

**THE SLAUGHTER AND MAY PENSION SCHEME**

**TRUSTEE'S REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2021**

(The Pensions Regulator – Registered Number: 10158285)

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**DETAILS OF PRINCIPAL EMPLOYER, TRUSTEE AND ADVISERS**

Principal Employer	Slaughter and May
Participating Employers	Slaughter and May Services Company Slaughter and May Limited
Trustee*	Slaughter and May Pensions Trustees Limited
Directors of the Trustee	Mr. C.F.G. Girling (Chairman) Mr. H.J. Gittins Mr. P.R. Linnard Mr. C.J. Martin Mr. S. Maudgil Ms. A. Nassiri Ms. S.E. Twigger Mr. W.N.C. Watson Mr. O.J. Wicker
Scheme Actuary	Mrs. J. Curtis
Investment Advisers	Aon Limited
Independent Auditor	Moore Kingston Smith LLP
Solicitors	Slaughter and May Sacker and Partners LLP
Bankers	National Westminster Bank Plc
Investment Managers	Phoenix Wealth Limited Legal & General Investment Management Limited Legal & General Assurance Society Limited
AVC Providers	Utmost Life and Pensions Limited Phoenix Wealth Limited

\* The partners of Slaughter and May (the "Firm") may remove the Trustee, appoint a new Trustee or Trustees in its place or appoint an additional Trustee or Trustees.

Trexco Limited and Trucidator Nominees Limited, as equal joint shareholders of Slaughter and May Pensions Trustees Limited, may appoint and remove any director of that company provided the appointment or removal is consistent with the Member Nominated Director arrangements.

**THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021**

The Trustee of the Slaughter and May Pension Scheme (the "Scheme") presents its annual report together with the investment report, the Auditor's report, the financial statements and the most recent Actuarial Certificate available to the Trustee. The financial statements have been prepared and audited in accordance with regulations made under section 41(1) and (6) of the Pensions Act 1995.

**Constitution of the Scheme**

The Scheme is governed by a Fourth Definitive Trust Deed and Rules dated 19 August 2013 as amended by deeds of amendment dated 27 August 2013, 29 October 2013, 28 March 2014, 23 March 2016, 5 April 2018, 8 January 2019 and 26 May 2020.

The Scheme is a registered occupational pension scheme under Part 4 of the Finance Act 2004 (previously approved under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988). The Trustee is not aware of any reason why registration should be withdrawn.

The Scheme is registered with the Pension Scheme Registry under Scheme Reference Number 10158285.

The Money Purchase Scheme 2001 ("MPS") and the Final Salary Scheme ("FSS") are each separate benefit sections of the Scheme but the trust assets (excluding those due to individual members) in relation to the Scheme are a single undivided fund.

**The Trustee of the Scheme**

In accordance with the Pensions Act 1995, the Trustee has put in place arrangements under which at least one-third of the directors of the Trustee are nominated by the active members and pensioner members of the Scheme and The Slaughter and May 1988 Money Purchase Scheme (together the "Schemes"). These are called Member Nominated Directors ("MNDs"). The remaining directors are selected by the partners of Slaughter and May (the "Firm").

The Trustee of the Scheme is Slaughter and May Pensions Trustees Limited. There are currently nine directors. Five directors of the Trustee are partners of the Firm, Mr. P.R. Linnard, Mr. S. Maudgil, Ms. A. Nassiri, Mr. W.N.C. Watson and Mr O.J. Wicker. Mr. C.F.G. Girling is the independent trustee director and Chairman. Ms. S.E. Twigger, Mr. C.J. Martin and Mr. H.J. Gittins are MNDs. In the past year, the Trustee met four times.

**Auditor**

The Scheme's appointed auditor is Moore Kingston Smith LLP.

**Statement of Trustee's Responsibilities**

The following statement is made at the request of the Auditor to comply with International Standards on Auditing (UK and Ireland). It must not be construed as imposing any liability on the Trustee which would not have been imposed if that statement had not been made.

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

**THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021 (contd.)**

- 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 judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

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

The Trustee is required to act in accordance with the Trust Deed and Rules of the Scheme within the framework of pension and trust law and, subject to these parameters, the Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising, a schedule of contributions showing the rates of contributions (other than voluntary 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 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 and the Scheme rules. Where breaches of the schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

**Covid-19**

On 11 March 2020, Covid-19 was declared a pandemic by the World Health Organisation. The pandemic brought unprecedented difficulties to UK businesses and communities, causing disruption to life and work but the Trustee ensured that the necessary changes to working practices did not materially undermine the governance of the Scheme. The disruption to economic activity has been reflected in global stock market fluctuations and, in turn, in the valuation of Money Purchase Scheme assets. The liability hedging strategy of the FSS has operated effectively to limit the impact on the FSS Scheme assets, and the employer covenant has been largely unaffected. The Trustee continues to keep the impact of Covid-19 under review to ensure that the high levels of Scheme governance are maintained.

## THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021 (contd.)

### Report on Actuarial Liabilities

Section 222 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations 2005 require the Scheme to have:

- sufficient and appropriate assets to meet the FSS's technical provisions (present value of the benefits members are entitled to based on pensionable service to the valuation date), known as the Statutory Funding Objective ("SFO");
- a Statement of Funding Principles ("SFP") covering the policy in relation to funding and the method and assumptions by which the technical provisions are determined. The SFP is available to members on request;
- an actuarial valuation at least every 3 years with interim reports for intervening years.

The Scheme Actuary has carried out the latest formal valuation under the scheme-specific funding regulations as at 31 March 2018. This showed on that date:

The value of the Technical Provisions was	£185.7 million
The value of the assets was	£200.4 million

The Actuarial Valuation showed that the assets of the FSS were sufficient to meet the FSS's technical provisions at the valuation date. The surplus was £14.7m, corresponding to a funding level of 107.9%. There was no deficit recovery plan as the FSS was in surplus. The Firm will directly meet the expenses of the FSS and the MPS.

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

<u>Method</u>	Projected unit method
<u>Assumptions</u>	
RPI	Bank of England RPI Curve
CPI	RPI inflation less 0.8% p.a.
Pension increases	Derived from RPI price inflation assumption
Pre-retirement discount rate	Bank of England Yield Curve plus 0.5% p.a.
Post-retirement discount rate	Bank of England Yield Curve plus 0.5% p.a.

Mortality: for the period in retirement, standard base table S2PxA with a scaling factor of 92% for male deferred members and 91% for male pensioner members; and a scaling factor of 94% for female deferred pensioners and 99% for female pensioner members. Post retirement future improvements in mortality are based on CMI 2017 core projections with a smoothing parameter of 8.0% and a long-term improvement rate of 1.75% for males and females.

A copy of the latest Actuarial Certification of the Schedule of Contributions confirming the adequacy of contributions for the purposes of the Statutory Funding Objective is shown on page 47.

The next full actuarial valuation as at 31 March 2021 and is underway but is not due for completion until 30 June 2022.

**THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021 (contd.)****Automatic Enrolment and Salary Sacrifice**

All new UK employees of Slaughter and May are immediately automatically enrolled without applying a postponement period. This simplifies the joining process.

Slaughter and May have a salary sacrifice arrangement within the MPS whereby, unless the member specifically opted not to participate in salary sacrifice, Slaughter and May shares 50% of its National Insurance saving with the members of the Scheme and this is paid into members' pension accounts monthly.

**The closure of the FSS to future accrual**

Following a consultation between the Firm and the active members of the FSS, the FSS closed to future accrual on 28 February 2011. All 225 affected members joined the MPS2001 from 1 March 2011. Death-in-service and incapacity benefits were unaffected and remain payable through the FSS for those members while they remain employed by the Firm.

**Pensionable Salary Cap**

In June 2008, the Firm announced a change to the FSS. The change restricts the extent to which pay increases awarded after 1 May 2008 are pensionable for FSS purposes to the lesser of inflation (as measured by the Retail Prices Index "RPI") and 5%. Following the closure of the FSS to future accrual on 28 February 2011, the change will continue to affect the death and incapacity benefits of those FSS members who remain employed by the Firm.

**Membership and Beneficiaries**

	<u>31 March 2021</u>			<u>31 March 2020</u>		
	<u>FSS</u>	<u>MPS</u>	<u>Total</u>	<u>FSS</u>	<u>MPS</u>	<u>Total</u>
Active Members	-	1,080	1,080	-	1,111	1,111
Deferred Pensioners	351	1,738	2,089	378	1,637	2,015
Pensioners and Beneficiaries*	511	-	511	494	-	494
Life Assurance Only Members	-	10	10	-	16	16
	<u>862</u>	<u>2,828</u>	<u>3,690</u>	<u>872</u>	<u>2,764</u>	<u>3,636</u>

\*Beneficiaries are those receiving pensions as a result of the death of an Active Member, Deferred Pensioner or Pensioner.

**Increases to Pensions**

All pensions in payment which are attributable to pensionable service completed after 5 April 1997 and before 6 April 2005 must, subject to certain exceptions, be increased by 5% a year or, if less, the increase in the RPI. All pensions in payment which are attributable to pensionable service completed after 5 April 2005 must, subject to certain exceptions, be increased by 2.5% a year, or if less, the increase in the RPI. Any other increases to pensions in payment are entirely at the Trustee's and the Firm's discretion.

**THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021 (contd.)**

In July 2010, the Government announced that statutory minimum pension increases were to be linked to CPI rather than RPI. However, the Government subsequently decided that there would be no statutory override to a scheme's rules. Accordingly, the statutory increases to pensions in payment in the FSS remain linked to RPI.

The increase in the RPI over the year to 31 July 2020 was 1.6%. Backdated with effect from 1 July 2020, tranches of pensions in payment for service accrued between 6 April 1997 and 5 April 2005 subject to statutory minimum increases were increased by 1.6%. Tranches of pension for service accrued after 5 April 2005 subject to statutory minimum increases were also increased by 1.6%. All other tranches of pensions in payment are subject to discretionary increases only. No discretionary pension increases were awarded in the year owing to the exceptional circumstances caused by Covid-19.

The Firm funds for future discretionary pension increases as they are awarded rather than as part of the Actuarial Valuation. As no discretionary pension increases were awarded in the 2020 review, no contribution from the firm to fund them was required (2019: a contribution of £840,000 was paid by the Firm on 8 November 2019 which had been agreed by the Scheme Actuary).

Members of the MPS are responsible for making their own arrangements to pay pensions for themselves at retirement whether through cash withdrawal, the purchase of an annuity or the transfer of benefits to a flexi-access drawdown facility. These arrangements are made by members in their own names and will discharge the Scheme from the liabilities to pay pensions.

**Cash Equivalent Transfer Values**

Members leaving service can normally transfer the cash value of their benefits in the FSS (their "cash equivalent transfer value") to a new employer's scheme or to a suitably approved insurance policy or to the personal pension scheme of their choice. The Trustee, under the advice of the Actuary, set the basis for calculating transfer values under new legislation at its meeting on 11 June 2019. The CETV factors are updated to reflect market conditions every six months or more frequently if the Scheme Actuary determines the market movements warrant it. The last update of CETV factors was made on 1 July 2021. No allowance is made for discretionary benefits and discretionary increases to pensions.

There were two transfers of FSS benefits and two transfers of AVCs to other pension arrangements made in the year ended 31 March 2021, totalling £1,021,638 and £64,252 respectively.

**Revaluation of deferred benefits**

Deferred pensions from the FSS arising on or after 1 January 1986 are subject to statutory revaluation. For revaluation up to 31 December 2010, in relation to service completed up to 5 April 2009, revaluation is calculated by reference to the increase in the RPI subject to a maximum of 5.0% p.a. compound; in relation to service completed after 5 April 2009 the RPI increase maximum is 2.5% p.a. compound.



**THE TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2021 (contd.)**

From 1 January 2011 the basis of the revaluation of pensions in deferment is by reference to CPI rather than RPI. However, the firm amended the rules of the Scheme such that the revaluation of pensions in deferment will be linked to capped RPI for employed deferred members for so long as they remain employed by the firm. Employed deferred members are those who become deferred members at 28 February 2011 when the FSS was closed to future accrual. Once an employed deferred member leaves the employment of the firm, the revaluation of the pension in deferment will be linked to capped CPI in the same way as members who left the firm before 28 February 2011.

**Data Protection Statement**

The Trustee holds personal data provided by members of the Scheme (and, where appropriate, by third parties such as the Firm and Participating Employers or medical advisers) for the purpose of calculating and providing members' benefits and members' survivors' benefits under the Scheme.

All personal information collected by the Scheme is processed on the grounds that such processing is necessary to further the Trustee and the firm's legitimate interest in the effective administration and management of members' benefits under the Scheme. Both the firm and the Trustee will comply with their relevant data protection obligations when processing this information. There may be occasions when members' personal information will need to be shared with other individuals and organisations. The Trustee has prepared a Pension Schemes Privacy Policy which sets out, amongst other things, how the Trustee obtains, uses, shares and protects the personal information that it collects. It also sets out members' rights in relation to their information.

If any member wishes to know more about the information held by the Trustee or the purposes for which it is held or to obtain a copy of the Pension Scheme's Privacy Policy, please contact the Staff Pensions Team.

**Enquiries about the Scheme or Benefit Entitlement**

Any enquiries about the Scheme generally or about entitlement to benefits under the Scheme should be made to the Staff Pensions Team, Slaughter and May, One Bunhill Row, London, EC1Y 8YY (Tel: 020 7090 4142/4101). Email: [staffpensionsteam@slaughterandmay.com](mailto:staffpensionsteam@slaughterandmay.com).

Signed for and on behalf of  
Slaughter and May Pensions Trustees Limited

*CFG Girling* ..... Director

16 September ..... 2021

## **THE INVESTMENT REPORT**

### **1. FINAL SALARY SCHEME AND MONEY PURCHASE SCHEME 2001**

#### **Statement of Investment Principles**

The Trustee's Statement of Investment Principles (the "Statement") is reviewed at least annually. Copies are available from the Trustee on request.

The Statement, which was prepared after obtaining advice from Aon Limited ("Aon") and after consulting the Firm, sets out the Trustee's policy concerning:

- the nature of investments which are suitable for the Scheme to hold, having regard to investment risk and the need for diversification of investments as appropriate;
- the selection of investments, suitable investment managers and instructions restricting certain types of investment activity, including self-investment;
- procedures for regular review of the investment strategy, having regard to the Scheme's actuarial liabilities and the need for realisation of investments;
- objectives for investment performance of the Scheme and review of investment management performance;
- procedures to ensure safe custody of the Scheme's assets and for monitoring compliance with the Trustee's policies by investment managers, custodians and administrators; and
- corporate governance.

The Trustee will continue to review the Statement annually to ensure the principles continue to be appropriate to the Scheme.

#### **Responsible Investment**

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to, where appropriate, engage with investee companies with the aim to protect and enhance the value of assets and exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

## 2. FINAL SALARY SCHEME ("FSS")

### Investment Policy and Objective

The Trustee aims to invest the FSS assets prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk allocation that it could adopt in relation to the FSS liabilities and then selected a strategy that is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the FSS liabilities. In accordance with this, the investment strategy is reviewed regularly.

The asset allocation proportions chosen by the Trustee and the actual asset allocation proportions at the year end are as follows:

<u>Asset Class</u>	<u>Indicative Proportion</u>	<u>Actual Proportion at 31 March 2021</u>	<u>Value at 31 March 2021</u>
			£m
Equities	10.0%	12.6%	26.7
Gilts	50.0%	46.2%	97.7
Cash	10.0%	13.9%	29.4
Bulk annuity	<u>30.0%</u>	<u>27.3%</u>	<u>57.8</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>211.6</u>

The bespoke portfolio of LGIM gilt funds was specifically selected in March 2017 under the advice of Aon to better match the liabilities of the Scheme in terms of interest rate and inflation exposure, a form of liability driven investment (LDI). Separate exercises to rebalance the gilts portfolio were commissioned by the Trustee following the purchase of the bulk annuity and some adjustments to the portfolio were made in both November 2019 and November 2020.

The Trustee reviews the asset allocation on a quarterly basis and rebalances the Equities proportion as and when it feels necessary.

The Trustee's policy is to target a funding position whereby many of the risks inherent in the current technical provisions basis can be removed.

This target is 110% of solvency liabilities which provides a buffer for future uncertainties. The Trustee considers that the current investment strategy is appropriate to meet this target and has adopted a de-risking strategy that gradually moves the portfolio out of equities and into bonds as progress towards this target is made. These moves have been driven by a number of de-risking trigger points linked to the Scheme's solvency ratio, as provided by the Scheme Actuary.

On 20 February 2021, the Scheme reached a solvency funding position of 100% and the Equity proportion of the portfolio was reduced from 20% to 10% in line with the Trustee's strategy. The next de-risking trigger point is when the solvency funding position reaches 110%. At that point, the proportion of Equities will be reduced from 10% to zero.

