)*

- LGIM Ethical Global Equity Index Fund *(underlying fund of the My Ethical Global Equity Fund)*
- HSBC Islamic Global Equity Index Fund *(underlying fund of the My Islamic Global Equity Fund)*

For the DC Section, the Trustee has included funds which have equity holdings – four of which are used in the default and alternative lifetime strategies, plus two self-select funds. The voting data for the ethical and religious self-select funds has been included recognising that members choosing to invest in these funds may be interested in this information.

8. Voting behaviour in DB Section

8.1. Columbia Threadneedle Investments ("CTI")

Voting

Below is the voting activity over the period for the Scheme's asset managers which held listed equities over the period from 1 April 2021 to 31 March 2022. The Trustee confirms that these are within expectations and no further follow up is required.

	Threadneedle Dynamic Real Return Fund
How many meetings were you eligible to vote at over the year to 31/03/2022?	367
How many resolutions were you eligible to vote on over the year to 31/03/2022?	4628
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	91.0%
Of the resolutions on which you voted, what % did you vote against management?	6.6%
Of the resolutions on which you voted, what % did you abstain from?	2.4%
In what % of meetings, for which you did vote, did you vote at least once against management?	52.0%

Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and our proxy voting practices are implemented through our Proxy Voting Policy. CTI utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. CTI have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	N/A

Most significant votes

CTI cast 10 significant votes over the year to 31 March 2022. Below are the details of the most significant vote:

Threadneedle Dynamic Real Return Fund

- **Caterpillar Inc., June 2021. Vote:** For.

  Summary of resolution: Report on Climate Policy

  Rationale: Supporting better ESG risk management disclosures

  Criteria for which vote has been assessed as "most significant": Vote against management on certain environmental or social proposals & >20% dissent

  Outcome of the vote: Fail

  Next steps: Columbia Threadneedle have noted that active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

- **Royal Dutch Shell Plc, May 2021. Vote:** Abstain.

  Summary of resolution: Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions

  Rationale: Not in shareholders' best interest

  Criteria for which vote has been assessed as "most significant": Vote against management on certain environmental or social proposals & >20% dissent

  Outcome of the vote: Fail

  Next steps: Columbia Threadneedle have noted that active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

8.2. Aberdeen Standard Investments ("ASI")

	ASI Life Diversified Growth Fund
How many meetings were you eligible to vote at over the year to 31/03/2022?	618
How many resolutions were you eligible to vote on over the year to 31/03/2022?	8414
What % of resolutions did you vote on for which you were eligible?	98.0%
Of the resolutions on which you voted, what % did you vote with management?	86.8%
Of the resolutions on which you voted, what % did you vote against management?	12.5%
Of the resolutions on which you voted, what % did you abstain from?	0.7%
In what % of meetings, for which you did vote, did you vote at least once against management?	61.5%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Aberdeen Standard Investment utilise the services of ISS for all our voting requirements. Proxy voting decisions are made in accordance with the principles established in the Aberdeen Standard Investment Proxy Voting Principles (Principles) document provided on the website https://vds.issgovernance.com/repo/2024/ policies/Listed_Company_Stewardship_Guidelines.pdf.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	9.6%

Most significant votes

Abdrn cast 10 significant votes over the year to 31 March 2022. Below are the details of the most significant vote:

ASI Life Diversified Growth Fund

- **Exxon Mobil Corporation, May 2021. Vote:** For.

  Summary of resolution: Report on Climate Change

  Rationale: We are members of the Net Zero Asset Manager initiative. In addition to our engagement with companies we will also apply our voting powers to encourage the long term goals of achieving Net Zero. We encourage companies to adopt Paris aligned strategies and targets in order to reduce their impact on the climate and manage the energy transition. Exxon lags behind global peers in this regard and is exposed to significant risks as a result. It is of critical importance that the company's accounts and underlying assumptions reflect the anticipated impacts of the energy transition. The requested report would support such alignment, improving the company's climate disclosures and providing clarity on the rationale for its limited ambitions and ongoing fossil fuel capital expenditure plans.

  Criteria for which vote has been assessed as "most significant": Significant Vote Category 1 ('SV1'): High Profile Votes

9. Voting behaviour in DC Section

9.1. Description of the voting processes

BlackRock

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from the wider investment team.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a particular company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors.

Whilst BlackRock does subscribe to research from the proxy advisory firms, Institutional Shareholder Services ("ISS") and Glass Lewis, this is just one among many inputs into its voting analysis process. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company's own reporting (its engagement and voting history with the company, the views of its active investors, public information and ESG research.

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually via stakeholder round table events and take into account feedback from its clients.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually.

LGIM's Investment Stewardship team uses ISS' 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice. LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy.