### **The Investments**

At the 1 April 2020 and 31 March 2021, the assets of the FSS were invested with Legal & General Investment Management Limited ("LGIM") and Legal & General Assurance Society Limited (LGAS), in the funds and indicative proportions listed below:

<b><u>Fund Name</u></b>	<b><u>31 March 2021 Proportion</u></b>	<b><u>1 April 2020 Proportion</u></b>
All World Equity Index Fund	-	20.0%
Developed Balanced Factor Equity Index Fund	10.0%	-
Bespoke LDI Gilts portfolio	50.0%	50.0%
Liquidity Fund (cash)	10.0%	-
Bulk annuity	<u>30.0%</u>	<u>30.0%</u>
	<u>100.0%</u>	<u>100.0%</u>

On 8 January 2021, the Trustee transferred all the equity assets of the Scheme from the All World Equity Index Fund to the Developed Balanced Factor Equity Index Fund.

Income generated by the equity funds and the gilts portfolio is invested in the LGIM Liquidity Fund to assist with cashflow management.

On 12 March 2019, the Trustee entered into a bulk annuity contract (pensioner buy-in) with Legal & General Assurance Society Limited (LGAS). The Trustee passed assets of c. £60m to LGAS in exchange for monthly cashflows back to the Trustee in respect of a specific cohort of pensioners. The payment of the pensions remains the responsibility of the Trustee but the longevity risk of these pensioners has been successfully hedged by this bulk annuity. The assets transferred in-specie to LGAS were predominantly Corporate Bonds supplemented by Gilts and cash. The bulk annuity is revalued annually by Aon.

### **Investment Fees**

The fees for the LGIM funds were as follows:

<b><u>Asset Class</u></b>	<b><u>Fund Fees</u></b>
World Equity Funds	0.158%
Gilts Portfolio	0.035%
Cash	0.125%

### **Custodial Arrangements**

All of the assets of the Scheme (with the exception of the bulk annuity and any cash required to meet day to day expenses and the payment of benefits) are held in pooled funds by third parties and therefore the Scheme does not require a direct Custodian. Cash held by the Trustee is on deposit with National Westminster Bank Plc. The bulk annuity is with Legal & General Assurance Society Limited.

## Performance

The Trustee employs the services of Aon to provide independent assessments and to help it review the funds' performance. A summary of the investment returns achieved is given below:

<u>Fund Name</u>	<u>Period</u>	<u>Fund</u> <u>%</u>	<u>Benchmark</u> <u>%</u>	<u>Diff</u> <u>%</u>
Global Equities	1 year	43.5	43.6	(0.1)
	3 years % pa	11.1	11.1	0.0
Factor Equities	1 year	4.3	4.5	(0.2)
	3 years % pa	-	-	
2047 Gilt Fund	1 year	(10.8)	(10.8)	0.0
	3 years % pa	-	-	
2055 Gilt Fund	1 year	(11.8)	(11.8)	0.0
	3 years % pa	3.3	3.3	0.0
2060 Gilt Fund	1 year	(13.3)	(13.3)	0.0
	3 years % pa	3.3	3.3	0.0
2065 Gilt Fund	1 year	(15.6)	(15.6)	0.0
	3 years % pa	-	-	
2071 Gilt Fund	1 year	(18.8)	(18.7)	0.1
	3 years % pa	-	-	
2035 Index-Linked Gilt Fund	1 year	2.1	2.1	0.0
	3 years % pa	-	-	
2037 Index-Linked Gilt Fund*	1 year	0.3	0.3	0.0
	3 years % pa	-	-	
2040 Index-Linked Gilt Fund	1 year	3.8	3.8	0.0
	3 years % pa	13.9	13.9	0.0
2042 Index-Linked Gilt Fund	1 year	1.3	1.3	0.0
	3 years % pa	-	-	
2047 Index-Linked Gilt Fund	1 year	(2.5)	(2.5)	0.0
	3 years % pa	-	-	
2050 Index-Linked Gilt Fund	1 year	3.2	3.2	0.0
	3 years % pa	3.5	3.5	0.0
2055 Index-Linked Gilt Fund	1 year	3.5	3.6	(0.1)
	3 years % pa	-	-	
2058 Index-Linked Gilt Fund	1 year	5.5	5.5	0.0
	3 years % pa	3.9	3.9	0.0
2062 Index-Linked Gilt Fund	1 year	6.1	6.1	0.0
	3 years % pa	3.5	3.5	0.0
2068 Index-Linked Gilt Fund	1 year	10.8	10.8	0.0
	3 years % pa	4.9	4.9	0.0
Sterling Liquidity Fund	1 year	0.2	0.0	0.2
	3 years % pa	0.6	0.4	0.2
Total Fund	1 year	8.6	9.7	(1.1)
	3 years % pa	5.9	6.5	(0.6)

**Source:** LGIM, consolidated performance benchmark estimated by Aon

The Trustee is satisfied with the performance of the Scheme over the year. While the Trustee notes there is some underperformance versus the benchmark, this has been driven by a small underweight position to equities over the period, in combination with a number of changes to the strategy. The Trustee actively monitors the performance of the underlying funds and notes that each of these have tracked their respective benchmarks within an acceptable tolerance, net of fees.

A summary of the performance of the FSS for the previous eight financial years is given below:

<u>Year</u>	<u>Fund Return</u>	<u>Benchmark Return</u>	<u>Diff</u>
2013	12.7	12.7	-
2014	2.9	2.7	0.2
2015	18.6	18.5	0.1
2016	0.1	0.2	(0.1)
2017	20.9	21.0	(0.1)
2018	7.8	7.9	(0.1)
2019	5.0	5.1	(0.1)
2020	4.1	4.7	(0.6)
2021	8.6	9.7	(1.1)

No part of the FSS's assets is invested in employer-related investments. All the assets of the FSS (excluding the bulk annuity) are invested in assets which the Trustee believes are readily marketable.

#### Additional Voluntary Contributions

Until 31 March 2001, Additional Voluntary Contributions ("AVCs") could be invested only in a with-profits fund of The Equitable Life Assurance Society ("Equitable Life") and/or its Managed Pensions Fund, a unit-linked fund. On 1 January 2020, these AVCs were transferred to Utmost Life and Pensions Limited ("Utmost Life and Pensions") where they are held under an insurance policy for the benefit of members. The Trustee wrote to all members prior to the transfer inviting them to select their own investment strategy for their funds on the transfer to Utmost Life and Pensions. For members with investments in the Equitable Life with-profits fund who did not respond, the Trustee selected the Investing-by-Age strategy as the default investment option. Members with investments in the Equitable Life managed fund who did not respond were automatically transferred to the Utmost Life and Pensions managed fund.

At 31 March 2021, there were 19 members who had AVCs with Utmost Life and Pensions Limited. Members may change their investment choices if they wish by contacting the Staff Pensions Team.

As from 1 April 2001, the Trustee appointed Deutsche Asset Management Life & Pensions Ltd. ("Deutsche Life") as an additional investment manager for the Scheme's AVCs. As from 23 December 2004, the Trustee appointed Phoenix Wealth Limited (formerly Axa Wealth Limited and before that Winterthur Life U.K. Limited) as an additional investment manager for the Scheme's AVCs. Thirteen investment funds are available for investment on a defined contribution basis. Following the closure to future accrual on 28 February 2011 no further AVCs can be paid into the FSS.

Details of the Phoenix Wealth AVC funds performance can be seen in part 3. MONEY PURCHASE SCHEME 2001 below.

### **3. MONEY PURCHASE SCHEME 2001 ("MPS")**

#### **The Investment Manager**

At the inception of the Scheme in April 2001, the investment manager was Deutsche Life. In October 2004, Deutsche Life gave notice to the Trustee of its intention to close its passive funds. Phoenix Wealth (formerly Axa Wealth and before that Winterthur Life) was appointed by the Trustee on 23 December 2004 to manage the four passive funds. Following concerns over the Deutsche Life active funds, all funds were moved to AXA Wealth on receipt of specific change instructions from each member. The final switch occurred on 28 March 2006.

The group insurance policy with Phoenix Wealth is an arrangement under which the Trustee, through a single source, can offer members access to a range of different investment funds, operated by different fund managers. This arrangement allows the Scheme, and therefore members, to have access to investment managers who might not otherwise be available to the Scheme because the amounts being invested may be insufficient to justify the Scheme being a customer on its own.

The MPS offers "white-labelled funds" whereby the member elects to invest in a particular asset class, and is invested in whichever underlying fund or funds that the Trustee selects, from time to time, to be the fund or funds for that class. If the Trustee decides to replace that fund with another, the member's investment funds are automatically reinvested in the replacement fund and any contributions which the member then pays are invested in the replacement fund.

The Trustee may select additional or substitute funds offered by different investment managers.

#### **Changes in the Year and Subsequent to the Year End**

There are currently thirteen funds in which members may invest their pension accounts. There were no changes of underlying fund managers during the year.

Due to the impact of Covid-19 on property markets, on 20 March 2020 the underlying managers for the Property Fund suspended their funds. Between that date and 1 October 2020 when the LGIM property fund reopened, no investments or disinvestments were permitted into or out of the Property Fund. Active members with investments in the Property Fund were contacted and asked to provide alternative instructions for that proportion of their monthly contributions with the default option being to invest that proportion of the monthly contributions into the Cash Fund. On reopening, the members' instructions were followed regarding their contributions during the suspended period and their future contributions from October onwards. With regard to the suspended funds defaulted to the Cash Fund, the Trustee only transferred these investments into the Property Fund if the express permission of the member had been received.

#### **Investment Fees**

The MPS invests in units which are priced net of fees. The rates charged are dependent on the nature of the Fund in which the units are invested and are shown in the table on page 14.

#### **Custodial Arrangements**

There are no custodial arrangements as the MPS investment takes the form of an interest under a life insurance policy.

#### **Investment Policies, Objectives and Scheme Activities**

The investment policies, objectives and activities are dependent on the nature of the fund in which the units are invested. Specific information on the current funds and their performance and fees is available from the FDS website (<https://digital.feprecisionplus.com/slaughterandmay>).

**Performance (before deduction of fees)**

<b>Fund Name</b>	<b>Period</b>	<b>Fund %</b>	<b>Bench -mark %</b>	<b>Diff %</b>	<b>Fees %</b>
<b>Passive Funds</b>					
UK Equity Tracker	1 year	27.5	28.7	(1.2)	(0.10)
BlackRock	3 years % pa	3.4	3.3	0.1	
World Equity Tracker	1 year	39.9	39.9	0.0	(0.13)
Legal & General	3 years % pa	13.5	13.4	0.1	
Global Equity (50:50) Tracker	1 year	33.4	32.6	0.8	(0.10)
BlackRock	3 years % pa	7.4	7.4	0.0	
Overseas Equity Tracker	1 year	40.4	39.7	0.7	(0.10)
BlackRock	3 years % pa	14.5	13.9	0.6	
Long Dated Gilts Tracker	1 year	(10.5)	(10.4)	(0.1)	(0.09)
BlackRock	3 years % pa	3.4	3.3	0.1	
Index-Linked Gilts Tracker	1 year	2.6	2.6	0.0	(0.10)
Legal & General	3 years % pa	3.6	3.6	0.0	
Pensions Converter Fund	1 year	2.6	2.9	(0.3)	(0.13)
Legal & General	3 years % pa	4.5	4.4	0.1	
Shariah Compliant Fund	1 year	37.2	37.6	(0.4)	(0.35)
HSBC	3 years % pa	20.1	20.2	(0.1)	
<b>Active Funds</b>					
UK Equity Fund	1 year	37.2	26.7	10.5	(0.65)
Baillie Gifford and Majedie	3 years % pa	4.8	3.2	1.6	
Global Equity Fund	1 year	45.9	38.4	7.5	(0.75)
MFS and Dodge & Cox	3 years % pa	12.2	13.4	(1.2)	
Property Fund	1 year	5.7	2.5	3.2	(0.81)
Aviva and Legal & General	3 years % pa	2.6	2.4	0.2	
Diversified Growth Fund	1 year	18.5	3.6	14.9	(0.59)
BlackRock DDGF and Blackrock DAAF	3 years % pa	6.3	4.0	2.3	
Cash Fund	1 year	0.1	(0.1)	0.2	(0.10)
Legal & General	3 years % pa	0.5	0.3	0.2	

**Notes**

Source: Axa Wealth.

Performance shown is gross of fees.

Performance is calculated based on the unit prices of the underlying managers and therefore may be subject to discrepancies as prices swing from bid to offer.

Some performance is calculated on the fund the day after the benchmark to provide a suitable comparison with the index.

There are no employer-related investments.

Signed for and on behalf of Slaughter and May Pensions Trustees Limited

..... *C.F.G. Girling* ..... Director

..... 16 September ..... 2021



## **CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE FOR THE YEAR ENDED 31 MARCH 2021**

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to include a statement regarding governance in the annual report. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement relates to the DC benefits in the Slaughter and May Pension Scheme (the Scheme), which are provided from both the DC section of the Scheme and from the DC Additional Voluntary Contribution (AVC) arrangement within the Final Salary section of the Scheme. The statement issued by the Trustee covers the period from 1 April 2020 to 31 March 2021 and is signed on behalf of the Trustee by the Chairman.

This statement covers governance and charge disclosures in relation to the following:

1. The default arrangement
2. Processing of core financial transactions
3. Member borne charges and transaction costs, including illustrations of the cumulative impact on members' benefits
4. Value for Members assessment
5. Trustee knowledge and understanding

The Trustee has also continued to take actions required to manage the Scheme in light of the COVID-19 pandemic and has incorporated commentary into this statement regarding these actions.

### **1. The default arrangement**

**The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.**

The Scheme is used as a Qualifying Scheme for auto-enrolment purposes.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement, the Default Investment Option (DIO).

Members of the DC section of the Scheme who do not make an explicit choice regarding the investment of their funds use the DIO.

The objective of this arrangement is to provide investment growth by investing in return seeking assets in a diversified portfolio of global equities with a moderate risk profile, with a gradual switching of assets over the fifteen years before the member's expected retirement date, through a lower risk diversified growth fund, towards a final position of 25% cash and 75% gilts.

The DIO invests in a series of funds managed by Phoenix Corporate Investment Services (Phoenix Wealth, formerly Axa Wealth Limited) and external managers, which meet the requirements for social, environmental and ethical considerations set out in the Trustee's Statement of Investment Principles.

By investing in this manner, the Trustee expects to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with an increased focus on the final fifteen years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustee considers this approach to be in the best interests of relevant members and beneficiaries.

In addition to the DIO, the Trustee also makes available a range of other funds with Phoenix Wealth, which members may choose to invest in. One of these funds is the Scheme's property fund. During the year, this fund was temporarily closed to new contributions. This was due to the managers of the underlying property funds suspending trading in those funds as a result of difficulties obtaining property valuations during the COVID-19 pandemic. The Trustee took prompt action to ensure that members' contributions were temporarily redirected to another of the Scheme's funds, the cash fund, during the relevant period, and this change was communicated fully to members, who were given the option to choose an alternative fund if they wished. As a result of this redirection of contributions, the Scheme's cash fund has become an additional default arrangement for regulatory reporting and monitoring purposes.

### **Investment strategy review**

The Trustee, with assistance from its investment advisers, undertook a general review of the Scheme's investments during the period, including formally reviewing the DIO and reviewing the cash fund. The review concluded on 29 September 2020. The objectives and principles of the DIO (as set out above) were considered as part of this review.

As per the 2019 review, the 2020 review included consideration of what constituted an appropriate default investment option in the context of retirement flexibilities, given that many members may not be expected to take annuities at retirement. It was noted that de-risking from age 50 could become less valuable to members going forward, depending on their choices at retirement. However, the Trustee's intention is to review the DIO and self-select investment options more fully as part of a wider review of the DC arrangements currently in progress.

In light of the above the Trustee concluded that, in the short term, the objectives and principles remained appropriate for the different groups of members invested in the DIO and that the existing DIO was still suitable in its current form, pending the wider review currently underway. Therefore the decision was taken to maintain the current strategy. The Scheme's developing experience in regard to members' retirement choices will be considered as part of this wider review.

As part of the review, the Trustee also concluded that the cash fund continues to meet its aims and objectives.

The Scheme's current Statement of Investment Principles, which includes further details on the DIO and the cash fund, is appended to this statement.

### **Performance Monitoring**

The Trustee reviews the performance of the DIO, and the other funds available to members, against aims and objectives on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance is reviewed against target benchmarks that have been agreed with the investment managers.

The performance of the component funds of the DIO, which includes the cash fund, over a 1 year, 3 year and 5 year rolling period to 31 March 2021 is shown below:

Fund name <i>Benchmark</i>	Cumulative performance (net of fees) (%)		
	1 year	3 years	5 years
Pension Converter Tracker	1.6	13.9	28.5
<i>Weighted average of Corporate Bonds and Fixed Interest Gilts</i>	2.9	13.9	28.9
World Equity Tracker	39.3	48.3	98.8
<i>FTSE AW World</i>	39.9	45.9	98.7
Diversified Growth Fund	17.9	18.2	26.3
<i>Bank of England Base Rate + 3.5%</i>	3.6	12.5	21.4
Cash Fund	0.0	1.1	1.5
<i>LIBOR LIBID GBP 1 week</i>	-0.1	1.0	1.4

The Trustee reviews that took place in the year concluded that the DIO was showing satisfactory performance and the underlying funds remained suitable. It was also concluded that the cash fund was showing satisfactory performance and remained suitable. Financial markets have been volatile throughout the year due to the COVID-19 pandemic and the DIO is especially designed with the long term in mind. As such, the Trustee's reviews focus on longer term fund performance.

The Trustee continues to monitor the investment strategy quarterly, which will enable it to identify any investment related issues and respond quickly, which it considers especially important at the current time.

## 2. Processing of core financial transactions

**The Trustee has a specific duty to ensure that core financial transactions relating to the Scheme's DC section and the Scheme's DC AVC arrangements are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members.**

These transactions are undertaken on the Trustee's behalf by the Scheme's in-house administrator (the Staff Pensions Team of the Principal Employer, Slaughter and May), who work closely with the Scheme's DC Investment Manager (Phoenix Wealth). In relation to the DC AVC arrangements, some core financial transactions are carried out by Utmost Life and Pensions on the Trustee's behalf.

The Staff Pensions Team reports on the administration of the Scheme at each quarterly Trustee meeting.

The Trustee has reviewed the content of this reporting and concluded that the reporting provides them with the high-level management information that they require, recognising that due to the size of the Staff Pensions Team and the limitations of the administration system used, it is not currently possible or appropriate to report on performance against Service Level Agreements.

The Staff Pensions Team's quarterly reporting includes a declaration that agreed procedures have been followed to ensure the prompt and accurate processing of all transactions over the quarter. Amongst other things, these procedures include:

- processing all transactions in a timely manner, in particular ensuring that monthly contributions are invested as promptly as possible (and always within statutory timescales);

- performing a monthly reconciliation of the contributions paid to the Scheme;
- performing a monthly reconciliation of the units in each fund to the Phoenix unit statements;
- performing a monthly reconciliation of the Scheme bank account;
- following comprehensive money handling procedures and controls for all transfers to/from the Scheme, with two signatures required for all such transactions;
- regularly reviewing authorised signatory lists; and
- closely monitoring any transactions carried out by Utmost Life and Pensions, which, due to the legacy nature of the Utmost Life AVCs, generally only involves processing retirements or transfers.

As part of the quarterly reporting, the Staff Pensions Team raises any administrative issues or member complaints that require referring to the Trustee for discussion. No such issues or complaints were referred to the Trustee over the year covered by this statement.

As a result of the temporary closure of the property fund to new contributions during the year, there was a short delay in investing the March and April 2020 contributions. In each case, the contributions were paid from the Firm to the Trustee within the usual timescales, where they remained in the Trustee bank account until invested. Similar issues were experienced by many DC schemes during 2020 and the Trustee's view is that this delay was unavoidable. The Trustee is satisfied that it took prompt action, supported by the Staff Pensions Team, to communicate with members and to redirect contributions as soon as practicable. From May 2020 onwards, contributions were invested within the usual timescales. The Trustee has reviewed the quarterly administration reports over the reporting year. With the exception of the delay in investing the March and April 2020 contributions as set out above, the Trustee is satisfied that the quarterly administration reports demonstrate that core financial transactions have been carried out promptly and accurately over the period.

In addition to the quarterly reporting, on an annual basis the Trustee considers the Scheme's processes and controls as part of their review of the risk register. These processes and controls are also independently reviewed each year as part of the Scheme audit. One minor point was reported to the Trustee from the audit for the year covered by this statement, relating to recordkeeping. The Staff Pensions Team have since updated their processes to incorporate this comment.

In light of the above, the Trustee considers that the requirements specified in the Administration Regulations for processing core financial transactions promptly and accurately have been met over the reporting year.

### **3. Member borne charges and transaction costs**

**The Trustee is required to regularly monitor the level of costs and charges borne by DC Section members and AVC members through the investment funds. These comprise:**

- **Charges:** these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;
- **Transaction costs:** these are not explicit and are incurred when the Scheme's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds. Transaction costs are not included within the TER.

**The Trustee is also required to confirm that the charges on the default funds have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.**

As mentioned earlier in this Statement, in addition to the DIO, the Trustee also makes available a range of 13 individual funds through the Phoenix Wealth platform, which may be chosen by members in any combination as an alternative to the DIO. These funds allow members to take a more tailored approach to managing their own pension investments. Information on the charges and transaction costs over the reporting year was supplied by Phoenix in relation to all DC Section funds offered by the Scheme.

Utmost Life and Pensions provided information on the charges and transaction costs for the AVC funds that members were invested in over the reporting year.

Note that there can, on occasion, be a negative transaction cost (profit) as a result of the underlying trades in a fund. However, a floor of 0% p.a. has been used for all transaction costs to avoid potentially understating the total level of costs and charges.

The following table shows the charges for each of the funds available in the Scheme via Phoenix over the reporting year, as provided by Phoenix.

<b>Fund</b>	<b>Total Expense Ratio (TER) % pa</b>	<b>Transaction Costs (TCs) <sup>3, 5</sup> %3.5% pa</b>
DIO	0.12 – 0.59	0.0049 – 0.5388
Global Equity	0.75	0.1029
Global Equity (50:50) Tracker	0.10	0.0056
Long-Dated Gilts Tracker	0.09	0.0000
Overseas Equity Tracker	0.10	0.0000
Pension Converter Tracker <sup>1</sup>	0.13	0.0818
UK Equity	0.65	0.1875
UK Equity Tracker	0.10	0.2059
World Equity Tracker <sup>1</sup>	0.13	0.0049
Shariah Compliant Tracker	0.35	0.0198 <sup>4</sup>
Diversified Growth <sup>1</sup>	0.59	0.5388 <sup>4</sup>
Index- Linked Gilts Tracker	0.10	0.0250
Property	1.30 <sup>2</sup>	0.3568
Cash <sup>1</sup>	0.10	0.0000

**Notes:**

<sup>1</sup> These funds are included in the DIO.

<sup>2</sup> This includes 0.49% p.a. in respect of the Property Expense Ratio (PER) which is the cost associated with the management and operation of the physical properties in the portfolio. This represents the weighted average over the period, based on a PER of 0.67% for the period 1 April 2020 to 2 July 2020, 0.50% for the period 3 July 2020 to 14 October 2020, 0.38% for the period 15 October 2020 to 25 October 2020 and 0.40% for the period 26 October 2020 to 31 March 2021.

<sup>3</sup> Some transaction costs are negative, for these we have applied a floor of 0.0% to avoid potentially understating the level of costs.

<sup>4</sup> Transaction costs are based on partial data because for some of the underlying funds the transaction cost data for the reporting period was unavailable. The Trustee will continue to request this data from Phoenix.

<sup>5</sup> Transaction costs are not explicit charges and as such are not included within the TER.

The highest TER charge at any stage within the DIO is 0.59% pa and the TER charge on the cash fund over the year was 0.1% pa, both of which are lower than the maximum permitted default fund charge of 0.75% pa.

The following table shows the charges for each of the Utmost Life and Pensions funds that members invested in over the reporting year, as provided by Utmost Life and Pensions.

Investment option <sup>1</sup>	Total Expense Ratio (TER) % p.a.	Transaction Costs (TCs) <sup>3</sup> % p.a.
Investing By Age Strategy <sup>2</sup>	0.50 – 0.75	0.00 – 0.50
Managed Fund	0.75	0.15

Notes:

1. The funds shown are the funds in which members currently invest. Further Utmost Life and Pensions funds are available for members to choose if they wish.
2. The Investing By Age Strategy is a lifestyle strategy, which invests in different underlying funds depending on the member's term to retirement.
3. Transaction costs are not explicit charges and as such are not included within the TER.

### Illustrations of the cumulative effect of costs and charges

**Under the Administration Regulations, the Trustee is required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values.**

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided the following illustrations of their cumulative effect on the value of typical Scheme members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members and investment strategies representative of the Scheme's membership, and are based on a number of assumptions about the future which are set out below.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements.

The most popular fund chosen by members to invest in is the Global Equity fund. The tables below illustrate the effect of the costs and charges at different ages on members' projected retirement pots for a typical member invested in this fund. For comparison purposes, we also show the projected retirement savings if the typical member were invested in the DIO or Cash Fund.

**Active Members:****Example 1: an average active member**

For a typical active member, the estimated impact of charges on accumulated fund values in the DIO, Global Equity or Cash Fund is shown below. The amounts shown relate to a member aged 31 with a current fund value of £26,700 and current ongoing contributions of £9,970 p.a.

Age	DIO			Global Equity Fund			Cash Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £
31	26,700	26,700	0	26,700	26,700	0	26,700	26,700	0
35	72,310	72,050	260	74,090	72,430	1,660	62,050	61,870	180
40	138,090	137,090	1,000	145,100	138,560	6,540	101,950	101,390	560
45	235,690	233,270	2,420	252,890	236,820	16,070	155,480	154,360	1,120
50	350,040	345,270	4,770	384,640	352,280	32,360	203,260	201,400	1,860
55	496,860	484,880	11,980	562,460	504,410	58,050	260,250	257,470	2,780
60	655,870	621,980	33,890	779,840	683,170	96,670	311,120	307,270	3,850
65	757,300	701,870	55,430	1,045,540	893,240	152,300	356,530	351,510	5,020

**Example 2: a younger active member**

For a younger active member, the estimated impact of charges on accumulated fund values in the DIO, Global Equity or Cash Fund is shown below. The amounts shown relate to a member aged 21 with a current fund value of £1,400 and current ongoing contributions of £2,120 p.a.

Age	DIO			Global Equity Fund			Cash Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £
21	1,400	1,400	0	1,400	1,400	0	1,400	1,400	0
25	10,520	10,490	30	10,730	10,530	200	9,290	9,260	30
30	26,510	26,350	160	27,610	26,580	1,030	20,660	20,570	90
35	49,490	49,050	440	52,590	49,700	2,890	34,530	34,310	220
40	76,420	75,490	930	83,120	76,860	6,260	46,910	46,520	390
45	115,070	113,340	1,730	127,690	115,880	11,810	64,150	63,530	620
50	160,350	157,420	2,930	182,180	161,730	20,450	79,530	78,640	890
55	217,490	211,230	6,260	254,570	221,300	33,270	98,220	97,000	1,220
60	278,880	263,090	15,790	343,070	291,290	51,780	114,900	113,300	1,600
65	315,400	290,530	24,870	451,240	373,540	77,700	129,790	127,780	2,010

**Deferred Members:****Example 3: an average deferred member**

For a typical deferred member, the estimated impact of charges on accumulated fund values in the DIO, Global Equity or Cash Fund is shown below. The amounts shown relate to a member aged 38 with current fund value of £34,300.

Age	DIO			Global Equity Fund			Cash Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges (TER and TCs) £
38	34,300	34,300	0	34,300	34,300	0	34,300	34,300	0
40	36,540	36,450	90	37,170	36,590	580	32,780	32,710	70
45	42,820	42,440	380	45,430	42,990	2,440	29,260	29,050	210
50	50,170	49,420	750	55,540	50,520	5,020	26,120	25,800	320
55	58,340	56,660	1,680	67,890	59,370	8,520	23,320	22,920	400
60	66,560	62,480	4,080	82,980	69,760	13,220	20,820	20,360	460
65	68,440	62,280	6,160	101,440	81,980	19,460	18,590	18,080	510

**Members are advised to consider both the level of costs and charges and the expected return on investments (i.e. the risk profile of the strategy) in making investment decisions.**

The illustrations above have been carried out in line with the statutory guidance and assume the following:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to be 2.5% each year.
3. Contributions are assumed to increase in line with the core and matching age related contribution rates and in line with assumed earnings inflation of 2.5% each year.
4. The starting fund values and future contributions used in the projections are representative of the averages for the Scheme.
5. Data used is as at 31 March 2021.
6. Retirement age is assumed to be 65.
7. The projected growth rates for each fund (before charges), including those underlying the DIO, are as follows

Fund	Growth rate (p.a.)
Pension Converter Tracker	0.20%
World Equity Tracker	5.80%
Diversified Growth	5.00%
Cash	0.20%
Global Equity	6.70%

8. The projection of the DIO takes into account the changing proportion invested in the different underlying funds.



9. Charges have been assumed to be in line with those over the reporting year as set out in the table above. The transaction costs have been averaged over a three year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

#### 4. Value for Members assessment

**The Administration Regulations require the Trustee to make an assessment of charges and transaction costs borne by DC section members and members with DC AVCs and the extent to which those charges and costs represent good value for money for members.**

There is no legal definition of "good value" or the process of determining this for Scheme members. Therefore, the Trustee has established a cost-benefit analysis framework in order to assess whether the member borne charges on the DC funds in which members' assets are invested deliver good value for members.

The costs have been identified as TERs and transaction costs and are set out in section 3 of this statement. The Trustee has compared the DC Section TERs to current market rates and concluded that they generally compare well. The Trustee has compared the DC AVC TERs to current market rates (for legacy schemes of a similar nature) and concluded that the charges are in line with comparable legacy arrangements. Since transaction cost disclosure is relatively new, there is no market benchmarking data available, so the Trustee has not been able to compare the transaction costs to the market. However, the Trustee has received confirmation from its advisers that the transaction costs associated with the arrangements are reasonable based on their general experience of similar funds on other schemes.

The Trustee has considered the benefits of membership under the following categories: Scheme governance and management, investments, administration and member communications.

For each category, the Trustee considered the Scheme's practices against the Pensions Regulator's expectations (as set out in the DC Code of Practice) and carried out benchmarking relative to other pension arrangements or industry best practice guidelines, concluding that the Scheme generally compared well.

The Trustee's beliefs formed the basis of the benefit side of the analysis. These are set out below, along with the main highlights of their assessment.

##### Scheme governance

- **The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.**
- The Trustee has built a suitable governance approach for the DC Section and AVC arrangements, whereby core financial transactions and other key governance factors are monitored quarterly and DC issues are included in the Scheme's risk register.
- Investment performance and strategy of DC funds is reviewed annually and the AVC funds are reviewed triennially.
- The Trustee considered the impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure the board could continue to perform effectively during this time, for example meetings continued to take place and were held virtually rather than in person. The Trustee continues to keep the position under review to ensure the governance approach remains suitable.

### Investments

- **The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.**
- The processes followed in regard to the DIO offered to DC Section members are discussed in section 1 of this statement. In addition to the DIO, the DC Section of the Scheme offers a variety of other funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind.
- The Trustee reviews the DC Section funds' performance and strategy annually and the AVC arrangements triennially.

### Administration

- **The Trustee believes that good administration and record keeping play a crucial role in ensuring that Scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.**
- The Trustee obtains information to regularly assess the standard of administration, and resulting member experience, through quarterly administration reports, feedback and discussions with the Staff Pensions Team, as Scheme administrator.

### Member communications

- **The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.**
- The Trustee makes use of a wide variety of communication media (including written correspondence, on-line materials/information, seminars and one-to-one support) to aid members throughout their membership.

The Trustee's assessment concluded that the charges borne by Scheme members represents good value for members relative to the benefits of Scheme membership. The Trustee continues to consider whether there is potential to further improve value for members.

## **5. Trustees' knowledge and understanding**

**Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the directors of the Trustee Company (the Trustee directors) to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as Trustee directors properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07.**

The comments in this section relate to the Trustee directors dealing with the whole Scheme and are not restricted to the DC benefits.

There is a comprehensive induction process in place, with new Trustee directors receiving a three hour induction training session, an induction pack and completing the Pensions Regulator's Trustee toolkit. Over the year covered by this Statement, there were no changes to the Board.

All of the existing Trustee directors have completed the Pension Regulator's Trustee Toolkit and they have arrangements in place for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments in pensions. This includes the Trustee directors carrying out an annual self-assessment of their training needs.

The Secretary to the Trustee directors maintains a training log and arranges for training to be made available to individual Trustee directors or to the whole Trustee body as appropriate. The Trustee directors also receive agenda specific training and advice from their professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. For example, during the year covered by this Statement, the Trustee directors have received training and regular updates on topical issues in pensions such as DC Master Trusts, factor based investing and Environmental, Social and Governance (ESG) considerations.

The Trustee directors have engaged with their professional advisers regularly throughout the year to ensure that they exercise their functions properly and take professional advice where needed. Exercising their functions has required knowledge of key Scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts and Statement of Investment Principles. A few of the areas that support this statement are set out below. The Trustee directors have:

- held up to date versions of Scheme documents (including the Trust Deed & Rules and the Scheme booklets), to help maintain a working knowledge of the Scheme;
- made decisions on specific member cases, taking into account the requirements of the Scheme's governing documents (the Trust Deed & Rules), the Scheme's agreed policies/practices and also the wider law relating to pensions and trusts;
- carried out regular annual tasks, such as reviewing and signing off the Trustee Report & Accounts;
- reviewed and discussed an assessment of the Scheme against the Pension Regulator's DC Code of Practice, helping to maintain their knowledge of the law relating to (DC) pensions and trusts;
- carried out a review of the Scheme's investment strategy, in relation to both the DC and Final Salary sections of the Scheme, to assess fund performance against benchmarks and funds against overall Scheme aims and objectives, as set out in the Statement of Investment Principles;
- carried out an investment review of the Scheme's AVC arrangements with Utmost Life and Pensions, including assessment of the performance, charges and standard of administration provided by Utmost Life and Pensions following the transfer of Equitable Life's business in January 2020;
- regularly monitored the funding position of the Final Salary section of the Scheme and the investment performance of both the DC and Final Salary sections of the Scheme, using their knowledge to consider any options/actions with their professional advisers as appropriate (including the continued de-risking of the investment strategy of the Final Salary section of the Scheme); and
- expanded the Statement of Investment Principles to take account of the new regulatory requirements on stewardship, disclosure and costs, incorporating the Trustee's policies on the arrangements with their asset managers and how costs and performance are monitored and assessed.