Baillie Gifford
All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. It does not regularly engage with clients prior to submitting votes.

Baillie Gifford's Governance and Sustainability team oversees voting analysis and execution in conjunction with its investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers, but it does utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and endeavours to vote every one of its clients' holdings in all markets.

Whilst Baillie Gifford is cognisant of its proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. As such Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies.

HSBC
HSBC exercises its voting rights as an expression of stewardship for client assets. It has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.
HSBC uses ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene its guidelines. HSBC reviews voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on internal guidelines.

9.2. Summary of voting behaviour over the Scheme year

A summary of voting behaviour over the period is provided in the table below:

Manager Name	BlackRock	LGIM	LGIM	Baillie Gifford	LGIM	HSBC
Fund Name	Aquila World Equity Index Fund	Diversified Equity Factor Fund	Diversified Fund	Multi Asset Growth Fund	Ethical Global Equity Index Fund	Islamic Global Equity Index Fund
How many meetings were you eligible to vote at over the year to 31/03/2022?	3,115	1,476	9,010	111	1,123	109

How many resolutions were you eligible to vote on over the year to 31/03/2022?	37,914	18,490	90,252	1,373	15,785	1,642
What % of resolutions did you vote on for which you were eligible?	99.9%	99.9%	98.8%	86.6%	99.9%	94.5%
Of the resolutions on which you voted, what % did you vote with management?	92.6%	80.4%	78.7%	96.5%	83.2%	88.5%
Of the resolutions on which you voted, what % did you vote against management?	7.3%	18.2%	20.5%	3.4%	16.5%	11.5%
Of the resolutions on which you voted, what % did you abstain from?	1.1	1.5%	0.8%	0.2%	0.3%	0.2%
In what % of meetings, for which you did vote, did you vote at least once against management?	34.3%	69.8%	69.8%	18.9%	74.1%	60.6%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.2%	12.7%	12.5%	N/A[1]	11.4%	7.2%

Some of the percentages in the table may not sum due to rounding. [1] Whilst Baillie Gifford is cognisant of its proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares.

The Trustee has interpreted "most significant votes" to mean those that:

- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial; and
- the Scheme or the sponsoring company has a particular interest in.

Due to the number of votes provided by the DC Section's managers the Trustee has chosen a subset of "most significant votes" to report on in this Statement. The votes selected are those which relate to ESG factors. If members wish to obtain more manager voting information, this is available upon request.

Most significant votes

BlackRock Aquila World Equity Index Fund

- **Vinci SA, April 2021. Vote:** For.

  Summary of resolution: Advisory opinion on the Company's environmental transition plan

Rationale: BlackRock voted for the proposal because it provides a clear roadmap towards the company's stated climate ambitions and targets. VINCI's environmental transition plans meets BlackRock's expectations that companies have clear policies and action plans to manage climate risks and to realise opportunities presented by the global energy transition. The company provides scope 1, 2 and 3 greenhouse gas (GHG) emissions reduction targets to 2030, in addition to targets to enable a circular economy and preserve natural habitats.

Criteria for which vote has been assessed as "most significant": This was considered significant as BlackRock considers climate change to be a key financial risk for the company.

Outcome of the vote: Passed.

Next steps: BlackRock has confirmed that it will continue to monitor the company's progress on the environmental transition plan and hold its directors responsible by voting against the re-election of board members should they have concerns with planning, implementation, or disclosures.

LGIM Diversified Equity Factor Fund

- **Mitsubishi UFJ Financial Group, Inc., June 2021. Vote:** For.

  Summary of resolution: Resolution to Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement

  Rationale: A vote in favour of this shareholder proposal was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively views the company's recent announcements around net-zero targets and exclusion policies, LGIM thinks that these commitments could be further strengthened and believes the shareholder proposal provides a good directional push.

  Criteria for which vote has been assessed as "most significant": LGIM views climate change as a financially material issue for clients, with implications for their assets. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

  Outcome of the vote: Not passed.

  Next steps: LGIM has confirmed it will continue to engage on this important ESG issue.

Baillie Gifford Multi Asset Growth Fund

- **Rio Tinto PLC, April 2021. Vote:** Against.

  Summary of resolution: Remuneration Report.

  Rationale: Baillie Gifford opposed the remuneration report as Baillie Gifford did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards. The intention to vote against this resolution was not communicated to the Company ahead of the vote.

  Criteria for which vote has been assessed as "most significant": This resolution was deemed significant because Baillie Gifford voted against management by opposing remuneration.

  Outcome of the vote: Passed.

  Next steps: Following the submission of their votes Baillie Gifford engaged with the company to communicate their concerns.

Signed: Huw Evans

Chair of the Trustee Board of the LV= Employee Pension Scheme

Dated: 29/10/2022