The Trustee also considered the continued impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure that the board could continue to perform effectively during this time. Specifically, the Trustee has reviewed the regularity of the Trustee meetings and the format (virtual Trustee meetings are being held during this time), identified key person risks, Trustee decision making protocols, and approvals processes and taken steps to mitigate these risks through appropriate identification of designated alternates on the Trustee board and all advisers and providers to ensure business continuity and appropriate Scheme governance during the pandemic.

The Trustee directors carried out a self-evaluation of their performance and effectiveness over the year, via a group discussion at the March 2021 Trustee meeting. Overall, the Board agreed that it was content with its level of effectiveness and proposed no changes this year.

The Trustee board is made up of nine Trustee directors with a broad range of additional and complementary skills on which to draw, benefitting the combined knowledge of the board. Areas of expertise include pensions law, corporate law, employment law, tax law, technology and accountancy. As already noted above, in addition to the skills within the Trustee board, the Trustee directors have engaged with their appointed professional advisers regularly throughout the year. These advisers include investment consultants, actuaries, lawyers and accountants.

Based upon the above comments, the Trustee directors consider that they meet the Pension Regulator's Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support provided from both the Secretary to the Trustee and their professional advisers, enables them to properly exercise their functions as the Trustee of the Scheme.

#### **DC Scheme governance – conclusion**

The Trustee of the Scheme has reviewed and assessed that the systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits, effective from 28 July 2016, and the accompanying guides.

Based on its assessment the Trustee believes that it has adopted the standards of practice set out in the DC code and DC regulatory guidance in force during the Scheme year. This helps to demonstrate the presence of good DC governance, which the Trustee believes will help deliver better outcomes for members at retirement.

The Statement was approved by the Trustee on 9 September 2021 and signed on its behalf by:

*C F G Girling*

C F G Girling  
Chairman

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE SLAUGHTER AND MAY PENSION SCHEME**

### **Opinion**

We have audited the financial statements of The Slaughter and May Pension Scheme for the year ended 31 March 2021 which comprise the fund account, the net assets statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### **Basis for opinion**

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

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 Scheme's trustee with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Scheme's trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE SLAUGHTER AND MAY PENSION SCHEME (CONTINUED)**

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Scheme's trustee**

As explained more fully in the trustee's responsibilities statement set out on pages 2 and 3, the Scheme's trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Scheme's 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 Scheme's 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 Scheme's trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

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

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

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

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

The objectives of our audit in respect of fraud are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the Scheme.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the Scheme and considered that the most significant are the Pensions Act 1995, the Pensions SORP, UK financial reporting standards as issued by the Financial Reporting Council and regulations prescribed by The Pensions Regulator.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE SLAUGHTER AND MAY PENSION SCHEME (CONTINUED)**

- We obtained an understanding of how the Scheme complies with these requirements by discussions with management and those charged with governance
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustee.
- Conclude on the appropriateness of the Scheme trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE SLAUGHTER AND MAY  
PENSION SCHEME (CONTINUED)**

**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 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.

*Moore Kingston Smith LLP*

**Moore Kingston Smith LLP**  
Statutory auditor

*24 September 2021*

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD



**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021****FUND ACCOUNT**

For the year ended 31 March 2021

		<u>2021</u>		<u>2020</u>
		<u>FSS</u>	<u>MPS</u>	<u>Total</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Contributions and benefits</b>				
Employer contributions		-	6,941	6,941
Employee contributions		-	<u>3,660</u>	<u>3,475</u>
Total contributions	4	-	10,601	11,126
Transfers in	5	-	694	61
Other income	6	<u>388</u>	<u>259</u>	<u>242</u>
		<u>388</u>	<u>11,554</u>	<u>11,429</u>
Benefits payable	7	(5,916)	(971)	(6,887)
Leavers	8	(1,086)	(3,667)	(5,926)
		<u>(7,002)</u>	<u>(4,638)</u>	<u>(11,848)</u>
Net additions/(withdrawals) from dealings with members		(6,614)	6,916	302
				(419)
<b>Returns on investments</b>				
Investment income	9	3,359	-	3,359
Change in market value of investments	10	<u>11,530</u>	<u>38,513</u>	<u>50,043</u>
Net returns on investments		<u>14,889</u>	<u>38,513</u>	<u>6,428</u>
Net increase/(decrease) in the fund during the year		8,275	45,429	53,704
				(6,847)
<b>Net assets of the Scheme</b>				
At 1 April 2020		<u>209,081</u>	<u>128,644</u>	<u>337,725</u>
At 31 March 2021		<u>217,356</u>	<u>174,073</u>	<u>337,725</u>

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021****STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)**

As at 31 March 2021

	NOTE	2021			2020
		FSS £'000	MPS £'000	Total £'000	Total £'000
Investment assets	10	216,391	173,001	389,392	335,923
Current assets	14	965	1,204	2,169	1,802
Current liabilities	15	-	(132)	(132)	-
Net assets of the Scheme at 31 March 2021		<u>217,356</u>	<u>174,073</u>	<u>391,429</u>	<u>337,725</u>

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 other benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations for the defined benefit section, is dealt with in the report on actuarial liabilities on page 4 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 33 to 44 form part of these financial statements.

The financial statements were approved at a meeting of the Board of Directors of the Trustee held on 9 September 2021.

..... <i>C F G Girling</i>	)
..... <i>S Maudgil</i>	) Directors of Slaughter and May
	) Pensions Trustees Limited
	)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021****1. Basis of preparation**

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

**2. Accounting Policies**

The principal accounting policies are set out below:

**(a) Contributions**

Members' and employers' normal contributions are accounted for on an accruals basis at rates agreed by the Trustee and the Firm, as recommended by the Scheme Actuary.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.

**(b) Valuation of Investments**

For managed and unitised funds that report bid and offer prices, the market values at the year end reporting date are calculated using the bid price as provided by the relevant fund manager. Single priced managed and unitised funds are valued at the closing price at the year end as advised by the relevant investment manager.

The value of the bulk annuity contract held with Legal & General Assurance Society Limited (LGAS) is determined at the year end, based on solvency assumptions as this closely reflects the market value of the insurance policies. The valuation is based on full membership data in years when an actuarial valuation takes place. It is updated in interim years by rolling forward the valuation in line with interest rates, adjusting for net cash movements and updating for market conditions at the date of the Scheme accounts.

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 profit and losses realised on sales of investments during the year.

**(c) Investment income**

Interest income from cash and short-term deposits, and income from unitised and managed funds, is accounted for on an accruals basis.

**(d) Payments to members**

Pensions in payment are accounted for in the period to which they relate. Transfer values take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end and the amount of the transfer can be determined with reasonable certainty.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)**

Benefits and refunds of contributions which are payable when a member retires or leaves the Scheme, but which depend on a choice made by the member are accrued on the later of the date of retiring or leaving and the date of notice of the member's choice.

(e) Expenses

Investment management expenses are recognised on an accruals basis.

(f) Currency

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

3. Basis of Scheme

The Scheme is governed by the Fourth Definitive Trust Deed and Rules dated 19 August 2013 (as amended) and is a registered occupational pension scheme under Part 4 of the Finance Act 2004. The Trustee is not aware of any reason why registration should be withdrawn. Lump sum death-in-service benefits for both FSS and MPS members are fully insured. Dependants' pensions arising from the death-in-service of an MPS member are insured.

4. Contributions

	<u>2021</u>			<u>2020</u>
	<u>FSS</u> <u>£'000</u>	<u>MPS</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Employers - normal	-	6,941	6,941	6,811
- augmentations	-	-	-	840
Members - normal	-	2,508	2,508	2,432
- AVCs	-	<u>1,152</u>	<u>1,152</u>	<u>1,043</u>
	-	<u>10,601</u>	<u>10,601</u>	<u>11,126</u>

Until 28 February 2011 when the FSS was closed to future accrual, members of the FSS were not required to make any contributions to secure their pension entitlements and death benefits. The FSS offered members the opportunity to make Additional Voluntary Contributions ("AVCs") which were invested through Winterthur Life on a money purchase basis. The facility to make AVC contributions to secure defined benefits was available only to certain members who started paying AVCs before 1 January 1990.

After 28 February 2011, no AVCs can be paid into the FSS. All active members at this date were invited to join the MPS from 1 March 2011.

The actuarial valuation at 31 March 2018 was completed on 12 December 2018 and revealed a funding surplus of £14.7m. The Trustee and the Firm have agreed that as there is no deficit a Recovery Plan is not required.

Members of the MPS pay contributions, under salary sacrifice where selected, in accordance with the payment schedule and the Scheme rules.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**  
**(contd.)**

5.	<b><u>Transfers in</u></b>	<b>2021</b>			<b>2020</b>
		<b><u>FSS</u></b> <b><u>£'000</u></b>	<b><u>MPS</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>
	Individual transfers in from other schemes	<u>-</u>	<u>694</u>	<u>694</u>	<u>61</u>
6.	<b><u>Other income</u></b>	<b>2021</b>			<b>2020</b>
		<b><u>FSS</u></b> <b><u>£'000</u></b>	<b><u>MPS</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>
	Insurance payments regarding deaths in service	<u>388</u>	<u>259</u>	<u>647</u>	<u>242</u>
7.	<b><u>Benefits payable</u></b>	<b>2021</b>			<b>2020</b>
		<b><u>FSS</u></b> <b><u>£'000</u></b>	<b><u>MPS</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>
	Pensions	5,007	-	5,007	4,867
	Commutations of pensions and lump sum retirement benefits	846	290	1,136	737
	Pensions - five year guarantee	34	-	34	-
	Annuity purchases	13	402	415	104
	Lump sum death benefits	<u>16</u>	<u>279</u>	<u>295</u>	<u>214</u>
		<u>5,916</u>	<u>971</u>	<u>6,887</u>	<u>5,922</u>
8.	<b><u>Payments to and on account of leavers</u></b>	<b>2021</b>			<b>2020</b>
		<b><u>FSS</u></b> <b><u>£'000</u></b>	<b><u>MPS</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>
	Individual and AVC transfers to other schemes	<u>1,086</u>	<u>3,667</u>	<u>4,753</u>	<u>5,926</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)**

9.	<b><u>Investment income</u></b>	<b>2021</b>			<b>2020</b>
		<b>FSS</b>	<b>MPS</b>	<b>Total</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Annuity income	3,358	-	3,358	3,439
	Interest on cash deposits	<u>1</u>	-	<u>1</u>	<u>2</u>
		<u>3,359</u>	-	<u>3,359</u>	<u>3,441</u>

10. (a) **Investments - FSS**

	<b><u>Value at</u></b>			<b><u>Change in</u></b>	<b><u>Value at</u></b>
	<b><u>1 April</u></b>	<b><u>Purchases</u></b>	<b><u>Sale</u></b>	<b><u>market</u></b>	<b><u>31 March</u></b>
	<b><u>2020</u></b>	<b><u>at cost</u></b>	<b><u>proceeds</u></b>	<b><u>value</u></b>	<b><u>2021</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Pooled investment vehicles	144,595	4,000	(7,900)	13,063	153,758
Buy-in policy	59,600	637	-	(2,437)	57,800
Utmost Life AVCs	757	-	(16)	134	875
Phoenix Wealth AVCs	<u>3,269</u>	<u>-</u>	<u>(81)</u>	<u>770</u>	<u>3,958</u>
	208,221	4,637	(7,997)	11,530	216,391

(b) **Investments - MPS**

Pooled investment vehicles	127,702	11,164	(4,378)	38,513	173,001
Total Investments	<u>335,923</u>	<u>15,801</u>	<u>(12,375)</u>	<u>50,043</u>	<u>389,392</u>

The Scheme's income and chargeable gains are free from United Kingdom income and capital gains taxation.

Indirect transaction costs are incurred through the unit price of the investment funds. The amount of the indirect costs is not separately provided to the Scheme. No direct transaction costs have been incurred.

All investment managers and all AVC providers are registered in the United Kingdom.

The AVCs in respect of the MPS are included within the pooled investment vehicles fund and are not shown separately, as the AVC allocation is not readily available.

There were no employer related investments held during the year (2020 - nil).

The asset weightings of the managed funds in the FSS are shown on pages 9 and 10 of the Trustee's Report.

On 12 March 2019, the Trustee entered into a bulk annuity contract with Legal & General Assurance Society Limited (LGAS). The purchase cost of £60,485,000 was mainly funded by an in-specie allocation of the pooled investments held by LGAS.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**  
**(contd.)**

The bulk annuity contract included a "true-up" arrangement whereby net additional payments were made in the year to LGAS of £636,582. The true-up was completed on 19 March 2021.

(c) **Allocated and Unallocated Investments**

	<b><u>2021</u></b>			<b><u>2020</u></b>
	<b><u>FSS</u></b> <b><u>£'000</u></b>	<b><u>MPS</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>
Investments allocated to members	4,833	171,638	176,471	130,786
Investments not allocated to members	<u>211,558</u>	<u>1,363</u>	<u>212,921</u>	<u>205,137</u>
Total assets	<u>216,391</u>	<u>173,001</u>	<u>389,392</u>	<u>335,923</u>

Money purchase assets are allocated to provide benefits to the individuals on whose behalf the contributions are paid. Consequently the assets identified as allocated to members do not form a common pool of assets available for members generally. Members receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

11. **Pooled Investment Vehicles**

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

**Defined Benefit Section**

	<b><u>2021</u></b> <b><u>£'000</u></b>	<b><u>2020</u></b> <b><u>£'000</u></b>
Equity	26,742	38,446
Bonds	97,652	103,739
Other	<u>29,364</u>	<u>2,410</u>
	<u>153,758</u>	<u>144,595</u>

**Defined Contribution Section**

	<b><u>2021</u></b> <b><u>£'000</u></b>	<b><u>2020</u></b> <b><u>£'000</u></b>
Equity	148,957	103,113
Fixed income	11,199	11,759
Property	8,540	8,326
Cash	<u>4,305</u>	<u>4,504</u>
	<u>173,001</u>	<u>127,702</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)****12. Fair Value Determination**

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.
Level 3	Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

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

**Investments - FSS**

	<b>2021</b>			<b>2021</b>
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Pooled investment vehicles	-	153,758	-	153,758
Buy-in policy	-	-	57,800	57,800
Utmost Life AVCs	-	875	-	875
Phoenix Wealth AVCs	<u>3,958</u>	-	-	<u>3,958</u>
	<u>3,958</u>	<u>154,633</u>	<u>57,800</u>	<u>216,391</u>

Analysis for the prior year end is as follows:

	<b>2020</b>			<b>2020</b>
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Pooled investment vehicles	-	144,595	-	144,595
Buy-in policy	-	-	59,600	59,600
Utmost Life AVCs	-	757	-	757
Phoenix Wealth AVCs	<u>3,269</u>	-	-	<u>3,269</u>
	<u>3,269</u>	<u>145,352</u>	<u>59,600</u>	<u>208,221</u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)****Investments - MPS**

	<u>2021</u>			<u>2021</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Pooled investment vehicles	<u>173,001</u>	<u>-</u>	<u>-</u>	<u>173,001</u>

Analysis for the prior year end is as follows:

	<u>2020</u>			<u>2020</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Pooled investment vehicles	<u>127,702</u>	<u>-</u>	<u>-</u>	<u>127,702</u>

13. **Investment Risks**

FRS102 requires the disclosure of information in relation to certain investment risks as follows:

- Credit risk – this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk – this comprises the following three types of risk:
  1. Currency risk: this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates.
  2. Interest rate risk: this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates.
  3. Other price risk: this is the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to the above risks because of the investments it makes in following the investment strategy. Further details on the Trustee's investment strategy for the Final Salary Scheme and the Money Purchase Scheme 2001 are set out within the Investment report on pages 8 to 14. 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 manager and monitored by the Trustee by regular reviews of the investment portfolio.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)**

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

Investment	Market risk				2021	2020
	Credit risk	Currency	Interest rate	Other	£'000	£'000
<b><u>Final Salary Scheme</u></b>						
Buy-in 2020	✓				57,800	59,600
Global Equities	✓	✓		✓	26,742	38,446
Index Linked Gilts	✓		✓	✓	97,652	103,739
Liquidity fund	✓		✓	✓	29,364	2,410
<b><u>Money Purchase Scheme 2001</u></b>						
UK Equities				✓	35,208	26,154
Overseas Equities	✓	✓		✓	102,400	67,612
Gilts	✓		✓	✓	8,467	9,111
Other	✓		✓	✓	26,926	24,825

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

**Final Salary Scheme****Credit risk**

The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the funds managed by Legal & General within the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

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, the regulatory environments in which Legal & General operate and diversification of investments among a number of pooled arrangements.

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicle. This risk is mitigated by only investing in funds which hold at least investment grade credit rated investments.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)**

Credit risk on the Liquidity Fund is mitigated by monies being held within financial institutions which are at least investment grade credit rated and where the maturity is no more than 12 months.

Legal & General Assurance Society Limited (LGAS) is part of the Legal & General group of companies, which is engaged in worldwide insurance and fund management operations. LGAS is regulated by the Financial Conduct Authority and the Prudential Regulation Authority, which have rules to ensure adequacy of capital resources to fund obligations, the soundness of regulated firms and the conduct regulation of all financial services firms. These circumstances help to mitigate any credit risk that LGAS poses in respect of the bulk annuity contract.

The Trustee monitors the performance of Legal & General on a regular basis and it has a written agreement with Legal & General which contains a number of restrictions on how they may operate.

**Currency risk**

The Scheme is not exposed to currency risk as, although 12% (2020: 18%) of the Scheme's investments are held in overseas markets via pooled investment vehicles, they are currency hedged.

**Interest rate risk**

The Scheme is exposed to interest rate risk as some of the scheme's investments are held in Bonds through pooled investment vehicles and cash.

The Trustee has restructured the Gilts element of the investment portfolio, which represents 45%, to provide a better match against the interest rate movements of the Scheme's liabilities. Under this strategy, if interest rates fall, the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

**Other price risk**

The Scheme is exposed to other price risk principally in relation to the Scheme's return seeking portfolio which includes Equities held in pooled investment vehicles. The Scheme Trustee has set an asset allocation of 10% of investments being held in return seeking assets.

The Trustee has agreed a rebalancing policy whereby, should the allocation to Equities or Corporate Bonds differ from the strategic allocation by more than 5% or more in a month, then the portfolio will be automatically rebalanced back to the strategic allocation.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)****Money Purchase Scheme 2001****Credit risk**

The Scheme has a group insurance policy with Phoenix Life. Under this arrangement, the Trustee, through a single source, can offer members access to a large range of different investment funds, operated by different fund managers. This arrangement is known as the Fund Delivery Service.

The Scheme is exposed to credit risk from the underlying investments held in the funds. The members' level of risk exposure will be dependent on the funds invested in by each of the members.

The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.

Phoenix Life is regulated by the Financial Conduct Authority. In the event of a default by Phoenix Life, members may be entitled to limited compensation from the Financial Services Compensation Scheme.

The Trustee monitors the performance of the individual fund managers on a regular basis and has a written agreement with Phoenix Life, which contains a number of restrictions on how they may operate.

**Market risk**

The Scheme is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Phoenix Life under the Fund Delivery Service.

14. <b><u>Current Assets</u></b>	<b><u>2021</u></b>			<b><u>2020</u></b>
	<b><u>FSS</u></b> <b><u>£'000</u></b>	<b><u>MPS</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>
Bank balances	<u>965</u>	<u>1,204</u>	<u>2,169</u>	<u>1,802</u>
Included within the MPS bank balance is £1,071,000 (2020: £941,000) of contributions received in March 2021 which were held pending investment with Phoenix Life.				
15. <b><u>Current Liabilities</u></b>	<b><u>2021</u></b>			<b><u>2020</u></b>
	<b><u>FSS</u></b> <b><u>£'000</u></b>	<b><u>MPS</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>	<b><u>Total</u></b> <b><u>£'000</u></b>
Unpaid benefits	=	<u>132</u>	<u>132</u>	=

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)****16. Related Party Transactions**

Five Directors of the Trustee Company, Mr. P. Linnard, Mr. S. Maudgil, Ms. A. Nassiri, Mr. W.N.C. Watson and Mr. O.J. Wicker, are partners in the Principal Employer. Mr. J.M. Fenn is a deferred member of the FSS. Ms. A. Nassiri, Mr. S. Maudgil and Mr. O.J. Wicker are deferred members of the MPS. Ms. S.E. Twigger and Mr. H.J. Gittins are current employees of a Participating Employer and active members of the MPS. Ms. S.E. Twigger is also a deferred member of the FSS. Mr. C.J. Martin is a former employee of a Participating Employer and a pensioner of the FSS.

Fees and reimbursed expenses paid to the Independent Trustee Director, Mr. C.F.G. Girling, in the year amounted to £39,999 (2020: £40,840). Fees and reimbursed expenses paid to Mr. C.J. Martin in the year amounted to £1,000 (2020: £1,075). The trustee liability insurance premium paid in the year amounted to £20,440. These amounts were paid by Slaughter and May as all expenses are borne by the Principal Employer.

There were no other related party transactions during the year ended 31 March 2021 (2020: nil).

**17. Commitments and Contingent Liabilities**

There were no commitments or contingent liabilities at the year end (2020: nil).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (contd.)****18. Comparative disclosures for the Fund Account and Statement of Net Assets****FUND ACCOUNT**

For the year ended 31 March 2020

		<b>2020</b>		
		<b>FSS</b>	<b>MPS</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Contributions and benefits</b>				
Employer contributions		840	6,811	7,651
Employee contributions		<u>-</u>	<u>3,475</u>	<u>3,475</u>
Total contributions	4	840	10,286	11,126
Transfers in	5	-	61	61
Other income	6	<u>145</u>	<u>97</u>	<u>242</u>
		<u>985</u>	<u>10,444</u>	<u>11,429</u>
Benefits payable	7	(5,446)	(476)	(5,922)
Leavers	8	(981)	(4,945)	(5,926)
		<u>(6,427)</u>	<u>(5,421)</u>	<u>(11,848)</u>
Net (withdrawals)/additions from dealings with members		(5,442)	5,023	(419)
<b>Returns on investments</b>				
Investment income	9	3,441	-	3,441
Change in market value of investments	10	<u>3,938</u>	<u>(13,807)</u>	<u>(9,869)</u>
Net returns on investments		<u>7,379</u>	<u>(13,807)</u>	<u>(6,428)</u>
Net increase/(decrease) in the fund during the year		1,937	(8,784)	(6,847)
Transfer between sections		79	(79)	-
<b>Net assets of the Scheme</b>				
At 1 April 2019		<u>207,065</u>	<u>137,507</u>	<u>344,572</u>
At 31 March 2020		<u>209,081</u>	<u>128,644</u>	<u>337,725</u>

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

As at 31 March 2020

Investment assets	10	208,221	127,702	335,923
Current assets	14	860	942	1,802
Current liabilities	15	<u>-</u>	<u>-</u>	<u>-</u>
Net assets of the Scheme at 31 March 2020		<u>209,081</u>	<u>128,644</u>	<u>337,725</u>

**INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE SLAUGHTER AND MAY PENSION SCHEME**

We have examined the summary of contributions to The Slaughter and May Pension Scheme for the Scheme year ended 31 March 2021 which is set out on page 46.

**Statement about contributions payable under the schedule of contributions**

In our opinion contributions for the Scheme year ended 31 March 2021 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary on 12 December 2018.

**Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 46 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

**Respective responsibilities of the Trustee and the Auditor**

As explained more fully in the Statement of Trustee's Responsibilities set out on pages 2 and 3, the Scheme's Trustee is responsible for preparing, maintaining, and from time to time revising a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

**Use of our statement**

This statement is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body for our work, for this statement, or for the opinion we have formed.



Moore Kingston Smith LLP  
Statutory Auditor  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

Date 24 September 2021

**SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR ENDED 31 MARCH 2021**

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

	<u>Member</u>		<u>Employer</u>	
	<b>FSS</b>	<b>MPS</b>	<b>FSS</b>	<b>MPS</b>
	£'000	£'000	£'000	£'000
<b>Required by the schedule of contributions</b>				
Normal contributions	-	2,508	-	6,941
<b>Total contributions payable under the schedule of contributions</b>	<u>-</u>	<u>2,508</u>	<u>-</u>	<u>6,941</u>
<b>Other contributions payable</b>				
AVCs	<u>-</u>	<u>1,152</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>-</u>	<u>1,152</u>	<u>-</u>	<u>-</u>
<b>Total contributions payable to the Scheme</b>	<u>-</u>	<u>3,660</u>	<u>-</u>	<u>6,941</u>

**Signed for and on behalf of Slaughter and May Pensions Trustees Limited**

..... *C FG Girling* ..... **Director**

..... **16 September** ..... **2021**



## Certification of schedule of contributions

**Name of scheme:** Slaughter and May Pension Scheme

### **Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2018 to continue to be met for the period for which the schedule is to be in force.

I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

### **Adherence to statement of funding principles**

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 December 2018

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

Signature

Date *12 December 2018*

Name

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

Verulam Point  
Station Way  
St Albans  
Herts  
AL1 5HE

Name of employer

Aon Hewitt Limited

## Appendix F – Certificate of technical provisions

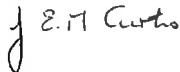
*Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005*

### The Slaughter and May Pension Scheme

#### Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2018 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 12 December 2018.

Signature



Name: Jane Curtis

Address: Verulam Point  
Station Way  
St Albans  
AL1 5HE

Date: 12 December 2018

Qualification: Fellow of the Institute and Faculty  
of Actuaries

Name of Employer: Aon Hewitt Limited

**THE SLAUGHTER AND MAY PENSION SCHEME (the "Scheme") -  
STATEMENT OF INVESTMENT PRINCIPLES**

**A. GENERAL PRINCIPLES**

**1. Purpose**

This statement sets out the principles governing decisions about the investment of the assets of the Scheme. It has been prepared by the Scheme Trustee (the **Trustee**) to comply with section 35 of the Pensions Act 1995 (the **Pensions Act**) (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005) and the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

The Scheme consists of two sections, the Final Salary Scheme (the **FSS**) and the Money Purchase Scheme 2001 (the **MPS**).

**2. Investment Advice**

The Trustee has obtained and considered written advice from Aon Solutions UK Limited (**Aon**), the Scheme's actuaries and investment advisers, on the investment strategy, the fund managers, the insurance contracts, the insurance companies and the fund managers appointed by the insurance companies. Aon have confirmed to the Trustee that they have the knowledge and experience required under section 36(6) of the Pensions Act to provide this advice. They operate under an agreement to provide a full service designed to ensure that the Trustee is fully briefed both to take the decisions it takes itself and to monitor those that it delegates. Aon are paid an agreed annual fee which includes all manager monitoring services. Other projects are paid on a time cost basis which enables the Trustee to select those services which it requires.

**3. Consultation**

The Trustee has consulted Slaughter and May (the **Firm**), as representative of the participating employers, on the content of this statement.

**4. Investment Powers**

The Trustee's powers of investment are set out in the Trust Deed and Rules of the Scheme (as amended). They are subject to the restrictions contained in Clause 5 of the Trust Deed. This statement is consistent with those powers. Neither this statement nor the Trust Deed (save in certain respects listed in Clause 5.6 - Power to enter into any lawful transaction) restricts the Trustee's investment powers by requiring the consent of the employers.

**5. Governance**

The Trustee is responsible for the investment of the Scheme assets save that, within the range of investments selected by the Trustee, a member's MPS assets (see the definition in section C.1) must normally be invested as directed by the member. In addition to the ability to self-select, the Trustee is now also required to provide members of the MPS with a default investment option into which contributions are paid in the absence of any instructions from the member. The Trustee is responsible for the investment profile for the default investment option. The Trustee has set up an Investment Sub-Committee (the **Committee**) to assist the Trustee, to maximise efficiency in investment related matters and to promote effective collaboration between the Trustee and the Firm. References in this statement to the Trustee include the Committee in relation to matters delegated to the Committee and the Trustee otherwise.

The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. For this purpose the Trustee has established a decision making structure (see Appendix 1).

When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4) (see Appendix 1).

The Pensions Act distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased without a contract, e.g. the purchase of an insurance policy or units in a pooled vehicle. Those purchased without a contract are known as **direct investments**.

The Trustee's investment arrangement consists of a number of direct investments in pooled funds, and a buy-in bulk annuity policy. Each pooled fund will have an underlying manager and the Trustee's policy is for the underlying managers' duties to include:

- Realisation of investments.
- Taking into account socially responsible factors.
- Voting and corporate governance in relation to the financial potential of the Scheme's assets.

The Trustee's policy is to review the range of its direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' contributions in the MPS (including the default investment option) and members' additional voluntary contributions (**AVCs**) other than those paid in return for a defined benefit. When deciding whether or not to change the range of the direct investments the Trustee will obtain written advice. The written advice will also consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Fund managers are remunerated on an ad valorem basis. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

## **6. Review of these Investment Principles**

The Trustee's policy is to review this statement at least every three years and immediately following any significant change in investment policy or the demographic profile of the members in the MPS. The Trustee is required to take investment advice and consult with the Firm over any changes to this statement.

## **7. Arrangements with asset managers**

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee receives regular reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term (three and five year) performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers, and request that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee receives advice on the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the asset managers in by other means (such as through a side letter, in writing through provision of this statement, or verbally at trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies. The Trustee makes decisions based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager and may ultimately consider replacing the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

The Trustee does not regularly monitor asset managers against non-financial criteria of the investments made on its behalf.

## **8. Cost Monitoring**

### *Ongoing reporting and compliance*

The Trustee is aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall future value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by its asset managers that can increase the overall cost incurred on its investments.

### *Data collection*

The Trustee seeks to collect annual cost transparency reports covering all of its investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying its investment managers. The Trustee acknowledges that it may not initially be possible for all manager to provide this information however it is its expectation that this will become standard industry output over time.

### *Manager relationships*

The Trustee will only appoint new investment managers who offer full cost transparency via the CTI templates to manage assets of the Scheme. This will be reviewed before the appointment of any new managers and be an ongoing requirement for existing managers held by the Scheme.

*Portfolio turnover*

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Trustee does not actively monitor portfolio turnover.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. The Trustee believes that focusing on net performance is the most appropriate way of ensuring that disproportionate levels of portfolio turnover do not have a negative impact on long term performance.

*Analysis of manager performance and remuneration*

The Trustee assesses the performance of their investment managers on a quarterly basis and the remuneration of their investment managers on at least an annual basis via collecting cost data in line with the CTI templates.

The Trustee assesses value for money received from their asset managers on a regular basis. This will be subject to advice from Aon and may be based on qualitative and/or quantitative factors. This enables the Trustee to have a detailed understanding of their overall costs independent to of net of fees performance and identify opportunities to challenge their asset managers where a particular manager is an outlier.

All of the Scheme's managers are remunerated on the basis of fees directly related to the value of funds under their management. The Trustee prefers to appoint their actively managed asset managers on a performance fee basis where possible, rather than on an annual management fee basis however accepts that this may not always be possible/practicable.

**9. Stewardship**

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the scheme invests, as this ultimately this creates long-term financial value for the scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the scheme's appointed asset managers and takes advice from its investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the trustee has set out in its policy, the trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's asset managers and ensure its managers, or other third parties, use its influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned.

The Trustee completed a survey with their investment advisors to identify key areas of concern around corporate stewardship and will level scrutiny on their investment managers accordingly. It is the expectation of the Trustee that the Scheme's asset managers will prioritize and actively monitor for these risks within the investments, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate while balancing goals of asset returns.

The transparency for voting should include voting actions and rationale with relevance to the Scheme.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

## B. FINAL SALARY SCHEME

### 1. Application

This part of the statement refers to all of the assets of the Scheme with the exception of:

- those which represent the investment of members' AVCs other than those which are paid in return for a defined benefit; and
- those which represent the pension accounts of the members of the MPS.

For ease of reference the assets covered by this part are referred to as the **FSS assets**.

### 2. Investment objective

The Trustee aims to invest the FSS assets prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk allocation that it could adopt in relation to the FSS liabilities and then selected a strategy that is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the FSS liabilities.

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

### 3. Asset Allocation Restrictions

The FSS holds a liquid investment portfolio of equities and liability matching gilts.

Additionally, following discussions with the Firm, the Trustee agreed to reduce asset and liability risks within the FSS by entering into a buy-in bulk annuity policy with Legal and General Assurance Society Limited ("LGAS") during March 2019. This policy remains an asset of the Scheme and, at the point of investment, was valued at c. £60m. As the buy-in policy held by the Trustee is an illiquid asset which is intended to be held until any eventual wind-up of the FSS, this has been excluded from the Monitored Asset Allocation outlined above.

	Strategic Allocation (including buy-in)		Monitored Asset Allocation (excluding the buy-in)	
<b>Return Seeking Portfolio</b>	<b>20%</b>		<b>30%</b>	
Equities	of which	100%	of which	100%
<b>Liability Matching Portfolio</b>	<b>80%</b>		<b>70%</b>	
Liability Matching Gilts		Not rebalanced	of which	100%
Buy-in Bulk Annuity Policy		Not rebalanced		-

Given the aim of the 'Liability Matching Gilts' portfolio is to protect the funding level of the FSS against unexpected changes in interest rate and inflation expectations, the Trustee has agreed (having sought advice from Aon) that it is not appropriate routinely to rebalance the Liability Matching Portfolio. Instead it will review the allocation periodically to take account of the changing liability profile of the Scheme and to ensure the bond allocation continues to provide the desired liability matching characteristics. Aon has recommended that any surplus funds, as a result of derisking activity or income distribution should be held in an appropriate liquidity fund pending a review of the LDI portfolio or to be drawn upon to meet cashflow requirements.



Before investing in any asset class the Trustee considers written advice from Aon and, in doing so, addresses the following:

- the need to consider a full range of asset classes;
- the risks and rewards of a range of alternative asset allocation strategies;
- the suitability of each asset class;
- the need for appropriate diversification.

#### 4. Funding Target

The Trustee's policy is to target a funding position whereby many of the risks inherent in the current technical provisions basis can be removed – this target is 110% of solvency liabilities which provides a buffer for future uncertainties. The Trustee considers that the current investment strategy is appropriate to meet this target, and has adopted a de-risking strategy that is intended gradually to move the portfolio out of Equities and into Liability Matching Gilts as progress towards this target is made. These moves will be driven by a number of de-risking triggers linked to the Scheme's solvency liabilities, as provided by the Scheme Actuary.

The triggers (excluding the buy-in) are as follows:

Equity/Bond split	Solvency funding level trigger
10/90 (current target)	100%
0/100	110%

On implementing one of these triggers the Trustee will revisit Sections 2 and 3 of this statement.

The Trustee will consider the funding level at intervals not less often than required by the Pensions Act, and review the suitability of the planned asset allocation and trigger strategy periodically to ensure that it remains appropriate.

#### 5. Risk Measurement and Management

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (mismatching risk). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities (cash flow risk). The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee (manager risk). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure of the buy-in bulk annuity provider. This risk is considered by the Trustee and its advisers both upon the initial appointment of the provider and on an ongoing basis thereafter.
- The failure to spread investment risk (risk of lack of diversification). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy.

- The possibility of failure of the Scheme's sponsoring employer (covenant risk). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (operational risk). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. The Trustee's policy is to review its strategy and monitor these risks on a regular basis. The Trustee receives reports showing:

- Actual funding level versus the Scheme specific funding objective.
- Absolute performance of the Scheme and individual fund managers.
- Performance of individual fund managers versus their respective targets.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

## **6. Implementation**

The Trustee considers the advice of its investment consultant in the appointment of fund managers, the investment vehicle used for each asset class, the mandate structures (including liability driven investment arrangements) and managers' investment objectives.

The Trustee will typically invest in units of pooled funds for all asset classes, most of which will be passively managed against a suitable market index or reference security.

The Trustee will monitor the suitability of its appointed fund managers and the chosen investment vehicles with the assistance of its investment consultant.

The underlying fund managers currently chosen by the Trustee for each fund and their investment objectives are set out in section 1 of a separate document entitled Fund Manager Information (FMI). The Trustee reviews the underlying fund managers on a regular basis, and can change them at any time.

The Trustee has a legal agreement with each of the Scheme's fund managers. Details of these managers are set out in section 1 of the FMI.

## **C. MONEY PURCHASE SCHEME 2001**

### **1. Application**

This part of the statement refers to all of the assets of the Scheme other than the FSS assets. For ease of reference, these are referred to as the **MPS assets** although they consist of assets which represent not only the pension accounts of members of the MPS but also the AVCs (other than those paid for a defined benefit) of members of the FSS.

### **2. Investment Objective**

Having considered written advice from Aon, the Trustee's investment objective is to offer a range of unithised funds to members which they are advised offer different risk and return characteristics so that members can construct an overall portfolio mix suitable for providing themselves with pensions at their retirement.

In addition to the ability to self-select, the Trustee is also now required to provide members with a default investment option.

### **3. Strategy**

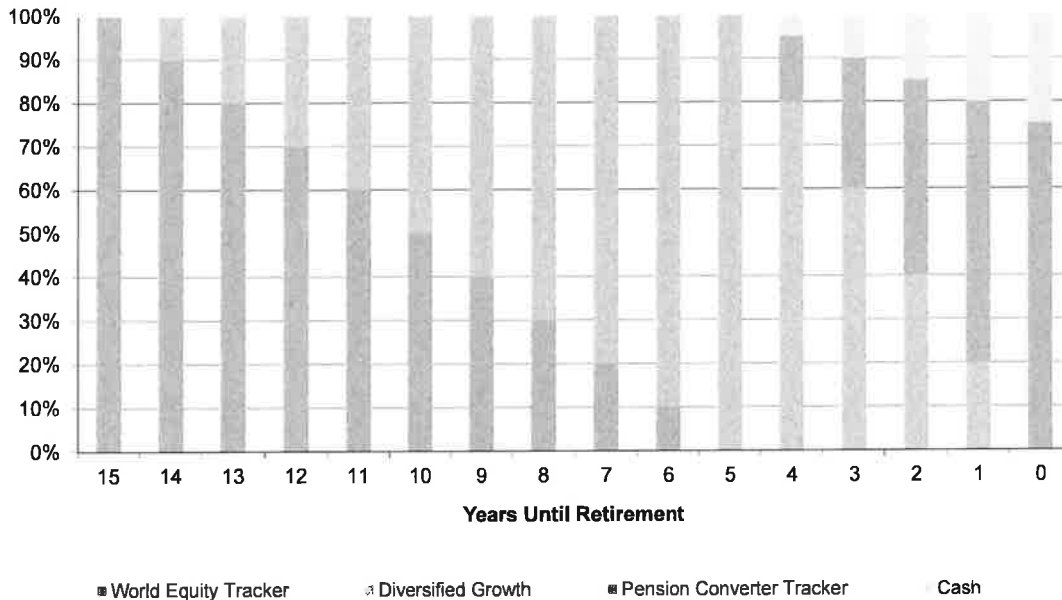
The Investment Objective is implemented using the range of investment options set out in Appendix 2.

The default investment option provided to members utilises a number of the investment options set out in Appendix 2. These are combined with the aim of ensuring members have a level of risk and return within their portfolio which the Trustees are advised is appropriate given the time until their normal retirement age. This is based on the following three principles:

- High equity allocation in member's early years, as equities are expected to outperform other asset classes over the long term (albeit with higher risk).
- Invest in lower risk/return assets when retirement nears, to protect member's financial position.
- Transition some assets into cash when very near to retirement in order to fund annuity purchase/cash lump sum.

The Trustee has decided to adopt a three phase approach, splitting the investment approach of members into the following three brackets:

- Growth Phase – Greater than 15 years from normal retirement age
- Transition Phase – From 15 until 5 years from normal retirement age
- Consolidation Phase – Less than 5 years from normal retirement age.



The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from the Trustee's investment advisers. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a money purchase scheme.
- The need for appropriate diversification of asset classes.

The Trustee has considered how the default investment option is intended to ensure that assets are invested in the best interests of the members. The Trustee has been advised that it is reasonable to expect the long-term return on the investment options that invest predominantly in equities and property to exceed price inflation and general salary growth and that the long-term returns on bonds and cash options are expected to be lower than those on the predominantly equity and property options. However, bond funds are expected broadly to match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. A Diversified Growth Fund is also offered, which aims to provide similar returns to equities but with reduced volatility. Cash funds aim to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax free cash.

For a period during 2020 it was not possible for the Trustee to invest members' contributions into the Property Fund (detailed in Appendix 2), due to the suspension of dealing of the underlying pooled property funds in light of economic and pricing uncertainty driven by the COVID-19 pandemic. During this period the Trustee temporarily invested the contributions in the Cash Fund (detailed in Appendix 2) until such a time as they could be switched into the Property Fund with the member's permission. As a result of this and under regulatory definitions, the Trustee considers the Cash Fund to also be a 'deemed default fund'. Should the Trustee encounter any similar issues within the MPS, temporarily preventing contributions being invested into a fund, it is the Trustee's policy to hold any such contributions in the Cash Fund until such a time as they can be invested in line with the member's instructions.

Following the announcement that the Aviva Investors Property Pooled Fund is being shut down, it became necessary for the Trustee to re-evaluate the composition of the Property Fund. The Trustee took the decision to replace the 50% target allocation to Aviva with BlackRock iShares Global Property Securities Equity Index Fund, updating the investment objective as appropriate. As the Aviva fund is being wound down, it is not possible to sell units in the fund. Instead capital will be returned to investors as part of the wind up process. The Trustee will divert these funds to the LGIM and BlackRock funds in order to achieve the revised target weighting.

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

#### **4. Risk Measurement and Management**

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Scheme. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

The Trustee considers the following sources of risk:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
- Risk of fund managers not meeting their objectives (manager risk). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- The risk of fraud, poor advice or acts of negligence (operational risk). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered annually.

In addition, the Trustee receives regular updates which help to monitor the performance of the funds compared to the benchmarks and identify any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

## 5. Implementation

### a. Phoenix AW Limited

Phoenix AW Limited (formerly AXA Wealth Limited, "Phoenix Wealth") provides the fund administration for all funds within the MPS. All funds are held within the Phoenix Wealth company, and Phoenix AW Limited is responsible for unitising and pricing the funds (as Phoenix AW Limited funds), and for all other transactions.

The Trustee has a legal agreement with Phoenix AW Limited which allows the Trustee to invest in funds included in the service. The underlying fund managers currently chosen by the Trustee for each fund are set out in section 2 of the FMI. The Trustee reviews the underlying fund managers on a regular basis, and can change them at any time.

A number of the funds use an active management approach whereby a fund manager makes decisions on the appropriate asset mix and selection of the securities within each fund. Active management may result in periods of out or under performance of a manager's benchmark index. Other funds use an index tracking or passive approach. This means that they will hold all securities in the markets in line with the value of each security and should match closely the performance of their respective benchmark indices.

Phoenix Wealth and the underlying fund managers are remunerated on an ad valorem basis.

### b. Utmost Life

In addition, the Trustee has a contract with Utmost Life and Pensions Limited (**Utmost Life**), formerly Equitable Life Assurance Society, under which members have been able to invest in unit linked policies. Aon Hewitt have reviewed the Trustee's contract with Utmost Life in accordance with Section 36 of the Pensions Act. Members are able to select their own investments from a range of funds provided by Utmost Life. Where members have opted not to self-select the Trustee has agreed to adopt an 'investing by age' strategy. This strategy seeks to reduce risk depending on the member's age – this process is managed by Utmost Life.

Effective Date: 25 August 2021

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Director of Slaughter and May Pensions  
Trustees Limited

## **Appendix 1**

### **a) The Trustee's Decision Making Structure**

#### **Scheme Trustee**

- sets structures and processes for carrying out its role
- approves investment strategy, investment objectives and restrictions
- appoints the Investment Sub-Committee
- approves the Statement of Investment Principles
- approves or rejects decisions and recommendations made by the Investment Sub-Committee

#### **Investment Sub-Committee**

- selects and monitors investment advisers and fund managers
- monitors and makes recommendations on investment strategy, investment objectives and restrictions
- selects and monitors direct investments
- makes day-to-day decisions relevant to operational principles of Scheme's investment strategy
- monitors actual returns against the investment objective

#### **Investment Adviser**

- advises on all aspects of the investment of the Scheme assets, including implementation
- advises on this statement
- provides required training
- constructs benchmark for liability matching portfolio

#### **Fund Managers**

- operate within the terms of this statement as reflected in their written contracts and in accordance with the Pensions Act
- select individual investments with regard to their suitability and diversification
- advise Trustee on suitability of the indices in their benchmark.

#### **Bulk Annuity Provider**

- operate within the terms of the agreed policy documentation and in accordance with the relevant regulatory requirements
- provide the Scheme with cashflow associated with insured benefits

### **b) The Occupational Pensions Schemes (Investment) Regulations 2005**

The Occupational Pensions Schemes (Investment) Regulations 2005 require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

**Appendix 2****Money Purchase Scheme - Current Range of Investment Options**

<b>Investment option</b>	<b>Investment description</b>	<b>Investment Characteristics (as advised to the Trustee)</b>
UK Equity (passive and active options available)	UK equities	The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class over the long term. The actively managed options are expected to produce a higher return, but do carry the risk of manager underperformance.
Global Equity (passive and active options available)	Global equities	The returns will be more volatile and less secure than from UK government bonds. To compensate for this extra risk, investors expect higher investment returns from this asset class over the long term. There will also be additional risk due to currency movements. However, the additional diversification will help to reduce risk. The actively managed option is expected to produce a higher return, but does carry the risk of manager underperformance.
Overseas Equity (passive)	As above (excluding the UK)	Similar comments as for global equities.
Diversified Growth Fund	A fund that will invest in a broad mixture of assets including equities, bonds, cash and alternatives,	Diversified Growth Funds aim to deliver returns close to equities but with significantly lower volatility than equities.  They may invest in a wide range of asset classes, with weightings potentially varying significantly between time periods.
UK Fixed Interest Bonds (passive)	UK fixed interest securities	Investment returns are fairly stable although the expected returns are lower than for equities. The value of bonds are not linked to inflation.
UK Index Linked Bonds (passive)	UK index linked securities	Investment returns are fairly stable and values are linked to inflation, as a result investors gain some assurance that the value of their investment will not decline due to inflation. Returns are expected to be lower than for equities.
Property	UK pooled property fund	Returns from this asset class typically have little correlation with equity and bond fund returns which should see stable growth over the long term.
Pension Converter	Fixed interest bonds (investment grade corporate bonds and gilts)	This fund aims to invest in assets that reflect the investments underlying a typical non-inflation-linked pension annuity product and should therefore help to maintain members' purchasing power in this regard.
Cash	Short-term cash instruments	Produces fairly reliable nominal investment returns.



**The Slaughter and May Pension Scheme**  
**Fund Manager Information (FMI)**  
**From 25 August 2021**

The Fund Manager Information document (FMI) sets out details of the underlying fund managers who manage the assets of the Slaughter and May Pension Scheme (the "Scheme"). Information on the principles governing decisions about the investment of the assets of the Scheme can be found in the Statement of Investment Principles.

**Section 1: Final Salary Scheme - Fund and Manager Information**

**Fund mandates under a pooled fund policy with Legal & General Assurance (Pensions Management) Limited**

<b>Asset Class</b>	<b>Fund Name</b>	<b>Performance Target</b>	<b>Benchmark</b>
Global Equity	All World Equity Index – GBP Hedged	To perform in line with benchmark	FTSE AW-World Index on a currency hedged basis against GBP excluding the advanced emerging markets, calculated by FTSE International for LGIM
Fixed Interest Gilts	2047 Gilt	To perform in line with benchmark	Reference security
Fixed Interest Gilts	2055 Gilt	To perform in line with benchmark	Reference security
Fixed Interest Gilts	2060 Gilt	To perform in line with benchmark	Reference security
Fixed Interest Gilts	2065 Gilt	To perform in line with benchmark	Reference security
Fixed Interest Gilts	2071 Gilt	To perform in line with benchmark	Reference security
Index Linked Gilts	2037 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2042 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2050 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2055 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2058 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2062 Index-Linked Gilts	To perform in line with benchmark	Reference security
Index Linked Gilts	2068 Index-Linked Gilts	To perform in line with benchmark	Reference security
Liquidity	Sterling Liquidity fund	To provide a competitive rate of return, with reference to the benchmark	7-Day LIBID

**Section 2: Money Purchase Scheme - Fund and Manager Information**

<b>(a) Actively Managed Funds</b>			
<b>Investment Fund</b>	<b>Current Manager (Fund Name)</b>	<b>Performance Target</b>	<b>Benchmark</b>
UK Equity (comprised of two funds)	Majedie Asset Management (UK Equity Fund)	3.0% p.a. above benchmark	FTSE All-Share Index
	Baillie Gifford (UK Equity Core Pension Fund)	1.0% pa above benchmark	FTSE All-Share Index
Global Equity (comprised of two funds)	MFS (Meridian Global Equity Fund)	2.0% p.a. above benchmark	MSCI World Index
	Dodge & Cox (Global Stock Fund)	2.0%-3.0% pa above benchmark	MSCI World Index
Diversified Growth (comprised of two funds)	BlackRock (DC Diversified Growth Fund)	To perform in line with benchmark	UK Bank Base Rate + 3.5% p.a.
	BlackRock (Dynamic Allocation Fund)	To perform in line with benchmark	UK Bank Base Rate + 3.5% p.a.
Property (target allocation is comprised of two funds)	<i>Legacy Fund Aviva Investors (Property Pooled Fund) This fund is currently being shut down and capital returned to investors. The Trustee will allocate the proceeds between the two target funds once this has been received.</i>	1.0% p.a. above benchmark	IPD All Balanced Funds Median
	Legal and General (Managed Property Fund)	1.0% p.a. above benchmark	IPD All Balanced Funds Median
	BlackRock (iShares Global Property Securities Equity Index Fund)	To perform in line with benchmark	FTSE EPRA Nareit Developed Index
Cash	Legal and General (Cash Fund)	ABI UK - Deposit & Treasury (Pension)	7-day LIBID

<b>(b) Passively Managed Funds</b>			
<b>Investment Fund</b>	<b>Current Manager (Fund Name)</b>	<b>Performance Target</b>	<b>Benchmark</b>
UK Equity Tracker	BlackRock (BlackRock CIF UK Equity Tracker Fund)	To perform in line with benchmark	FTSE All-Share Custom ESG Screened Index (from 30 June 2021)
Overseas Equity Tracker	BlackRock (Aquila Connect World (ex-UK) Index Fund)	To perform in line with the benchmark	FTSE Developed ex-UK Custom ESG Screened Index (from 30 June 2021)
Global Equity (50:50) Tracker	BlackRock (Aquila Connect (50:50) Global Equity Fund)	To perform in line with benchmark	50% FTSE AW Developed ex-UK Index 50% FTSE All-Share Index
World Equity Tracker	Legal and General (World Equity Index Fund)	To perform in line with benchmark	FTSE AW Index
Shariah Compliant Fund	HSBC (Amanah Global Equity Index Fund)	To perform in line with benchmark	Dow Jones Islamic Titans 100
Pension Converter Tracker	Legal and General (Pre-retirement Fund)	To reflect the investments underlying a typical non-inflation-linked pension annuity product.	Weighting, at discretion of LGIM, of 60.4% Corporate Bonds and 39.6% Fixed Interest Gilts (weighting as at 30/06/2013)
Index Linked Gilts Tracker	Legal and General (Over 5yr Index Linked Gilts Index Fund)	To perform in line with benchmark	FTSE A Index-Linked Over 5yr Index
Long Dated Gilts Tracker	BlackRock (Aquila Connect Over 15 Years UK Gilt Index Fund)	To perform in line with the benchmark	FTSE A >15yr Gilt Index

## Appendix 1

### Implementation Statement

#### INTRODUCTION

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"). The Regulations amongst other things require that the Trustee produce an annual implementation statement which outlines the following:

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the Scheme year;
- Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP over the Scheme year;
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast by Trustee or on their behalf) during the scheme year and state any use of the services of a proxy voter during that year.

This document sets out the details as outlined above for the two sections of the Slaughter and May Pension Scheme ("the Scheme"): the Final Salary Scheme (the "FSS") and the Money Purchase Scheme 2001 (the "MPS"). This Implementation Statement for has been prepared by the Trustee of the Scheme ("the Trustee") and covers the Scheme year 1 April 2020 to 31 March 2021.

#### CHANGES MADE TO THE SIP

The SIP was updated on 18 September 2020 to take account of further regulatory changes and changes in investment arrangements for both the FSS and MPS. As part of this amendment the Trustee outlined its policies on the incentivisation of asset managers to achieve their long-term objectives, cost, transparency and voting and stewardship.

The Trustee consulted with the Sponsor when making these changes and obtained written advice from its investment consultant.

#### MEETING OBJECTIVES AND POLICIES OUTLINED IN THE SIP

The Trustee outlines several key objectives and policies in the SIP. The full wording of these SIP policies can be found in the SIP document at this link:

<https://www.slaughterandmay.com/legal-and-regulatory-information/staff-pension-schemes/>

We have considered the broad themes these objectives and policies fit into and have noted these below together with an explanation of how these objectives have been met, and policies adhered to, over the course of the year.

#### Investment strategy and objectives

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters.

During the year the Trustee was supported by its investment consultant, Aon, which provided regular updates on the Scheme's performance and funds. This consisted of regular written reporting, ad hoc written updates and verbal updates as appropriate.

These reports assist the Trustee in its monitoring of the Scheme's stability and long term ability to provide all benefits due to members through regular monitoring of the funding position and asset performance. The asset performance and progress against strategic objectives is monitored by the Trustee on a quarterly basis via investment reports from its adviser. Funding updates are available to the Trustee and are discussed quarterly at Trustee meetings. The Trustee also reviews asset

allocation versus target together with any strategic issues on a quarterly basis, rebalancing where appropriate.

Over the year, the Trustee received training on a variety of investment risks and strategic developments. Strategic actions taken by the Trustee over the year include:

#### FSS

- Interest rate and inflation hedging levels;
- Adopting a factor-based approach for the existing equity allocation; and,
- Establishing long term funding objectives.

#### MPS

- Review of Default Investment Option; and,
- Addition of ESG related funds.

#### **Appointment and review of investment managers**

As part of Aon's investment manager research process, the governing documentation of investments is reviewed for appropriateness before a "Buy" rating is given. The Trustee considers the investment manager policies, including those on ESG, before appointing any new managers. No new managers were appointed over the Scheme year.

The Trustee, with advice from Aon, considers the suitability of the asset managers on an ongoing basis. Aon's investment manager research function meets rated managers on a regular basis to assess any changes in the investment staff, investment process, risk management and other factors to ascertain whether the overall rating assigned to the fund remains appropriate. Awareness regarding ESG risks in the investment strategy is also considered as part of this monitoring and rating process. In case of any noteworthy development regarding the manager the Trustee is apprised and advised accordingly by Aon either through ad hoc reporting or regular, quarterly, reporting.

No changes have been made to the Scheme's investment managers as a result of ESG related factors during the Scheme year.

#### **Cost Transparency**

The Trustee intends to annually collect cost transparency information utilising Cost Transparency Initiative templates starting with the 2021 calendar year.

#### **ESG and Responsible Investment**

Over the year, the Trustee received training on Responsible Investment at its June meeting, including the Trustee's obligations relating to its arrangements with asset managers, costs and performance and stewardship.

An ESG score for each investment manager (where relevant) is awarded by Aon as part of the regular manager review process. These ratings consider the fund management team's awareness of all known and potentially financially material ESG risks in the investment strategy, and the steps that have been taken by the manager to identify, evaluate and potentially mitigate these risks across the portfolio.

Sponsor representatives regularly attend Trustee meetings which has enabled both parties to share ESG perspectives and goals and to promote alignment where appropriate. When drafting the Trustee's policies, the Sponsor's policies on ESG were considered.

## Stewardship – Voting and Engagement

The Trustee has collected the voting and engagement records of its investment managers and these are presented in the following section. Given the number of strategies the Scheme invests in, to keep the statement relatively concise, we have disclosed detailed stewardship information in relation to the most material managers in a proportionate way.

In line with regulatory requirements, the Trustee reviewed and expanded its Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy. This has been made available on a publicly accessible website.

### VOTING AND ENGAGEMENT

The Trustee invests in pooled funds, and as such has delegated responsibility for the selection, retention and realisation of investments to the Scheme's investment managers in whose funds it invests. As part of the production of this statement, the Trustee – supported by its investment advisers – has reviewed the voting and engagement activities carried out on its behalf by the Scheme's investment managers. Where the stewardship of managers is found to be falling short of the standards set out by the Trustee (exercising votes and engaging in order to create long-term financial value) the Trustee may take further action – for example by meeting with the manager in question or requesting that the Trustee's investment advisers engage on its behalf.

All of the Scheme's investment managers have provided commentary on their approach to voting, including the use of any proxy voting provider services provided (relevant for equity managers only) as well as their approach to engaging with underlying security issuers. The Trustee acknowledges that the concept of stewardship may be less applicable with respect to its fixed income and property investments, particularly for short-term money market instruments and gilt investments.

The majority of the Scheme's investment managers have also provided examples of significant votes. There are a number of different criteria under which investment managers can determine whether a vote is significant. Each manager has their own criteria, with examples including:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the trustees consider inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Scheme

The Trustee's definition of a significant vote is broadly consistent with the managers' definitions, therefore, the examples given in the sections below are also aligned with the Trustee's definition of a significant vote.

Having reviewed the commentary provided by the investment managers, the Trustee believes the stewardship carried out on its behalf over the year to 31 March 2021 has been adequate, noting how the examples of votes provided by the Scheme's investment managers show the willingness and ability of the Scheme's investment managers to take proactive votes against management where appropriate.

Having said that, the Trustee recognises that it has a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. Accordingly, the Trustee continues to expect improvements over time (including the provision of voting and engagement examples by Dodge and Cox, examples of engagement carried out by Aviva and provision of voting and engagement information by Utmost Life and Pensions) in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

## EQUITY & MULTI ASSET FUNDS

Over the year, the Scheme invested in the following equity funds:

Fund Manager	Fund Name	Scheme
Legal & General Investment Management "LGIM"	Developed Balanced Factor Equity Index Fund	FSS
	All World Equity Index Fund	FSS
	All World Equity Index Fund	MPS
Ballie Gifford & Co	UK Equity Core Fund	MPS
Majedie Asset Management	UK Equity Fund	MPS
Dodge & Cox Incorporated	Global Stock Fund	MPS
MFS Investment Management	Global Equity Fund	MPS
BlackRock	iShares UK Equity Index	MPS
	BlackRock Aquila Connect World Ex UK Equity	MPS
	BlackRock Aquila Connect 50/50 Global Equity	MPS
	DC Diversified Growth	MPS
	Dynamic Asset Allocation Fund	MPS
HSBC	HSBC Islamic Global equity Index	MPS

### Legal & General Investment Management ("LGIM")

#### Voting Policy

LGIM make use of ISS's proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seek to uphold what they consider to be minimum best practice standards all companies should observe. Even so, LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example in engagements for which the company have provided additional information.

An example of a significant votes (relevant to the All World Equity Index Fund & Developed Balanced Factor Equity Index Fund) at a company was in May 2020, when LGIM supported 10 out of 12 shareholder proposals put forward against the management of Amazon, the largest number of shareholder proposals put on the table for any US company in the 2020 proxy season. Two resolutions were in relation to governance structures that benefit long-term shareholders, and the remaining eight were in relation to disclosure to encourage a better understanding of process and performance of material issues. The resolutions received between 1.5% and 30% support from shareholders.

The company had received press coverage due to the largely negative sentiment related to its governance profile and its initial management of the COVID-19 pandemic. This was an important topic for LGIM's multiple engagements with the company over the past 12 months, as well as the separation of CEO and board chair roles, a desire for directors to participate in engagement meetings, and details about the data transparency committed to in their Climate Pledge. The Stewardship team at LGIM received more inquires related to Amazon than any other company this season.

**Voting statistics**

LGIM Equity	For the period from 1 Apr 2020 – 31 Mar 2021		
	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % of resolutions voted against management	% of resolutions abstained
LGIM Developed Balanced Factor Equity Index Fund	100.00%	17.93%	0.24%
LGIM All World Equity Index Fund	99.85%	15.96%	0.79%

**Engagement Policy**

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

- Identify the most material ESG issues,
- Formulate the engagement strategy,
- Enhancing the power of engagement,
- Public Policy and collaborative engagement,
- Voting, and
- Reporting to stakeholders on activity.

More information can be found on LGIM's engagement policy here: <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf>

An example of LGIM's engagement over 2020 was with Procter and Gamble ("P&G"). P&G uses both forest pulp and palm oil as raw materials within its household goods products. A key issue identified was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of their Tier 1 suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by Green Century that P&G should report on effort to eliminate deforestation (that was voted on in October 2020), LGIM engaged with the P&G, the resolution proponent, and with the Natural Resource Defence Counsel to fully understand the issues and concerns. Through this round of engagements, LGIM decided to support this resolution as although P&G has introduced several objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC-certified sources. More detail on this stewardship example can be found here: <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/cg-quarterly-report.pdf>

**Baillie Gifford****Voting Policy**

Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. They utilise research from proxy advisers (ISS and Glass Lewis) for information only. Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines and endeavour to vote every one of their clients' holdings in all markets.



Baillie Gifford believes that voting should be investment led, because how they vote is an important part of the long-term investment process, which is why their strong preference is to be given this responsibility by their clients (including the Trustee of the Scheme). They also believe that the ability to vote their clients' shares strengthens the Baillie Gifford position when engaging with investee companies. Baillie Gifford's Governance and Sustainability team oversees their voting analysis and execution in conjunction with the investment managers.

#### *Voting statistics*

Baillie Gifford Equity	For the period from 1 Apr 2020 – 31 Mar 2021		
	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
Baillie Gifford UK Equity Core Fund	100.00%	1.35%	0.99%

An example of a significant vote was Baillie Gifford voting for a shareholder resolution in the Tesla annual general meeting in September 2020. They supported a shareholder proposal to eliminate supermajority voting requirements from Tesla Inc's by-laws and to adopt a simple majority voting standard. Baillie Gifford think this change is in shareholders' best interests.

This resolution was deemed significant because it was submitted by shareholders and received greater than 20% support. As a result, this resolution was passed.

#### Engagement

Baillie Gifford focus on the following principles when engaging with investee companies;

- Prioritisation of long-term value creation
- Constructive and purposeful boards
- Long term focused remuneration with stretching targets
- Fair treatment of stakeholders
- Sustainable business practice

These principles help shape Baillie Gifford's interaction with companies, where the firm believes it has a responsibility to behave as supportive and constructively engaged long-term investors.

An example of engagement took place in December 2020 as part of Baillie Gifford's ongoing dialogue with Netflix. Baillie Gifford spoke with non-executive directors Anne Sweeney and Leslie Kilgore, to discuss how Netflix has adapted to the Covid pandemic, the promotion of Ted Sarandos to co-CEO, the competition for consumer attention, corporation tax and data security. Baillie Gifford stated that the Netflix board is one of the most actively involved across their holdings and has played an important role in supporting management's focus on developing great content and nurturing the company's culture. Sweeney and Kilgore described a deliberate focus on promoting diversity and inclusion to support content creation for a diverse audience. Sarandos' promotion was described as a formalisation of a long-term working practice, and accordingly, the transition has been seamless.

Data security is a standard topic for the audit committee, and the board takes it very seriously. The Netflix subscription model and absence of advertising places it in an advantageous position as it doesn't collect and sell customers' data to generate revenue. This was another positive interaction with the Netflix board, which Baillie Gifford state, supports their confidence in its unconventional governance and ability to steward the business responsibly, with a focus on long-term value creation.

## Dodge & Cox

### Voting Policy

Dodge & Cox uses the proxy advisory firm, ISS, to provide notification and research related to proxies. ISS also implements the proxy voting decisions made by Dodge & Cox.

Dodge & Cox also utilises proxy research provided by Glass Lewis to assist in the decision-making process. The firm's Proxy Officer, or delegate, takes note of proxy research received from the outside proxy research firms prior to voting each proxy according to the Dodge & Cox Proxy Voting Policy. Proxy vote recommendations may also be ratified by a securities analyst when deemed appropriate by the Proxy Officer or delegate.

Exceptions (including potential conflicts of interest that arise when an issue is not clearly covered by these guidelines, and when deemed appropriate by the Proxy Officer or delegate) may be referred to one or more members of the Proxy Policy Committee for review.

Further information on their proxy voting can be found here:

[https://www.dodgeandcoxworldwide.com/pdf/shareholder\\_reports/dc\\_ww\\_funds\\_proxy\\_voting\\_policy.pdf](https://www.dodgeandcoxworldwide.com/pdf/shareholder_reports/dc_ww_funds_proxy_voting_policy.pdf)

### *Voting statistics*

Dodge & Cox Incorporated Equity	For the period from 1 Apr 2020 – 31 Mar 2021		
	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
Dodge & Cox Global Equity Fund	100.00%	2.40%	0.10%

Dodge & Cox did not provide any voting examples

### Engagement

Dodge & Cox does not have a formal engagement policy. Dodge & Cox states that it engages with companies on ESG issues on an ad hoc basis where it deems it to be material and relevant to its investment thesis. Upon engagement, a company's response is incorporated into Dodge & Cox's investment decision-making and monitoring. A key consideration in Dodge & Cox's investment process is whether or not a company is being managed for the long-term benefit of its shareholders.

Governance factors such as capital allocation, makeup and quality of the board and management, and strategic decisions are often considered when evaluating companies. Dodge & Cox engage with the management of a company when it believes that its decisions are not aligned with the best interests of long-term shareholders.

Dodge & Cox did not provide any examples of engagement relevant to the Scheme year ending 31 March 2021.

## Majedie

### Voting policy

Majedie uses ISS for voting research and places its electronic votes through ISS Proxy Exchange. Majedie is guided by a set of Voting Principles, which can be accessed via: <https://www.majedie.com/wp-content/uploads/Proxy-Voting-Principles.pdf>.

In terms of reaching a voting decision, where a management recommendation and Majedie's proxy voting research provider's recommendation are in alignment, Majedie will be minded to vote the same, except where items concern approval of political donations and expenditure, where Majedie will be minded to vote against. Where there is divergence, the relevant Majedie fund manager will make a decision on how to vote. Majedie also scrutinises in particular the recommendations of management and ISS in the UK small cap space.

#### *Voting statistics*

Majedie Investment Management Equity	For the period from 1 Apr 2020 – 31 Mar 2021		
	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
Majedie UK Equity fund	97.40%	3.40%	0.70%

An example of Majedie voting against management (at a strategy level) was in relation to Tesco in June 2020. Majedie voted against the Remuneration Report. Majedie believed that amendments to the performance element of the report had enabled a significant amount of the award to vest, whereas use of the original comparator group would have led performance to below the threshold target.

In order to seek a way forward on the issue, Majedie requested that the company maintain the executive post-employment shareholding requirement at 100% of the guideline over two years, instead of one (the CEO and CFO were due to leave the company in subsequent months). Majedie felt this would be an important change that would make it more comfortable in supporting the report, as issues regarding the unsecured banking book may only become known in the next couple of years. The company was unable to agree to this change and consequently, Majedie voted against the report.

#### Engagement policy

Majedie sees engagement as a critical component of its investment process in helping the manager understand their investments, key issues and potential risks companies might face going forward. Majedie will engage with the underlying companies it invests in via meetings, phone calls and written communications as part of their investment process, with the level of engagement being driven by its own assessment of the material issues a company faces.

When engaging Majedie has a policy of speaking plainly, and when engaging will always explain the reason why they are asking for action to be taken, when they expect the request to be completed by, what part of the group they would expect to fulfil their request and what subsequent steps/phases will likely be once the initial request is satisfied. Majedie will escalate engagements as required on a case by cases basis – this may involve breaking requests down into multiple, smaller steps or speaking to multiple company representatives.

Majedie reports on its engagements, including any subsequent votes, in their quarterly reports to clients and in their annual Responsible Capitalism report which is published on its website.

An example of Majedie engaging with management at a strategy level was with Primark, which is part of the Associated British Foods Group, during 2020. Majedie's objective for the engagement was for the group to increase the percentage of sustainable cotton, consider ways to mitigate waste from fast fashion, increase supply chain oversight and consider online offering. Majedie's conviction decreased post engagement due to a number of factors, Majedie believed that much of the hidden value in grocery has been realised and Primark's intrinsic value is more at risk as consumer preferences favour e-commerce. Therefore, Majedie have reduced their exposure to the stock on the view that the rapid shift to online trading could pose a headwind to Primark over the longer term.

## HSBC

### Voting Policy

HSBC use the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their own voting guidelines.

ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC guidelines. Recommendations are provided for all companies held, whether in active or passive funds. HSBC then reviews voting policy recommendations for all active holdings, which enables them to ensure that ISS has applied the policy correctly and to determine whether there are company-specific reasons to depart from the policy.

HSBC will often provide feedback to ISS on their application of the policy - either to amend the recommendation for a particular meeting or for future meetings. A decision to depart from a policy recommendation is made by the portfolio manager and/or a member of the Governance team. This could result from an investment insight into the company concerned that goes beyond the ISS analysis or from an engagement with the company which indicates that the governance concern is misplaced or will be addressed. Reasons for departures from policy are recorded and reviewed subsequently by a governance oversight group. Policy recommendation on passive holdings are reviewed on an ad hoc basis and can also result in feedback to ISS to amend the recommendation of concern and/ or future recommendations.

HSBC's policy is applied at three levels: market-specific criteria for developed Europe; global 'good practice' standards for other developed markets; more flexible application for emerging and frontier markets.

### *Voting statistics*

	For the period from 1 Apr 2020 – 31 Mar 2021		
HSBC Equity	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
HSBC Islamic Global Equity Index Fund	91.60%	12.20%	0.00%

HSBC exercise their voting rights as an expression of stewardship for client assets. They have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance and limits on dilution of existing shareholders.

An example of a significant vote over the year concerned Chevron Corporation. In May 2020, HSBC voted against management so as to support a resolution for the company to report on climate lobbying, in alignment with the goals of the Paris Climate Agreement. HSBC favour resolutions that request increased reporting and accountability on climate change issues. HSBC had contacted the company to explain the voting rationale and to request the opportunity to discuss further, highlighting that they would vote in favour of increased reporting at the AGM and in future cases. HSBC were successful in voting for the resolution, with it passing at 53.50% of the vote.

### Engagement policy

HSBC meet with companies on a range of ESG issues and have a clear set of engagement objectives which may include:

- Improving understanding of a company's business and strategy
- Monitoring performance

- Signalling support or raising concerns about company management, performance or direction
- Promoting good practice

HSBC undertake a risk assessment on an annual basis, helping to identify ESG practices of concern in different regions and where they have the most exposure on an absolute and relative basis. They prioritise themes, sectors or key stocks on the basis of scale of client holdings, salience of the issues concerned and overall exposure. This process results in the development of an annual engagement plan.

HSBC have developed a clear process for each formal equity engagement based on setting defined company specific objectives, tracking progress made, measuring company action and recording engagement. They meet with companies on a range of issues including delivery of corporate strategy, financial and nonfinancial performance and risk, allocation of capital and management of ESG issues. Their active equity and credit analysts and portfolio managers (c.340 investment professionals) engage with issuers as part of the investment process, both before and during the period of investment and they also cover relevant ESG issues in their research and discussions.

To support HSBC's research from engagement activities, they have also developed "ESG key topic sheets", and this ESG executive summary is then supplemented by a set of potential engagement questions to guide analysts and portfolio managers when meeting an issuer.

Environmental factors considered include climate change risk and environmental impacts, and the associated carbon emissions, energy efficiency, and renewable and alternative energies. Material supply chain issues are also considered. Social factors encompass a variety of different issues including human capital management, health and safety, and supply chain labour standards as well as demographics and the digital divide, financial exclusion, access to healthcare, and nutrition and health.

Governance factors address business ethics, cultures and values, and corporate governance. These can also include bribery and corruption, financial system instability, anti-competitive practices and responsible tax practices, as well as minority shareholder rights.

When analysing issuers, HSBC consider which specific ESG factors are generally material for the industry in which each company operates. They also use proprietary sector-specific weighting for ESG factors to reflect the materiality of each set of issues to the sector. The factors included above are by no means exhaustive, and they can consider further unlisted ESG factors that may have meaningful impact on companies' future potential.

#### Engagement Example

During the quarter, the Fund Manager's ESG team engaged with fifteen fund constituents. One example of this engagement included the team meeting with the CEO of Rio Tinto to discuss their climate related commitments, specifically questioning the CEO about their lack of scope 3 goals (Scope 3 emissions refers to all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions). The discussion included ambitions for net zero by 2050, potential use of hydrogen instead of coal in steel production, commitments to climate-related investment, carbon footprint assessments as part of project approval process and water usage.

#### **MFS Investment Management**

##### Voting Policy

MFS works with the proxy advisory firm Institutional Shareholder Services ("ISS") to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions as well as receiving research reports and vote recommendations from this firm and Glass Lewis. MFS maintains its own publicly available proxy voting policies and procedures (the MFS Proxy Policies), which guide all of the proxy voting decisions and provide a framework for voting decisions.

The exercise of voting rights is overseen by the MFS Proxy Voting Committee, which consists of eight senior members of MFS' Investment, Legal and Global Investment Support departments.

#### *Voting statistics*

MFS Investment Management Equity	For the period from 1 Apr 2020 – 31 Mar 2021		
	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
MFS Global Equity Fund	100.00%	6.41%	1.16%

An example of a significant vote during the reporting period was where MFS voting against the management of Marriott International, Inc. in May 2020. The proposal was to prepare an Employment Diversity Report, which management voted against. Additional diversity-related disclosure would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks. The outcome of the vote was that 29% supported the proposal.

#### Engagement

At MFS, Management Engagement is undertaken by dedicated MFS analysts responsible for covering an investee company and MFS portfolio managers that are invested or considering an investment in an investee company ("MFS Investment Professionals") as well as dedicated MFS Proxy Voting Professionals ("MFS Proxy Professionals"). MFS prioritises its engagement activity in a number of ways. For example, MFS will prioritise engagements with companies where MFS has substantial ownership or where MFS believes a particular topic is financially material for an issuer. In addition, MFS Investment Professionals and MFS Proxy Professionals both monitor engagement results and outcomes.

MFS provided a number of fund level engagement examples over the reporting period. For example, their covering industry analyst, ESG analyst and several portfolio managers met with members of various North American railroad management teams to discuss sustainability topics. Some of the topics covered include emissions reduction, corporate culture, safety and turnover, and the unionised workforce. Separately, they conducted a call with rail union representatives. The perspective of the union has informed their discussions with management around impacts to labour from changes to railway operating models. This will be a continued area of engagement given broad ownership of rails across MFS portfolios.

Moving freight by rail, while slower, is three to four times more fuel-efficient than trucking. As companies become more focused on reducing and reporting on their carbon emissions, these discussions will aid MFS understanding of the opportunity for shifting freight from truck to rail.

Overall, MFS believe that Canadian National Railway are sustainability leaders in the North American rail group which has set clear carbon reduction targets. Canadian National includes employee safety targets in long-term executive compensation and has broad employee stock ownership plans. As businesses increasingly include supply chain sustainability in their transportation decisions, MFS believe rail should continue to gain share as a lower emissions transport option versus truck delivery.

#### **BlackRock**

#### Voting policy

Blackrock uses ISS's electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. Blackrock's voting decisions are informed by internally-developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and are

updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Over 2020, BlackRock increased its level of reporting by publishing more voting bulletins with detailed information and rationale for voting decisions. These specific significant votes are chosen by BlackRock based on a number of criteria such as level of public attention, and impact of financial outcome.

#### *Voting statistics*

	For the period from 1 Apr 2020 – 31 Mar 2021		
BlackRock Equity & Multi Asset	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
BlackRock iShares UK Equity Index Fund	98.82%	5.35%	1.93%
BlackRock Aquila Connect World Ex UK Equity Fund	92.04%	6.26%	0.34%
BlackRock Aquila Connect 50/50 Global Equity Fund	94.85%	6.26%	1.00%
BlackRock DC Diversified Growth Fund	95.84%	5.86%	0.91%
BlackRock Dynamic Asset Allocation Fund	96.58%	4.92%	0.41%

An example of a significant vote (relevant to all above BlackRock funds) cast on behalf of the Trustee is where BlackRock voted against the Board's recommendations in May 2020, by voting in support of a shareholder proposal requesting that Chevron report on how the company's lobbying aligns with the goals of the Paris Agreement. The report was intended to address the risks presented by any misaligned lobbying and to understand the company's plans, if any, to mitigate these risks.

Blackrock acknowledged that Chevron has been responsive to investors and transparent in their reporting which is aligned with the requirements of both the Task Force on Climate Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). BlackRock also consider Chevron to be a leader among its US peers with regard to board oversight of climate risk, strong corporate governance practices, and reporting in line with SASB and the TCFD. However, they felt that increased transparency around political spending and lobbying relating to climate risk and the low carbon transition would strengthen the company's disclosure. They also held the view that the company could provide investors with a more detailed explanation of the alignment between Chevron's political activities and the goal of the Paris Agreement to limit global warming to no more than two degrees Celsius, which the company supports.

Recent engagements with the company leading up to the annual general meeting have given Blackrock the impression that Chevron is aligned with the spirit of this proposal, as it has articulated a desire to provide more clarity for investors on its internal climate considerations and associated political lobbying. BlackRock believe enhanced disclosure will help investors better understand the company's political activities in the context of policy that supports the transition to a lower carbon economy. More information can be found on the voting bulletin here:

<https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf>

Engagement policy

BlackRock states that it aims to enhance the long-term value of client assets through its proxy voting and engagement activities. BlackRock uses engagement as a tool to raise concerns regarding governance and sustainability issues that may affect the long-term performance of the company.

BlackRock has stated that it is aiming to improve its engagement disclosures this year, with the aim to move from annual to quarterly voting data; give prompt explanations of key voting decisions; and enhance disclosure of company engagement.

**ENGAGEMENT – FIXED INCOME & REAL ESTATE FUNDS**

The Scheme invests in fixed income and real estate funds within the DC Section, with material funds being set out below:

Manager	Fund Type	DB/DC
LGIM	Managed Property fund	MPS
	Pre-Retirement Fund	MPS
Aviva Investors	APIL Property fund	MPS

While equity managers may have more direct influence on the companies they invest in, fixed income managers are also increasingly influential in their ability to encourage positive change. The Trustee acknowledges that the concept of stewardship may be less applicable with respect to some of its fixed income investments, particularly for government bonds.

The Trustee also appreciates that engagement activities within the direct property funds may be limited in comparison to other asset classes. Nonetheless, the Trustees expect ESG engagement to be integrated in its managers' investment approaches.

**LGIM – Fixed income**

LGIM engage with fixed income issuers in line with the company-wide engagement policy laid out in the equity and multi-asset section above.

LGIM have also provided an engagement case study where it engaged with a credit issuer, the energy company BP. LGIM's investment stewardship team and BP had regular engagements in relation to their strategy and role in the energy transition. These topics included the long-term oil price assumption, credible targets to decarbonise the portfolio and commitment to achieve these targets. LGIM's key focus from a credit perspective was to re-enforce the stability of the credit rating and strength of the balance sheet as BP progresses towards de-carbonisation. In early 2020, BP announced a shift towards low-carbon energy and shrinking long term investment in fossil fuels. Also decarbonisation targets are backed up by a new net zero target, reduced dividend payout, and a divestiture target which all point to an acceleration in deleveraging.

**LGIM – Real Estate**

LGIM Real Assets ("LGIMRA") have a tenant liaison policy which requires the managing agents to develop a specially targeted tenant engagement programme for all assets. This process is incorporated in the green lease clauses which LGIM try to place into every new lease.

LGIM enhance the level of interaction with tenants by engaging them as far as possible on the operational aspects of the buildings they own and tenants occupy. They believe that by fostering closer relationships with tenants, they can influence them to use the buildings LGIM owns in a more efficient and sustainable manner.



Feedback from tenants is gathered through various channels. There is a multi-channelled approach:

- Each property manager, from LGIM's managing agent, meets each tenant at least once a year for a conversation using a set format of questions and gathers feedback electronically.
- From a Corporate perspective, LGIMRA's asset managers have 'key contacts' with larger tenants in order to develop a corporate relationship to discuss all initiatives and gather feedback.

All individual tenant meetings and responses are recorded. LGIMRA is currently implementing new and innovative systems in order to improve the provision of data which will in turn allow them to engage in even greater depth with tenants and action feedback.

### **Aviva Investors – Real Estate**

Aviva Investors believe engagement in real assets requires interaction on environmental and social issues with the occupier, sponsor or counterparty. The engagement should be carried out through the transaction process, or through ongoing asset management if possible.

Aviva's Real Assets team engage by including ESG covenants in their transactions to mandate positive change from their sponsors over the lifetime of the loan, providing financial incentives to encourage positive behaviours such as reducing energy use or installing renewable energy equipment.

With regard to the fund that the Scheme is invested in, Aviva has published several case studies which highlight investments in developments during the course of 2020 and how these investments are meeting carbon neutrality, 'A' ratings in energy performance as a result of high sustainable specifications, and the promotion of a positive social environment through occupier comfort and connectivity.

At present, Aviva Investors Real Assets does not report at entity, fund or mandate level on engagement. This is due to historic differences between listed equity and debt processes and private markets. Aviva are building out their reporting processes and Aviva Investors Real Assets are planning to begin reporting on engagement from Q1 2021.

### **AVC ARRANGEMENTS**

The Scheme also has AVC assets invested with Utmost Life and Pensions.

Utmost Life is the platform provider for some of the Scheme's AVC arrangements. Utmost Life are responsible for choosing the funds on their platform but are not directly involved in the day-to-day management of assets – currently Utmost Life partners with JPMAM and appointed them to be the asset manager that manages the unit-linked funds on the Utmost platform.

JPMAM retains the services of the ISS voting agency to implement the JPMorgan Asset Management voting policy and uses research from ISS and Glass Lewis as an input in evaluating how a proxy should be voted. JPMAM 'tag' certain votes in the ISS system, to allow them to be subject to extra scrutiny, for example if engagement is ongoing, or if the company has been flagged as an 'ESG outlier', or if an analyst or portfolio manager has requested it be reviewed in more detail.

JPMAM votes at approximately 8,000 shareholder meetings per year, in over 80 markets worldwide. For key issues or core shareholdings, or where there is ongoing engagement, they endeavour to inform companies when opposing their recommendations.

### Engagement Policy

In their engagement with the companies they invest in, JPMAM have five main investment stewardship priorities that they believe are most applicable. Governance, Strategy alignment with the long-term, Human capital management, Stakeholder engagement and climate risk. Please see the link here for more information on Investment Stewardship at JPMAM:

<https://am.jpmorgan.com/blob-im/1383664293468/83456/J.P.%20Morgan%20Asset%20Management%20investment%20stewardship%20statement.pdf>.

The Trustee and their investment adviser have requested details of votes cast on the Trustee's behalf over the year to 31 March 2021 in respect of the AVC arrangements held with Utmost. At the time of writing this statement neither Utmost or JPMAM were able to provide voting statistics, examples or engagement examples undertaken. Utmost have assured the Trustee that they are engaging with underlying investment managers around the provision of this information and the Trustee's investment advisers are also engaging directly with both Utmost and JPMAM on these matters. The Trustee expects improvement in the provision of data for future statements.

### **SUMMARY**

Overall, the Trustee is of the opinion the stewardship carried out on behalf of the Scheme is adequate. The Trustee notes examples of the willingness and ability of LGIM, BlackRock and HSBC to take proactive votes against management where appropriate.

Having said that, the Trustee recognises that it has a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. Accordingly, the Trustee continues to expect improvements over time (including the provision of voting and engagement examples by Dodge and Cox, examples of engagement carried out by Aviva and provision of voting and engagement information by Utmost Life and Pensions) in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.